FRANCHISE DISCLOSURE DOCUMENT

1 800 WATER DAMAGE International, LLC
A Delaware Limited Liability Company
731 Fairfield Court
Ann Arbor, Michigan 48108
1-734-864-9799
1800waterdamage.com

We offer qualified individuals the right to operate a business offering water damage restoration services, carpet, tile and grout cleaning services, mold remediation, odor removal, fire, smoke and related cleaning and remediation products and services utilizing the 1-800 WATER DAMAGE business system.

The total investment necessary to begin operation of a WATER DAMAGE Business in a single Territory ranges from $132,099.10 to $206,728.18. This includes $90,000 to $115,500 that must be paid to us or our affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Janet Hughes, Legal Administrator, at 731 Fairfield Court, Ann Arbor, MI 48108, 734-864-9799.

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 the contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

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

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

Issuance date: April 20, 2019, as amended July 19, 2019

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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 C for information about the franchisor, or about franchising in your state.

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

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

1. THE FRANCHISE AGREEMENT REQUIRE YOU TO FIRST RESOLVE ALL DISPUTES WITH US, AT OUR OPTION, BY MEDIATION, AND THEN LITIGATION IN ANN ARBOR, MICHIGAN. OUT OF STATE MEDIATION AND/OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE AND/OR LITIGATE WITH US IN MICHIGAN THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT STATES THAT MICHIGAN 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. THE FRANCHISE AGREEMENT REQUIRES YOU TO ATTAIN, THEN MAINTAIN, CERTAIN MINIMUM MONTHLY GROSS SALES. THE MINIMUM MONTHLY GROSS SALES IN THE SECOND YEAR OF OPERATION IS $10,400 PER MONTH, IN THE THIRD YEAR OF OPERATION THE MINIMUM IS $21,500 PER MONTH, IN THE FOURTH YEAR OF OPERATIONS THE MINIMUM IS $30,000 PER MONTH AND IN THE FIFTH YEAR AND BEYOND THE MINIMUM IS $41,500 PER MONTH. IF YOU FAIL TO DO SO, THE FRANCHISOR COULD TERMINATE YOUR FRANCHISE AGREEMENT AND YOU COULD LOSE YOUR INVESTMENT.

4. YOUR SPOUSE MUST SIGN A PERSONAL GUARANTY MAKING YOUR SPOUSE INDIVIDUALLY LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT. THE GUARANTY WILL PLACE YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK IS YOUR FRANCHISE FAILS.

5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

[Effective Dates for this Franchise Disclosure Document are listed on the following page]

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STATE ISSUANCE/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: Pending Registration

Florida: Effective

Hawaii: Pending Registration

Illinois: Pending Registration

Indiana: May 16, 2019

Maryland: Pending Registration

Michigan: Effective

Minnesota: Pending Registration

New York: Pending Registration

North Dakota: Pending Registration

Rhode Island: Pending Registration

South Dakota: Pending Registration

Utah: Effective

Virginia: Pending Registration

Washington: Pending Registration

Wisconsin: Pending Registration

In all other states, the effective date of this Franchise Disclosure Document is the Issue Date of April 20, 2019, as amended July 19, 2019.

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ADDITIONAL DISCLOSURES FOR 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.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

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

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

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

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than five 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 six 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;

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(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; or

(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 ENFORCEMENT BY THE ATTORNEY GENERAL.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attn: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48933
(517) 373-7117
miag@michigan.gov

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ITEM 1: THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

1.1 The Franchisor, its Parents, Predecessor and Certain Affiliates.

The franchisor is 1 800 WATER DAMAGE International, LLC. Our principal business address is 731 Fairfield Court, Ann Arbor, MI 48108. To simplify the language in this Disclosure Document, "we," "us," "our," "Company", and "WATER DAMAGE" means 1 800 WATER DAMAGE International, LLC. "You" or "your" means the person to whom a franchise is awarded.

If the Franchise is awarded to a legal or business entity, "you" or "your" means the legal or business entity and the owners of the legal or business entity.

We were formed on April 16, 2015, as a Delaware Limited Liability Company, and we do business under the name "1-800 WATER DAMAGE." We do not do business under any other name and have not offered franchises in any other line of business. We have never operated a business offered under this Disclosure Document. We have no other business activities except franchising. Our agent authorized to receive service of process is listed in Exhibit D of this Disclosure Document.

Our parent is BELFOR Franchise Group, LLC (f/k/a "DUCTZ Holdings, LLC") ("BFG"), a Michigan Limited Liability Company formed on July 3, 2007 and a wholly owned subsidiary of BELFOR (USA) Group, Inc. ("BELFOR"), a Colorado corporation formed on June 9, 1995, and located at 731 Fairfield Ct, Ann Arbor, MI 48108. BELFOR is a wholly owned subsidiary of BELFOR Holdings, Inc., a Delaware corporation incorporated on May 24, 2006 and located at 185 Oakland Ave, Suite 300, Birmingham, MI 48009. BELFOR offers property and electronic restoration, machinery refurbishment, data and document restoration, mold remediation, emergency and rapid response. BELFOR does not currently operate any, nor has it offered, franchises in any line of business, although it reserves the right to do so in the future. As of December 31, 2018, BELFOR owns and operates 122 units in the United States.

BELFOR Holdings, Inc. is fully owned by ASP BF Intermediate Sub, LLC, a Delaware limited liability company formed on December 21, 2018. Its principal business address is 299 Park Avenue, 34th Floor, New York NY 10171. ASP BF Intermediate Sub, LLC purchased BELFOR Holdings, Inc. on April 4, 2019.

Our predecessor is LLB Group, Inc. (f/k/a The Cure Service Group, Inc. ("LLB Group")), a Washington corporation with a principal business address of 1167 Mercer Street, Seattle, Washington 98109. LLB Group offered and sold 1-800 WATER DAMAGE franchises beginning in 2002 through 2013. On May 6, 2015, we purchased certain assets of LLB Group, including the 1-800 WATER DAMAGE marks, business system and existing franchise agreements. As a result, we became the new franchisor of 1-800 WATER DAMAGE franchises and began offering franchises on October 15, 2015. The existing 1-800 WATER DAMAGE franchisees operate under the same marks and offer the same services that you will offer as a 1-800 WATER DAMAGE Franchisee.

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Our affiliate 1 800 WATER DAMAGE North America, LLC ("WDNA") is a Delaware limited liability company formed on September 28, 2015. WDNA maintains it principal address at 731 Fairfield Ct, Ann Arbor, MI 48108. As discussed below, WDNA owns the 1-800 WATER DAMAGE Business for the existing Managing Operators. As of December 31, 2018, WDNA owns and operates 17 Managing Operator Model units in the United States.

Our affiliate A Cure Disaster Services, LLC ("A Cure") a Delaware Limited Liability Company, formed on April 16, 2015, currently operates the company owned 1-800 WATER DAMAGE businesses. A Cure maintains its principal address at 12600 Interurban Ave., S. Suite 130, Tukwila, WA 98168. Its business includes offering water damage restoration services, carpet cleaning services, mold remediation, odor removal and related cleaning services. A Cure does not offer franchises in any line of business at this time, although they reserve the right to do so in the future. As of December 31, 2018, A Cure owns and operates 2 units in the United States.

Our affiliate HOODZ International, LLC ("HOODZ") is a Delaware Limited Liability Company formed on October 3, 2008 with a principal business address at 731 Fairfield Court, Ann Arbor, Michigan 48108. HOODZ is the franchisor of HOODZ franchised businesses which offer commercial kitchen exhaust system cleaning, inspection, maintenance and restoration services and has offered franchises since January 1, 2009. As of December 31, 2018, HOODZ had 124 franchises operating in the United States.

Our affiliate DUCTZ International, LLC ("DUCTZ") is a Michigan Limited Liability Company formed on March 30, 2004 with a principal business address at 731 Fairfield Court, Ann Arbor, Michigan 48108. DUCTZ is the franchisor of DUCTZ businesses offering commercial and residential air duct cleaning services and has offered franchises since 2004. As of December 31, 2018, DUCTZ had 73 franchises operating in the United States.

Additionally, the following affiliates may provide products and services to the WATER DAMAGE System. Our affiliate BHI Distribution, LLC ("BHI") is a Delaware Limited Liability Company formed on February 19, 2008 with a principal business address at 731 Fairfield Court, Ann Arbor, Michigan 48108. BHI is responsible for procurement and distribution of vehicles, equipment and supplies for BELFOR USA and its affiliates and subsidiaries, and is currently a supplier to the WATER DAMAGE System. BHI does not currently operate any nor has it offered franchises in any line of business, although it reserves the right to do so in the future. As of December 31, 2018 they own and operate one unit in the United States.

Our affiliate CS Holdings, LLC d/b/a Colman Wolf ("Colman Wolf") is a Michigan corporation formed on June 29, 2009 with a principal business address at 185 Oakland Ave, Birmingham, Michigan 48009. Coleman Wolf may supply certain sanitary and paper products to the WATER DAMAGE System.

Other than as disclosed in this Item, no parents, predecessors, or affiliates are required to be disclosed in this Item.

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1.2 The WATER DAMAGE Model

We presently offer and grant the right to operate a business (the "WATER DAMAGE Business" or "Business") that offers water damage restoration services, carpet, tile and grout cleaning services, mold remediation, odor removal, fire, smoke and related restoration and cleaning services, which services list may be amended to include other services and products from time-to-time in the operations manual or otherwise (collectively, the "Remediation Services") and ancillary products under the 1-800 WATER DAMAGE mark or other marks we may specify (the "Marks"), and operates utilizing our methods and operating systems as defined in our proprietary Operations Manuals (the "Operations Manuals"). Businesses may offer minor reconstruction services in conjunction with the Remediation Services such as minor drywall removal and installation, hardwood floor repair, tile floor repair, painting, and carpet repair and installation (the "Minor Reconstruction Services"), but may not provide structural repair work, interior finishing, and electrical, mechanical and plumbing and heating services either through the WATER DAMAGE Business or any other entity ("Reconstruction Services"). In the event that a customer of the WATER DAMAGE Business requires Reconstruction Services, you must refer the customer to us, BELFOR or BELFOR USA (each a "Required Referral").

Until 2018, we previously offered an additional franchise model, the "Managing Operator Model" where the relationship regarding the Business between us and the franchisee was governed by the terms of a franchise operator agreement, under which the franchisee agreed to operate the Business in strict accordance with the WATER DAMAGE System. Upon signing the franchise operator agreement, WDNA (then-called the "Operating Entity") owned the Business and leased office space for the located within the Territory. The Operating Entity would pay for and provide all furnishings, the van, all equipment, computer(s), inventory and all supplies necessary to establish and operate the Business. Each franchisee under this model (then-called a "Managing Operator") was responsible for hiring, training and firing the employees of the Operating Entity, marketing and soliciting business, scheduling and performing Services, maintaining the Business' equipment and office, and any other responsibilities required to operate the Business. The Managing Operator and the Business' technicians would be employees of the Operating Entity and the Managing Operator was entitled to receive an annual salary from the Operating Entity for the first two years and also was entitled to a draw against the future profits of the Operating Entity. In exchange for the payment of certain fees, the franchisor or an affiliate would manage all back-office functions of the Business and other aspects of the Business.

Each WATER DAMAGE Business is operated in accordance with our distinctive and proprietary business formats, systems, methods, procedures, techniques, designs, standards and specifications, specific marketing and sales procedures, cleaning, and restoration processes and systems, all of which we (or our affiliates) may improve, further develop or otherwise modify from time to time (collectively referred to as the "WATER DAMAGE System" or "System"). You will identify that you are a WATER DAMAGE Business by exhibiting the Marks on your marketing materials, vehicles, employee uniforms, stationery, business cards, invoices, and other business supplies and materials.

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Each WATER DAMAGE Business will operate within a specifically defined non-exclusive territory (the "Territory") as defined in the Franchise Agreement. Under certain conditions, other franchisee(s), operators, "Company Business(es)" (which are operated by us or WDNA), and/or our affiliates may also solicit and perform Remediation Services and Minor Reconstruction Services (collectively, the "Services").

We grant franchises to qualified individuals (each, a "Franchisee") the right to own and operate a WATER DAMAGE Business. Our relationship with you is governed by the terms of the Franchise Agreement (the "Franchise Agreement"), attached as Exhibit A to this Disclosure Document, under which you agree to operate the WATER DAMAGE Business in strict accordance with the WATER DAMAGE System. You are responsible for all costs in obtaining all furniture, fixtures the van, all equipment, computer(s), inventory and all supplies necessary to establish and operate the Business. You are also responsible for all back-office functions of the Business, including all accounts payable, customer invoicing and collections, and payroll.

1.3 Competition and Laws and Industry Regulations

The Business will compete with similar water damage restoration services like carpet cleaners, carpenters, property remediation contractors, and cleaning services, including other national, regional and local franchise systems. Additionally, the Business may compete with businesses owned by BELFOR (USA) which provide similar remediation services as those provided by the Business. The market for water damage restoration services is well developed.

The Business is subject to all federal, state and local laws regulating water damage restoration and mold remediation services, including all health, safety, environmental and sanitation laws and regulations. Your state, county or local government may also require a contractor's license or permit to perform some of the restoration and mold remediation work we permit you to perform, and you must be licensed before offering any regulated services. Certain states also require a license for mold inspection and/or mold remediation.

Your WATER DAMAGE Business will also be subject to laws or regulations that are not specific to the water damage restoration industry, but applicable to businesses in general, including zoning laws, labor laws, the Fair Labor Standards Act, workers' compensation laws, business licensing laws and tax regulations, the Occupational Health and Safety Act, and the Americans with Disabilities Act.

Regardless of any applicable regulations, you must demonstrate to us that you possess the qualifications required to perform the services offered by WATER DAMAGE Businesses.

You should investigate these laws and regulations and keep appraised of changes that are made in areas that you service. You are solely responsible to investigate and determine licensing requirements or testing requirements in the area you would like to service before signing the Franchise Agreement. It is your sole responsibility to investigate and comply with these laws and regulations.

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You must maintain any required license(s) and/or permits in good standing with the applicable licensing authority for the entire term of the Agreement.

1.4 Other Affiliates

BFG, also owns DZNA, a Limited Liability Company. On July 24, 2007, DZNA purchased the assets of DUCTZ-NST Ventures, LLC a company originally formed on March 15, 2006. DZNA maintains its principal address at 731 Fairfield Ct, Ann Arbor, MI 48108. Its business includes HVAC restoration and duct cleaning services to various large volume, emergency, and rapid response projects. DZNA does not offer franchises in any line of business at this time, although they reserve the right to do so in the future. As of December 31, 2018, DZNA owns and operates 9 DUCTZ units in the United States.

BFG, also owns HOODZ North America, LLC ("HZNA") a Delaware Limited Liability Company, formed on November 12, 2009. HZNA maintains its principal address at 731 Fairfield Ct, Ann Arbor, MI 48108. Its business includes commercial exhaust hood system and oven cleaning, inspection, maintenance and restoration services. HZNA does not offer franchises in any line of business at this time, although they reserve the right to do so in the future. As of December 31, 2018, HZNA owns and operates 10 units in the United States.

BFG, also owns DRIPLOC, LLC, ("DRIPLOC"), a Limited Liability Company. On May 12, 2010, BELFOR Franchise Group, LLC, purchased the assets of DRIPLOC, LLC a company originally formed on June 4, 2002. DRIPLOC does not offer franchises in any line of business at this time, although they reserve the right to do so in the future. As of December 31, 2018 DRIPLOC owns and operates 1 unit in the United States. DRIPLOC may provide equipment and related services to franchisees.

BELFOR, owns HOODZ Canada, Inc., a federal company incorporated on October 4, 2011, pursuant to the laws of Canada. HOODZ Canada, Inc. is a franchising company dedicated to performing commercial kitchen exhaust system cleaning, inspection, maintenance and restoration services and maintains their principal address at 3300 Bridgeway Street, Vancouver, British Columbia V5K 1H9. As of December 31, 2018, they have 2 franchises operating in Canada.

BELFOR, owns DUCTZ Canada, Inc., a federal company incorporated on January 12, 2018, pursuant to the laws of Canada. DUCTZ Canada, Inc. is a franchising company dedicated to performing HVAC cleaning and restoration services and maintains their principal address at 3300 Bridgeway Street, Vancouver, British Columbia V5K 1H9. As of December 31, 2018, they do not yet have any franchises operating in Canada.

BELFOR, owns 1 800 WATER DAMAGE Canada, Inc., a federal company incorporated on January 12, 2018, pursuant to the laws of Canada. 1 800 WATER DAMAGE Canada, Inc. is a franchising company dedicated to performing water damage restoration services, carpet cleaning services, mold remediation, odor removal, fire and smoke and related cleaning services and maintains their principal address at 3300 Bridgeway Street, Vancouver, British Columbia V5K 1H9. As of December 31, 2018, they have 1 "Managing Operator" franchise operating in Canada.

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BFG also owns PACKOUTZ North America, LLC ("PACKOUTZ"), a Michigan limited liability company formed on March 25, 2019. On April 1, 2018, BFG purchased O'Donnell Brothers' Professional Furniture Service Inc., a Michigan corporation and transferred such entity to PACKOUTZ. PACKOUTZ is a company that operates businesses that provide the complete restoration and storage of salvageable contents from a structure damaged by water, fire, or flood. PACKOUTZ does not offer franchises in any line of business at this time, although they reserve the right to do so in the future. Its principal address is 731 Fairfield Ct, Ann Arbor, MI 48108. PACKOUTZ currently has one location operating in the United States.

BFG also owns PLUMBERZ International, LLC ("PLUMBERZ"), a Michigan limited liability company formed on March 25, 2019. On April 4, 2019, BFG purchased Plumbing Professors, LLC, a Michigan limited liability company formed on October 18, 2006 (formerly known as North American Service Group, LLC, and ROOTER1, LLC), and transferred such entity to PLUMBERZ. PLUMBERZ is a franchising company for businesses that provide plumbing, sewer, and drain service to residential, commercial, and industrial buildings. Its principal business address is 731 Fairfield Ct, Ann Arbor, MI 48108. PLUMBERZ currently has one location operating in the United States.

BFG also owns PLUMBERZ North America, LLC ("PLUMBERZ NA"), a Michigan limited liability company formed on March 25, 2019. Its business includes plumbing, sewer, and drain service to residential, commercial, and industrial buildings. PLUMBERZ NA does not offer franchises in any line of business at this time, although they reserve the right to do so in the future. Its principal business address is 731 Fairfield Ct, Ann Arbor, MI 48108. PLUMBERZ NA currently has one location operating in the United States.

On July 10, 2019, BELFOR acquired control of HRI Holdings, Inc. ("HRI Holdings") from Baird Capital Partners ("BCP"), and HRI Holdings became a wholly owned subsidiary of BELFOR, along with HRI Holdings' subsidiaries, namely Harris Research Inc. ("HRI"), and Delta Development Group, LLC. On September 7, 2011, BCP acquired control of HRI from The Home Depot, Inc., and HRI became a wholly owned subsidiary of HRI Holdings, which was owned by BCP. BCP and HRI Holdings' address was 227 W. Monroe Street, Suite 1900, Chicago, Illinois 60606.

HRI is a Utah corporation incorporated in March 1994 with its principal business address at 124 12th Ave. South, Suite 300, Nashville, TN 37203 with an additional location at 1530 North 1000 West, Logan, UT 84321, which was HRI's principal address from 1993 to May 2012. HRI was originally incorporated in California in November 1977. HRI began offering Chem-Dry franchises in 1994 and its predecessors offered Chem-Dry franchises since September 1978. HRI does business under the names "Chem-Dry" and "Harris Research, Inc." From May 2003 through December 2012, HRI offered N-Hance® franchises in the United States and in Canada until August 2017. HRI continues to offer master franchises for N-Hance businesses in other countries and currently has master franchises in Canada, Australia, and New Zealand. As of December 31, 2018, HRI has 2,080 units in the United States and Canada.

As a result of the transaction with HRI Holdings, BELFOR also owns NHance, Inc. ("NHI"), which is a Delaware corporation incorporated on December 31, 2012 and commencing operations on January 1, 2013, with its principal business address at 1530 North 1000 West, Logan, UT 84321. NHI franchises offer wood cleaning, coating, protection and other wood care and renewal products and services for wood flooring, cabinetry, trim and other wood furnishings.

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NHI currently has approximately 511 franchises in the United States and master franchisees in Australia, Canada, South Africa, and New Zealand. NHI does not offer franchises in any other line of business.

As a result of the transaction with HRI Holdings, BELFOR also owns Devere International, Inc. ("DII"), which is a California corporation, incorporated in September 1987 with its principal business address at 124 12th Ave. South, Suite 300, Nashville, TN 37203. DII offers Chem-Dry master franchises outside of the United States and Canada. Prior to September 6, 1996, HRI and DII were separate corporations under common ownership. On September 6, 1996, the owner contributed 100% of DII stock to HRI and thus DII became a wholly owned subsidiary of HRI. There is no predecessor or affiliate of DII and DII has not offered franchises or master franchises in any other line of business. Master franchises typically involve granting an individual the right to offer sub-franchises under the marks within a specific territory outside of the United States and Canada.

As a result of the transaction with HRI Holdings, BELFOR also owns Delta Development Group, LLC ("DDG"), which is a Colorado limited liability company that converted from a corporation on March 14, 2018 with its principal business address at 5525 W. 56th Avenue, Suite 300, Arvada, Colorado 80002. DDG became a wholly owned subsidiary of HRI on March 16, 2018. DDG offers Delta Services franchises which offer commercial and residential property mitigation, reconstruction, remodeling and consulting services. DDG currently has approximately 27 franchises, all in the United States. DDG does not offer franchises in any other line of business.

BELFOR also owns Winmar (Canada) International Ltd. ("Winmar"), is a federal company incorporated on December 7, 2018. On December 13, 2018, BELFOR purchased Winmar International, Inc., a federal company, and transferred such entity to Winmar. Winmar is a franchising company for businesses that perform restoration services for residential and commercial properties across Canada that specialize in water damage, fire and smoke restoration services, mold inspection and removal as well as damage restoration and recovery. Its principal business address is175 Stonach Crescent, London, ON N5V 3G5. Winmar currently has 91 locations operating in Canada.

ITEM 2: BUSINESS EXPERIENCE

President: Timothy Fagan

Mr. Fagan has served as the President of 1-800-WATER DAMAGE International, LLC in Ann Arbor, MI from August 2018 to the present. Prior to his position as President of 1-800-WATER DAMAGE International, LLC, Mr. Fagan was the General Manager of BELFOR Property Restoration located in Livonia, MI from October 2010 until August 2018.

President: Rusty Amarante

Mr. Amarante has been the President of BELFOR Franchise Group LLC since August 2018. Previously, he served as the President of the Company from April 2015 until August 2018. Mr. Amarante has also served as President of WDNA, located in Ann Arbor, Michigan, since October 2015 and BELFOR located in Ann Arbor, Michigan, from March 2012 to the present.

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Mr. Amarante has served as Director of Operations for BELFOR USA Group, Inc., located in Birmingham, Michigan, since November 1999 to the present.

Chief Executive Officer: Sheldon Yellen

Mr. Yellen has been Chief Executive Officer of the Company since April 2015. Mr. Yellen also has served as Chief Executive Officer for WDNA, located in Ann Arbor, Michigan, since October 2015 and HOODZ, DUCTZ, BELFOR and DUCTZ North America, LLC, located in Ann Arbor, Michigan since July 2007. Mr. Yellen has served as Chief Executive Officer for BELFOR USA Group, Inc., located in Birmingham, Michigan, since April 2004. Mr. Yellen has also served as Director and CEO of BELFOR Holdings, Inc., in Birmingham, Michigan, since its inception in September 2006.

Treasurer and Secretary: Chris Jones

Mr. Jones has been Treasurer and Secretary of the Company since April 2015. Mr. Jones has also served as Treasurer and Secretary of WDNA, located in Ann Arbor, Michigan, since October 2015 and BELFOR, HOODZ, DUCTZ, and DUCTZ North America, LLC, whose main offices are located in Ann Arbor, Michigan, since July 2007. Mr. Jones has also served as Group Controller for BELFOR USA Group, Inc., located in Birmingham, MI, since July 2005.

Director of Franchise Development: Ken Osness

Mr. Osness has served as our Director of Franchise Development since September 2015. Mr. Osness has served as a Franchise Development Manager for HOODZ since April 2009 and served as the Franchise Development Manager of DUCTZ from June 2006 to January 2015.

Senior National Franchise Recruiter: Earl Shinabarger

Mr. Shinabarger has served as Senior National Franchise Recruiter for HOODZ International, LLC, located in Ann Arbor, MI since September 2015. Prior to that, Mr. Shinabarger served as Director of Franchise Development for the Huntington Company in Berkley, Michigan from July 2012 to August 2015.

Senior National Franchise Recruiter: Steve Olson

Mr. Olson has served as our Senior National Franchise Recruiter for 1-800 WATER DAMAGE since August 2017. Prior to that Mr. Olson served as Senior Brand Manager for Pet Supplies Plus, located in Livonia, MI from January 2013 to July 2017.

Vice President of Operations: Breann Loffing

Ms. Loffing has served as the Vice President of Operations for BELFOR Franchise Group, LLC in Ann Arbor, MI from November 2017 to the present. Prior to that she was Vice President of Franchise Operations for HOODZ International, LLC in Ann Arbor, MI, from December 2014 to November 2017. Prior to that she held roles for HOODZ International as Training Coordinator, and National Operations Manager, from August 2010 to December 2014.

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Franchise Recruiter: Ryan McLaughlin

Mr. McLaughlin has served as a Franchise Recruiter for BELFOR Franchise Group, LLC in Ann Arbor, MI from November 2018 to the present. Prior to obtaining his position as a Franchise Recruiter, he served as a Regional Partner for 1-800-WATER DAMAGE International, LLC, in Ann Arbor, MI from March 2015 through November 2018. Mr. McLaughlin previously held the title of National Trainer for BELFOR Property Restoration, which is a subsidiary of BELFOR USA Group, Inc., located in Reno, NV from December 2013 through March 2015. Prior to that, Mr. McLaughlin held the position of Project Manager for the Las Vegas, NV location of BELFOR Property Restoration from September 2006 through December 2013.

ITEM 3: LITIGATION

Concluded Predecessor Litigation: Our predecessor LLB Group, Inc., formerly known as The Cure Service Group, Inc., was a party to the following concluded matters:

California Corporations Commissioner vs. The Cure Service Group, Inc. et al., (OAH-N2006050063, File No.: 993-1560). On July 13, 2006, LLB Group and two of its officers entered into a settlement agreement with the California Corporations Commissioner in which they acknowledged that between 2002 and 2004, LLB Group sold unregistered franchises in California and sold franchises with disclosure documents that failed to disclose certain prior lawsuits and convictions involving LLB Group's prior Chief Executive Officer. LLB Group agreed to disclose the terms of the settlement agreement, along with other required matters in any application for franchise registration filed with the California Department of Corporations.

State of New York. In November 2005, LLB Group voluntarily acknowledged to the State of New York, Department of Law that that its disclosure documents filed in New York in 2003 may not have contained all disclosures required by the New York State Franchise Act (the "New York Act"). In February 2006, LLB Group entered into an Assurance of Discontinuance with the State of New York Department of Law under which it agreed that it would not offer or sell franchises within or from the State of New York without compliance with the New York Act. LLB Group agreed to offer its New York franchisee the right to rescind its franchise agreement, which the franchisee rejected, and paid the State of New York Department of Law $4,750 as costs and disbursements.

Other than the matters listed above, no litigation is required to be disclosed in this Item.

ITEM 4: BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5: INITIAL FEES

5.1. Initial Fee

Upon signing of the Agreement, you must pay an initial fee to us of $59,000.00 (the "Initial Fee") for a single Territory with a population of approximately 350,000 people. The

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Initial Fee is fully earned and non-refundable when paid. We have the right to offer a discounted Initial Fee from time to time. If you wish to purchase additional Territory, the Initial Fee will equal $59,000, plus $170 per thousand in population in excess of 350,000 (the "Additional Fee"). For example, the Initial Fee for a single Territory with 385,000 in population will be computed as follows:

$$\$59,000 + (35 \times \$170) = \$64,950$$

As the Territories are generally defined by ZIP codes, we reserve the right not to charge the Additional Fee if we are unable to meet the 350,000 population count without exceeding due to highly populated areas.

Each Territory will have a maximum of 500,000 people. The purchase of more than 500,000 in population in the aggregate at any time during the term of the Agreement will require the payment of an additional Initial Fee.

We provide a 20% discount of the Initial Fee to veterans of the U.S. Armed Forces who have been honorably discharged and provide us with documentation of the same. This is only applicable for the first franchise awarded to you by the BELFOR franchise system.

If you wish to purchase multiple Territories at the time you sign your first Franchise Agreement with us, then we will discount the Initial Fee for the additional Franchise Agreement(s) by $10,000. The discount is only applicable toward your initial purchase and will not be granted toward any future Territory expansions.

You may apply for an additional franchise and, if we approve your request, you may be awarded an additional franchise. For additional franchises awarded to you, you must agree to sign our then current Agreement and remit to us our then current Initial Fee.

You are not required to pay the Initial Fee for renewal terms, but you must pay our then-current renewal term fee.

5.2. Initial Package Fee

You must also obtain a fixed initial package ("Initial Package") that will cost $31,000. (the "Initial Package Fee"). The Initial Package includes the equipment package, small tools and safety package, our marketing materials, promotional items, logowear, and a $1,000 convention allowance (the "Convention Allowance") for the 1-800 WATER DAMAGE annual convention (the "Annual Convention") which occurs approximately every 12 to 18 months. The Convention Allowance is intended to offset expenses (primarily the convention fees, but any remaining balance may be applied towards travel, lodging, and/or meals) associated with attending the first 1-800 WATER DAMAGE Annual Convention that is scheduled to commence within one year of your successful completion of our Initial Training Program. If your convention expenses are less than $1,000, the difference will be rebated to you. The Convention Allowance cannot be used to offset any other expenses or requirements associated with your Business and if you do not attend the convention, we will not provide you with the Convention Allowance.

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You are not required to pay the Initial Package Fee for renewal terms.

If you are acquiring your WATER DAMAGE Business via transfer, then you are required to purchase the Initial Package, but it will be modified based on the equipment not included in the transfer necessary to provide all then current services and you must pay the $1,000 Convention Allowance, which may be refunded to you as described above.

ITEM 6: OTHER FEES

Name of Fee (Note 1)	Amount (Note 2)	Due Date	Remarks (Note 1)
Royalty (Note 2)	Remediation Services: - 10% of Gross Sales of up to $499,999.99 per year - 9% of Gross Sales of more than $500,000 per year - 8% of Gross Sales of more than $1,000,000 per year Minor Reconstruction Services: - 5% of Gross Sales	This fee is due by automatic debit each month by the 10th (or another day we may designate) for Gross Sales generated during the preceding month (Note 5)	See Notes 5 and 6.
Transfer Fee	Our then current fee, per Territory; presently, this is $9,900 if transferred to a new franchisee, or $2,000 if transferred to a current franchisee.	Due upon the transferee signing the new Franchise Agreement	No charge if the transfer is to an entity controlled by you to a spouse or child. We reserve the right to increase this fee.
Transfer - Broker Fee	If you authorize us to enlist a third-party broker to locate the transferee, there will also be a broker fee, which currently ranges from $25,000 - $30,000	Due upon closing of the sale of the Business	Payable only if the third-party broker located the transferee. Payable to and imposed and collected by us if a broker fee was paid by WATER DAMAGE to the third party. Payable to and imposed and collected by the broker if we do not pay a broker fee to the third party.
Renewal Fee	10% of the then-current Initial Fee	At the time you sign a Franchise Agreement for a renewal term.	Neither the Royalty rate nor Territory will change for the renewal term.

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Name of Fee (Note 1)	Amount (Note 2)	Due Date	Remarks (Note 1)
Technology Fee	Our then current fee, which is presently 1% of Gross Sales or 1% of the Minimum Gross Sales Requirement, whichever is greater or a maximum of $500 per month	This fee is due by automatic debit each month by the 10th (or another day we may designate) for Gross Sales generated during the preceding month.	We will provide all Software and software upgrades and updates necessary to operate the Business.
National Marketing Fund Contributions	2% of Gross Sales	This fee is due by automatic debit each month by the 10th (or another day we may designate) for Gross Sales generated during the preceding month.	
Late Report Fee	$20 per week that a report is late	Due by automatic debit the Friday (or another day we may designate) after the report is late	Due for each week a report is late.
Late Payment Fee	5% of amount due or $50 per week, whichever is greater	Due by automatic debit on the Friday (or another day we may designate) following the due date for each late payment	Due for any payment that is not paid when due.
Non-Sufficient Funds (NSF) Fee	Our then current fee, which is presently $50 per NSF	Due by automatic debit the Friday (or another day we may designate) after the NSF occurs	Due if and when we debit your account for monies owed and there are insufficient funds available
Administrative Fee	Our then-current fee, which is presently $500 per transaction	As incurred	Due upon your request or when we are required, due to your actions, to amend the Franchise Agreement.
Transfer of Corporation Fee	$500	Due upon signing transfer documents	Due if you change the legal entity that owns the Franchise, other than one initial transfer prior to the commencement of business.
Improper Marketing Fee	Our then-current fee, which is presently $500 per transaction or the cost of job for each	As incurred	See Note 3.

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Name of Fee (Note 1)	Amount (Note 2)	Due Date	Remarks (Note 1)
	incident of unauthorized advertising		
Conventions, Regional Meetings and/or Additional Training	The then current fee, which is presently $1,000 max. per person per event	Before the start of meeting; you must attend convention every year and period training at least once per year	To help offset our out-of-pocket expenses for meeting room space, meals during the meeting, audiovisual rental, workbooks, speakers, etc. Does not include travel, lodging or all meals. Location varies, these fees are payable to and imposed and collected by third parties.
Convention Non-Attendance Fee	Our then current fee, which is presently $1,000	Due to us if you fail to attend the Annual Convention and did not receive our prior written permission.	See Note 7.
Collection Fee	Our then current fee, which is presently up to 10% of gross amounts collected on your behalf	As incurred	Due when we collect payment on your behalf for customers who are delinquent in their payment of 90 days or more.
Interest	Lesser of 18% per annum or the maximum permitted by law, whichever is less	Due by automatic debit each Friday (or another day we may designate)	Due on all overdue amounts from the date the amounts were originally due.
Audit Fee	Cost of audit plus 10% of the total amount of understated Gross Sales.	As invoiced	See Note 8.
Insurance	Cost of insurance; if you fail to maintain insurance as required, we have the right to procure insurance on your behalf and you must pay us on demand the costs and premiums we incur.	As invoiced	You are required to maintain the types and amounts of insurance specified in Item 8.
Indemnification	Will vary under circumstances.	As incurred	You must reimburse us if we are held liable for claims directly or indirectly arising out of your Business' operation.

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Name of Fee (Note 1)	Amount (Note 2)	Due Date	Remarks (Note 1)
Attorneys' Fees	Actual attorneys' fees and costs incurred.	As incurred	See Note 4.
Additional Training	Our then current fee, which is presently $25 - $50 per person, per day.	As incurred	See Note 9.

Notes

1. The preceding table describes other reoccurring or isolated fees or payments that must be paid to us or our affiliates, or which we or our affiliates may impose or collect on behalf of a third party, in whole or in part.

2. All fees, unless otherwise specified, are uniformly imposed and collected by and payable to us and are non-refundable.

3. You may not advertise or solicit in any way to customers or customer service locations outside the Territory without our prior written consent. If you advertise or solicit to customers or customer service locations outside of the Territory without our prior written consent, then you must pay us a fee equal to the greater of $500 or the cost of job for each incident of unauthorized advertising (the "Improper Marketing Fee"). This fee is in addition to, and not in lieu of, any other rights we have under the Agreement.

4. If you are in breach or default of any monetary or non-monetary material obligation under the Agreement or any related agreement between you and us or our affiliates, and we engage an attorney to enforce our rights (whether or not formal judicial proceedings are initiated), you must pay all reasonable attorneys' fees, court costs and litigation expenses we incur. If you institute any legal action to interpret or enforce the terms of the Agreement, and your claim in such action is denied or the action is dismissed, we are entitled to recover our reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

5. For purposes of paying the Royalty, we follow the calendar month. You will pay the Royalty according to your Gross Sales, as follows: (i) 5% of Gross Sales for all Minor Reconstruction Services; and (ii) 10% of Gross Sales up to $499,999.99 for all Remediation Services. If your Gross Sales meet or exceed $500,000.00 in any given calendar year, we will reduce your Royalty for Remediation Services to 9% for the remainder of the calendar year in which you exceeded $500,000.00, plus the entire following calendar year. If you fail to achieve over $500,000.00 in Gross Sales in the following calendar year, your Royalty will revert to 10% until such time as your Gross Sales meet or exceed $500,000.00. If your Gross Sales meet or exceed $1,000,000.00 in any given calendar year, we will reduce your Royalty for Remediation Services to 8% for the remainder of the calendar year in which you exceeded $1,000,000.00, plus the entire following calendar year. If you fail to achieve over $1,000,000.00 in Gross Sales in the following calendar year, your Royalty will revert to one of the following: (i) 9% for Gross

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Sales that meet or exceed $500,000.00; or (b) 10% for Gross Sales less than $500,000.00, until such time as your Gross Sales meet or exceed $1,000,000. The Royalty will be assessed to you upon the earlier of (a) receipt of funds from the customer; or (b) 90 days after the date an original invoice is issued to the customer, regardless of whether the invoice is paid in full. If you transfer the Franchise Agreement to a new owner, the Royalty for all jobs completed prior to the transfer must be paid on the day of closing, regardless of whether the invoice(s) is paid in full. On the effective date of termination of the Franchise Agreement, either by you or by us, you must pay us the Royalty for all jobs completed prior to termination. We will draft the Royalty from your bank account on 10th of the month (or another day we may designate) for the preceding month. You must pay the Royalty by electronic funds transfer or by such other means as we may specify. We may periodically specify other dates for payment of the Royalty.

6. Royalties are payment for the use of the Marks, System, Territory, and System Standards. "Gross Sales" means all revenue generated from operating the WATER DAMAGE Business, whether in cash, in services in kind, from barter and/or exchange, or otherwise. You may deduct sales tax and returns.

7. If you fail to attend the Annual Convention, without our prior written permission, you must pay a convention non-attendance fee of $1,000 (the "Convention Non-Attendance Fee"). If you miss your first Annual Convention, the $1,000 Convention Allowance included in the Initial Package will be applied toward the Convention Non-Attendance Fee.

8. We have the right, at any time during business hours, and without prior notice to you, to inspect and audit, or cause to be inspected and audited, any and all financial statements, reports, income tax records, sales tax records, payroll records, software databases, and other records. You promise to cooperate fully with our representatives and independent accountants we hire to conduct any inspection or audit. If any inspection or audit discloses an understatement of Gross Sales, we can debit your account for the Royalty and National Marketing Fund contributions which are due on the amount of the understatement, plus interest, at the rate of 18% per annum or the maximum rate permitted by applicable law, whichever is lesser, and all late fees, from the date originally due until the date of payment.

Furthermore, if we conduct an inspection or audit due to your failure to (a) furnish reports, supporting records, or other information as required, (b) furnish these items on a timely basis, or (c) record all customer payments in the WATER DAMAGE Software within 48 hours of their receipt, or we discover that an understatement of Royalty is greater than 3% for any period reviewed, you promise to reimburse us for the cost of the inspection and/or audit, including without limitation, the charges of attorneys and independent accountants, the travel, room and board expenses, and compensation of our employees. Further, if an understatement of the Royalty is greater than 3%, you also promise to pay us an additional penalty fee equal to 10% of the total amount of the understated Gross Sales. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

9. You must attend periodic refresher training courses and conferences, not to exceed one convention/conference per year, at the times and locations we determine, and for which we may charge fees. This training may, at our option, be online. We will determine the duration, curriculum, and/or location of any online or other training. You will be responsible for all travel and living expenses that are incurred by you while attending such additional courses,

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conferences, and sessions (Section 3.A of the Franchise Agreement). You must employ a full-time experienced service technician (the "Service Technician") who will be responsible for performing and overseeing your Remediation Services. The Business' Service Technicians may be required to attend periodic refresher training courses and conferences, not to exceed one session per year, at the times and locations we determine, and for which we may charge a fee. This training may, at our option, be online. We will determine the duration, curriculum, and/or location of any online or other training. You are responsible for training any additional or replacement Service Technicians. (Section 4.3)

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method of Payment	When Due (Note 1)	To Whom Payment is To Be Made
Initial Fee per Territory (Note 1)	$59,000	$84,500	Lump sum	On signing your Franchise agreement	Us
Initial Package Fee (Note 2)	$31,000	$31,000	Lump sum	On signing your Franchise agreement; not applicable for additional franchises awarded to you	Us
Food and lodging while at the Initial Training Program (Note 3)	$3,350	$4,000	Lump sum	As incurred	Third Parties
Transportation for the Initial Training Program (Note 3)	$100	$2,500	Lump sum	As incurred	Third Parties
Vehicle for 3 months (Note 4)	$13,463.13	$14,112.21	Monthly payments. If you lease the vehicle, there will also be a security deposit	As incurred	Third Parties
Full time Service Technician for 3 months (Note 5)	$5,760	$15,360	Payroll	Per your standard payroll policy	Employee

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Type of Expenditure	Amount		Method of Payment	When Due (Note 1)	To Whom Payment is To Be Made
Business Telephone Fee for 3 months (Note 6)	$150	$1,050	Lump sum	As incurred	Third Parties
High Speed Internet, Anti-Virus Software and Electronic Mail for 3 months	$210	$600	Lump sum	As incurred	Third Parties
Computer System (Note 7)	$500	$2,875	Lump sum	As incurred	Third Parties
Insurance for the first 3 months (Note 8)	$4,500	$8,750	Depends on insurance agency	Depends on insurance agency	Third Parties
Global Positioning System/Data Communications Services Fee first 3 months (Note 9)	$80.97	$80.97	Monthly/36-month contract	As incurred	Third Parties
Rent – 3 months (Note 10)	$3,000	$9,000	Lump sum	As incurred	Third Parties
Leasehold Improvements (Note 11)	$0	$1,200	Lump sum	As incurred	Third Parties
Security Deposits/ Utility Deposits (Note 12)	$950	$1,500	Lump sum	As incurred	Third Parties
Licenses and Permits (Note 13)	$35	$200	Lump sum	As incurred	Third Parties
Additional funds for the first 3 months (Note 14)	$10,000	$30,000	Lump sum	As incurred	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT & ADDITIONAL EXPENSES	$132,099.10	$206,728.18			

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Notes

1. In general, none of the expenses listed in the above chart are refundable, except security or utility deposits may be refundable. The price of the Initial Fee varies based on the population in the Territory. As described in Item 5, the Initial Fee is $59,000 plus $170 per 1,000 in population over 350,000 people. The maximum population in a single Territory is 500,000. Estimates are based on a new Franchisee buying their first Franchise. If you purchase multiple territories at the time you sign your first Franchise Agreement with us, we will discount the Initial Fee for the additional Franchise Agreement(s) by $10,000. As stated in Item 10, we may offer financing up to $25,000 of the Initial Fee. See Item 10 for financing details.

2. Estimates are based on a new franchise owner buying their first Franchise. However, the Initial Package Fee is waived for renewal terms. The Initial Package Fee includes a 1-800 WATER DAMAGE equipment package, safety package, small tools package, initial marketing materials, promotional items, logowear for owner and employee uniforms with our Marks, and the Convention Allowance.

3. This estimate covers out-of-pocket expenses for lodging and meals for two attendees, who are sharing one hotel room. Transportation cost on the low estimate is based on an attendee driving their own vehicle and the high estimate is based on two airline tickets and rental car while attending training.

4. All vehicles must be leased or purchased through our then currently approved supplier(s). All vehicles must have the equipment and the 1-800 WATER DAMAGE decal package per our standards and specifications. The low range estimate is for a new vehicle with equipment and vinyl decal package, and includes a security deposit of $9,500.00 + $550.00 (a one-time administrative fee), the first three monthly payments, title/registration/prep fee and documentation fee based on a six-year lease. The high range estimate is for a new vehicle with equipment and vinyl decal package, and includes a security deposit of $9,500.00 + $550.00 (a one-time administrative fee), the first three monthly payments, title/registration/prep fee and documentation fee based on a four-year lease. Your cost may differ from our estimates based on the year and model, interest rate, and if you choose a longer/shorter term. The costs referenced include up-fitting charges. Vehicle delivery, applicable sales tax and licensing are not included.

5. You must dedicate a full-time Service Technician to perform the actual cleaning services for the Business. This low range estimate is based on a Managing Owner working with the technician and the high range estimate is based on employing a certified crew leader and a technician.

6. We will provide to you, at no charge, the business phone number and fax number to be used by the Business. This number will be forwarded to any device you choose. The low range estimate is based on having this business number forwarded to your existing device(s). The high range estimate is based on the business acquiring a second landline with a separate phone service provider.

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7. You must have a computer located at your Office that meets the requirements of System Standards and for handling of our then-current 1-800 WATER DAMAGE franchise management software.

8. Before beginning the Business, you shall obtain and maintain in full force and effect throughout the term of the Franchise Agreement and at your sole expense, certain insurance coverages as described in the Franchise Agreement. This item estimates the cost to attain insurance for the first three months of operation. You must provide us with evidence of insurance coverage prior to attending training.

9. You are required to have installed and maintain a GPS unit in each service vehicle throughout the term of the agreement. The monthly service fee is $26.99. There is no unit or installation fee.

10. You must lease or own a space for your business, you will need approximately 1,200 square feet of space and will include commercial office space with a garage to store the service vehicle. The rent per month will be determined by the size of the space and the location.

11. You may need to purchase minimal leasehold improvements. The cost will vary depending on the size of the Business and any landlord contributions.

12. You may be required to pay a security deposit. The cost will vary depending on your landlord. You may also be required to pay utility deposits. The cost will vary depending on the provider in your area.

13. Before you open your Business, you must obtain any required licenses and business permits. You must verify all of the licenses and permits that you need for your Business.

14. This Item estimates the working capital needs for the first three months of operation, not including those expenses identified separately in the table. It includes payroll costs for operation and customer service employees, out-of-pocket direct mail costs, general auto maintenance and gasoline, and office overhead. The estimate of additional funds does not include an owner's salary or draw. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. The amount of working capital you need will depend on a number of factors. These factors include the area you are located in; how much you follow our methods and procedures; your management skill; experience and business acumen; local economic conditions; the relative effectiveness of your staff; the prevailing wage rate; competition; and the sales level reached during the initial period.

We have relied upon our company-owned store, 1-800 WATER DAMAGE of Seattle, along with the experiences of our 1-800 WATER DAMAGE franchisees, to compile these estimates. You should review them carefully with a business advisor before making any decision to purchase a franchise.

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ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

8.1 Initial Equipment and Inventory

You must purchase the Initial Package consisting of an equipment package, safety package, small tools package, initial marketing materials, promotional items, logowear for owner and employee uniforms with our Marks, and the Convention Allowance as described and listed in Exhibit B to the Franchise Agreement. Our affiliate, BHI, is the only approved supplier for the small tools, equipment and safety package, and branded apparel. The items included in the Initial Package will change to reflect the changing needs of the Business in accordance with System procedures, and changes in suppliers and/or product specifications. We retain the right to derive revenue or other material consideration from required purchases and leases of products and services.

The marketing materials and trademarked office supplies that are included in the Initial Package are shipped, from our approved supplier(s) located in Exton, PA, and Tecumseh, MI. You must purchase the entire Initial Package.

8.2 Required Purchases

All products and supplies used in connection with the Business will be purchased from us, our affiliates or our designated vendors and suppliers. Some of our officers have an ownership interest in our affiliates BELFOR, BHI and Colman Wolf, which may supply products and services to the Business. There are no other suppliers in which any of our officers owns an interest at this time, although they reserve the right to do so in the future.

We have developed standards and specifications for various services, products, materials and supplies sold by or used in the operation of the Business. You must operate the Business according to these standards. These standards will regulate the types, models and brands of required fixtures, furnishings, equipment, signs, materials and supplies to be used in operating the Business, the products and services offered to customers and the product categories and designated or approved suppliers of these items (which may be limited to or include us).

8.3 Email and Web Site

We will provide to you an email address that will have "@1800waterdamage.com" as its suffix. Emails sent to you at 1800waterdamage.com will be automatically forwarded to you at your email account.

We will create interior pages on the website(s) that contain information about the WATER DAMAGE Business and other WATER DAMAGE franchised businesses.

Except as approved in advance in writing by us, you must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Business, including any profile on Facebook, Twitter, LinkedIn, Plaxo, YouTube, Pinterest, Instagram, or any other social media and/or networking site. If such approval is granted by us, you must: (i) establish and operate such World Wide Web or Internet site in accordance with System standards and any

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other policies we designate in the Operations Manuals or otherwise in writing from time to time; and (ii) utilize any templates that we provide to you to create and/or modify such site(s).

8.4 Insurance

You shall obtain and maintain in full force and effect throughout the term of the Franchise Agreement the insurance coverage that we require.

Currently, the minimum insurance requirements are as follows: (a) commercial general liability insurance in the minimum amount of $2,000,000 general aggregate, $2,000,000 products and completed operations aggregate, $1,000,000 personal and advertising injury limit and $1,000,000 per occurrence limit; (b) automobile liability insurance with a combined single limit of at least $1,000,000 for bodily injury and property damage for all owned or leased vehicles and for hired and non-owned motor vehicles; (c) workers' compensation and employers' liability insurance in the minimum amount of $500,000 by accident, $500,000 by disease and $500,000 policy limit, or the minimum limit required by your state, whichever is higher; (d) employee dishonesty insurance in the minimum amount of $50,000 per loss; (e) a commercial umbrella liability insurance policy with a limit of at least $2,000,000 per occurrence and aggregate and shall list the commercial general liability and automobile liability policies as scheduled underlying policies; (f) a pollution insurance policy with a limit of at least $1,000,000; and (g) other insurance as required by any state, county, local, or other municipal insurance requirements.

8.5 Material Benefits

As a Franchisee, you will not receive any material benefits from the Business' purchase of certain products or services or use of particular suppliers.

8.6 Approval of Alternative Suppliers

All products must meet our standards and specifications and must be pre-approved by us regardless of the supplier. In the event you wish to purchase an unapproved item for the Business, including inventory, and/or acquire approved items for the Business from an unapproved supplier, you must provide us with a proof of the materials you wish to order and a written request for approval. We will notify you in writing of our approval or disapproval within ten days of receipt of the materials and your written request. We have no obligation to approve any particular products, service or supplier. If you do not receive approval within ten days, you should consider the materials disapproved. All materials must meet the quality of our current suppliers, and correctly bear the Marks. Standards and specifications for suppliers and products are periodically modified, in our sole discretion, to meet changing market conditions and are published in our Operations Manuals, other publications, and on our website. Approval of a supplier may be conditioned on requirements relating to product quality, production and delivery capabilities, ability to meet our supply commitments and financial stability. There is no fee to secure approval to purchase from alternative suppliers, but you must reimburse us our reasonable costs, regardless of approval of your request. At our discretion, we may, with notice to you, revoke our approval of any previously approved products due to changes in standards and specifications or if such products subsequently fail to meet the quality of our current suppliers.

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Use of products and materials that have not received our prior written approval and/or do not meet our standards and specifications can result in the termination of your Agreement.

8.7 Business Phone

We will provide to you free of charge, the business phone number and business fax phone number. The business and fax number will be owned by us and will be forwarded to any device(s) you select. We may require you to use the phone service provider, phone models and type from the supplier(s) that we designate. The business phone number and fax number provided by us will be the only number(s) aside from the 1-800 WATER DAMAGE phone number you will be allowed to advertise.

8.8 Standards and Specifications

You must operate the Business according to our standards, specifications, and operating procedures. We will formulate and modify standards and specifications based on our and our franchisees' experiences in operating the Business. Our standards and specifications may impose requirements for performance, reputation, quality, and appearance. Our Operations Manuals and other communications identify our standards and specifications and/or names of designated or approved suppliers. Standards and specifications are updated periodically at our sole determination.

8.9 Vehicle Standards and Specifications

The initial vehicle and any additional vehicles, if any, must be leased or purchased through our then currently approved supplier(s). We also reserve the right to require that you purchase all additional vehicles through our approved supplier(s). 1-800 WATER DAMAGE Businesses will use vehicles for the Business that meet our design and operating specifications for model type, color, trademark representation, and appearance. These specifications are included in our Manuals. All vehicles purchased or leased for the Business are to be, and maintained, in a "good" condition as defined by KELLEY BLUE BOOK ("good" condition means that the vehicle is free of any major defects) and must include a global positioning system with continuous data communication service. The paint, body and interior must have only minor (if any) blemishes, and there may not be any major mechanical problems. In states where rust is a problem, this should be very minimal. All vehicles used in connection with the business are to be decaled as required by us and the decals are to be free of defects at all times. We reserve the right to require you to purchase a new service vehicle(s) if you are unable to maintain your vehicle in accordance with our standards.

8.10 Computer Hardware and Software Components

You will be required to purchase at your expense, the required computer hardware and software.

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We shall have the right to specify or require the Business to update or upgrade the Business' computer hardware and software and specify that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by the Business, including without limitation: (i) a compatible back office computer system that complies with our standards and specifications; (ii) a custom and proprietary point of sale system (the "POS System") if we make such a POS System part of our proprietary operating system in the future; (iii) printers and other peripheral hardware or devices; (iv) archival back-up systems; (v) Internet access mode and speed; and (vi) physical, electronic, and other security systems (collectively, the "Computer System").

We shall have the right, but not the obligation, to develop or designate: (i) computer software programs you must use in connection with any component of the Computer System, including the WATER DAMAGE Software, which you shall install at your own expense; (ii) updates, supplements, modifications, or enhancements to the WATER DAMAGE Software, which you shall install at your own expense; (iii) the tangible media upon which you record data; and (iv) the database file structure of the Computer System.

8.11 Revenues from Franchisee Purchases

In the fiscal year ending December 31, 2018, we derived $23,612.00, or 1.145%, of our total revenues of $2,061,610, from sales of the Initial Package or other items to franchisees. In 2018 our affiliate BHI derived $2,742,382.68 from the sale of vehicles, equipment and supplies to franchisees.

We estimate that the cost of items purchased according to our specifications will be approximately 65% of your overall purchases in establishing the business and 20-25% of your total purchases during the operation of the business.

We reserve the right to mark up and earn a profit, or to otherwise derive revenue, from the products purchased from us or our approved or designated suppliers.

8.12 Cooperatives

As of the date of this offering, we do not have any purchasing or distribution cooperatives or vendor programs, but reserve the right to establish these cooperatives in the future.

8.13 Advertising

You must use our approved advertising and marketing materials or receive our written approval of any and all other advertising and marketing materials from us before their first use.

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ITEM 9: FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 1.C and 3.A	Item 6 and 11
b. Pre-opening purchases/leases	Sections 2.A and 2.B	Items 6, 7 and 8
c. Site development and other pre-opening requirements	Sections 1.C and 3.A	Items 7 and 11
d. Initial and ongoing training	Sections 1.B, 2.A, 3 and 12.B	Items 6, 7 and 11
e. Opening	Sections 2 and 3	Item 11
f. Fees	Sections 2, 10.B, 11.D, 13.A, 15.C and 16	Items 5, 6, 7 and 11
g. Compliance with Standards and Policy	Sections 1.B, 2.G, 2.H, 3, 4.A and 7	Items 8, 11, 13, and 16
h. Warranty and customer service requirements	Section 7.A	None
i. Trademarks and proprietary information	Sections 4, 5, 6, 13. B and 13.C	Items 8, 13 and 14
j. Restrictions on products/services offered	Sections 7, 1.B, 1.C	Items 8, 12 and 16
k. Territorial development and sales quotas	Sections 1.D, 2.F and 2.G	Item 6 and 12
l. Ongoing product/service purchases	Section 1.E and 2	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 7 11.B and 11.C	None
n. Insurance	Sections 7.D, 12.B and 14.A	Items 6, 7, and 8
o. Advertising	Sections 1.B, 1.C, 1.D, 2.G, 3.B and 7.A	Items 6, 8 and 11
p. Indemnification	Section 14	Items 6, 8 and 12
q. Owner's participation/ management/ staffing	Sections 1, 7.A, 7.C and 8	Items 11 and 15
r. Records/reports	Sections 3.B, 7.A and 7.E	Item 6 and 11
s. Inspections and audits	Section 8	Item 6, 11 and 17
t. Transfer	Section 10	Items 6 and 17
u. Renewal	Section 11	Item 6 and 17
v. Post-termination obligations	Sections 6 and 13	Item 17
w. Non-competition covenants	Sections 6 and 13.D	Item 17

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Obligation	Section in Franchise Agreement	Disclosure Document Item
x. Dispute resolution	Section 15.F	Item 17
y. Promissory Notes - Financing	Section 10.B	Item 10, 12 and 13

ITEM 10: FINANCING

We offer you financing for a portion of the Initial Fee if you meet our qualifications. The following table summarizes the financing we may offer you for Initial Fee.

Source of Financing	Us
Amount Financed	Up to $25,000 of the Initial Fee
Down Payment	$34,900
Term (number of years)	Up to 36 months
Rate of Interest plus Finance Charge	0% interest first 12 months, 10% for the remaining 24 months
Monthly Payment	Varies depending on amount financed and term.
Prepayment Penalty	None
Security Required	Personal Guaranty
Guaranty	Personal Guaranty
Liability upon Default	Termination or other loss of Franchise; you must also pay entire amount due and our attorneys' fees and court costs in collecting debt
Loss of Legal Rights Upon Default	You must waive presentation for payment, demand, notice of non-payment, protest, and all other demands and notices required by law (statutory or otherwise)

If you would like to finance a portion of the Initial Fee, and you meet our credit standards, you may do so through a promissory note (the "Note"), which is currently attached as Exhibit E to the Franchise Agreement. You must make a down payment of at least $34,000. We are currently offering an APR of 0% for the first twelve months and 10% for the remaining 24 months, but reserve the right to adjust the APR being offered. We will not adjust APR of the Note once your Franchise Agreement has been signed. A late fee of 5% or $50, per week, whichever sum is greater, will be collected if you fail to make timely payments or your payments are returned to us with non-sufficient funds. The only security we require is a personal guaranty of the Note by you and by all the owners, as well as all respective spouses, of the company.

The term of the Note will be 36 months, as agreed between you and WATER DAMAGE. You may prepay the Note without penalty at any time during its term. If you fail to make any payment, we can call the Note and demand immediate payment of the full outstanding balance. We can also terminate your Franchise Agreement if you fail to make payments as agreed; however, before your Franchise Agreement can be terminated, you will receive a notice of default and have a ten-day period to cure the default. The Note shall survive termination of the Franchise Agreement.

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Additionally, there is a potential source of financing for your vehicle available through Trans Lease, but you are not required to finance your vehicle through Trans Lease. Trans Lease may offer you financing for your vehicle if you meet their qualifications. The following table summarizes the financing they may offer you for the purchase of your vehicle.

Source of Financing	**Trans Lease**
Amount Financed	$76,000
Down Payment	$9,500 (Security Deposit) + $550 (Administration Fee)
Term (number of months)	48, 60, or 72 months. See Note 1.
Rate of Interest plus Finance Charge	8.25% - 8.75%
Monthly Payment	See Note 1.
Prepayment Penalty	3% per year remaining on the unpaid principal balance from the start date through 50% of the term of the loan agreement
Security Required	Security deposit of $9,500
Guaranty	Personal Guaranty
Liability upon Default	See Note 2
Loss of Legal Rights Upon Default	Trans Lease may take possession of vehicle and you will lose all rights in the vehicle; you must waive your right to a hearing before Trans Lease takes possession.

Note 1: The term of the loan offered by Trans Lease will be either 48, 60, or 72 months, depending on the option that you select. Your monthly payments will range from $1,137.71 to $1,354.07.

Note 2: In the event you fail to pay rental payments within ten days after the date such payment is due, Trans Lease may, without declaring you to be in default, charge you an amount equal to five percent of past due amounts or the maximum allowed by law. In addition, Trans Lease may collect from you a fee for dishonored checks in an amount not to exceed $40 or the maximum amount permitted by applicable law, and Trans Lease may pursue any other right or remedy to statute with respect to dishonored checks. This will not affect Trans Lease's rights to additionally or subsequently declare you to be in default and to seek other available remedies, including all other amounts due. You will also be responsible for liquidated damages. We also suggest third party sources for lending including, but not limited to FranFund and Benetrends. As of the date of this Disclosure Document, all of these sources are willing to work with prospective WATER DAMAGE franchisees.

Other than described above, we will not guarantee any notes, leases or obligation. We and our affiliates have no past practice or future intent of selling, assigning or discounting franchisees' financing arrangements to a third party, although we reserve the right to do so in the future. We and our affiliates do not receive any direct or indirect payments or any other consideration from any person for the placement of financing with the lender; however, we reserve the right to do so in the future.

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

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

11.1 Pre-Opening Obligations

Before you open your Business, we will:

1. Designate the Territory for the Business (Sections 1.B and 1.C, and Exhibit A of the Franchise Agreement). We do not provide any assistance with (a) selecting a business site or negotiation of any lease or purchase of any site, (b) conforming the site to local ordinances and codes and obtaining any required permits, or (c) hiring and training employees (other than the required training discussed in Section 3.A of the Franchise Agreement). Your Office must be located within the Territory and must contain a minimum of 1,200 – 1,500 sq. ft. of space and will include office space with a garage to store the vehicle. Provided the Office meets the criteria described in this section, no further approval is required from us. (Section 3.A of the Franchise Agreement).
2. Provide to you an Initial Package that includes the items as listed in Exhibit B of the Franchise Agreement (Section 2.B of the Franchise Agreement). The items in the Initial Package are provided by us and by designated suppliers named by us.
3. Loan to you a copy of our copyrighted Manuals, and other proprietary materials or manuals as we may publish and distribute to you periodically (Section 3 of the Franchise Agreement).
4. Give prior approval for use of business forms, business stationery, business cards, advertising materials, permanent materials, and forms that you intend to use (Section 4.C of the Franchise Agreement). We will continue to do this after you open the Business.
5. Give prior approval to all marketing, advertising, and promotional materials prepared by you within ten days of our receipt of the proposed materials for Franchises (Section 4.C and Section 7.A of the Franchise Agreement). We will continue to do this after you open the Business.
6. Specify minimum policy limits for certain types of insurance coverage (Section 7.D of the Franchise Agreement). We will continue to do this after you open the Business.

Provide the Initial Training Program to (a) the Managing Owner, if he or she is managing the Business, (b) the Designated Manager, if applicable, and (c) one other person, at no additional fee or other charge (Section 3.A of the Franchise Agreement).

11.2 Franchisor's Obligations after the Opening of the Business

Once the WATER DAMAGE Business has commenced operations, we or our designee will provide the following assistance:

1. Provide new products, services and methods that we may have discovered or have developed for the System. (Sections 3 and 7 of the Franchise Agreement).
2. Formulate and implement marketing, advertising, and promotional programs, including the National Advertising Fund, using the merchandising, advertising, and research data

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and advice as we may, periodically, develop for use in your local market. (Sections 3 and 7 of the Franchise Agreement).

3. Provide you with other business and marketing advice. (Sections 3 and 7 of the Franchise Agreement).

4. Provide support for our WATER DAMAGE Software in consideration of the Technology Fee. (Section 3.B.6 of the Franchise Agreement).

5. Provide support on financial and daily operation of the Business including its accounting and record keeping functions (Section 3 and 7 of the Franchise Agreement).

6. Maintain a 24-hour call-in center and distribute leads, in our sole discretion, to Franchisees and Managing Operators for customers and service locations within the Territory. (Section 1.H of the Franchise Agreement).

7. Provide periodic modifications to the Operations Manuals to reflect changes in the System Standards. (Section 3.E and Section 7.B of the Franchise Agreement).

8. Provide periodic refresher training courses and conferences, not to exceed one per year. (Section 3.A of the Franchise Agreement).

11.3 Typical Length of Time to Open the WATER DAMAGE Business

The typical length of time between the signing of the Agreement and payment of any consideration for the WATER DAMAGE Business and the opening of the Business is between 60 and 90 days. Factors affecting this length of time usually include normal business startup considerations, completion of the Initial Training Program, the vehicle delivery date and securing the Business' Office within the Territory.

You must commence operation of the 1-800 WATER DAMAGE Business within four (4) months of signing this Agreement and/or two (2) months following your successful completion of the Initial Training Program, whichever is later (Section 2.A. of the Franchise Agreement). In the event that you do not do so, in our discretion, we may terminate this Agreement pursuant to Section 12 of the Franchise Agreement.

Local Marketing and Advertising

We do not require the Business to spend any minimum amount per month on marketing, advertising and promotional programs at the local level, but recommend that you spend amounts in excess of 3% of Gross Sales on marketing and advertising at the local level. (Section 2.G of the Franchise Agreement).

We encourage our franchisees to partner with third party administrators that represent insurance companies and consumer services ("TPA"). When an insurance claim arises or a

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consumer contacts the TPA for services, the TPA selects one of their partners and assigns the services needing to be done to that partner. If you elect to partner with one or more TPAs, then you may accept assignments outside of your Territory, even if the assignment location is in another franchisee's Territory. You must strictly adhere to all TPA program guidelines and requirements as set forth in the Operations Manuals and/or in other writings provided by us or the TPA directly. Your failure to adhere to program guidelines and requirements will constitute a default under the Franchise Agreement with us (for which you will receive notice and a 15-day cure period). Upon notice of default, we may require you to attend additional training, put you on hold with the TPA(s) or have you removed from a TPA program(s). Application fee and cost per referral will vary depending on which TPA(s) you select.

11.5 National Marketing Fund, Advertising Cooperative and Advertising Counsel

In addition, we have established a national marketing fund (previously defined as the "National Marketing Fund") for the common benefit of existing System franchisees and Managing Operators. You must participate in and contribute 2% of the Business' Gross Sales on a monthly basis throughout the term of the Agreement. We have the right to require that any advertising cooperative or franchisee advisory or advertising council be formed, changed, dissolved or merged. (Section 2.G of the Franchise Agreement). Currently, there is no advertising council associated with the WATER DAMAGE System, but there is a Franchise Advisory Council that may have input as to how the National Marketing Fund contributions are spent (See Exhibit H-1).

We will use the National Marketing Fund contributions, in our sole discretion, to develop, produce and distribute national, regional and/or local advertising and to create advertising materials and public relations programs which promote, in our sole judgment, the services offered by existing System franchisees and Managing Operators. We shall have the sole right to determine contributions and expenditures from the National Marketing Fund, or any other advertising program, and the sole authority to determine, without limitation, the selection of the advertising materials and programs; provided, however, that we will make a good faith effort to expend National Marketing Fund contributions in the general best interests of the System on a national or regional basis. We may use the National Marketing Fund to satisfy any and all costs of maintaining, administering, directing, preparing, producing, and implementing advertising, including the cost of: (i) preparing, producing, and implementing television, radio, magazine and newspaper advertising campaigns; (ii) direct mail and outdoor billboard advertising; (iii) public relations activities and advertising agencies; (iv) developing and maintaining an Internet website; and (v) personnel and other departmental costs for advertising that we internally administer or prepare. Nevertheless, you acknowledge that not all existing System franchisees and Managing Operators will benefit directly or on a pro rata basis from such expenditures. While we do not anticipate that any part of the National Marketing Fund contributions will be used for advertising which is principally a solicitation for franchises, we reserve the right to use the National Marketing Fund for public relations or recognition of the "1 800 WATER DAMAGE®" brand, for the creation and maintenance of a web site, a portion of which can be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating "Franchises Available." (Section 2.G of the Franchise Agreement).

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We may periodically assist franchisees and operators to maintain high quality standards through customer surveys, customer interviews, and other similar initiatives ("Surveys"). The cost of such programs will be borne by the National Marketing Fund. (Section 2.G of the Franchise Agreement).

We have the right to reimburse ourselves from the National Marketing Fund contributions for such reasonable costs and overhead, if any, that we may incur in activities reasonably related to the direction and implementation of the National Marketing Fund. (Section 2.G of the Franchise Agreement).

Outlets owned by us or our affiliates are not required to contribute to the National Marketing Fund. We may, but are not obligated to, advance money to the National Marketing Fund to fund National Marketing Fund programs. In the event that we advance monies to the National Marketing Fund, we will determine, in our sole discretion, the manner and timing for the repayment, to us, of some, or all, of the funds we advance. (Section 2.G of the Franchise Agreement).

We will prepare on an annual basis, within 120 days of the end of the fiscal year, and make available to you upon written request, a statement of contributions and expenditures for the National Marketing Fund. The National Marketing Fund does not have to be independently audited. (Section 2.G of the Franchise Agreement). If we do not spend all National Marketing Fund Contributions by the end of each fiscal year, the funds will be carried forward into the next fiscal year.

We have the right to require that advertising cooperatives be formed, changed, dissolved or merged. Currently, you are not required to participate in any local or regional advertising cooperative. (Section 2.G of the Franchise Agreement).

In the fiscal year ended December 31, 2018, we did not spend any of the National Marketing Fund contributions.

Other than the advertising requirements described above, there are no additional advertising fees required by us. It is at our discretion to determine how much to spend, and where to market, advertise and promote the WATER DAMAGE System.

11.6 Computer Software and Systems.

We have developed the WATER DAMAGE franchise software management system (the "WATER DAMAGE Software"), which consists of software program(s) which you must use to maintain customer records, bid on jobs, create estimates and operate the WATER DAMAGE Business. We will provide you with the WATER DAMAGE Software for use in the operation of the WATER DAMAGE Business. As part of the WATER DAMAGE Software, we currently provide XactAnalysis. There will be a transaction fee of approximately $16 per estimate uploaded in XactAnalysis that is charged and collected by Xactimate and you are responsible for the transaction fee. You will obtain for your use a computer that meets our then-current WATER DAMAGE System Standards. (Section 2.H of the Franchise Agreement). We estimate the cost to purchase the Computer System to be $2,875.

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We have the right to access the Computer System, the data in it, and the reports it generates at any time. We can do this electronically and/or at your business. (Section 2.H of the Franchise Agreement). The Agreement does not impose a limit as to what data we may access or how we may use the data.

We or our affiliates will provide all Software and software upgrades and updates necessary to operate the Business at no additional cost to you. In consideration of these services, the Business shall pay us a monthly technology fee equal to 1% of the Business' Gross Sales or 1% of the Minimum Gross Sales Requirement, whichever is greater, or a maximum of $500 per month (the "Technology Fee").

Neither we, nor any affiliate or third party is obligated to provide ongoing maintenance, repairs, upgrades or updates to the Computer System. We currently do not require that you purchase a maintenance, repair, upgrade or update service contract for the Computer System, but we reserve the right to do so in the future. We do not provide support or warranties for hardware or third party software; any support or warranties are provided solely by the manufacturer.

You promise to subscribe to, maintain, and utilize a DSL, cable or satellite high-speed Internet connection and electronic mail (referred to as "e-mail") network account with independent supplier. As technology advances and new discoveries are made, we have the right to update and upgrade the technological items and designate the specific companies, models and/or types that are required for use in the WATER DAMAGE Business. We may require you to upgrade computer hardware, but no more than two times during the initial term, at a cost not to exceed $3,000. You must also utilize at your expense QuickBooks Online Accounting Software and maintain our specified Chart of Accounts. QuickBooks Online generally costs approximately $42 per month.

We will provide you with an email address that will have, as its suffix, "@1800waterdamage.com." Emails sent to you at 1800waterdamage.com will be automatically forwarded to you at your electronic mail account.

11.7 Telephone Listings

We will provide to you a business telephone number and fax telephone number, which will have a local area code that is assigned to the Territory. We will forward all calls to the business telephone number and fax telephone number to any device(s) you select.

11.8 Operations Manuals

Topic	Number of Pages
1-800 WATER DAMAGE OPERATIONS MANUALS	
Introduction	6
Office Setup	6
Communication Guidelines	16

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Record Keeping and Reports	4
Processing a Job	9
Pricing and Invoicing	3
1-800 WATER DAMAGE Service Vehicles	2
Uniforms	2
Insurance	3
Payroll Administration	1
A Day in the Life	4
Total Number of Pages	56

Topic	**Number of Pages**
SAFETY MANUAL	
Introduction	3
Administration	6
General Safety	20
Motor Vehicle	4
Site Safety	42
Subcontractor Safety	2
Orientation and Training	1
Total Number of Pages	78

11.9 Jumpstart and the Initial Training Program

The Jumpstart program is our preparation program that includes numerous pre-opening activities ("Jumpstart"). Jumpstart is a self-guided process, with additional guidance from our training team, along with the Operations Manuals. You must review the Operations Manuals, complete a Territory review and coordinate your initial advertising program. All Jumpstart activities are to be completed before attending the initial training program and before the opening of the Business and are to be conducted in your hometown by you with assistance from our home office staff. You shall begin Jumpstart immediately upon your signing and returning to us the Agreement and all initial fees. All costs associated with Jumpstart are included in the Initial Fee. During Jumpstart, we will schedule initial training (the "Initial Training Program") for you to attend at a later time. Initial Training Program sessions are typically offered each month. (Section 3.A of the Franchise Agreement)

Before you begin operating the Business and after you have completed Jumpstart, we will provide our Initial Training Program to you at no additional fee. You must complete the Initial

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Training Program to our satisfaction within four months of signing the Franchise Agreement, and failure to do so will result in the termination of the Agreement. The Initial Training Program may not commence until you have paid all fees due to us. (Section 3.A of the Franchise Agreement)

The Initial Training Program will last up to 17 days in duration at our headquarters or another location designated by us. You will be responsible for all travel and living expenses that you and your employees/owners incur for the Initial Training Program (Section 3.A of the Franchise Agreement).

In the event that you own multiple WATER DAMAGE Businesses and have already completed the Initial Training Program, you will still be required to successfully complete the most recent online training modules essential to the role of ownership. There is no charge for this training.

You may designate, with our approval and on a "space available" basis, additional persons to attend other sessions of the Initial Training Program You will be responsible for all costs associated with the additional persons attendance, the training costs payable to us is currently $25 to $50 per additional person per day. In addition, each person we approve to attend the Initial Training Program will be required to sign our then current confidentiality and non-compete agreement before the start of Initial Training Program.

Ted Foster directs the technical operations portion of the Initial Training Program. Tim Fagan directs our business manager portion of the Initial Training Program. Ted Foster and Tim Fagan's years of experience with us and in the franchise, commercial cleaning and sales industries are listed below, along with our other primary instructors:

Training Instructor	Years of Experience in Commercial Cleaning, Sales and/or Franchising Industries	Years of Experience with us or Affiliates
Ted Foster, CR, XCT	42.5	7
Chuck Kelley	8.5	6.5
Darren Foote	27.5	11.5
Tim Fagan	25	8
Janet Hughes	14.5	11
David Dudley	4	9.5
Darleen Weaver	4	18.5
Mark Hargett	31	2
Rick Wahlstrom	40	6
Deidre Wall	13	1.5
Tim Singnysane	24	1.5
Nathan Dudley	2	3
Chelsea Keeton	3	3

Training modules cover:

- Marketing, public relations, and relationship and direct selling techniques to build the customer base;
- The WATER DAMAGE system for water damage restoration services, carpet, tile and grout cleaning, mold remediation, odor removal and related cleaning

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and

- Administrative activities including use of the WATER DAMAGE Business Operating and Support System.

Listed below are the specific modules and details of the Initial Training Program. We reserve the right to modify the Initial Training Program, including the training materials and subjects at any time.

INITIAL TRAINING PROGRAM

Business Operations

Subject	Hours of Classroom Training*	Hours of On-The-Job Training	Location
Sales	3	-	Ann Arbor, MI
Marketing	3	-	Ann Arbor, MI
Software / Technology	13	-	Ann Arbor, MI
Business Operations	8	-	Ann Arbor, MI
Total Hours*	27	-	Ann Arbor, MI

*Does not include meals, breaks, etc.

Technical

Subject	Hours of Classroom Training*	Hours of On-The-Job Training	Location
Technical Training – Safety, Equipment, Chemicals	5	-	Ann Arbor, MI
Technical Training – Standards, Guidelines, Implementation	27	39	Ann Arbor, MI
Total*	32	39	

*Does not include meals, breaks, etc.

11.10 Account Transition and Observation Training

Upon your successful completion of training, we may, at our discretion, require a transitional period of approximately 90 days ("Transitional Period"), in which you and or your Service Technician will have the opportunity to observe a customer service call for customer locations within your Territory which exceed your current level of experience and expertise. Depending on the scope of work, we reserve the right to refer any jobs within your Territory to a neighboring franchisee, Managing Operator or us or affiliate owned location during the Transitional Period and require you to attend such service calls. In certain situations, neither you nor the Business will receive any compensation or proceeds from attending such service calls during the Transitional Period. We reserve the right to extend the 90-day Transitional Period at

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our sole discretion. The Transitional Period may also apply to third-party administrator relationships. With regards to certain third-party administrators, the Transitional Period may exceed the 90-day period, depending upon individual third-party administrators method of operations. (Section 1.C of the Franchise Agreement).

11.11 Additional Training

You must attend the WATER DAMAGE Annual Convention every year. You also must attend periodic refresher training courses and conferences, not to exceed one convention/conference per year, at the times and locations we determine, and for which we may charge fees. This training may, at our option, be online. We will determine the duration, curriculum, and/or location of any online or other training. You will be responsible for all travel and living expenses that are incurred by you while attending such additional courses, conferences, and sessions (Section 3.A of the Franchise Agreement).

The Business' Service Technicians may be required to attend periodic refresher training courses and conferences, not to exceed one session per year, at the times and locations we determine, and for which we may charge a fee and you will be responsible to pay the fee. This training may, at our option, be online. We will determine the duration, curriculum, and/or location of any online or other training. You are responsible for training any additional or replacement Service Technicians. (Section 4.3 of the Franchise Agreement).

11.12 Accounting and Financial Reporting

We currently require you utilize QuickBooks Online Accounting Software and maintain our specified Chart of Accounts. You shall maintain records in accordance with our standards and specifications, and you must submit statements in the form we prescribe on a monthly basis. Statements must be submitted to us by the 15th of the following month for which the statement applies. You are also required to submit your corporate tax returns to us no later than 90 days after the end of the corporate fiscal year. You may not utilize any other accounting or reporting software that is not approved by us.

ITEM 12: TERRITORY

12.1 The Territory

You will operate the Business from a location within the Territory that we approve and that will be identified in the Agreement. The size of the Territory will generally consist of 350,000 people, and will be defined using political boundaries, such as county or city boundaries, or ZIP code boundaries, which are subject to change. These changes are outside of our control.

You will be responsible to lease the Office for the Business. The Office will comprise approximately 1,200 – 1,500 sq. ft. of space and will include office space with a garage to store the vehicle. We will not alter the Territory during the term of the Agreement and any renewal agreements without your prior written consent.

You may only market and solicit to residential or commercial customers for the Services offered by the Business that are located within the Territory. Except as provided below, you may

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not market, advertise or solicit in any way, any residential or commercial customer or customer service location outside of the Territory, without our prior written consent. Subject to our rights under Section 12.5 below, you may market to and/or solicit insurance providers, third-party administrators, and property managers located outside of the Territory, provided that the insurance providers' customers or the customer service locations are located within the Territory.

If you advertise or solicit customers or customer service locations outside of the Territory without our prior written consent, you must pay us a fee equal to the greater of $500 or the cost of job for each incident of unauthorized advertising (the "Improper Marketing Fee"). This fee is in addition to, and not in lieu of, any other rights we have under the Franchise Agreement.

You may perform services for customers or service locations within the Territory. You may also perform services for customers or service locations outside of the Territory if the customer located within your Territory initiates the request or if we refer the customer to you. You acknowledge and agree that other existing System franchisees Managing Operators and company owned business may service customers or service locations within your Territory.

All sales and other activities conducted within or outside the Territory must be conducted in accordance with the terms of the Agreement and our operating methods, standards and specifications as set forth in the Operations Manuals. You required to enter all work performed in the WATER DAMAGE Software within 24 hours of the start of the job. You are required to invoice the customer for all work performed within 24 hours of the completion of the job.

At your option, you may subcontract the provision of Services to another System franchisee, Company owned business or Managing Operator. In the event you subcontract work, you shall pay the franchisee, Company owned business or Managing Operator the stated rates we establish, as they may be revised, as provided in writing by us.

We encourage our franchisees to partner with third party administrators that represent insurance companies and consumer services ("TPA"). When an insurance claim arises or a consumer contacts the TPA for services, the TPA selects one of their partners and assigns the services needing to be done to that partner. If you elect to partner with one or more TPAs, then you may accept assignments outside of your Territory, even if the assignment location is in another franchisee's Territory.

Additionally, if you choose not to service a customer or service location within or outside of the Territory, you must refer us the lead and we will select another System franchisee, Company owned business, or Managing Operator to perform the work with no further obligations to you, financial or otherwise.

The Agreement does not contain any provisions under which you might receive any options, rights of first refusal or similar rights to acquire additional franchises within the Territory or in any contiguous areas.

You will not receive an exclusive Territory. You may face competition from other existing franchisees Managing Operators or from outlets that we or our affiliates own, or from other channels of distribution or competitive brands that we or our affiliates control.

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12.2 Relocation

You may relocate the Office within the Territory at your sole discretion but must immediately notify us of the change in address.

12.3 Minimum Gross Sales Requirement

Following your first full year of operations, the Business will be required to meet the following minimum monthly Gross Sales requirements (the "Minimum Gross Sales Requirement") during the term of the Agreement:

Months in Operation	Minimum Monthly Gross Sales Requirement	Minimum Monthly Royalty Required
0 to 12 Months	No Minimum	No Minimum
13 to 24 Months	$10,400	$1,040
25 to 36 Months	$21,500	$2,150
37 to 48 Months	$30,000	$3,000
Greater than 48 Months	$41,500	$4,150

The Minimum Gross Sales Requirement is a threshold of Gross Sales that the Business must achieve and is not a representation of the Business's future financial performance.

Additionally, beginning in your second year of operations, the Business must pay us the following minimum Technology Fee (the "Minimum Technology Fee"):

Months in Operation	Minimum Monthly Technology Fee Required
0 to 12 Months	No Minimum
13 to 24 Months	$104
25 to 36 Months	$215
37 to 48 Months	$300
Greater than 48 Months	$415

If you do not achieve the required Minimum Gross Sales after 12 months in operation, we may collect a Royalty and Minimum Technology Fee equal to what you would have been assessed had you achieved the Minimum Gross Sales.

If the Business fails to achieve the required Gross Sales Requirement during any consecutive three month period, we reserve the right to terminate the Agreement, elect to establish another franchisee or Company owned business in the Territory or allow other franchisees, Managing Operators and/or Company owned business to advertise, solicit and service customers in the Territory. You agree that any franchisee or Company owned business we designate may provide Services in the Territory. Neither the franchisee, Franchisor or Company owned business are liable or obligated to pay you any compensation for doing so, and

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neither the franchisee nor Franchisor will be considered in breach of any provision of this Agreement or any other agreement between you and us regardless if minimum sales are achieved in the future.

If you execute more than one Agreement with us for additional Territory, you will be required to meet the Gross Sales Requirement for each individual Agreement.

If this is a renewal term, you will be required to meet the Minimum Gross Sales requirement for the greater than 48 month level for the entirety of the Renewal Term.

Once a Royalty and/or Technology Fee or Minimum Royalty and/or Minimum Technology Fee are paid, it is neither refundable nor applied to any future or past fees owed.

12.4 Our Rights within the Territory

Provided that the Business has met the Minimum Gross Sales Requirement described in Section 12.3 above, during the term of the Agreement, we will not establish nor license anyone else to establish another WATER DAMAGE business at any location within the Territory.

In the event of national, regional or local catastrophic event, significant weather event, or any single large loss project (each a "Major Event") within or outside of your Territory, we and our affiliates shall have the sole right to direct and control the provision of Services. You understand and agree that upon a Major Event, we, our affiliates, other existing System franchisees and Managing Operators will be authorized to perform Services within the Territory and neither you nor the Business will be entitled to any proceeds from the provision of Services performed by third parties within your Territory. Additionally, upon a Major Event, we may request you and other existing System franchisees and Managing Operators to mobilize or dispatch technicians and equipment and supplies to any site or sites, regardless of the distance from the Business' Territory. Your participation upon a Major Event is not a requirement.

We and our affiliates retain the right to sell products and services under the Marks within and outside your Territory through any method of distribution, including, but not limited to, selling products and services under the Marks through the Internet, catalog sales, telemarketing, or other direct marketing sales (collectively, the "Alternative Distribution Channels"). You may not use Alternative Distribution Channels to make sales outside or inside the Territory and you may not receive compensation for our sales through Alternative Distribution Channels.

We and our affiliates also reserve the right to use Alternative Distribution Channels to make sales within and outside of your Territory of products or services under trademarks or service marks different from the Marks you will use under the Agreement.

We and our affiliates also retain, as we deem appropriate, the rights to:

1. establish or allow other WATER DAMAGE franchisees to establish WATER DAMAGE businesses at any location outside of the Territory;
2. establish another WATER DAMAGE franchisee or Company owned business in the Territory, if you do not achieve the required Gross Sales Requirement described above;

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3. solicit, market to and build National Account (as defined below) relationships as described below, whose offices may be located within or outside the Territory;
4. offer and sell services and products anywhere that do not comprise a part of the WATER DAMAGE System and, in connection with this right, to exploit our Marks, name, reputation, and know-how;
5. acquire businesses providing services similar to those provided under the System within and outside the Territory and to be acquired by such a business;
6. sell products or services under the Marks within and outside the Territory through any method of distribution, although within the Territory, it may not be through a dedicated WATER DAMAGE Business. This includes sales of products using the Marks through Alternative Distribution Channels; and
7. use and license to engage in any other activities not expressly prohibited in the Agreement.

At this time, we do not have plans to operate or franchise a business under a different trademark selling similar goods and services as provided by a WATER DAMAGE Business.

12.5 National Accounts

We have the exclusive right to negotiate and enter into agreements or approve forms of agreement to provide services to "National Account" customers. The term "National Account" means any customer which on its own behalf or through agents, licensees, or other third parties owns, manages, controls or otherwise has responsibility for a business in more than one (1) location, including but not limited to national insurance companies, regardless of the aggregate contract amount of the services to be performed. Any dispute as to whether a particular customer is a National Account shall be determined by us in our sole discretion and our determination shall be final and binding. Following the execution of a contract with or the acceptance of a bid by a National Account customer which contemplates the provision of services to one (1) or more National Account customers who are located in your Territory, we may, if you are qualified to perform the services and conditioned upon your substantial compliance with the terms of the Agreement and any other applicable agreements, provide you the opportunity to perform such services pursuant to the terms and conditions of the National Account contract or on such terms and conditions as we, at our sole discretion, determine are appropriate. You agree to provide services to all National Account customer referrals within your Territory. You further agree to provide all services in strict adherence to the WATER DAMAGE performance and process standards and all service guidelines and performance standards of the National Account. You may be required to enter into a service agreement to participate in certain National Account programs.

If you are not able to provide services to a National Account customer in conformity with the terms and conditions of the National Account contract, or fail to make an election within the time we specify after being offered the opportunity, we have the right, exercisable in our sole discretion, to (i) provide, directly or through any affiliate or other franchisee or Managing Operator, services to the National Account customer; and/or (ii) contract with another party to provide such services to the National Account customer. In either event, neither you nor the Business shall be entitled to any proceeds from the provision of Services provided to the customer of a National Account.

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ITEM 13: TRADEMARKS

We own the trademarks, service marks, trade names, logotypes, and numerical symbols listed below for promotion, use, license, and sale by us throughout the United States, its territorial possessions, and the District of Columbia. The Agreement grants to you the license to operate the System under the 1-800 WATER DAMAGE name and under any other Marks, trade names, trade dress, indicia, trademarks, service marks, and logos currently used or that may be used in the operation of the System.

We have registered the following Marks on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

Mark	Registration #	Registration Date	Register
1-800 WATER DAMAGE	5164984	March 21, 2017	Principal
	3688386	September 9, 2009	Principal
	3047978	January 24, 2006	Principal
1-800-WATER DAMAGE	2982370	August 02, 2005	Supplemental

No state trademark registrations have been filed.

There are currently no effective material determinations of the USPTO, the trademark administrator of this state, or any court, nor are there any pending interference, opposition, or cancellation proceedings, nor any pending material litigation involving the Marks which may be relevant to their use. We have filed all required renewal affidavits with the USPTO for the Trademarks.

There is currently no pending material federal or state court litigation regarding our use or ownership rights in the Marks.

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There are no agreements currently in effect that significantly limit our rights within the United States to use, or license others to use, the Marks listed above in any manner material to the Franchise.

You must follow our rules when you use the Marks. Your right to use the Marks is derived only from the Agreement and is limited to your operation of the Business in accordance and in compliance with the Agreement and all System Standards we prescribe from time to time during its term. You promise to use only the Marks that we designate in writing, and use them only in the manner that we authorize. You may not use any Mark in selling any unauthorized services or products or in any other way we have not expressly authorized in writing.

You agree that your use of the Marks, and any goodwill established by this use, will be exclusively for our benefit and that the Agreement does not confer any goodwill or other interest in the Marks upon you (other than the right to operate a WATER DAMAGE Business under the Agreement). Upon expiration or termination of the Agreement, no monetary amount will be assigned as attributable to any goodwill associated with your use of the System and the Marks.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or any claim by any person of any rights in any Mark or of any claim by any person of any rights in any Mark, and you may not communicate with any person other than us and our attorneys, and your attorneys, in any infringement, challenge, or claim. We have sole discretion to take the action we deem appropriate and the right to control exclusively any litigation, USPTO proceeding, or any other administrative proceeding arising out of any infringement, challenge, or claim relating to any Mark. We have the exclusive right, but not the obligation, to affirmatively prosecute actions against third parties for infringement or threatened infringement of the Marks.

Provided that you have timely notified us of the claim or proceeding and complied with the Agreement as we determine in our sole discretion, we shall indemnify and hold you harmless against any third-party claim, suit or demand arising out of your use of the Marks. If we, in our sole discretion, determine that you have not used the Marks in accordance with the Agreement, you will bear the cost of such defense, including the cost of any judgment or settlement. You promise to sign any and all instruments and documents, render the assistance, and do the acts and things that, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or USPTO or other proceeding, or otherwise to protect and maintain our interest in the Marks, including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Marks in a manner inconsistent with the terms of the Agreement, we agree to reimburse you for your out-of-pocket costs in performing such acts.

If it becomes advisable at any time, in our sole discretion, for us to modify or discontinue using any Mark and/or use one or more additional or substitute trade or service marks, you will comply with our directions. Any expenses related to the changing of trademarked items will be deemed an expense or Operating Expense of the Business. We will not reimburse you for any loss of revenue due to any modified or discontinued Mark or for any expenditures the Business makes to promote a modified or substitute trademark or service mark.

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We do not know of either superior prior rights or infringing uses that could materially affect your use of our principal Mark in any state.

We are the lawful and sole owner of the domain name www.1800waterdamage.com. You cannot register any of the Marks that are now or in the future owned by us or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue using any website containing the Marks. Except as we authorize in writing in advance, however, you cannot: (i) link or frame our website; (ii) conduct any business or offer to sell or advertise any products or services on the Internet; or (iii) create or register any Internet domain names in connection with your Franchise. The only exception is that you may list the WATER DAMAGE Business in the local online directory.

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

14.1 Patents and Copyrights

You do not receive the right to use any item covered by a patent. There are no pending patent applications that are material to the WATER DAMAGE Business. We do not own any registered copyrights which are material to the franchise; however, we claim copyrights in the Operations Manuals, advertising materials, WATER DAMAGE Software, business forms, videos, CDs and other printed and advertising material used in operating the System. We have not registered these copyrights with the United States Registrar of Copyrights. You must use these items only in the way we specify and only while operating your WATER DAMAGE Business.

The Operations Manuals are described in Item 11. You can use the proprietary information contained in the Operations Manuals in connection with the operation of your WATER DAMAGE Business. Although we have not filed an application for a copyright registration for the Operations Manuals, we claim a copyright, and the information is proprietary. Item 11 describes limitations on the use of the Operations Manuals by you and your employees. You must promptly tell us if you learn about unauthorized use of our proprietary information. We are not obligated to take any action, but will respond to this information as we deem appropriate.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. There are no agreements currently in effect that significantly limit our right to use or allow others to use the copyrighted materials. We do not actually know of any infringing uses that could materially affect your use of the copyrighted materials in any state. We need not protect or defend copyrights, although we may do so when this action is, in our opinion, in the best interest of the WATER DAMAGE System.

The Operations Manuals, and other materials we possess, contain our confidential information and/or trade secrets. This information may include: (a) general operating procedures

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for a WATER DAMAGE Business; (b) the proprietary WATER DAMAGE Software; (c) personnel guidelines for hiring, training, retaining, promoting, and supporting the marketing and sales staff; (d) the Initial Training Program; (e) written marketing and advertising materials, audiotapes, videos, and programs for their utilization; (f) knowledge of specifications and suppliers of certain equipment and supplies for the WATER DAMAGE Business; (g) information on operating results and financial performance of WATER DAMAGE Businesses other than your own; (h) sales guidelines and strategies for developing business relationships in the insurance industry; (j) Customer Information, as defined below; and (k) any other information we deem confidential. You acknowledge and agree that we own any and all customer lists and their contents that we provide to you and/or that you subsequently develop during the normal course of operating the WATER DAMAGE Business. You promise to keep an up-to-date list of all current and former customers in the WATER DAMAGE Software, including their name, telephone number, complete mailing address, frequency of service, last date serviced, and price of service (collectively, the "Customer Information"). You may not enter the Customer Information into any other types of software that have not been approved by us.

14.2 Proprietary Information

All ideas, concepts, techniques or materials relating to a WATER DAMAGE Business, whether or not constituting protectable intellectual property, and whether created by or on behalf of you, must be promptly disclosed to us, will be considered our property and part of our franchise system and will be considered to be works made-for-hire for us. You must sign whatever documents we request to evidence our ownership or to assist us in securing intellectual property rights in such ideas, concepts, techniques or materials.

You may not use our confidential information and/or trade secrets in an unauthorized manner and you must take reasonable steps to prevent unauthorized use or disclosure to others. You also agree that you, as well as certain members of your management and your employees must also execute confidentiality and non-disclosure agreements.

ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

You must at all times faithfully, honestly, and diligently perform your obligations under the Agreement. You must devote your full time and personal best efforts to the day-to-day operation of the Business. Given the emergency nature of the services provided by the Business, you must be available 24 hours a day, seven days a week to respond to service requests.

During the term of the Agreement, you may not engage in any other business or activity and cannot have an interest in or business relationship with any competitor of 1 800 WATER DAMAGE or any of its affiliates. Additionally, your spouse, is required to sign a personal guaranty in the form attached as Exhibit L to the Franchise Agreement pursuant to which they agree that during the term of the Franchise Agreement, they will not own or operate any business offering Remediation Services or Reconstruction Services and/or the services provided by our affiliates.

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ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and provide all of the services that we periodically require for WATER DAMAGE Businesses in the manner we prescribe. You may not market or perform any services that we have not authorized, without our express prior written approval. Our System Standards may regulate required or authorized services and service categories and supplies. There are no limits on our right to periodically change required and/or authorized services and service categories, and we may do so at our discretion. You may market and service customers located within the Territory, and you may service customers located outside the Territory, as described in Item 12.

ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION.

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

THE FRANCHISE RELATIONSHIP

	Provisions	Section in Franchise Agreement	Summary
a.	Length of the franchise term	Section 1.B	10 years.
b.	Renewal or extension of the term	Section 11.A	Two additional consecutive renewal terms of 10 years each.
c.	Requirements for franchisee to renew or extend	Section 11	You must: (i) be in substantial compliance with the Franchise Agreement and other agreements; (ii) have satisfied all monetary requirements and made timely payments; (iii) have not received 3 or more notices of default during the last 24 months; (iv) complete any required training; (v) continuously serviced all customers consistent with our System Standards; (vi) pay us the Renewal Fee; (vii) sign a Mutual General Release; (viii) notify us of your election to renew as required; (ix) upgrade and remodel the Business; (x) sign our then-current form of franchise agreement, which may contain materially different terms than your original franchise agreement, but the boundaries of the Territory will remain the same; (xi) submit proof to us that you have the continued right to operate the Business.
d.	Termination by franchisee	Not Applicable	Not Applicable
e.	Termination by franchisor without cause	Not Applicable	Not Applicable.
f.	Termination by franchisor with cause.	Section 12.B	We may terminate your Franchise Agreement with cause as described in (g)-(h) of this Item 17 Chart.

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	Provisions	Section in Franchise Agreement	Summary
g.	"Cause" defined – curable defaults	Section 12.C	We may terminate the Franchise Agreement if any of the following defaults remains uncured after 15 days: (i) fail to make payment of any amounts due, or funds are not available for debiting when they are due, or you do not record in the Software funds paid to you for jobs completed within 48 hours or you default on any loan made to you by us or our preferred lender; (ii) fail to employ for a period of 2 consecutive months at least one Service Technician, or a Designated Manager; (iii) fail to comply with any law, regulation or ordinance applicable to the Business; (iv) fail to comply with any part of the Franchise Agreement, the intranet website, Manuals and/or other confidential materials; (v) fail to comply with modifications to System Standards intranet website, or Manuals within the required time period, including, but not limited to, the TPA guidelines and requirements; (vi) fail to make payments on the vehicle; (vii) use products or materials that do not meet our System Standards without our approval and/or do not promptly discontinue use after written notice from us; (viii) fail to provide us with any report required by the Franchise Agreement; (ix) fail to service all customers in a manner consistent with our System Standards; (x) advertise a customer or service location located in another Territory without permission (xi) you fail to immediately endorse and deliver to us any payments due to us that is erroneously made to you; (xii) fail to maintain the prescribed hours of operation at the DAMAGE Business; (xiii) fail to personally supervise day-to-day operation of the Business or fail to employ sufficient personnel; (xiv) fail to maintain the required quality controls; (xv) conduct yourself in a manner that reflects adversely on the System, the Marks, or the products offered through the System; or (xvi) fail to procure or maintain any licenses, certifications, or permits necessary for the operation of your Business.
h.	"Cause" defined – non-curable defaults	Section 12.A & B	The Franchise Agreement will automatically terminate without notice or an opportunity to cure if: (i) you make an assignment for the benefit of creditors, are bankrupt or insolvent; (ii) proceedings are commenced to have you adjudicated bankrupt or to seek your reorganization, and are not dismissed within60 days, or a trustee or receiver is appointed for you or the Business without your consent, and the appointment is not vacated within60 days; or (iii) attempt or make an unauthorized transfer. We may terminate the Franchise Agreement, immediately, and without the opportunity to cure, effective upon notice if: (i) your Managing Owner/Designated Manager, fail to satisfy all training requirements; (ii) you fail to open the Business within the required time period; (iii) you made any material misrepresentation or omission in purchasing or operating the Business; (iv) you receive 3 or more notices to cure the same or similar defaults within any 2-year period; (v) you are convicted of a felony; (vi) you understate your Royalty by 3% or more on 3 or more occasions, during any consecutive 2-year period; (vii) you engage in any dishonest or unethical conduct; (viii) you violate any provision regarding confidentiality or non-disclosure; (ix) you cease to continuously operate

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	Provisions	Section in Franchise Agreement	Summary
			the Business for 5 consecutive days or otherwise abandon; (x) you fail to acquire or continuously maintain the required minimum levels of insurance; (xi) you fail to attend the Annual Convention; (xii) your Managing Owner/Designated Manager fails to attend a minimum of one training course or regional meeting per 2 calendar years; (xiii) you fail to train your Service Technician as required; (xiv) any franchise agreement between you and us or our affiliates is terminated; (xv) you commit 3 or more defaults in any 12 month period; (xvi) you materially breach any other agreement with us or any of our affiliates, or any lease for the Office, and fail to cure such breach within any permitted period for cure; (xvii) you materially violate any provision pertaining to Marks or Confidential Information; (xviii) you violate any safety or sanitation law, ordinance or regulation; (xix) you violate the in-term restrictive covenant; (xx) a levy of writ of attachment or execution or any other lien is placed against you or any of your principals or any of their assets which is not released or bonded against within 30 days; (xxi) you or any of your principals become insolvent; (xxii) you order or purchase supplies, signs, furnishings, fixtures, equipment or inventory from an unapproved supplier; (xxiii) you misuse or make unauthorized use of any WATER DAMAGE Software; (xxiv) you fail to comply with the anti-terrorism provisions; (xxv) you take for your own personal use any assets or property of the Business; or (xxvi) if there are insufficient funds in your bank account to cover a check or EFT payment 3 or more times within any 12 month period.
i.	Franchisee's obligations on termination/non-renewal	Section 13	Upon termination or early expiration of the Franchise Agreement, your obligations include: (i) de-identification; (ii) payment of amounts due; (ii) return of all materials; (iii) delivery of all customer information; (iv) non-compete obligations; (v) confidentiality obligations; (vi) assignment of accounts receivable to us if your obligations are not paid in full; (vii) changing names and DBAs; (viii) notification of phone and internet directories of termination and effecting transfer of your listings to us; (ix) transfer lease to us if we request; and (x) provide evidence of your compliance with post-termination obligations.
j.	Assignment of contract by franchisor	Section 10.A	No restriction on our right to assign.
k.	"Transfer" by franchisee – definition	Section 10.B	Includes transfer or assignment of the Franchise Agreement, the Franchise, the Business or any part thereof, and change of your ownership in an amount aggregating 33% or more.
l.	Franchisor's approval of transfer by franchisee	Section 10.B	We have the right to approve all transfers and ensure that specified conditions are met, but will not unreasonably withhold our consent
m.	Conditions for franchisor	Section 10.B	Conditions to transfer: (i) you are in full compliance with the Franchise Agreement or any other agreement between you and us, our affiliates, our

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	Provisions	Section in Franchise Agreement	Summary
	approval of transfer		designated/approved suppliers and vendors and you have paid all accrued monetary obligations; (ii) the transferee meets our then current standards and the transferee does not engage in a competitive business; (iii) the transferee is not engaged in a competitive business, unless they agree to operate all competitive services as part of the Business; (iv) the transferee signs the then-current form of franchise agreement; (v) you provide us with written authorization to provide transferee any information about the operation of the Business; (vi) the transferee signs our then current Franchise Agreement; (vii) all outstanding fees owed have been paid; (viii) the transfer fee is paid; (ix) the broker fee or commission is paid; (x) material terms of the purchase agreement approved; (xi) transferee successfully completes our Initial Training Program; (xii) you, your principals, and the transferee (if we have a prior relationship with the transferee) sign a release; (xiii) you agree that any financing obligations of transferee are subordinate to transferee's obligation to pay fees to us; (xiv) transferee and its principals, must assume your obligations to us; (xv) the transferee must obtain and maintain all permits and licenses required for the operation of the Business; (xvi) the lessors or other parties of leases must have consented to the proposed transfer, if required; and (xv) the transfer must be made in compliance with any applicable laws.
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 10.D	Before transferring your interest in the Franchise Agreement, you must first offer us the right to purchase the interest on the same terms and conditions contained in any bona fide offer less the transfer fee. We have 30 days to decide.
o.	Franchisor's option to purchase franchisee's business	Not Applicable	We do not have an option to purchase your business.
p.	Death or disability of franchisee	Section 10.C	You must transfer within 12 months of your death or disability. If you are an individual, your heirs may continue to operate your Business if the party would otherwise qualify as a transferee. You may transfer to a spouse, child, or parent if they qualify as a transferee and satisfy transfer obligations, without a transfer fee.
q.	Non-competition covenants during the term of the franchise	Section 6	During the term of the Franchise Agreement, you and your Managing Owner, your Designated Manager (if applicable) and Service Technician shall not: (i) engage as in any capacity in any other business offering Remediation Services, cleaning and restoration services the same as or similar to the services sold by the Business and/or the services provided by our affiliates(except for other franchises or authorizations we enter into with you); (ii) use our Confidential Information, System, intranet website, Manuals, Marks, customer lists, Customer Information in the design, development, or operation of any other business; (iii) employ or seek to

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	Provisions	Section in Franchise Agreement	Summary
			employ any employee of ours, our affiliates' or any other franchisee, or otherwise seek to induce such person to leave his or her employment; or (iv) divert or attempt to divert any business or customer of the Business to any competitor, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.
r.	Non-competition covenants after the franchise is terminated or expires	Section 13.D	For a period of 24 months from expiration or termination, you and your owners and, if applicable, your Designated Manager, shall not (a) engage as in any capacity in any Remediation Services, cleaning and restoration services or any of the services provided by our affiliates, (b) employ or seek to employ any of our, , our affiliates, or any franchisee's employee, or otherwise induce or seek to induce such person to leave his or her employment , or (c) divert or attempt to divert any business or customer of the Business to any competitor or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks or the System or engage with customers or former customers of the Business, within: (i) the Territory; (ii) the Territories of any other franchisees, company stores, or any other 1-800 WATER DAMAGE business operator, as of the date of the termination or expiration; or (iii) within a radius of 100 miles outward from the Territory.
s.	Modification of Agreement	Section 15.J	Modification of the agreement must be in writing and agreed upon by both parties.
t.	Integration/merger clause	Section 15.L	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Sections 15.F.1 and 15.F.2	You must bring any disputes arising out of the Franchise Agreement or any other agreement with us to our President prior to bringing a claim before any third party in an attempt to resolve the dispute internally. After exhaustion of this internal dispute resolution procedure, at our option, all claims or disputes between you and us must be submitted first to non-binding mediation in Ann Arbor, Michigan, in accordance with the American Arbitration Association's Commercial Mediation Rules then in effect. These dispute resolution provisions are subject to state law.
v.	Choice of forum	Section 15.F.3	All claims not subject to mediation must be commenced in the state, or federal court of general jurisdiction in Washtenaw County, Michigan or the United States District Court for the Eastern District of Michigan (subject to state law).
w.	Choice of law	Section 15.H	Except federal law, Michigan law applies (subject to state law).

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2019 Franchise Disclosure Document

ITEM 18: PUBLIC FIGURES

We do not use any public figures to promote our franchise. You have no right to use the name of any public figure for promotional efforts, advertising, or endorsements, except with our prior written consent. No public figure has any investment in the 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 any reasonable basis for the information, and if the information is included in the disclosure document. Financial information that differs from that included in Item 19 may only be given 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.

As of December 31, 2018, there were 54 franchisee operators operating in 72 Territories and also 17 Company-owned Businesses. Of the 54 franchisee operators, 26 operate in 40 Territories under the Traditional Model and 28 operate in 32 Territories under the Managing Operator Model. For purposes of this Item 19, January 1, 2018 through December 31, 2018, will be referred to as the "Measurement Period."

This Item sets forth historical Gross Sales information and other types of information listed below for the following locations that were open and operating during the entire Measurement Period: (i) 17 Traditional Model franchisee-operated Businesses (the "Representative Traditional Franchisees"), 4 of which operated in more than one Territory ("Traditional Multi-Territory Operators") and 13 of which operated in a single Territory ("Traditional Single-Territory Operators"); and (ii) 9 Managing Operators (the "Representative Managing Operators") who each operated in a single Territory.

For the Representative Traditional Franchisees, the charts below present average annual Gross Sales and median annual Gross Sales during the Measurement Period for those franchisees that operated in a single Territory as well as those that operated in multiple Territories. For the Representative Managing Operators, the charts below present average annual Gross Sales and information related to jobs.

Excluded from this Item 19 are the 17 Company-owned Businesses and 9 Traditional franchisees, 2 Managing Operators that operate in two Territories and 17 Managing Operators who were not open for the full Measurement Period.

The sales information presented in this Item was provided by the Representative Traditional Franchisees through monthly Gross Sales reports submitted by the Representative Traditional Franchisees. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request. We believe that the following financial data has been compiled using generally accepted accounting principles, but

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we have not audited the data.

Table 1: Average Annual Gross Sales Traditional Single-Territory Operators

The table below sets forth the average annual Gross Sales during the Measurement Period as reported by the 13 Traditional Single-Territory Operators. We have broken them down by the top 25% highest-performing operators ("Top 25% Operators"), the top 50%-highest performing operators ("Top 50% Operators"), the top 75% highest-performing operators ("Top 75% Operators"), and the bottom 25% operators ("Bottom 25% Operators").

Traditional Single-Territory Operators

Quartile	Number of Operators in Group	Gross Sales[1]	Operators that Exceeded the Average	Highest	Lowest	Median
Top 25%[2]	3	$1,221,628	1	$1,776,688	$881,398	$1,006,799
Top 50%[3]	6	$925,324	2	$1,776,688	$560,145	$680,943
Top 75%[4]	10	$751,911	3	$1,776,688	$420,478	$560,145
Bottom 25%[5]	3	$192,795	1	$252,914	$140,645	$184,826
Total	**13**	**$622,884**	**4**	**$1,776,688**	**$140,645**	**$544,550**

Notes:

1. "Gross Sales" is defined as all revenue received from operating the Business including cash, in services in kind, from barter and/or exchange, or otherwise, but not including sales tax and returns. . We calculated the Average Annual Gross Sales figure by totaling the Average Annual Gross Sales of the all of the Traditional Single-Territory Operators and dividing it by the number of Operators in each category and then by the total.

2. We calculated the Top 25% Average Annual Gross Sales figure by totaling the Annual Gross Sales of the Top 25% Operators and dividing it by the number of Top 25% Operators. Of the 3 Top 25% of single-Territory Operators, one or 33%, met or exceeded the Average Annual Gross Sales figure for this quartile.

3. We calculated the Top 50% Average Annual Gross Sales figure by totaling the Annual Gross Sales of the Top 50% Operators and dividing it by the number of Top 50% Operators. Of the 6 Top 50% of single-Territory Operators, 2 or 30% met or exceeded the Average Annual Gross Sales figures for this quartile.

4. We calculated the Top 75% Average Annual Gross Sales figure by totaling the Annual Gross Sales of the Top 75% Operators and dividing it by the number of Top 75% Operators. Of the 10 Top 75% of single-Territory Operators, 3 or 33% met or exceeded the Average Annual Gross Sales figure for this quartile.

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5. We calculated the Bottom 25% Average Annual Gross Sales figure by totaling the Annual Gross Sales of the Bottom 25% Operators and dividing it by the number of Bottom 25% Operators. Of the Bottom 25% of single-Territory Operators, 1 or 33% met or exceeded the Average Annual Gross Sales figure for this quartile.

6. "Median" represents the middle number of which one-half of the Representative Managing Operators exceeded and one-half did not.

Table 2: Traditional Multi-Territory Operators Annual Gross Sales and Average Gross Sales by Territory

The table below sets forth the Gross Sales and average Gross Sales per Territory in dollars during the Measurement Period as reported by the 4 Traditional Multi-Territory Operators.

	# of Territories	Gross Sales	Average Annual Gross Sales per Territory
Operator #1	3	$2,336,166	$778,722
Operator #2	3	$1,441,780	$480,593
Operator #3	5	$1,168,334	$233,667
Operator #4	2	$651,101	$325,551

Notes:

1. "Gross Sales" is defined as all revenue received from operating the Business including cash, in services in kind, from barter and/or exchange, or otherwise, but not including sales tax and returns. The Traditional Multi-Territory Operators report Gross Sales as one business and not by individual Territory.

2. The Average Gross Sales by Territory of each Multi-Territory Operator was calculated by dividing the total Gross Sales during the Measurement Period by the number of Territories for each Multi-Territory Operator.

Table 3: Representative Managing Operators Average Gross Sales

The table sets forth the Gross Sales of the 9 Representative Managing Operators during the Measurement Period.

Average Annual Gross Sales	High	Low	Median
$369,857	**$918,862**	**$151,611**	**$217,502**

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Notes.

1. "Gross Sales" means all revenues generated from all business conducted by the Representative Managing Operator during the Measurement Period, including amounts received from the sale and delivery of merchandise and tangible property of any nature whatsoever but does not include the amount of any tax imposed by any federal, state, municipal or other governmental authority; you agree to pay such amounts as and when due. We calculated the average Annual Gross Sales by totaling the Annual Gross Sales of the Representative Managing Operators and dividing it by the number of Representative Managing Operators. Of the 9 Representative Managing Operators, three or 33% exceeded the average.

2. "Median" represents the middle number of which one-half of the Representative Managing Operators exceeded and one-half did not.

Table 4: Representative Managing Operators Average Jobs

The chart below sets forth the total number of jobs, average job amount, largest single job amount, smallest single job and median job amount for (a) mitigation, mold and remediation jobs, (b) carpet cleaning jobs, and (c) total jobs.

Total Number of Jobs[1]	**Average Job Amount**	**Largest Single Job Amount**	**Smallest Single Job Amount**	**No. of Jobs Above/Below Average**	**Median Job Amount[4]**
593	$4,733.72	$125,243.63	$34.95	121/472	$1,553.58
Total Number of Mitigation / Mold Remediation Jobs[2]	**Average Mitigation / Mold Remediation Job**	**Largest Mitigation Job**	**Smallest Mitigation Job**	**No. of Mitigation Jobs Above/Below Average**	**Median**
476	$5,838.45	$125,243.63	$105.93	384/921	$2,272.09
Total Number of Carpet Cleaning Jobs[3]	**Average Carpet Cleaning Job**	**Largest Carpet Cleaning Job**	**Smallest Carpet Cleaning Job**	**No. of Carpet Cleaning Jobs Above/Below Average**	**Median**
117	$239.26	$4,263.63	$34.95	30/87	$170.00

Notes.

1. The Total Number of Jobs represents the total number of mitigation, mold and remediation jobs, and carpet cleaning jobs completed by the Representative Managing Operators during the Measurement Period. The Average Job was calculated by combining the total value of

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all jobs completed by the Representative Managing Operators during the Measurement Period, and dividing by the total number of jobs completed by the Representative Managing Operators. The Largest Job Amount and Smallest Job Amount represent the Gross Sales for the single largest and smallest jobs completed by a Representative Managing Operator during the Measurement Period.

2. The Total Number of Mitigation Jobs represents the total number of mitigation jobs completed by the Representative Managing Operators during the Measurement Period. The Average Mitigation Job was calculated by combining the total value of all mitigation jobs completed by the Representative Managing Operators during the Measurement Period, and dividing by the total amount of mitigation jobs completed by the Representative Managing Operators. The Largest Mitigation Job Amount and Smallest Mitigation Job Amount represent the Gross Sales for the single largest and smallest mitigation jobs completed by a Representative Managing Operator during the Measurement Period.

3. The Total Number of Carpet Cleaning Jobs represents the total number of carpet cleaning jobs completed by the Representative Managing Operators during the Measurement Period. The Average Carpet Cleaning Job was calculated by combining the total value of all carpet cleaning jobs completed by the Representative Managing Operators during the Measurement Period, and dividing by the total amount of carpet cleaning jobs completed by the Representative Managing Operators. The Largest Carpet Cleaning Job Amount and Smallest Carpet Cleaning Job Amount represent the single largest and smallest carpet cleaning jobs completed by a Representative Managing Operator during the Measurement Period.

4. The median represents the middle number of which one-half of the jobs exceeded and one-half did not.

General Assumptions.

1. Your results may vary upon the location of your Business. Your results may also vary as start-up business.

2. The businesses profiled above operate under the same marks and offer the same services that you will offer. The Representative Traditional Franchisees operate under the Traditional Franchise Model and are directly responsible for all costs and expenses associated with their businesses.

3. This analysis does not contain complete information concerning the operating costs and expenses that the Business will incur, including Management Fees, Technology Fees, Local Advertising Contributions, National Marketing Fund contributions, royalties, rent, inventory costs, payroll, payroll taxes, owner compensation/salary, healthcare, employee benefits, uniforms, office supplies, postage, travel and entertainment expenses, utilities and telephone charges, late fees, training fees, and other fees and operating expenses.

4. The above figures exclude tax liabilities.

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5. The above figures exclude professional fees or other administrative expenses that you may incur, including legal and accounting fees.

6. Interest expense, interest income, depreciation, amortization and other income or expenses will vary substantially from business to business.

7. Expenses and costs may significantly impact profits realized in any particular operation.

General Notes to Item 19.

Your results may vary based upon the location of your business. Your results may also vary as a start-up business.

Some outlets have earned this amount. There is no assurance you'll do as well. If you rely upon our figures, you must accept the risk of not doing as well.

Your individual results may differ. Sales, revenues and expenses of your Business will be directly affected by many factors, such as: (a) geographic location; (b) competition from other similar businesses in your area; (c) advertising effectiveness based on market saturation; (d) your product and service pricing; (e) vendor prices on materials, supplies and inventory; (f) labor costs; (g) ability to generate customers; (h) customer loyalty; and (i) employment conditions in the market.

Therefore, we recommend that you make your own independent investigation to determine whether or not the franchise may be profitable to you. You should use the above information only as a reference in conducting your analysis and preparing your own projected income statements and cash flow statements. We suggest strongly that you consult your financial advisor or personal accountant concerning financial projections and federal, state and local income taxes and any other applicable taxes that you may incur in operating a Business.

The success of your Business will depend largely upon your individual abilities and your market, and the financial results of your Franchise are likely to differ, perhaps materially, from the results summarized in this Item.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the our management by contacting Rusty Amarante, President of BELFOR Franchise Group, at 731 Fairfield Court, Ann Arbor, Michigan 48108, 734-864-9799, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-wide Outlet Summary
For years 2016, 2017, 2018

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised – Traditional	2016	31	30	-1
	2017	30	28	-2
	2018	28	40	+12
Franchised – Managing Operator	2016	0	10	+10
	2017	10	20	+10
	2018	20	33	+13
Company- or Affiliate-Owned*	2016	2	2	0
	2017	2	9	+7
	2018	9	17	+8
Total Outlets	2016	33	42	+9
	2017	42	57	+15
	2018	57	90	+33

*These locations are operated by our affiliates, A Cure Disaster Services, LLC and 1 800 WATER DAMAGE North America, LLC.

Table No. 2A
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2016, 2017, 2018 – Traditional Franchises

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Colorado	2016	0
	2017	1
	2018	0
Total	2016	0
	2017	1
	2018	0

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Table No. 2B
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2016, 2017, 2018 – Managing Operator

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Total	2016	0
	2017	0
	2018	0

Table No. 3-A
Status of Traditional Model Franchised Outlets
For years 2016, 2017, 2018

State	Year	Outlets at Start of Year	Outlets Opened	Term-inations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Alabama	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
Arizona	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Colorado	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	1	0	0	0	0	3
Florida	2016	1	0	0	0	0	0	1
	2017	1	1	0	0	0	1*	1
	2018	1	4	0	0	0	0	5
Georgia	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Idaho	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Illinois	2016	0	1**	0	0	0	0	1
	2017	1	0	0	0	0	1	0
	2018	0	0	0	0	0	0	0
Indiana	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	1*	2
	2018	2	1	0	0	0	0	3
Kentucky	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Maine	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	1	0

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State	Year	Outlets at Start of Year	Outlets Opened	Term-inations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
	2018	0	0	0	0	0	0	0
Michigan	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	1	0	0	0	0	4
New Jersey	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	1	1
New York	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
North Carolina	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	1	0	2
	2018	2	0	0	0	0	1	1
Ohio	2016	6	0	0	1	0	0	5
	2017	5	0	0	0	0	0	5
	2018	5	0	0	0	0	0	5
Oklahoma	2016	0	0	0	0	0	0	0
	2017	0	2	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Oregon	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Pennsylvania	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
Tennessee	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	1	0
Virginia	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	3	0	0	0	0	4
Washington	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Wisconsin	2016	1	0	0	0	0	1**	0
	2017	0	0	0	0	0	0	0
	2018	0	2	0	0	0	0	2
TOTALS	2016	31	1	0	1	0	1	30
	2017	30	3	0	0	1	4	28
	2018	28	15	0	0	0	3	40

*These franchisees converted from a Traditional Franchise Model to a Managing Operator Model in 2017.

**This franchisee moved their territory from Wisconsin to Illinois in January 2016.

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Table No. 3-B
Status of Franchise Managing Operator Outlets
For years 2016, 2017, 2018

State	Year	Outlets at Start of Year	Outlets Opened	Term-inations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
California	2016	0	0	0	0	0	0	0
	2017	0	2	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Florida	2016	0	0	0	0	0	0	0
	2017	0	3	0	0	0	0	3
	2018	3	1	0	0	2	0	2
Georgia	2016	0	4	0	0	0	0	4
	2017	4	2	0	0	3	0	3
	2018	3	3	0	0	0	0	6
Illinois	2016	0	0	0	0	0	0	0
	2017	0	2	0	0	0	0	2
	2018	2	2	0	0	0	0	4
Indiana	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Kentucky	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	1	0
Maryland	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	1	0	0	0	0	2
Massachusetts	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
Michigan	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	4	0	0	0	0	5
Mississippi	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
Nevada	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	1	0	0	1	0	1
New Hampshire	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	1	0	0
	2018	0	0	0	0	0	0	0
Pennsylvania	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	1	0	0
South	2016	0	1	0	0	0	0	1

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State	Year	Outlets at Start of Year	Outlets Opened	Term-inations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Carolina	2017	1	0	0	0	0	0	1
	2018	1	1	0	0	2	0	0
Texas	2016	0	2	0	0	0	0	2
	2017	2	1	0	0	2	0	1
	2018	1	2	0	0	2	0	1
Utah	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	2	0	0	0	0	2
Virginia	2016	0	1	0	0	0	0	1
	2017	1	1	0	0	0	0	2
	2018	2	2	0	0	1	0	3
Wisconsin	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	1	0	0
	2018	0	1	0	0	0	0	1
Canada*	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
TOTALS	2016	0	10	0	0	0	0	10
	2017	10	17	0	0	7	0	20
	2018	20	23	0	0	9	1	33

*This Managing Operator operates in Canada using the same System as the Managing Operators in the United States. Its Operating Entity is our affiliate, 1-800 WATER DAMAGE Canada, Inc.

Table No. 4A
Status of Company- or Affiliate-Owned Outlets – Traditional Model
For years 2016, 2017, 2018

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
TOTALS	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0

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Table No. 4B
Status of Company- or Affiliate-Owned Outlets – Managing Operator
For years 2016, 2017, 2018

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Florida	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	2	0	0	2
Georgia	2016	0	0	0	0	0	0
	2017	0	0	3	0	0	3
	2018	3	0	0	0	0	3
Nevada	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	1	0	1	0
New Hampshire	2016	0	0	0	0	0	0
	2017	0	0	1	0	0	1
	2018	1	0	0	0	0	1
North Carolina	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	1	0	0	0	1
Ohio	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	1	0	0	0	1
Pennsylvania	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	1	1	0	1	1
Rhode Island	2016	0	1	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
South Carolina	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	2	0	1	1
Texas	2016	0	0	0	0	0	0
	2017	0	0	2	0	0	2
	2018	2	0	2	0	1	3
Virginia	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	1	0	0	1
Washington	2016	1	0	0	0	0	1
	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
Wisconsin	2016	0	0	0	0	0	0
	2017	0	0	1	0	0	1
	2018	1	0	0	0	0	1

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State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
TOTALS	2016	2	0	0	0	0	2
	2017	2	0	7	0	0	9
	2018	9	3	9	0	4	17

Table No. 5
Projected Openings as of December 31, 2018

Column 1 State	Column 2 Franchise/Franchise Operator Agreements Signed but Outlet Not Opened	Column 3 *Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	1	0
Florida	1	1	0
Georgia	2	1	0
Idaho	0	1	0
Iowa	1	1	0
Indiana	1	1	0
Missouri	2	0	0
Montana	0	1	0
Nevada	0	1	0
New Jersey	0	2	0
New York	0	10	0
North Carolina	0	1	0
Ohio	2	0	0
Oklahoma	1	0	0
Pennsylvania	0	2	0
South Carolina	1	0	0
Texas	0	1	0
Washington	0	1	0
TOTALS	**11**	**25**	**0**

Exhibit F to this Disclosure Document includes the names, addresses and telephone numbers of all franchise owners as of December 31, 2018. The franchisees are identified as either a Traditional Franchisee or a Managing Operator.

Exhibit G to this Disclosure Document includes the name, city and state, and the current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement between January 1, 2018 and December 31, 2018 or who has not communicated with us within ten weeks of the issuance date

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of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, in some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. 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.

Exhibit H-1 lists, to the extent known, the names, addresses, telephone numbers, email addresses and web addresses of each trademark-specific franchisee organization associated with the franchise system being offered which we have created, sponsored or endorsed. Exhibit H-2 lists the independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21: FINANCIAL STATEMENTS

Exhibit B contains our audited financial statements as of December 31, 2016, December 31, 2017, and December 31, 2018. Exhibit B also contains our unaudited balance sheet, statement of operations, statement of member's equity, and statement of cash flows, all as of March 31, 2019 and as of June 30, 2019. Our fiscal year end is December 31.

ITEM 22: CONTRACTS

The following contracts are exhibits within this Disclosure Document:

Exhibit A: Franchise Agreement

Exhibit E: State Addenda to the Disclosure Document

ITEM 23: RECEIPTS

The final pages of this Disclosure Document (Exhibit I of the Disclosure Document) include two copies of a detachable document acknowledging your receipt of the Disclosure Document. If that page, or any other pages or exhibits are missing from your copy, please notify us immediately.

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EXHIBIT A

TO THE FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

1-800 WATER DAMAGE FRANCHISE AGREEMENT

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Exhibit A – Territory; Designated Personnel
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Exhibit D – Telephone and Other Listing Agreement
Exhibit E – Promissory Note
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Exhibit G – Confidentiality/Non-Disclosure Agreement
Exhibit H – Disclosure Acknowledgement Questionnaire
Exhibit I – General Release – Renewal
Exhibit J – General Release – Assignment
Exhibit K – Electronic Funds (EFT) Authorization
Exhibit L – Personal Guaranty and Guaranty of Spouses

1-800 WATER DAMAGE Franchise Agreement

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into this _____ day of _____, 2019, by and between 1-800 WATER DAMAGE International, LLC, a Delaware Limited Liability Company, with its principal place of business at 731 Fairfield Court, Ann Arbor, Michigan 48108 (referred to in this Agreement as "we," "us," "our," "ourselves", and the "Company"), and _____ _____ (together referred to as the "Owners"), residents of the State of _____, and _____, a _____ company to be formed or already existing whose principal address is _____ (referred to in this Agreement as "you," "your" or "Franchisee").

1. INTRODUCTION, ACKNOWLEDGMENTS, AND AWARD OF FRANCHISE.

A. INTRODUCTION.

We use, promote and license certain trade and service marks and other commercial symbols in operating water damage restoration services, carpet, tile and grout cleaning services, mold remediation, odor removal, fire, smoke and related cleaning businesses in the United States, including the trade and service mark(s) "1-800 WATER DAMAGE" (collectively, the "Marks"). These Marks have gained and continue to gain public acceptance and goodwill, and we may continue to create, use, and franchise additional trademarks, service marks, and commercial symbols in operating 1-800 WATER DAMAGE Businesses, as defined below.

Through the expenditure of considerable time, we have established a system of marketing, promoting, advertising, managing, conducting and operating businesses that perform water damage restoration services, carpet, tile and grout cleaning services, mold remediation, odor removal, fire, smoke and related restoration and cleaning services, which services list may be amended to include other services and products from time-to-time in the operations manual or otherwise (the "Remediation Services") and minor drywall removal and installation, hardwood floor repair, tile floor repair, painting, and carpet repair and installation (the "Minor Reconstruction Services"), and ancillary products and services under the Marks using methods and operating systems as defined in our proprietary Operations Manuals (the Remediation Services and the Minor Reconstruction Services shall be collectively referred to herein as the "Services") for both residential and commercial buildings (the "1-800 WATER DAMAGE Business", "Business").The Business may not provide structural repair work, interior finishing, and electrical, mechanical and plumbing and heating services either through the Business or any other entity ("Reconstruction Services"). In the event that a customer of the Business requires Reconstruction Services, you must refer the customer to us, BELFOR or BELFOR USA (each a "Required Referral").

We award to persons, who meet our qualifications and who are willing to undertake the investment and effort, a franchise to own and operate a 1-800 WATER DAMAGE Business offering the services and products we authorize and approve while utilizing our business formats, methods, procedures, signs, standards, specifications, and Marks (the "System").

Following your evaluation of the 1-800 WATER DAMAGE System, you have expressed to us your desire to obtain the right to develop, own, and be franchised to operate a 1-800 WATER DAMAGE Business.

This Agreement governs the ongoing relationship between you and us.

B. AWARD OF FRANCHISE.

You have applied for a franchise to own and operate a 1-800 WATER DAMAGE Business. Subject to all of the terms and conditions of this Agreement, we hereby award you a franchise (the "Franchise") to operate a 1-800 WATER DAMAGE Business utilizing the System and the Marks in the geographical territory that you and we have agreed to as described in Exhibit A and in Section 1.C below (the "Territory"). During the term of this Agreement, you may perform the Services offered by the Business for customers or Service Locations within the Territory. A "Service Location" is the physical location or address where the Services are performed. You may also perform services for customers or Service Locations outside of the Territory if the customer located within your Territory initiates the request or in the event we refer the lead to the Business.

The term of the franchise will be ten (10) years (the "Initial Term") commencing on the date of this Agreement.

You must at all times faithfully, honestly, and diligently perform your obligations under this Agreement. Except as stated herein, you must designate at least one (1) managing owner (the "Managing Owner") who will be our primary individual contact with the 1-800 WATER DAMAGE Business and who we will approve in our sole discretion. A Managing Owner may, in our sole discretion, serve as the Managing Owner of more than one (1) 1-800 WATER DAMAGE Businesses that are owned by you; provided, however, that we may, in our sole discretion, require you to designate a person who will serve as the primary individual contact for this 1-800 WATER DAMAGE Business (the "Designated General Manager"). We must approve of the Designated General Manager in writing, which we may grant in our sole discretion. The Managing Owner and, if applicable, the Designated General Manager, must successfully complete the training program as described in and required by this Agreement. The Designated General Manager is not required to have an ownership interest in the 1-800 WATER DAMAGE Business. The Designated General Manager must sign our prescribed form of confidentiality and non-compete agreement. The Managing Owner or, if applicable, the Designated General Manager must continuously exert her/his full-time best efforts to manage, promote and enhance the 1-800 WATER DAMAGE Business, and such other 1-800 WATER DAMAGE Businesses as we permit in our sole discretion. Without our prior written permission, the Managing Owner and, if applicable, the Designated General Manager, must not engage in any other business or activity that conflicts with their obligations to operate the 1-800 WATER DAMAGE Business on a full-time, year round basis.

Before commencing operation of the 1-800 WATER DAMAGE Business, you must employ at least one (1) person who has completed the Initial Training Program as described and defined in Section 3.A of this Agreement.

Before attending the Initial Training Program and/or upon any change to the legal entity ownership, you must submit to us a corporate resolution, or similar action, which states the name of the corporation or LLC, the legal names of all of the partners or shareholders, the percentage of ownership that each member controls, their place of residence and their agreement to be bound by the terms of this Agreement. We charge a fee of $500 (the "Transfer of Corporation Fee") to process all changes to the legal entity subsequent to the submission of an initial

corporate resolution prior to the commencement of the 1-800 WATER DAMAGE Business. In the case of multiple Owners, you must submit a dispute resolution procedure acceptable to us in our sole discretion that states what you will do in the event that there is a conflict between any owners of the franchise entity. In addition, at all times, the Owners who have executed this Agreement must control 67% of the franchise entity. The remaining Owners must sign a written confidentiality and non-compete agreement in the form we prescribe.

C. PROTECTED TERRITORY; RESTRICTIONS.

i. Except as otherwise provided for in the Agreement, so long as you are in compliance with the terms and conditions of this Agreement, we will not establish nor license anyone else to establish another business operating under the System and the Proprietary Marks at any location within the Territory as defined in the Exhibit A of this Agreement, the terms of which are hereby incorporated into this Agreement. You agree to locate the Office within the Territory. The Business will not receive an exclusive Territory. You acknowledge and agree that other existing System franchisees and businesses owned by us, our affiliates and parent may service customers or Service Locations within the Territory. You may perform services for customers or service locations within the Territory. You may also perform services for customers or service locations outside of the Territory if the customer within your Territory initiates the request or if we refer the customer to you. You acknowledge and agree that other existing System franchisees, Managing Operators and company owned business may service customers or service locations within your Territory. At your option, the Business may subcontract the provision of Services to another System franchisee or Company owned business, in which event the Business will pay the franchisee or Company owned business, the then-current rates established by us, as the same may be revised. Additionally, if you are unable to service a customer or Service Location within or outside of the Territory, you must refer the lead to us and we shall have the right to select another System franchisee, Company owned business, or its affiliates, to perform the work and neither you nor the Business shall be entitled to any proceeds from the provision of Services.

ii. You shall only market the Services and solicit customers or Service Locations within the Territory. Except as described below, you may not market, advertise or solicit in any way, any customer or Service Location outside of the Territory without our prior written consent. In the event that you advertise or solicit customers or Service Locations outside of the Territory without our prior written consent, you will pay us a fee equal to the greater of $500 or the cost of the job for each incident of unauthorized advertising or solicitation (the "Improper Marketing Fee"). The Improper Marketing Fee is in addition to, and not in lieu of, any other rights we have under this Agreement.

iii. Notwithstanding the provisions described above, you may market to and/or solicit insurance providers, third-party administrators, and property managers located outside of the Territory, provided that the insurance providers' customers or the Service Location is within the Territory.

iv. Upon your successful completion of training, we may, at our discretion, require a transitional period of approximately 90 days ("Transitional Period"), in which you and or your Service Technician will have the opportunity to observe a customer service call for customer locations within your Territory which exceed your current level of experience and expertise. Depending on the scope of work, we reserve the right to refer any jobs within your Territory to a

neighboring franchisee or Company owned businesses or affiliate owned location during the Transitional Period and require you to attend such service calls. In certain situations, you may not receive any compensation or proceeds from attending such service calls during the Transitional Period. We reserve the right to extend the 90 day Transitional Period at our sole discretion. The Transitional Period may also apply to third-party administrator relationships. With regards to certain third-party administrators, the Transitional Period may exceed the 90 day period, depending upon individual third-party administrators method of operations.

D. RIGHTS WE RESERVE.

We and our affiliates retain, as we deem appropriate, the rights to:

i. establish, and license others to establish, businesses operating under the System and the Proprietary Marks at any location outside of the Territory;

ii. establish, and license others to establish, businesses operating under the System and the Proprietary Marks in the Territory, or allow other System franchisees, Managing Operators or Company owned businesses to market and solicit customers and Service Locations within the Territory in the event the Business fails to achieve the required Gross Sales Requirement and/or Minimum Royalty Requirements as described in Section 2.F. of this Agreement;

iii. solicit, market to and build National Account relationships as described in Section 1.G. of this Agreement, whose offices or Service Locations may be located within or outside the Territory;

iv. acquire businesses providing services similar to those provided under the System within and outside the Territory and to be acquired by such a business;

v. sell products or services under the Proprietary Marks within and outside the Territory through any method of distribution, although within the Territory, it may not be through a System business located within the Territory. This includes sales of products using the Proprietary Marks through Alternative Distribution Channels; and

vi. engage in any other activities not expressly prohibited in this Agreement.

E. REQUIRED PURCHASES.

We have the right to require you to purchase products, inventory, equipment, fixtures, furnishings, product display units, signs, uniforms, supplies, vehicles, and other materials from us or our designated or approved suppliers. We will furnish you with a list of the equipment, motor vehicle requirements, and other required products, inventory and accessories required in connection with the operation of the Business (collectively, the "Required Purchases"). You must purchase or lease such Required Purchases from us at our then current prices, or, at our direction, from sources or suppliers approved or designated by us (which sources or suppliers may include us).

F. MAJOR EVENTS.

In the event of national, regional or local catastrophic event, significant weather event, or any single large loss project (each a "Major Event") within or outside of the Territory, we, our parent or affiliates shall have the sole right to direct and control the provision of Services. You acknowledge and agree that upon a Major Event, we or our parent or affiliates, other System franchisees and Managing Operators will be authorized to perform Services within the Territory and you will not be entitled to any proceeds from the provision of Services performed by third parties within the Territory. Additionally, upon a Major Event, we may request you to mobilize or dispatch the Business' technicians and equipment and supplies to any site or sites, regardless of the distance from the Territory. Your participation upon a Major Event is not a requirement.

G. NATIONAL ACCOUNTS.

We have the exclusive right to negotiate and enter into agreements or approve forms of agreement to provide services to "National Account" customers. The term "National Account" means any customer which on its own behalf or through agents, licensees, or other third parties owns, manages, controls or otherwise has responsibility for a business in more than one (1) location, including but not limited to national insurance companies, regardless of the aggregate contract amount of the Services to be performed. Any dispute as to whether a particular customer is a National Account shall be determined by us in our sole discretion and our determination shall be final and binding. Following the execution of a contract with or the acceptance of a bid by a National Account customer which contemplates the provision of Services to one (1) or more National Account customers who are located in the Territory, we may, if you are qualified to perform the Services and conditioned upon your substantial compliance with the terms of this Agreement and any other applicable agreements, provide you the opportunity to perform such Services pursuant to the terms and conditions of the National Account contract or on such terms and conditions as we, in our discretion, determine are appropriate. You agree to provide services to all National Account customer referrals within your Territory. You further agree to provide all services in strict adherence to the WATER DAMAGE performance and process standards and all service guidelines and performance standards of the National Account. You may be required to enter into a service agreement to participate in certain National Account programs.

If you are not able to provide services to a National Account customer in conformity with the terms and conditions of the National Account contract, or fails to make an election within the time we specify after being offered the opportunity, we have the right, exercisable in our sole discretion, to (i) provide, directly or through any affiliate or other franchisee or Managing Operator, services to the National Account customer; and/or (ii) contract with another party to provide such services to the National Account customer. In either event, you will not be entitled to any proceeds from the provision of Services provided to the National Account customer.

H. TOLL-FREE 1-800-WATER DAMAGE NUMBER.

We have established a toll-free number, 1-800- WATER DAMAGE, to which customers may place calls for services offered by our franchisees. Provided that you are in compliance with this Agreement, you will receive telephone calls placed to the 1-800-WATER DAMAGE number by customers that originate from a ZIP code within your Territory.

These services are provided by a third party and we cannot guarantee that you will receive all calls from ZIP codes within your Territory, but we will make every effort to make sure you do get these calls. You may not advertise or market any telephone number for the Business or the Location other than the 1-800-WATER DAMAGE telephone number or the business local telephone number provided to you by us, without our prior written permission.

1. As long as you meet your Minimum Gross Sales and are otherwise in compliance with the terms of this Agreement, we will not authorize anyone else to receive calls that originate from ZIP codes in your Territory.

2. You are permitted to perform services for all calls placed by customers calling from a ZIP code within your Territory, regardless of whether such services are to be performed at locations outside of your Territory. Likewise, you acknowledge and agree that other system franchisees may provide services at locations within your Territory if such work is generated as a result of toll-free calls placed by customers calling from a ZIP code in the other franchisee' Territory. We reserve the right at any time to reroute calls outside any 1-800- WATER DAMAGE franchisees' Territory at our sole discretion.

If you fail to pay Royalties or other payments required under this Agreement when due, or if you fail to otherwise comply with the terms of this Agreement, we have the unilateral right, without any prior notice to you, to terminate or suspend your right to receive calls from the 1-800 WATER DAMAGE toll-free number. If your right to receive calls from the toll-free number is suspended or terminated, we have the right to re-direct all calls placed by customers in your Territory to our offices, or to other system franchisees and we, or the authorized system franchisee, will be permitted to perform all services ordered from such calls, whether or not the services will be performed in your Territory. You must cease all use of the 1-800-WATER DAMAGE toll-free number upon the expiration or termination of this Agreement.

If you are unable to service a customer or Service Location within or outside of the Territory, you must refer the lead to us and we shall have the right to select another System franchisee, Company owned business, or its affiliates, to perform the work and neither you nor the Business shall be entitled to any proceeds from the provision of Services.

I. ALTERNATIVE DISTRIBUTION CHANNELS

We, our parent and affiliates retain the right to sell products and services under the Proprietary Marks within and outside the Territory through any method of distribution, including, but not limited to, the Internet, catalog sales, telemarketing, or other direct marketing sales (collectively, the "Alternative Distribution Channels"). You may not use Alternative Distribution Channels to make sales outside or inside the Territory and you and/or the Business may not receive compensation for sales by us through Alternative Distribution Channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web, or other computer network site, or sell through any other Alternative Distribution Channel, and we receive orders for any System products or Services calling for delivery or performance in the Territory, we will offer the order to you at the price we establish. If you choose not to fulfill the order, if you do not meet the requirements, or otherwise are unable to fulfill the order, then we,

or another 1-800 WATER DAMAGE Affiliate may fulfill the order, and you will be entitled to no compensation in connection with this.

J. OTHER BUSINESSES.

It is agreed and understood no other business or business operations may be undertaken through your legal entity or by the Owner without our prior written consent. Owners, including the Managing Owner, may not own or operate any business which conducts services identical or similar to us or our affiliates.

2. FEES AND OTHER MONETARY REQUIREMENTS.

A. INITIAL FEE.

You promise to pay us a total initial fee (the "Initial Fee") in the amount of $59,000 (Base Fee) for a population of up to 350,000 within the Territory, as described in this Section of this Agreement. If you wish to purchase additional Territory, the Initial Fee will equal the Base Fee, plus $170 per thousand in population in excess of 350,000 (the "Additional Fee"). For example, the Initial Territory Fee for a single Territory with 385,000 in population will be computed as follows:

$59,000 Base Fee + (35 x 170) = $64,950

As the territories are generally defined by ZIP codes, we reserve the right not to charge the Additional Fee if we are unable to meet the 350,000 population count without exceeding due to highly populated areas. Each Territory will have a maximum of 500,000 people. The purchase of more than 500,000 in population in the aggregate at any time during the term of the Agreement will require the payment of an additional Initial Fee

The Initial Fee shall be subject to 20% discount for veterans of the U.S. Armed Forces who have been honorably discharged and provide us with documentation of the same.

The determination of population is only for the purposes of determining the Initial Fee and is not a representation as to the potential number of customers in the Territory, either at the commencement of or during the course of the Term of this Agreement.

Your Initial Fee shall be due and payable in full upon your execution of this Agreement. The Initial Fee is non-refundable and deemed fully earned upon payment.

Within three (3) months of the execution of this Agreement, we expect you to complete the Initial Training Program to our satisfaction, as defined below in Section 3.A of this Agreement. In the event that you do not do so, in our discretion, we may terminate this Agreement pursuant to Section 12 of this Agreement.

You must commence operation of the 1-800 WATER DAMAGE Business within four (4) months of signing this Agreement and/or two (2) months following your successful completion of the Initial Training Program, whichever is later. In the event that you do not do so, in our discretion, we may terminate this Agreement pursuant to Section 12 of this Agreement.

If this is a renewal term ("Renewal Term"), the Initial Fee is waived. However, you will need to pay the renewal fee for this Term of this Agreement in the amount which was agreed upon in your most recent Franchise Agreement or extension term. The renewal fee is non-refundable and deemed fully earned upon payment.

If this is a transfer term ("Transfer Term"), the Initial Fee is waived. However, you or the selling owner, will need to pay the then-current Transfer Fee. The Transfer Fee is refundable up until the transferee completes the Initial Training Program, as described in Section 3.A of this Agreement, and is and deemed fully earned upon payment.

B. INITIAL PACKAGE FEE.

You promise to pay us, or a vendor designated by us in our sole discretion, for specified equipment, products, supplies and services (the "Initial Package") in the amount of $31,000 (the "Initial Package Fee"), which monies shall be promptly due and payable before receipt of the Initial Package. The Initial Package consists of an equipment package, safety package, small tools package, initial marketing materials, promotional items, logowear for owner and employees with our Marks, and the Convention Allowance (as defined below). The Initial Package materials will be shipped to you from certain locations which may include Exton, PA and Tecumseh, MI. The Initial Package Fee is non-refundable and deemed fully earned upon payment.

If you attend the first convention that is scheduled to take place within approximately one (1) year of your successful completion of the Initial Training Program, you will receive a $1,000 convention allowance (the "Convention Allowance") for the 1-800 WATER DAMAGE annual convention (the "Annual Convention"). The Convention Allowance is to be used primarily towards the registration fee, but any remaining balance may be applied towards travel, lodging and/or meals. The Convention Allowance will be rebated to you after you attend the first 1-800 WATER DAMAGE Annual Convention that is scheduled after your completion of the Initial Training Program (as defined in Section 3.A). If you do not attend the convention, we will not provide you with the Convention Allowance.

If this is a Transfer Term and you are purchasing the 1-800 WATER DAMAGE Business from the previous owner, then you are required to purchase the Initial Package, but it will be modified based on the equipment not included in the transfer necessary to provide all current services, and you must pay the $1,000 Convention Allowance, which may be refundable as described above. If this is a Renewal Term or if you are purchasing an additional franchise agreement, you are not required to purchase the Initial Package.

C. ROYALTY.

You shall pay us a monthly royalty (the "Royalty") as follows: (i) 5% of Gross Sales for all Minor Reconstruction Services; and (ii) 10% of Gross Sales up to $499,999.99 for all Remediation Services. If your Gross Sales meet or exceed $500,000.00 in any given calendar year, we will reduce your Royalty for Remediation Services to 9% for the remainder of the calendar year in which you exceeded $500,000.00, plus the entire following calendar year. If you fail to achieve over $500,000.00 in Gross Sales in the following calendar year, your Royalty will revert to 10% until such time as your Gross Sales meet or exceed $500,000.00. If your Gross Sales meet or exceed $1,000,000.00 in any given calendar year, we will reduce your Royalty for Remediation Services to 8% for the remainder of the calendar year in which you exceeded $1,000,000.00, plus the entire following calendar year. If you fail to achieve over $1,000,000.00 in Gross Sales in the following calendar year, your Royalty will revert to one of the following: (i) 9% for Gross Sales that meet or exceed $500,000.00; or (b) 10% for Gross Sales less than $500,000.00, until such time as your Gross Sales meet or exceed $1,000,000.

Commissions paid to lead sources (general contractors, content cleaning companies, third party administrators, etc.) are subject to Royalty. The Royalty will be assessed to you upon the earlier of the receipt of funds from the Customer or 90 days after the date of the original invoice issued to the Customer, regardless of whether the invoice is paid in full. You must enter all work performed in the WATER DAMAGE Software within 24 hours of the start of the job and you must invoice the customer for all work performed within 24 hours of the completion of the job. You must record in the WATER DAMAGE Software all payments received within 48 hours of receipt. If you transfer this Agreement to a new owner, the Royalty for all completed jobs must be paid on (a) the day of closing, or (b) on the effective termination date of this Agreement. Every month, we will scan WATER DAMAGE Software and find all jobs which have had changes in the amounts paid by Customers since the previous month, and compute Royalty on the amount of the change. When amounts are paid on jobs, Royalty will be charged on those amounts. You will receive an email itemizing the jobs on which the Royalties will be assessed, and the total of the Royalties. On the 10th of each month, we will initiate a transfer of funds between our bank accounts for the amount indicated in the email from the bank account designated by you in the electronic funds transfer ("EFT") agreement attached to this Agreement as Exhibit K. We may specify different due dates periodically in our discretion.

You promise to sign and deliver to us, before the 1-800 WATER DAMAGE Business opens, the documents we require to authorize us to automatically debit your business checking account each Friday for the Royalty due on Gross Sales from the preceding month, including the EFT Agreement. You also promise to promptly and regularly report a correct statement of all of your Gross Sales in the WATER DAMAGE Software, along with any other information we specify, in the form and on the schedule we require.

If you fail to report your Gross Sales for any month as required, or to record receipt of payments received within 48 hours of being received, we can debit your account on the 10th of the Month for the same Royalty amount that we debited during the previous month. If the Royalty we debit from your account is greater than the Royalty you actually owe us (once we have determined your true and correct Gross Sales for the month), we will credit the excess against the amount we otherwise would debit from your account on the following month. If the Royalty we debit from your account is less than the Royalty you actually owe us, we will debit your account for the balance of the Royalty due on the following 10th of the month. Our debit of your account will not relieve you of your obligation to pay any late fees or interest due under Section 2.E of this Agreement. We can require you to pay the Royalty by means other than automatic debit (e.g., by check) whenever we deem appropriate, and you must comply with our payment instructions. We reserve the right to revise the date to collect or credit royalty at our discretion.

We reserve the right to record receipt on your behalf for all accounts receivable in the event this Agreement is terminated and you have not already done so by the effective date of termination.

D. DEFINITION OF GROSS SALES.

You must report your Gross Sales each month. "Gross Sales," as used in this Agreement, includes all revenue generated from operating the 1-800 WATER DAMAGE Business, whether in cash, in services in kind, from barter and/or exchange, or otherwise. All barter and/or exchange transactions for which you furnish Services and/or products in exchange for goods or

services will, for the purpose of determining Gross Sales, be valued at the full retail value of the goods and/or services you provide. You may deduct from Gross Sales the amount of all sales tax receipts or similar tax receipts that, by law, are chargeable to customers, if these taxes are separately stated when the Customer is charged. In accordance with our policies as published periodically, you may also deduct from Gross Sales the amount of any documented refunds that we consider appropriate. There is no Royalty payment due on the sale of Services, except as described in Section 2.C. You must pay Royalties only on the receipt of the cash, services in kind, barter and/or other exchange, except as described in Section 2.C. All payments received for jobs must be recorded in the WATER DAMAGE Software within 48 hours of being received.

E. LATE REPORT FEE, LATE PAYMENT SERVICE FEE AND INTEREST.

If the Royalty or any other fee that is due is not available in your account for debiting when due, a late payment fee will be imposed of 5% of the amount due or $50, whichever sum is greater, for each week past due ("Late Payment Fee"). If you do not report your Gross Sales as required and/or you fail to submit your Royalty reports when due, a fee will be imposed of $20 per week for each week past due ("Late Report Fee"). Additionally, interest will be imposed at the rate of 18% per annum or the maximum rate permitted by applicable law, whichever is greater, from the date these amounts were originally due until the date paid ("Interest Fee"). If we debit your account for monies owed and there are insufficient funds available, we will also charge our current non-sufficient fund fee ("NSF Fee"). We can automatically debit your account for the Late Payment Fee, NSF Fee, Late Report Fee, Interest Fees and all other fees owed to us.

You acknowledge that this paragraph does not constitute our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance the operation of the 1-800 WATER DAMAGE Business. Notwithstanding the provisions of this Section, your failure to pay all amounts when due constitutes grounds for termination of this Agreement, as provided in Section 12.B. of this Agreement.

F. MINIMUM GROSS SALES REQUIREMENT AND MINIMUM TECHNOLOGY FEE REQUIREMENT

Following your first full year of operations, the Business will be required to meet the following minimum monthly Gross Sales requirements for Remediation Services and Minor Reconstruction Services (the "Minimum Gross Sales Requirement") during the Term of this Agreement:

Months in Operation	Minimum Monthly Gross Sales Requirement	Minimum Monthly Royalty Required
0 to 12 Months	No Minimum	No Minimum
13 to 24 Months	$10,400	$1,040
25 to 36 Months	$21,500	$2,150
37 to 48 Months	$30,000	$3,000
Greater than 48 Months	$41,500	$4,150

Additionally, beginning in the Business' second year of operations, the Business must pay us the following minimum Technology Fee (the "Minimum Technology Fee"):

Months in Operation	Minimum Monthly Technology Fee Required
0 to 12 Months	No Minimum
13 to 24 Months	$104
25 to 36 Months	$215
37 to 48 Months	$300
Greater than 48 Months	$415

If you do not achieve the required Minimum Gross Sales after 12 months in operation, we may collect a Royalty and Technology Fee equal to what you would have been assessed had you achieved the Minimum Gross Sales.

If the Business fails to achieve the required Gross Sales Requirement during any consecutive three-month period, we reserve the right to terminate this Agreement, elect to establish another franchisee, or Company owned business in the Territory or allow other franchisees, Managing Operators and/or Company owned businesses to advertise, solicit and service customers and Service Locations within the Territory. You agree that any franchisee or Company owned business we designate may provide Services in the Territory. Neither the franchisee, Franchisor or Company owned business are liable or obligated to pay you any compensation for doing so, and neither the Franchisor nor franchisee will be considered in breach of any provision of this Agreement or any other agreement between you and us regardless if minimum sales are achieved in the future.

If you are awarded more than one (1) 1-800 WATER DAMAGE Business, the dollar values for the Minimum Gross Sales would increase for each additional 1-800 WATER DAMAGE Business you are awarded. For a second 1-800 WATER DAMAGE Business the numbers would double, for a third, they would triple, etc. The Minimum Gross Sales must be met for each individual Territory as described in Exhibit A of the Franchise Agreement.

If this is a Renewal Term, you will be required to meet the Minimum Monthly Gross Sales requirement for the greater than 48 month level for the entirety of the Renewal Term.

For the purpose of this section, the second year of operations begins 12 months from the date of successful completion of the Initial Training Program, the third year of operations begins 24 months from the date of successful completion of the Initial Training Program and so on.

G. ADVERTISING FEES.

Throughout the term of the Agreement you will be required to contribute 2% of the Business' Gross Sales, to the System's National Marketing Fund on a monthly basis (the "National Marketing Fund Contribution"), in the same manner in which you pay the monthly Royalty. We shall have the right to require that any advertising cooperative or franchisee advisory council be formed, changed, dissolved or merged. We will use the National Marketing Fund contributions, in its sole discretion, to develop, produce and distribute national, regional

and/or local advertising and to create advertising materials and public relations programs which promote, in our sole judgment, the services offered by System franchisees and Managing Operators. We shall have the sole right to determine contributions and expenditures from the National Marketing Fund, or any other advertising program, and the sole authority to determine, without limitation, the selection of the advertising materials and programs, provided, however, that we will make a good faith effort to expend National Marketing Fund contributions in the general best interests of the System on a national or regional basis. We may use the National Marketing Fund to satisfy any and all costs of maintaining, administering, directing, preparing, producing, and implementing advertising, including the cost of: (i) preparing, producing, and implementing television, radio, magazine and newspaper advertising campaigns; (ii) direct mail and outdoor billboard advertising; (iii) public relations activities and advertising agencies; (iv) developing and maintaining an Internet website; and (v) personnel and other departmental costs for advertising that we internally administers or prepares. Nevertheless, you acknowledge that not all System franchisees and Managing Operators will benefit directly or on a pro rata basis from such expenditures. While we do not anticipate that any part of the National Marketing Fund contributions will be used for advertising which is principally a solicitation for franchises, we reserve the right to use the National Marketing Fund for public relations or recognition of the 1 800 WATER DAMAGE® brand, for the creation and maintenance of a website, a portion of which can be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating "Franchises Available." We may periodically assist franchisees and Managing Operators to maintain high quality standards through customer surveys, customer interviews, and other similar initiatives ("Surveys"). The cost of such programs will be borne by the National Marketing Fund. We have the right to reimburse ourselves from the National Marketing Fund contributions for such reasonable costs and overhead, if any, that we may incur in activities reasonably related to the direction and implementation of the National Marketing Fund.

We are not required to contribute to the National Marketing Fund, and we may, but are not obligated to, advance money to the National Marketing Fund to fund National Marketing Fund programs. In the event that we advance monies to the National Marketing Fund, we will determine, in our sole discretion, the manner and timing for the repayment of some or all of the funds we advanced. We will prepare on an annual basis, within 120 days of the end of the fiscal year, and make available to you upon written request, a statement of contributions and expenditures for the National Marketing Fund. The National Marketing Fund does not have to be independently audited.

You agree to actively advertise and promote the Business within the Territory. We do not require you to expend a minimum amount each month on marketing, advertising, and promotional programs at the local level but recommend that you spend amounts in excess of 3% on local marketing and advertising.

You may spend any additional sums you wish on local advertising. However, you must use only such advertising and promotional materials as we have previously approved, as more fully described below.

As part of your local marketing, we will provide to you a business telephone number and fax number that is dedicated to your 1-800 WATER DAMAGE Business, which will have a local area code that is assigned to the Territory. You promise to continually list the Business on the Internet telephone directory site.

Any other forms of advertising that would also advertise inside the Territory must be approved by us in writing according to the procedure described in the next paragraph.

You must use our approved advertising and marketing materials or receive our written approval of any and all other advertising and marketing materials from us before their first use. In order to obtain approval of advertising and marketing materials, you must submit such proposed advertising material to us for review at least ten (10) business days before the proposed first use. If we take no action within such ten (10) business day period, the materials shall be deemed disapproved and you may not use such materials. The approval or disapproval is at our sole discretion. We also may, at our sole discretion, require you to immediately discontinue use of any advertising or marketing materials at any time, even if previously approved or provided by us. All advertising and marketing materials must meet our then current standards and specifications. We may, in our sole discretion, offer and sell advertising, marketing, and promotional materials at any time. Certain items, such as your truck and yard signs must reference the 1-800 WATER DAMAGE National Toll Free number. You may not alter or remove reference to the Toll Free number.

H. MANAGEMENT SOFTWARE LICENSING AGREEMENT AND FEES; COMPUTER SYSTEM; INTRANET.

Throughout the term of this Agreement, you must:

1. utilize our then-current franchise management software system in the operation of the 1-800 WATER DAMAGE Business (the "WATER DAMAGE Software");

2. utilize our then-current estimating software. We will provide you access to the XACT ware's Xactimate and XactAnalysis platforms (the "Platforms") under our existing license. You agree to comply with the applicable hardware, software and other technical and pre-setup requirement for its use of the Platforms as Franchisor or the licensor may establish from time to time;

3. sign and maintain a quarterly renewable WATER DAMAGE Software licensing agreement (attached as Exhibit C to this Agreement);

4. pay the then-current monthly technology fee for the WATER DAMAGE Software (the "Technology Fee") in the same manner as you pay the monthly Royalty; and

5. utilize, sign a license agreement for, and pay for, any future proprietary software program we may designate for use with the System.

We shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by you, including without limitation: (i) a compatible back office computer system that complies with our standards and specifications; (ii) a custom and proprietary point of sale system (the "POS System"), if we make such a POS System part of our proprietary operating system in the future; (iii) printers and other peripheral hardware or devices; (iv) archival back-up systems; (v) Internet access mode and speed; and (vi) physical, electronic, and other security systems (collectively, the "Computer System").

We shall have the right, but not the obligation, to develop or designate: (i) computer software programs you must use in connection with any component of the Computer System, including the WATER DAMAGE Software (the "Required Software"), which you shall install at your own expense; (ii) updates, supplements, modifications, or enhancements to the Required Software, which you shall install at your own expense; (iii) the tangible media upon which you record data; and (iv) the database file structure of the Computer System. You will be responsible for the payment of all fees associated with the Required Software, Computer System, WATER DAMAGE Software and POS System.

At our request, you shall purchase or lease, and thereafter maintain, the Computer System, WATER DAMAGE Software, and, if applicable, the Required Software. You agree to pay all fees associated with the use of WATER DAMAGE Software and any other Required Software, which may be payable to us or our approved or designated suppliers. You expressly agree to strictly comply with our standards and specifications for all items associated with your Computer System, WATER DAMAGE Software and any Required Software, including any security software. You agree, at your own expense, to keep your Computer System in good maintenance and repair and install such upgrades, additions, changes, modifications, substitutions, and/or replacements to your Computer System or Required Software as we direct from time to time in writing. You agree that your compliance with this Section shall be at your sole cost and expense.

We may require that your Computer System be programmed to automatically transmit data and reports about the operation of the 1-800 WATER DAMAGE Business to us. We shall also have the right to, at any time without notice, electronically connect with your Computer System to monitor or retrieve data stored on the Computer System or for any other purpose we deem necessary. There are no contractual limitations on our right to access the information and data on your POS System, WATER DAMAGE Software, and Computer System. You shall deliver to us all access codes, static Internet protocol ("IP") addresses and other information to facilitate our access to the data described in this Section within 30 days of opening the 1-800 WATER DAMAGE Business.

You must obtain the computer hardware necessary to implement the WATER DAMAGE Software, and comply with all specifications and standards prescribed by us regarding the WATER DAMAGE Software as provided in the Operations Manual. We reserve the right to create additional proprietary software programs, which you must use in connection with the 1-800 WATER DAMAGE Business. This WATER DAMAGE Software will be our proprietary product, and the information collected therefrom will be deemed our confidential information.

You are required to participate in any System-wide computer network, intranet system, or extranet system that we implement and may be required by us to use such computer network, intranet system, or extranet system to, among other things: (i) submit your reports due under this Agreement to us online; (ii) view and print portions of the Operations Manual, including any updates or modifications thereto; (iii) download approved local advertising materials; (iv) communicate with us and other 1-800 WATER DAMAGE franchisees; and (v) to complete any initial or ongoing training. You agree to use the facilities of any such computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that we include in the Operations Manual, including those related to the

encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements.

I. HIGH SPEED INTERNET CONNECTION, ELECTRONIC MAIL NETWORK, WEBSITE AND BUSINESS PHONE.

You promise to subscribe to, maintain, and utilize a DSL, cable, or satellite high speed Internet connection and email network account with independent suppliers which periodically we approve. If you do not receive written approval within ten (10) days of our written receipt of your request, such supplier will be considered disapproved. You may not use the Marks in any fashion in the domain name portion of the email. You also promise to use, subscribe to, and pay for, as directed by us, a customized website connected to our website and managed by our website provider. You may not attempt to redirect the customized website. You also promise to subscribe to, maintain, and utilize the phone model, type and provider that we designate as well as the phone service from the company we designate. As technology advances and new discoveries are made, we have the right to require that you use other technological items, as well as to designate the specific companies, models and/or types that you must use for these technological services.

You also promise to use, subscribe to, and pay for, as directed by us, a customized website connected to our website and managed by our website provider. You may not attempt to redirect any traffic on the customized website. You may not implement a website or URL for the 1-800 WATER DAMAGE Business either yourself or through a third party provider. We have sole discretion and control over the website (including timing, design, contents and continuation).

We may, but are not obligated to, create interior pages on the website(s) that contain information about the 1-800 WATER DAMAGE Business and other 1-800 WATER DAMAGE Businesses. If we do create such pages, we may require you to prepare all or a portion of the page for the 1-800 WATER DAMAGE Business, at your expense, using a template that we provide. All such information will be subject to our approval prior to posting.

Except as approved in advance in writing by us, you must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the 1-800 WATER DAMAGE Business, including any profile on Facebook, Myspace, Twitter, LinkedIn, Plaxo, YouTube, Pinterest, Instagram, or any other social media and/or networking site. If such approval is granted by us, you must: (i) establish and operate such World Wide Web or Internet site in accordance with System Standards and any other policies we designate in the Operations Manual or otherwise in writing from time to time; and (ii) utilize any templates that we provide to you to create and/or modify such site(s).

We shall provide you with up to six (6) email address(es), as it deems appropriate in its discretion that will have, as its suffix, "@1800waterdamage.com" for all business related matters.

We shall have the right to modify the provisions of this Section.

We may use a portion of the National Marketing Fund contributions or the monthly usage/support/upgrade fee to pay or reimburse ourselves for the costs incurred in connection with the development, maintenance and update of our website.

J. ADMINISTRATIVE FEE.

When you ask us to amend this Agreement or when an amendment is required by your actions, or when you ask us to consent to various transactions or to services for which a specific fee is not imposed elsewhere in this agreement or the System, you must pay to us the then-current administrative fee (the "Administrative Fee") in effect.

K. COLLECTION FEE.

We retain, as we deem appropriate, the right to contact Customers who are delinquent in their payment of 90 days or more, initiate collection procedures on your behalf, and take the full amount of any Royalty owed to us from any amounts collected and apply collection fees up to an additional ten percent (10%) (the "Collection Fee") of the amounts collected on your behalf. We will credit you with any amounts collected, net of any Royalties and Collection Fees. You may not sue or otherwise hold us liable in any way for our pursuit of these collection procedures.

L. OUTSTANDING ROYALTY FEES AND FEES OF PREDECESSOR.

In the event you were awarded your 1-800 WATER DAMAGE Business as a result of your purchase of all or substantially all of the assets of the 1-800 WATER DAMAGE Business owned by a previous franchisee in the Territory, you promise to pay us the following fees if they are not timely paid by your predecessor:

1. Our current transfer fee to defray expenses we incur in the transfer; and
2. Any and all outstanding Royalty fees, Referral Fees, amounts owed for purchases from us, Late Payment Fees, Late Report Fees, Interest Fees, NSF Fees and any other fees owed, plus interest, as well as any applicable broker fees, whether incurred by you or by your predecessor franchisee.

M. ANNUAL CONVENTION NON-ATTENDANCE FEE.

If you do not attend the Annual Convention and did not receive our prior written permission for not attending, you will be required to pay a fee of $1,000 (the "Convention Non-Attendance Fee"). The Convention Allowance (for those franchisees who did not attend the first Annual Convention), will be applied to the penalty fee for not attending.

3. TRAINING AND GENERAL GUIDANCE.

A. TRAINING.

Your Managing Owner and, if applicable, Designated General Manager, must successfully complete our JumpStart training program ("Jump Start") within one (1) month of signing this Agreement. Jumpstart is a self-guided process, with additional guidance from our training team, along with the Operations Manuals. You will review the Operations Manuals, complete a Territory assessment, review training videos, set up the bank account, form the corporate entity and other tasks related to the opening of the Business. All Jumpstart activities are to be completed before attending the Initial Training Program and before the opening of the Business and are to be conducted in your hometown by you with assistance from our home office

staff. You shall begin Jumpstart immediately upon your signing and returning to us the Franchise Agreement and all initial fees. All costs associated with Jumpstart are included in the Initial Fee. During Jumpstart, we will schedule the business and technical training (the "Initial Training") for you to attend at a later time (collectively, the Jump Start and Initial Training are referred to as the "Initial Training Program"). Initial Training sessions are typically offered each month.

You will manage the Business from an office (the "Office") located within the Territory. You are responsible for locating the Office within the Territory which meets our site selection criteria as stated in the Operations Manual.

We may waive your attendance at the Initial Training if you already operate a Business and you purchase an additional franchise from us.

Before you begin operating the 1-800 WATER DAMAGE Business, we will furnish the Initial Training to the Managing Owner or, if applicable, the Designated General Manager, at no additional fee. The Managing Owner or, if applicable, the Designated General Manager must complete the Initial Training to our satisfaction within four months of signing this Agreement, and failure to do so will result in the termination of this Agreement. The Initial Training may not commence until you have paid all fees due to us.

The Initial Training will last up to 17 days in duration at our headquarters or another location designated by us. You will be responsible for all travel and living expenses that you and your employees/owners incur for this Initial Training.

In the event that you own multiple 1-800 WATER DAMAGE Businesses and have your Managing Owner already at another 1-800 WATER DAMAGE Business who has already completed the Initial Training, the Managing Owner will still be required to successfully complete the most recent online training modules essential to the role of ownership.

You may designate, with our approval and on a "space available" basis, additional persons to attend other sessions of the Initial Training for which you will be charged our then-current Initial Training fee. In addition, each person we approve to attend the Initial Training will be required to sign our then-current form of confidentiality and non-disclosure agreement before the start of training. The Initial Training fee will be due and payable before the start of the training program and you will be responsible for the payment of all travel and living expenses incurred by your designees while training.

The Managing Owner or, if applicable, the Designated General Manager, must attend the 1-800 WATER DAMAGE Annual Convention every year. The Managing Owner or, if applicable, Designated General Manager also must attend periodic refresher training courses and conferences, not to exceed one (1) convention/conference per year, at the times and locations we determine, and for which we may charge fees. We will determine the duration, curriculum, and location of any such sessions. You will be responsible for all travel and living expenses that are incurred by you or your employees/owners while attending such session.

In the event that the Designated General Manager terminates his or her employment with you, you are required to designate a successor for our written approval, which we will grant in our sole discretion, within ten (10) days of such termination. Such successor Designated General Manager must attend the next available Initial Training. In the event, that the successor Designated General Manager does not successfully complete the next available Initial Training, you may appoint one (1) additional person as the successor Designated General Manager. This

second successor Designated General Manager must attend and successfully complete the next available Initial Training. If this second successor Designated General Manager does not successfully complete the next available Initial Training, you will be in default of this Agreement and this Agreement will be subject to termination pursuant to Section 12 of this Agreement. At all times during the term of this Agreement, you must have employed at the 1-800 WATER DAMAGE Business a person who has completed the Initial Training Program.

If this is a Renewal Term or if this is an additional 1-800 WATER DAMAGE Business being awarded to you, and your Managing Owner or, if applicable, the Designated General Manager, have already attended Initial Training, the requirement that you attend the Initial Training is waived, except as described above with respect to the online training modules and continuing training obligations. In such cases, if your Managing Owner or, if applicable, the Designated General Manager do attend Initial Training, you will be assessed our then-current training fee. You will also be responsible for all travel and living expenses that you and your employees/owners incur while training.

Before you begin operating the 1-800 WATER DAMAGE Business, you must also employ a full-time experienced service technician (the "Service Technician") who will be responsible for performing and overseeing your Remediation Services. It is your responsibility to train the Service Technician to our specifications. Furthermore, you agree to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the 1-800 WATER DAMAGE Business.

The Service Technician may be required attend periodic refresher training courses and conferences, not to exceed one (1) session per year, at the times and locations we determine, and for which we may charge fees. We will determine the duration, curriculum, and location of any such sessions. You will be responsible for all travel and living expenses that incurred while attending such session.

In the event that the Service Technician terminates his or her employment with you, you are required to designate a successor for our written approval, which shall be in our sole discretion, within ten (10) days of such termination. You are responsible for training any successor Service Technician. At all times during the term of this Agreement, you must have employed at the 1-800 WATER DAMAGE Business a person who has completed the technical portion of the Initial Training.

B. GENERAL GUIDANCE.

You will have access to information helpful to the operation of the 1-800 WATER DAMAGE Business based on reports you submit to us and/or inspections that we make. In addition, we may furnish guidance to you, to the extent we determine necessary in our sole discretion, on the following topics:

1. new products, services, and methods which we may have discovered or have developed for the System;

2. the purchase and use of supplies, uniforms, equipment, and products;

3. review of work order estimates and invoices;

4. the formulation and implementation of advertising and promotional programs using such merchandising, marketing, and advertising research data and advice as we may periodically develop for use in your local market;

5. the financial and daily operation of the 1-800 WATER DAMAGE Business including its accounting and record keeping functions;

6. support for the System Software; and

7. other business and marketing advice.

This guidance will, at our discretion, be furnished in our confidential Operations Manual, bulletins, or other written materials, conferences, conventions, or other training sessions, toll-free telephone consultations, electronic communications, and in consultations at our office or the offices of the Business.

C. REFERENCE GUIDE.

The various elements of our 1-800 WATER DAMAGE Business System are incorporated into the operations manual, online training modules and the 1-800 WATER DAMAGE owner's intranet website (collectively, the "Operations Manual"). The Operations Manual will contain mandatory and suggested specifications, standards, operating procedures, and rules (the "System Standards") that we prescribe periodically for the operation of a Business, and information on your other obligations under this Agreement and related agreements. We may modify the Operations Manual periodically to reflect changes in the System Standards.

You promise to keep your copy of the Operations Manual current and in a secure location in the Office. If there is a dispute over its contents, the master copy of each of the Operations Manual that we maintain at our principal office will be controlling. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual. If all or any of the Operations Manual are lost, destroyed, or significantly damaged, you promise to obtain replacements at our then applicable charge.

D. DELEGATION OF PERFORMANCE.

You agree that we have the right to delegate the performance of any portion or all of our obligations and duties under this Agreement to designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations.

E. OPERATIONS MANUAL.

Upon attendance at the Initial Training, we will loan to you one (1) or more manuals, technical bulletins or other written or electronically recorded materials covering the proper operating and marketing techniques of the 1-800 WATER DAMAGE Business. Such written or electronically recorded materials, including the 1-800 WATER DAMAGE owner's intranet website, plus all directives, books, pamphlets, bulletins, memoranda, order forms, packing slips, invoices, letters, e-mail, Internet or Intranet data, or other publications, documents, software

programs, video tapes, transmittances or communications, in whatever form (including electronic form) prepared by or on behalf of us for use by the 1-800 WATER DAMAGE franchisees generally or for you in particular, setting forth information, advice and standards, requirements, operating procedures, instructions or policies, as same may be added to, deleted or otherwise amended by us from time to time in our sole discretion, relating to the operation of the 1-800 WATER DAMAGE Business, are all considered as part of the "Operations Manual." You agree that the Operations Manual is specifically incorporated by reference into this Agreement and that it shall be considered a part hereof, and that you shall comply with the Operations Manual as an essential aspect of your obligations under this Agreement and failure by you to substantially comply with the Operations Manual may be considered a breach of this Agreement. To the extent that any terms in this Agreement conflict with those in the Operations Manual, this Agreement shall govern and supersede such conflicting terms.

You agree to use the Marks and System only as specified in the Operations Manual. The Operations Manual is the sole property of us and shall be used by you only during the term of this Agreement and in strict accordance with the terms and conditions hereof. You agree that such Operations Manual shall be deemed to be a trade secret and you shall not duplicate the Operations Manual nor disclose its contents to people other than your employees or officers who need the information contained therein to perform their jobs and who have signed a nondisclosure and noncompetition agreement in a form approved by us. You shall furnish copies of all such nondisclosure and noncompetition agreements to us immediately upon execution. You shall not make any paper or electronic copies of the Operations Manual without our prior written consent. You shall return the Operations Manual, together with all copies of any portion thereof, to us immediately upon the expiration, termination or assignment of this Agreement.

We reserve the right to revise the Operations Manual from time to time in our sole discretion as we deem necessary to update operating and marketing techniques or standards and specifications. You shall immediately update your copy of the Operations Manual as instructed by us and shall conform your operations with the updated provisions as soon as practicable, but no later than 30 days after receipt of receipt of any updated information, unless otherwise agreed to in writing us. You acknowledge that the master copy of the Operations Manual maintained by us at our principal office shall be controlling in the event of a dispute relative to the content of any Operations Manual.

If all or any of the Operations Manual is lost, destroyed, or significantly damaged, you promise to obtain replacements at our then applicable charge.

4. MARKS.

A. OWNERSHIP AND GOODWILL OF MARKS.

1. You acknowledge that we own and have all rights to the Marks.
2. Your right to use the Marks is derived only from this Agreement and is limited to your operation of the 1-800 WATER DAMAGE Business in accordance and in compliance with this Agreement and all System Standards we prescribe from time to time during its term.
3. You promise to use only the Marks that we designate in writing, and to use them only in the manner that we authorize.

4. You agree that your use of the Marks, and any goodwill established by this use, will be exclusively for our benefit and that this Agreement does not confer any goodwill or other interest in the Marks upon you (other than the right to operate a 1-800 WATER DAMAGE Business under this Agreement). Upon expiration or termination of this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with your use of the System and the Marks.

5. All provisions of this Agreement applicable to the Marks apply to any additional proprietary trade and service marks and commercial symbols that we authorize you to use.

6. The right and license of the Marks awarded to you under this Agreement is non-exclusive, and we may:

   a. award other licenses and franchises for the Marks, in addition to those licenses and franchises already awarded;

   b. use the Marks in connection with marketing and selling of any products and services as we deem appropriate; and

   c. develop and establish other systems using the Marks, similar proprietary marks, or any other proprietary marks, and grant licenses thereto without providing any rights therein to you.

B. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.

You promise to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and not to communicate with any person other than us and our attorneys, and your attorneys, in any infringement, challenge, or claim. We have sole discretion to take the action we deem appropriate and the right to control exclusively any litigation, U.S. Patent and Trademark Office ("USPTO") proceeding, or any other administrative proceeding arising out of any infringement, challenge, claim or otherwise relating to any Mark. Provided that you have timely notified us of the claim or proceeding and complied with this Agreement as we determine in our sole discretion, we shall indemnify and hold you harmless against any loss or expense incurred in connection with any such infringement, challenge or claim. If we, in our sole discretion, determine that you have not used the Marks in accordance with this Agreement, you will bear the cost of such defense, including the cost of any judgment or settlement. You promise to sign any and all instruments and documents, render the assistance, and do the acts and things that, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or USPTO or other proceeding, or otherwise to protect and maintain our interest in the Marks, including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Marks in a manner inconsistent with the terms of this Agreement, we agree to reimburse you for your out-of-pocket costs in performing such acts.

C. LIMITATIONS ON YOUR USE OF MARKS.

1. You promise to use the Marks as the only identification of the Business, except that you must identify yourself as the owner of an independent entity in the manner that we prescribe.

2. You promise to affix the Marks upon such vehicles, uniforms, equipment, containers, fixtures, signs, stationary, advertising, sales/promotional materials, and such other objects, in such size, color, lettering style and fashion, and at such places as we may designate in the Operations Manual.

3. You promise to not use the Marks, or any words or symbols confusingly similar to them, as part of any corporate or other legal name or with any prefix, suffix, or other modifying words, terms, designs, or symbols. You may not use the Marks in connection with the sale of any unauthorized product or service, on an Internet website of your own design, or in any other manner not explicitly authorized in writing by us.

4. Except as expressly provided in the Operations Manual, you may not display any other trademarks, logotypes, symbols, or service marks, nor may you use any other marks in connection with the Marks, or with the 1-800 WATER DAMAGE Business, without our prior written approval.

5. You promise that all advertising and promotional materials that you use will bear the appropriate "^{SM}," "^{TM}," "®," or "©" registration symbol and/or such other appropriate notice of ownership, registration, or copyright as we may require.

6. You promise to submit to us, for our approval, the assumed or trade name (the "DBA") you intend to use in the operation of the 1-800 WATER DAMAGE Business before filing for it as required by local laws. We may approve or disapprove such DBA at our discretion. All filings or affidavits, following your receipt from us of an approved DBA, must state that the filing or affidavit is made as "a franchisee of 1-800 WATER DAMAGE." The approved DBA is the only DBA that you may use. You may not use a different name under any circumstances, including as a domain name, URL address, marketing, or for any other function.

7. We are the lawful and sole owner of the domain name www.1800WATERDAMAGE.com. You cannot register any of the Marks that are now or in the future owned by us or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue using of website using the Marks. You may access our website. Except as we authorize in writing in advance, you may not: (i) link or frame our website; (ii) conduct any business or offer to sell or advertise any products or services on the worldwide web; or (iii) create or register any Internet domain names in connection with your 1-800 WATER DAMAGE Business. The only exception is that you may list the 1-800 WATER DAMAGE Business in an online directory.

8. In order to obtain approval of any use of the Marks, including all advertising containing any Marks, your identification or your DBA, you must submit such proposed use, identification or DBA to us for review at least ten (10) business days before the proposed first use. If we take no action within such ten (10) business day period, such use, identification or DBA shall be deemed disapproved. The approval or disapproval is at our sole discretion. We also may, at our sole discretion, require you to immediately discontinue use of any Mark, advertising, identification or DBA at any time, even if previously approved or provided by us.

9. You must submit and receive our written approval in advance for any person that you desire to act as a representative for you in connection with local promotion of the Business or Marks in a public media.

D. DISCONTINUANCE OF USE OF MARKS.

If it becomes advisable at any time in our sole discretion to modify or discontinue the use of any Mark and/or use one (1) or more additional or substitute names or marks, you must comply with our direction no later than ten (10) days after you have received notice. We will not be liable to you for any expenses, losses, or damages you sustain as the result of any such addition, modification, substitution, or discontinuance of a Mark, and you must not commence or join in any litigation or other proceeding against us for any such expenses, losses, or damages.

5. CONFIDENTIAL AND PROPRIETARY INFORMATION.

A. CONFIDENTIAL INFORMATION.

1. We possess (and will continue to develop and acquire) certain confidential information (the "Confidential Information") relating to the development and operation of 1-800 WATER DAMAGE Businesses. The Confidential Information includes (without limitation):

   a. general operating procedures for a 1-800 WATER DAMAGE Business;

   b. the proprietary WATER DAMAGE Software;

   c. personnel guidelines for hiring, training, retaining, promoting, and supporting the marketing and sales staff;

   d. the Initial Training;

   e. written marketing and advertising materials, audiotapes, videos, and programs for their utilization;

   f. knowledge of specifications and suppliers of certain equipment and supplies for the 1-800 WATER DAMAGE Business;

g. information on operating results and financial performance of 1-800 WATER DAMAGE Businesses other than your own;

h. The Operations Manual and the 1-800 WATER DAMAGE owners intranet website and its contents;

i. sales guidelines and strategies for developing business relationships in the insurance industry;

j. The Customer Information, as defined in Section 5.B below; and

k. Any other information we deem confidential.

2. You acknowledge and agree that you do not acquire any interest in Confidential Information, other than the right to utilize that which is disclosed to you in operating the 1-800 WATER DAMAGE Business during the term of this Agreement, and that the use or duplication of any Confidential Information in any other business would constitute an unfair method of competition. You also acknowledge and agree that the Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you promise to, during and at all times after the term of this Agreement:

a. not use Confidential Information in any other business or capacity;

b. maintain the absolute confidentiality of Confidential Information;

c. not make unauthorized copies of any portion of Confidential Information disclosed via electronic medium or in written or other tangible form;

d. adopt and implement all reasonable procedures that we prescribe from time to time to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restrictions on disclosure to employees of the 1-800 WATER DAMAGE Business and others; and

e. immediately upon the expiration of termination of this Agreement, return and cease using in any way all Confidential Information and provide us with immediate access to all computer or other electronic or other storage media, including without limitation, hard drives, memories, CD's, floppy disks, DVDs, zip drives, PDAs, jump drives or other peripheral drives and memory cards, containing any Confidential Information for the purpose of removing such Confidential Information or, if mutually agreed upon, surrender such devices to us.

3. The foregoing restrictions will not apply to the information that:

a. is now public knowledge or hereafter becomes public knowledge through no fault of yours;

b. is properly provided to you without restriction by a third party having no such restriction;

c. is required to be disclosed by order of a competent court or governmental authority, provided, however, that you provide us with prompt written notice of any claim or litigation that could give rise to such a requirement, you furnish only that portion of the Confidential Information that you are required to disclose, and you advise the governmental authority of your confidentiality obligations under this Agreement and seek to obtain appropriate protective orders or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

4. You must disclose to us all ideas, concepts, methods, techniques and products concerning the development and operation of the Business that you, the Managing Owner or the Designated General Manager or employees, conceive or develop during the term of this Agreement. We shall own the rights to all such ideas, concepts, methods, techniques and products, regardless of the source and you must grant to us and agree to procure from your affiliates, owners or employees a perpetual, royalty-free, exclusive and worldwide right to use such ideas, concepts, methods, techniques and products concerning the development and operation of the Business that your or your employees conceive or develop during the term of this Agreement. You must sign all documents we request to evidence our ownership or to assist us in securing intellectual property rights in such ideas, concepts, techniques or materials. We will have no obligation to make any lump sum or on-going payments to you with respect to any such idea, concept, method, technique or product. You must agree that you will not use nor will you allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.

B. PROPRIETARY INFORMATION/CUSTOMER LISTS/ INBOUND AND OUTBOUND CALL LISTS.

You acknowledge and agree that we own any and all Customer lists and their contents that we provide to you and/or that you subsequently develop during the normal course of operating the Business. You promise to keep an up-to-date list of all current and former Customers in the WATER DAMAGE Software, including their name, telephone number, complete mailing address, frequency of service, last date serviced, and price of service ("Customer Information"). You acknowledge and agree that we have available to us through the WATER DAMAGE Software, an electronic copy of a complete list of current and former Customers, including their name, telephone number, complete mailing address, frequency of service, last date serviced, and price of service, and other information concerning such Customers. You may not enter the Customer Information into any software other than the WATER DAMAGE software without our prior written permission. You acknowledge and agree that we may have available to us through the phone company that we designate a listing of all inbound and outbound calls. The information will be utilized periodically in the development and execution of various marketing strategies for the mutual benefit of you and us. We retain sole discretion in the development of all marketing strategies. You promise not to use any Customer Information for any purpose other than in the normal operation of the Business without our prior written approval. You may not file suit against any of our Customers without our prior

express written permission. We reserve the right to communicate with people on the Customer list.

6. COVENANTS NOT TO COMPETE.

A. FOR YOU.

During the term of this Agreement, neither you and your Managing Owner, Managing Owner's immediate family members, your Designated General Manager (if applicable) and Service Technician shall not:

1. engage as an owner, partner, shareholder, director, officer, employee, consultant, agent, or in any other capacity in any other business offering Remediation Services that are the same as or similar to the services sold by the 1-800 WATER DAMAGE Business and/or the services provided by our affiliates (except for other franchises or authorizations we enter into with you);

2. use our Confidential Information, System, 1-800 WATER DAMAGE owners' intranet website, Operations Manual, Marks, Customer lists, Customer Information, trade secrets, trade dress, proprietary knowledge, or know-how, or any colorable imitations, in the design, development, or operation of any business other than the 1-800 WATER DAMAGE Business franchised hereunder, unless specifically authorized by us;

3. Employ or seek to employ any person who is at that time employed by us, our affiliates or any other 1-800 WATER DAMAGE Business, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

4. Divert or attempt to divert any business or customer of the 1-800 WATER DAMAGE 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 or the System.

B. YOUR EMPLOYEES.

At the start of their employment, you must require, as consideration for employment, each of your Service Technicians, sales and/or account management employees to sign non-disclosure and confidentiality agreements that we have specified or approved. Such agreements will prohibit disclosure, by the employee to any other person or legal entity, of any trade secrets, customer lists, or other information, knowledge, or know-how regarding the System or the operation of the Business, which is deemed confidential and/or proprietary by us. Such employee non-disclosure and confidentiality agreements will, to the fullest extent permitted by applicable law, prevent employees from servicing or soliciting any of the customers of your Business, except in their capacities as employees of the Business. We may require that a fully signed copy of each technician and sales/account management employee confidentiality and non-disclosure agreement be sent to us.

C. OUR RIGHT TO ENFORCE NON-COMPETITION COVENANTS.

You agree and acknowledge that a violation of the covenants not to compete as listed in this Section and/or in Section 13.D will result in immediate and irreparable injury to us for which no adequate remedy at law will be available. Accordingly, you consent to the entry of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete. Further, you expressly agree that the existence of any claims you may have against us, whether or not arising from this Agreement or otherwise, will not constitute a defense to the enforcement by us of these covenants not to compete. You promise to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by us in connection with the enforcement of these covenants not to compete, if you are found to be in violation of your confidentiality and/or your non-competition obligation(s) under this Agreement. The protection awarded in this Section and/or in Section 13.D will be in addition to, and not in lieu of, all other protections for such trade secrets and confidential information as may otherwise be afforded in law or in equity.

The parties expressly agree that the time and geographical limitations contained in this Section and in Section 13.D are reasonable and necessary to protect us and other franchisees from unfair competition if this Agreement expires or is terminated for any reason.

D. INTENT AND ENFORCEMENT.

It is the parties' intent that the provisions of this Section 6 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the non-competition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 6 by Owner, or any immediate family member of Owner(s), which shall be defined as a spouse, sibling or adult child participating in the Business, Designated General Manager (if applicable) and Service Technician, we shall be entitled to an injunction restraining such person from any such actual or threatened breach. Owner(s) agrees that in the event of the actual or threatened breach of this Section 6, our harm will be irreparable and that we have no adequate remedy at law to prevent such harm. Owner(s) acknowledges and agrees on Owner(s) own behalf and on behalf of the persons who are liable under this Section 6 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 6 in no way prevent any such person from earning a living. Owner(s) further acknowledges and agrees that the time limitation of this Section 6 shall be tolled during any default under this Section.

7. SYSTEM STANDARDS.

A. COMPLIANCE WITH SYSTEM STANDARDS.

You acknowledge and agree that the operation and maintenance of your 1-800 WATER DAMAGE Business according to System Standards is essential to preserve the goodwill for the Marks and all 1-800 WATER DAMAGE franchisees. Therefore, at all times during the term of this Agreement, you agree that the Managing Owner or, if applicable, the Designated General Manager, devote your full-time best efforts to operate and maintain your Business according to each and every System Standard, even if you believe that a System Standard is not in the System's or your franchise's best interests. System Standards may be periodically modified and supplemented during the term of this Agreement and you must comply with any such changes

immediately upon notice to you. Furthermore, you must use your best efforts to assure that your employees and representatives conduct themselves, during business hours and/or whenever they are in a vehicle with a 1-800 WATER DAMAGE logo, or a company uniform with a 1-800 WATER DAMAGE patch, in a manner which is consistent with the professional and ethical image of the System.

You will offer and provide all of the Services that we periodically require for 1-800 WATER DAMAGE franchisees, and in the manner we prescribe.

System Standards, to be specified and periodically amended in the Operations Manual, may include, without limitation, standards and specification regarding:

1. use and display of the Marks;

2. Services and products which we authorize you to sell to the public;

3. the use of supplies and equipment;

4. a dress code, during business hours, for you, your employees and your representatives;

5. suppliers you may use for the purchase of uniforms for you, your employees and your representatives;

6. vehicle type, model, color, supplier, trademark representation, and appearance. These specifications are included in our Operations Manual. All vehicles purchased or leased for the 1-800 WATER DAMAGE Business are to be, and maintained, in a "good" condition as defined by KELLY BLUE BOOK ("good" condition means that the vehicle is free of any major defects). The paint, body and interior must have only minor (if any) blemishes, and there may not be any major mechanical problems. In states where rust is a problem, this should be very minimal. All vehicles used in connection with the business are to be decaled as required by 1-800 WATER DAMAGE and the decals are to be free of defects. You will be required to submit photos of all vehicles used in connection with the 1-800 WATER DAMAGE Business in the manner and format we prescribe. You may be required to purchase a new vehicle if you are unable to meet the specifications for vehicles outlined in the System Standards;

7. business forms and stationary;

8. designated and approved suppliers for business assets and supplies using our Marks;

9. designated suppliers for vehicles, equipment and supplies;

10. types and amounts of insurance coverage;

11. compliance with applicable laws including obtaining required licenses and permits, payment of all taxes, assessments, fees, fines, and penalties arising out of the operation of the 1-800 WATER DAMAGE Business;

12. adhering to good business practices, observing high standards of honesty, integrity, fair dealing, and ethical business conduct in all dealings with customers, suppliers, and us, and notifying us if any action, suit, or proceeding is commenced against you or your legal entity;

13. general operations including maintaining, sales, marketing, advertising, and promotional programs, call center usage, phone type/model/provider, and materials and media used in these programs, personnel practices, bookkeeping, accounting, data processing, and record keeping systems, and forms, methods, content, and frequency of reports to us of sales and financial performance, and the furnishing of tax returns related to the 1-800 WATER DAMAGE Business and other operating and financial information to us;

14. due to the emergency nature of the services provided by the Business, you must be available 24 hours a day, seven days a week to respond to service requests;

15. respond to any and all customers' inquiries or complaints within one (1) business day, and resolve it within seven (7) days of the initial complaint, to reasonably insure positive customer relations and maintain the goodwill of the System, even when such response may necessitate re-performing a task not completed to the Customer's satisfaction or a refund of moneys received;

16. requiring installation, use and monthly maintenance of a global positioning system ("GPS") for your vehicle(s), including payment of monthly fees to a designated or approved GPS vendor;

17. any other aspect of the operation and maintenance of your 1-800 WATER DAMAGE Business that we determine periodically to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and the System;

18. public figures you choose in connection with local promotions;

19. use of a phone system, computer, electronic mail and website that meets our requirements, as periodically updated;

20. marketing, advertising, and promotional material prepared by you;

21. number of employees to necessary provide prompt courteous service;

22. timing of the training of other employees for the 1-800 WATER DAMAGE Business;

23. necessary amounts of working capital; and

24. any other aspect of the operation and maintenance of your 1-800 WATER DAMAGE Business that we determine periodically to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and the System.

You agree to refrain from committing any act or pursuing any course of conduct that tends to bring our Marks into disrepute.

You must use your best efforts to promote and increase the demand for 1-800 WATER DAMAGE Business. All of your advertising and promotion must be completely factual and conform to the highest standards of ethical advertising. You agree to refrain from any business or advertising practice which may be injurious to the 1-800 WATER DAMAGE Business or the goodwill associated with the Marks and System.

You are solely responsible for: (a) selecting, retaining and paying your employees; (b) the payment of all invoices for the purchase of goods and services used in connection with operating the 1-800 WATER DAMAGE Business; and (c) determining whether, and on what terms, to obtain any financing or credit that you deem advisable or necessary for the conduct of the 1-800 WATER DAMAGE Business. You agree to pay all current obligations and liabilities to suppliers, lessors, and creditors on a timely basis. You agree to indemnify us in the event that we are held responsible for debts owed by you if we elect to pay any of your obligations in order to preserve the relationship between system suppliers and 1-800 WATER DAMAGE franchisees. You agree to make prompt payment of all federal, state and local taxes, including individual and corporate taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, personal property and real estate taxes arising from your operation of the 1-800 WATER DAMAGE Business. You agree to indemnify us in the event that we are held responsible for these taxes.

You will have sole authority and control over the day-to-day operations of the 1-800 WATER DAMAGE Business and your employees and/or independent contractors. You agree to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the 1-800 WATER DAMAGE Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will you or your employees be deemed to be employees of us or our affiliates.

You shall meet and maintain the highest safety standards and ratings applicable to the operation of the 1-800 WATER DAMAGE Business. You shall furnish to us within two (2) days of your receipt thereof, a copy of all inspection reports and any violation or citation that indicates your failure to maintain federal, state, or local safety standards in the operation of the 1-800 WATER DAMAGE Business.

You acknowledge that we have developed the System to offer and sell Services that will distinguish the 1-800 WATER DAMAGE Business from other businesses that offer similar services valued at different prices and with less attention paid to service quality and customer service. You agree to offer Services and to operate the 1-800 WATER DAMAGE Business in such a manner that emulates and enhances the image we intend for the System. You further

acknowledge and agree that each aspect of the System is important not only to you but also to us and to other 1-800 WATER DAMAGE franchisees in order to maintain the highest operating standards, achieve system-wide uniformity and increase the demand for the Services rendered by 1-800 WATER DAMAGE franchisees. You agree to comply with the standards, specifications and requirements we set forth in order to uniformly convey the distinctive image of a 1-800 WATER DAMAGE Business.

You must notify us, in writing, within five (5) days of the commencement of any action, suit or proceeding and the issuance of any order, suit or proceeding of any court, agency or other government instrumentality, including the receipt of any notice or citation, which may adversely affect the operation or financial condition of you or the 1-800 WATER DAMAGE Business.

B. MODIFICATION OF SYSTEM STANDARDS.

You acknowledge and agree that the System must continue to evolve to reflect changing market conditions and to meet new and changing consumer demands. As a consequence, changes, modifications, and variations to the Systems Standards may be required periodically to preserve and enhance the public image of the System and enhance the operational efficiency of all 1-800 WATER DAMAGE franchisees.

You, therefore, agree that we may periodically, and upon reasonable notice to you, add to, modify, phase out, or change the System, including without limitation, the adoption and use of new or modified trademarks, uniforms, signs, vehicle types, telephone numbers and technologies, products, equipment, services, techniques, proprietary software, non-proprietary software, methodologies and sales strategies. You promise to promptly accept, implement, use, and display in the operation of your 1-800 WATER DAMAGE Business, all such additions, modifications, and changes at your expense.

All products and materials must meet System Standards and specifications for representation of the Marks, and be pre-approved by us regardless of the supplier. In the event you wish to purchase an unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, you must provide us a written request for approval, including a proof of the materials you wish to order. We will notify you in writing of our approval or disapproval within ten (10) days of receipt of the materials and your written request. We have no obligation to approve any particular products, service or supplier. If you do not receive approval within ten (10) days, you should consider the materials disapproved. All products and materials must meet the quality of our current suppliers, and correctly bear the Marks. Standards and specifications are periodically modified to meet changing market conditions and are published in our Operations Manual and on our web site. You must reimburse us our reasonable costs, regardless of if we subsequently approve your request.

Use of products and materials that have not received our prior written approval and/or do not meet our standards and specifications can result in the termination of this Agreement. Standards and specifications are updated periodically at our sole determination and are made available to you on our 1-800 WATER DAMAGE owners' intranet website and in the Operations Manual.

C. OPERATIONS.

1. The Business may only offer Remediation Services and Minor Reconstruction Services. You may not provide structural repair work, interior finishing, or electrical, mechanical, plumbing or heating services either through the Business or any other entity ("Reconstruction Services"). In the event that a customer of the Business requires Reconstruction Services, you must refer the customer to us, BELFOR Franchise Group, Inc., or BELFOR USA, Inc. (each a "Required Referral").

2. You must operate the Business for at least those months, hours and days that we specify in the Operations Manuals or otherwise in writing.

3. You must maintain the Business and its equipment and vehicles in working condition, and in accordance with all applicable requirements of law, and the Operations Manuals and to cause the same to be promptly replaced as they become warn, damaged, obsolete, out of style or mechanically impaired, so as to preserve, maintain and enhance the reputation and goodwill of the System and the Proprietary Marks.

4. In order to protect our goodwill, Proprietary Marks and the System, all Services shall be offered only by properly trained personnel strictly in accordance with our standards and processes, and the Operations Manuals, as they may be changed from time to time. You acknowledge that such standards and processes are integral to the System and failure to strictly adhere to such standards and processes shall be detrimental to the System and Proprietary Marks and shall constitute a default of this Agreement.

5. You shall ensure that the Business employs at all times a sufficient number of qualified, competent personnel. All of your employees shall dress conforming to our standards, shall present a neat and clean appearance (wearing our required uniforms) in conformance with our reasonable standards and shall render competent, efficient service to the customers of the Business. You shall immediately train and instruct their employees in accordance with the practices, procedures and methods contained in the Operations Manuals, as they may be amended from time to time, and shall continue such training and instruction as long as each employee is employed by the Business. The Operations Manuals shall set forth the practices, procedures and methods to be utilized by you. You agree to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the 1-800 WATER DAMAGE Business.

6. We encourage our franchisees to partner with third party administrators that represent insurance companies and consumer services ("TPA"). When an insurance claim arises or a consumer contacts the TPA for services, the TPA selects one of their partners and assigns the services needing to be done to that partner. If you elect to partner with one or more TPAs, then you may accept assignments outside of your Territory, even if the assignment location is in another franchisee's Territory. You must strictly adhere to all TPA program guidelines and requirements as set forth in the Operations Manuals and/or in other writings provided by us or the TPA. Your failure to adhere to program guidelines and requirements will constitute a default under the Franchise Agreement with us (for which you will receive notice and a 15-day cure period). Upon notice of default, we may require you to attend additional training, put you on

hold with the TPA(s) or have you removed from a TPA program(s). Application fee and cost per referral will vary depending on which TPA(s) you select.

D. INSURANCE.

Before commencing the 1-800 WATER DAMAGE Business, you promise to purchase and maintain in full force and effect throughout the term of this Agreement and at your expense, insurance protecting you, your employees, and us, our officers, and our employees, against loss, liability, fire, personal injury, death, property damages, or theft arising from, or occurring in connection with, the operation and promotion of the 1-800 WATER DAMAGE Business. You acknowledge and agree that (a) the insurance you will maintain reflects the minimum amounts of coverage we require, (b) these minimums are not meant to reflect the actual needs you may have, and (c) it is your responsibility to carefully evaluate if these minimums will adequately meet your needs.

All policies will be written by an insurance company(ies) that is/are licensed in the state in which you are doing business, and that has an A.M. Best rating of "A" or better. Currently, you are not obligated by the terms of this Agreement to purchase your insurance from any specific provider, although we reserve the right to specify the specific provider that you must use in the future.

Insurance policies will be written by an insurance company which is satisfactory to us and will be in accordance with the standards and specifications set forth in the Operations Manual or otherwise in writing, and will include, at a minimum (except as additional coverage and higher policy limits may reasonably be specified for all 1-800 WATER DAMAGE franchisees from time to time by us in the Operations Manual or otherwise in writing) the following:

Our current requirements are described below:

1. Commercial General Liability Insurance. You shall maintain insurance for "bodily injury," "property damage," and "personal and advertising injury" with no exclusion or limitation applying to the products/completed operations liability coverage. Limits shall be at least $2,000,000 general aggregate, $2,000,000 products and completed operations aggregate, $1,000,000 personal and advertising injury limit, and $1,000,000 per occurrence limit. Contractual liability coverage including the assumed personal injury endorsement shall be included to cover the indemnity provisions of this Agreement. The exclusion for employer's liability shall not apply to claims for covered contractually assumed liability claims. 1 800 WATER DAMAGE International, LLC and BELFOR USA Group, Inc. shall be named as an additional insured on such policy on a primary and noncontributory basis with a Grantor of Franchise Form CG2029 or an insurer's comparable form.

2. Automobile Liability Insurance. You shall maintain insurance with a combined single limit, CSL, of $1,000,000 for bodily injury and property damage for all owned or leased vehicles and for hired and non-owned motor vehicles. Additionally, uninsured motorist and under-insured motorist coverage will be equal to the CSL.

3. Workers' Compensation and Employers' Liability. Statutorily required workers' compensation insurance and employer's liability insurance shall be maintained with

limits of at least $500,000 by accident, $500,000 by disease and $500,000 policy limit; or the minimum limit required by your state, whichever is higher. Such policy shall contain a waiver of subrogation endorsement as to claims against 1 800 WATER DAMAGE International, LLC and BELFOR USA Group, Inc. In "Monopolistic States", such as Ohio, North Dakota, Washington and Wyoming, "Stop Gap" coverage must be purchased separately or added to the CGL policy. "Stop Gap" in Ohio must not contain exclusion with the "substantially certain to occur" language.

4. Employee Dishonesty Insurance. You shall maintain employee dishonesty insurance with minimum limits of $50,000 per loss and such coverage shall also cover acts of stealing against third parties.

5. Umbrella Liability Insurance. You shall maintain a commercial umbrella liability insurance policy with a limit of at least $2,000,000 per occurrence and aggregate and shall list the commercial general liability, automobile liability and workers' compensation/employers' liability policies as scheduled underlying policies.

6. Other Insurance. You shall maintain compliance with any state, county, local, or other municipal insurance requirements and any other insurance policies we may require.

7. Pollution Insurance. A pollution insurance policy must be maintained with a limit of at least $1,000,000. Must include first-party coverage for contamination of insured property either by external or on-site sources. Must also include coverage for liability to third parties arising from contamination of air, water, or land due to the sudden and accidental release of hazardous materials from the insured site.

The insurance levels listed above are the minimum we require you to maintain for the 1-800 WATER DAMAGE Business. We may, periodically determine and modify the minimum insurance limits and require different or additional kinds of insurance to reflect changes in insurance standards, normal business practices, higher court awards and other relevant circumstance. To gain adequate protection, you should discuss with your insurance agent and financial advisor to determine if your personal situation requires you to maintain coverage in excess of the minimums that we require. If any lease or Customer contract requires an insurance policy amount to be higher than the amounts we have listed above, you must obtain the highest amount for such policy.

All general liability insurance policies will name us and our designated affiliates, employees, officers and directors as additional insureds, and will contain no provision which in any way limits or reduces coverage for you if a claim is made by any one (1) or more of the Indemnified Parties, as defined in Section 14.C of this Agreement, and will extend to and provide indemnity for all obligations assumed by you and all items for which you are required to indemnify us, will be primary to and without right of contribution from any other insurance purchased by the Indemnified Parties, and will provide, by endorsement, that we receive at least 30 days' notice of any intent to cancel or materially alter any policy.

At least ten (10) days before attending Initial Training, commencing the operation of the 1-800 WATER DAMAGE Business, whenever a change is made to your policy, and before expiration of any insurance coverage, you promise to have your insurance provider send us a copy or certificate or other acceptable proof of such insurance. If you do not maintain the required insurance coverage, or do not furnish us with satisfactory evidence of insurance coverage

and premium payments, we may obtain, at our sole option and in addition to our other rights and remedies under this Agreement, any required insurance coverage on your behalf. We are under no obligation whatsoever to obtain such insurance, but if we do so, you must fully cooperate with us in our efforts and must promptly sign all forms required to obtain or maintain the insurance. You must also allow any inspections of your 1-800 WATER DAMAGE Business required to obtain or maintain the insurance. Finally, you must pay us, on demand, any costs and premiums we incur in obtaining insurance on your behalf. Neither your obligation to maintain insurance coverage nor our maintenance of insurance on your behalf, will reduce or absolve you of any obligations of indemnification described in this Agreement. You must promptly report all material claims, or potential claims, against you, any Indemnified Party or us, to the insurer and to us.

You may not commence your 1-800 WATER DAMAGE Business until you have provided the certificates of insurance or other acceptable proof of all insurances. You may not reduce the policy limits, restrict coverage, cancel, or otherwise alter or amend any insurance policy without our written consent.

You must provide us with copies of any insurance claims or insurance cancellations within 24 hours. You have a 24 hour opportunity to cure any lapses in insurance coverage. No insurance policy must be subject to cancellation, termination, non-renewal or material modification, except upon at least 30 days prior written notice from the insurance carrier to us. We have the right to increase or otherwise modify the minimum insurance requirements upon 30 days prior written notice to you, and you shall comply with any such modification within the time specified in said notice.

E. RECORDS, REPORTS AND FINANCIAL STATEMENTS.

We require you to use the WATER DAMAGE Software, or other Required Software as we designate, for maintaining Customer records for the 1-800 WATER DAMAGE Business. We have confidential access to your databases and related information from the WATER DAMAGE Software, which we use to compute the Royalty due on Gross Sales, and to make other evaluations and verifications. In addition, you promise to establish and maintain, at your expense, an accounting system. We currently require you to utilize QuickBooks Online Accounting Software that maintains our specified Chart of Accounts. You shall furnish to us, in the manner and format that we require:

1. at our request, a complete employee list;

2. on the 15th day of each month of the 1-800 WATER DAMAGE Business' operation, an un-audited income statement for the preceding calendar month, in a form satisfactory to us, and such additional reports as we may require;

3. within 90 days after the close of your fiscal year, a complete income statement and other financial statements in a form we may prescribe in our sole discretion;

4. within ten (10) days of our request, exact copies of any state, federal, or other income tax returns covering the operation of the 1-800 WATER DAMAGE Business, as well as the state, federal and other income tax returns from your existing cleaning and restoration business(es), which we may need to review to assure all Gross Sales have been accurately reported;

5. by November 1 of each year, financial projections and a marketing plan for the upcoming year in the form we may prescribe in our sole discretion; and

6. any other reports we may require in the future.

Your fiscal year must end on December 31. You promise to verify and sign each report and financial statement in the manner that we prescribe. We can disclose data derived from these reports without specifically identifying you or the Business (unless we have your written consent to do so). We can require you to have audited financial statements prepared on an annual basis if you fail to comply with any provision of this Agreement. Finally, you will allow us, as we deem appropriate, timely access to your copy of any computer systems that you maintain, to retrieve all information relating to the operation of the 1-800 WATER DAMAGE Business.

We currently require you to utilize the web-based QuickBooks Online Accounting Software and maintain our specified Chart of Accounts; we will have automatic password access to your financial reports on this system. You may not utilize any other accounting or reporting software that is not approved by us.

You shall maintain all records, reports, and financial statements for a period of five (5) years during and following the termination, transfer, or expiration of this Agreement.

F. COMPLIANCE WITH LAWS.

You will, at your expense, secure and maintain in force all required licenses, permits, and certificates relating to the operation of the 1-800 WATER DAMAGE Business and shall operate the 1-800 WATER DAMAGE Business in full compliance with all applicable local, state and federal laws, rules and regulations. You must, at your expense, comply with all federal, state, and local laws and regulations that apply to Remediation Services and cleaning and restoration businesses in general. If your state or county licenses mold remediation, you must be licensed before commencing operation of the 1-800 WATER DAMAGE Business and maintain such licenses throughout the term of this Agreement and any Renewal Terms. In states or counties where mold remediation is not licensed by any governmental authority, you must satisfy to us that you possess the qualifications required to perform the services offered by 1-800 WATER DAMAGE Businesses. It is your responsibility to investigate the federal, state and local laws and regulations that pertain to mold remediation, cleaning and restoration businesses. You must maintain your license(s) in good standing with the licensing authority for the entire term of this Agreement and all renewals.

You will notify us in writing within five (5) days of the commencement of any action, suit, or proceeding for the issuance of any order, writ, injunction, award or decree or any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of the 1-800 WATER DAMAGE Business.

8. INSPECTIONS AND AUDITS.

A. OUR RIGHT TO INSPECT THE BUSINESS.

To determine whether you are complying with this Agreement and all System Standards, we have the right at any time during business hours to perform an on-site inspection of your

business at your Office, and any other locations through which the 1-800 WATER DAMAGE Business is operated. During such inspection, we may: (i) participate in quality checks of home field services; (ii) interview employees; or (iii) review (a) your books and records, (b) your promotional materials and media advertising, (c) your personnel files and practices, and/or (d) any and all components of the 1-800 WATER DAMAGE Business.

You promise to cooperate fully with us in any inspection of your 1-800 WATER DAMAGE Business, and we promise to use our best efforts to not interfere with the operation of your 1-800 WATER DAMAGE Business.

B. OUR RIGHT TO AUDIT.

We have the right at any time during business hours, and without prior notice to you, to inspect and audit, or cause to be inspected and audited, any and all financial statements, reports, monthly bank statements for all bank accounts in connection with the Business, income tax records, sales tax records, payroll records, software databases, and other records. You promise to cooperate fully with our representatives and independent accountants we hire to conduct any inspection or audit.

If any inspection or audit discloses an understatement of Gross Sales, we can debit your account, as provided in Sections 2.C and 2.H of this Agreement, for the Royalty and National Marketing Fund contributions which are due on the amount of the understatement, plus interest, at the rate of 18% per annum or the maximum rate permitted by applicable law, whichever is lesser, and all late fees, from the date originally due until the date of payment.

Furthermore, if we conduct an inspection or audit due to your failure to (a) furnish reports, supporting records, or other information as required, (b) furnish these items on a timely basis, or (c) record all Customer payments in the WATER DAMAGE Software within 48 hours of their receipt, or we discover that an understatement of Royalty is greater than 3% for any period reviewed, you promise to reimburse us for the cost of the inspection and/or audit, including without limitation, the charges of attorneys and independent accountants, the travel, room and board expenses, and compensation of our employees. Further, if an understatement of the Royalty is greater than 3%, you also promise to pay us an additional penalty fee equal to 10% of the total amount of the understated Gross Sales.

These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

9. TAXES AND ADVANCES.

A. TAXES.

You promise to pay all taxes as required by local, state, or federal laws regarding the products, service, or equipment furnished or used in connection with the operation of the 1-800 WATER DAMAGE Business. You promise to promptly pay us, when due, the amount of all sales taxes, use taxes, personal property taxes, and similar taxes imposed upon, required to be collected, or paid by us, to your state and/or local government, on account of services or goods furnished by us to you through sale, lease, or otherwise, or on account of collection by us of the Initial Fee, the Initial Package Fee, Royalty fees, or any other payments to us under this Agreement.

B. ADVANCES.

You promise to promptly reimburse us for all amounts that we have paid, or have been obligated to pay, on your behalf for any unpaid tax liability, provided, however, that we are not obligated to pay these or any other payments on your behalf.

10. TRANSFER.

A. BY US.

This Agreement is fully transferable by us and will inure to the benefit of any transferee or other legal successor to our interests herein.

B. BY YOU.

You cannot transfer this Agreement, the 1-800 WATER DAMAGE Business, or any part of your ownership in it (including any voluntary, involuntary, direct or indirect assignment, sale, gift, or other disposition) without our prior written approval and subject to the conditions below. Any such assignment, transfer, or encumbrance without such approval, will constitute a breach of this Agreement. Any change of ownership requires our approval and must meet the conditions specified below, and the payment of the transfer fee will be due should the change of ownership be 33% or more in the aggregate. We will not, however, unreasonably withhold our approval provided that the conditions specified below are met, which we will determine in our sole discretion:

1. you are in full compliance with this Agreement or any other agreement between you and us, our affiliates, or our designated/approved suppliers and vendors, and you have paid all accrued monetary obligations to us, our affiliates, and our designated/approved suppliers and vendors;

2. the transferee has demonstrated sufficient business experience, aptitude, and financial resources to meet our then-current standards for new franchisees, which may include aptitude or assessment testing;

3. the transferee and its owners and affiliates are not engaged in a competitive business, unless they agree to operate all remediation services, cleaning and restoration businesses as a part of the 1-800 WATER DAMAGE System;

4. you provide us with written authorization to release to the transferee any and all information about the operation of the 1-800 WATER DAMAGE Business which we have collected;

5. the transferee must sign our then-current form of franchise agreement for a full term;

6. you pay us:

    a. our then-current transfer fee upon the transferee's execution of the new franchise agreement to defray expenses we incur in the transfer, including

the costs of training the transferee (we will waive the transfer fee for transfers to your spouse or children);

b. all Royalty for completed jobs up through the date of closing, fees, amounts owed under any promissory notes with us, Late Payment Fees, Late Report Fees, NSF Fees, Interest Fees, and all other fees or amounts owed to us, plus interest; and

c. all commissions, broker fees or other similar expenses if: (i) you list the 1-800 WATER DAMAGE Business with a broker, lead referral network or similar entity; or (ii) the transferee is referred to you or us by a broker, lead referral network or similar entity;

7. the transferee has successfully completed our Initial Training Program;

8. you, your principals, and the transferee (if we have a prior relationship with the transferee) have signed a general release, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, and agents;

9. we have approved the material terms and conditions of the transfer and determined that the price and terms of payment will not adversely affect the transferee's operation of the 1-800 WATER DAMAGE Business;

10. the transferee upgrades the Business to conform to our then current specifications and design;

11. if you finance any part of the sale price of the transferred interest, you agree and will assure that all of the transferee's obligations under any promissory notes, agreements, or security interests that you have reserved in the 1-800 WATER DAMAGE Business, are subordinate to the transferee's obligation to pay Royalty fees, Referral Fees, and other amounts due to us and otherwise to comply with this Agreement;

12. in the event of an approved transfer to a wholly owned corporation or limited liability company, we will require you to own and control at least 67% of the issued and outstanding capital stock or other ownership interest;

13. you must have attended Initial Training and your business must be open in order to transfer the 1-800 WATER DAMAGE Business;

14. any transfer does not impact any of your post-termination obligations, including, without limitation, such obligations set forth in Sections 6 or 13.

15. the transferee must obtain, within the time limits set by us, and maintain thereafter, all permits and licenses required for the operation of the 1-800 WATER DAMAGE Business;

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

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

We shall have 60 days from the date of the written notice to approve or disapprove in writing of your proposed assignment. You acknowledge that the proposed transferee shall be evaluated for approval by us based on the same criteria as is currently being used to assess new franchisees of us and that such proposed transferee shall be provided, if appropriate, with such disclosures as may be required by state or federal law. If we have not given you notice of our approval or disapproval within such period, the request for the transfer or assignment is deemed rejected.

C. YOUR DEATH OR DISABILITY.

Upon your death or disability, your executor, administrator, conservator, guardian, or other personal representative must transfer your interest in this Agreement to a third party within a reasonable amount of time, but not to exceed one (1) year. During this time the 1-800 WATER DAMAGE Business must be operated in full compliance with this Agreement. The transfer will be subject to all of the terms and conditions applicable to transfers that are contained in this Section, with the exception that the transfer fee will be waived if the third party is your spouse or child.

In the event of your death or disability, and before a transfer of your interests in this Agreement, your spouse, child, or parent may, if this party otherwise would qualify as a transferee, operate the Business, provided that this person personally manages the business on a full time basis, successfully completes our Initial Training, and signs our then-current franchise agreement to govern the operation of the 1-800 WATER DAMAGE Business moving forward.

For purposes of this Section, disability is defined as a condition that materially impairs your ability to operate the 1-800 WATER DAMAGE Business in accordance with this Agreement.

D. OUR RIGHT OF FIRST REFUSAL.

If you at any time determine to sell, assign, or transfer for consideration your interest in this Agreement, you must obtain a bona fide, signed written offer and earnest money (in the amount of 5% or more of the offer price) from a responsible and fully disclosed offeror, and immediately submit to us a true and complete copy of the offer which includes details of the payment terms. To be a valid, bona fide offer, the proposed purchase price is to be denominated in a dollar amount.

We have the right, exercisable by written notice delivered to you within 30 days from the date of the delivery to us of both an exact copy of the offer and all other information we request, to purchase the interest for the same price, less the transfer fee, and on the same terms and conditions contained in the offer provided that:

1. We may substitute cash for any form of payment proposed in the offer;

2. Our credit will be deemed equal to the credit of any proposed purchaser;

3. We will have 30 days, after giving notice of our election to purchase, to prepare for and complete the closing; and

4. We are entitled to receive, and you must make, the same representations and warranties given to the proposed purchaser.

If we do not exercise our right of first refusal, you may complete the sale to the purchaser on the exact terms of the offer, subject to our approval of the transfer as provided in Section 10.B above. If the sale is not completed within 60 days after the expiration of the right of first refusal, or if there is a material change in the terms of the sale (which you agree promptly to communicate to us), we will have an additional right of first refusal during the 30-day period following either the expiration of the 60-day period or notice to us of the material change(s) in the terms of the sale, either on the terms originally offered or the modified terms, at our option.

E. OWNERSHIP.

1. The following provisions apply if you or any permitted successor is a partnership, Limited Liability Company ("LLC") or corporation:

   a. The articles of partnership, partnership agreement, articles of organization, articles of incorporation, by-laws and other organizational documents shall provide that the issuance and transfer of any interest in the legal entity is restricted by the terms of this Agreement. Copies of such documents and of resolutions of the legal entity's board of directors or managers authorizing its entry into this Agreement shall be furnished to us upon request.

   b All general partners, members and all direct and indirect holders of a 10% or greater equity interest shall, upon the legal entity's execution of this Agreement, execute an agreement personally guaranteeing to us the full payment and performance of the legal entity's obligations to us and undertaking to be bound, individually, jointly and severally, by all the terms of this Agreement including, without limitation, the restrictions on assignment contained herein. The personal guaranty shall be in the form attached hereto as Exhibit L or in such other form as we may from time to time prescribe.

   c. The legal entity shall not use the name "1-800 WATER DAMAGE" or any other Mark, or any name deceptively similar thereto, except to reflect its franchise relationship with us. Neither the legal entity nor any of its owners may issue or sell, or offer to issue or sell, any securities of the legal entity or an affiliate of the legal entity, regardless of whether such sale or offer would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction, without obtaining our prior written consent, which is in

our sole discretion, and complying with all of our requirements and restrictions concerning use of information about us.

d. The legal entity shall furnish us, at the time of execution of this Agreement and upon all transfers subject to the provisions of this Section 10, a list of all stockholders, members, managers and partners having an interest in the legal entity, their respective percentage interests and the number of shares directly and indirectly owned or controlled by each.

e. The legal entity, if a corporation, shall maintain stop transfer instructions against the transfer on its records of any securities with voting rights subject to the restrictions of this Section and shall cause all certificates representing outstanding voting securities to be surrendered for reissuance and cause all certificates for voting securities in the future to be issued with this legend printed conspicuously upon the face of each certificate: "The transfer of this certificate and the shares it represents is subject to the terms and conditions of a certain Franchise Agreement with 1 800 WATER DAMAGE International, LLC. Reference is made to that Agreement and to certain restrictive provisions of the Articles and by-laws of this corporation."

f. The legal entity acknowledges and agrees that the restrictions on transfer imposed herein are reasonable and necessary to protect the System, the Marks, the Confidential Information, as well as the our high reputation and image, and are for the protection of us and all other 1-800 WATER DAMAGE franchisees.

11. EXPIRATION OF THIS AGREEMENT.

A. YOUR RIGHTS UPON EXPIRATION OF THIS AGREEMENT.

Upon the expiration of this Agreement, provided that during its term you complied substantially with its provisions, including the timely payment of all fees and Royalty fees, you may continue your Business for two (2) additional terms of ten (10) years each (each, a "Renewal Term" (as previously defined)).

We may refuse to offer you a Renewal Term if you:

1. are not, at the time, in substantial compliance with this Agreement, or any other ancillary agreement then in effect between you and us;

2. have received written notice by us three (3) or more times during the last 30 months of the Initial Term or any Renewal Terms for failure to comply with the terms of this Agreement and were in violation of your obligation(s), whether or not the failure is subsequently cured;

3. have failed on more than three (3) separate occasions during the last 24 months of the Initial Term or any Renewal Terms to make timely payment to us of all sums due to us; or

4. have failed on more than three (3) separate occasions during the last 24 months of the Initial Term or any Renewal Terms to service all Customers in a manner consistent with our System Standards and reputation of ethical and professional conduct.

B. AWARD OF A RENEWAL AGREEMENT.

You promise to give us written notice of your election to pursue a Renewal Term no earlier than nine (9) months, and no later than six (6) months, before the expiration of this Agreement. We promise to give you notice (referred to as "Our Notice"), not more than 45 days after we receive your notice, of our decision in accordance with Paragraph A of this Section:

1. to award you a renewal franchise agreement;

2. to award you a renewal franchise agreement on the condition that you correct any provisions of this Agreement with which you are not in compliance; or

3. not to award you a renewal franchise agreement based on our determination that you have not substantially complied with this Agreement during its term.

If applicable, Our Notice will state the actions you must take to correct operating deficiencies and a reasonable time period in which these deficiencies are to be corrected.

If we elect not to award you a renewal franchise agreement, Our Notice will describe the reasons for our decision. Your right to a renewal franchise agreement is subject to your continued compliance with all of the terms and conditions of this Agreement through the date of its expiration, in addition to your compliance with the obligations described in Our Notice.

C. AGREEMENTS/RELEASES.

If you satisfy all of the other conditions to the awarding of a Renewal Term, you promise to sign the then-current franchise agreement and any ancillary agreements for 1-800 WATER DAMAGE Businesses, which may include a different Royalty; provided, however, in no event will the Territory for the Renewal Term franchise agreement be changed from that contained in this Agreement. You and we further promise to sign a mutual general release, in a form satisfactory to us, of any and all claims against either of us and our respective shareholders, officers, directors, employees, agents, successors, and assigns.

Notwithstanding any provision to the contrary, at our request, you will promise to upgrade and remodel the 1-800 WATER DAMAGE Business at your sole expense to conform to the then-current Operations Manual (the completion of such upgrades shall be a condition of you receiving such Renewal Term). Further, you must submit proof to us that you have the right to operate the 1-800 WATER DAMAGE Business at the Office for the Renewal Term.

D. RENEWAL TERM FEE.

You promise to pay us a renewal fee of 10% of the then-current Initial Fee upon execution of your renewal franchise agreement.

12. TERMINATION OF AGREEMENT.

A. AUTOMATIC TERMINATION WITHOUT NOTICE.

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

1. If you make an assignment for the benefit of creditors, file a voluntary petition in bankruptcy, are adjudicated bankrupt or insolvent, file or acquiesce in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consent to or acquiesce in the appointment of a trustee or receiver for you or the 1-800 WATER DAMAGE Business.

2. If proceedings are commenced to have you adjudicated bankrupt or to seek your reorganization under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for you or the 1-800 WATER DAMAGE Business without your consent, and the appointment is not vacated within 60 days.

3. You attempt to make an unauthorized transfer of this Agreement or the Business in violation of any of the transfer provisions contained in Section 10 of this Agreement.

B. AUTOMATIC TERMINATION WITH NOTICE.

We have the right to terminate this Agreement, immediately, and without the opportunity to cure, effective upon delivery of written notice to you, or any of the following:

1. Your Managing Owner and, if applicable, Designated General Manager, fail to attend or successfully complete the Initial Training within four (4) months of signing this Agreement and/or fulfill all the pre-training requirements, which include the payment of all monies due to us, and the completion of all the required tasks as designated on the 1-800 WATER DAMAGE owners' intranet website and in the Operations Manual;

2. You fail to commence operation of the 1-800 WATER DAMAGE Business within four (4) months of signing this Agreement and/or two (2) months following your successful completion of the Initial Training, whichever is later;

3. You have made or make any material misrepresentation or omission in purchasing the Franchise or operating the 1-800 WATER DAMAGE Business;

4. You receive from us three (3) or more notices to cure the same or similar defaults or violations of this Agreement, within any two (2)-year period of time, regardless of whether these defaults were cured after notice was sent to you;

5. You are or have been convicted by a trial court of, or plead no contest to a felony or any conviction rising to the equivalent of a felony and/or failure to disclose a prior felony conviction or conviction rising to the equivalent of a felony to us;

6. You understate your Royalty by three percent (3%) or more, in any reported financial statement, on three (3) or more occasions, during any consecutive two (2)-year time frame during the term of this Agreement, regardless of whether or not you subsequently rectify the deficiency;

7. You engage in any dishonest or unethical conduct, which may adversely affect the reputation of the 1-800 WATER DAMAGE Business, or the general goodwill associated with the Marks;

8. You violate any provision regarding confidentiality or non-disclosure contained in Sections 6 and 13 of this Agreement;

9. You cease to continuously and actively operate the Business for five (5) consecutive days, unless caused by an act of God, or other circumstance beyond your control, as determined by us; or the business telephone is disconnected at any time and no new number is immediately reinstalled or reconnected; or your conduct is otherwise determined by us to constitute an abandonment of the Business;

10. You fail to acquire or continuously maintain the required minimum levels of insurance, fail to have us named as an additional insured, or fail to provide a current certificate of insurance to us as required in Section 7.D. of this Agreement. However, we will not exercise our right to terminate this Agreement if upon receipt of notice from us, you immediately cease operating the 1-800 WATER DAMAGE Business and obtain such insurance within ten (10) days after written notice is delivered to you prior to resuming operation;

11. You fail to attend the 1-800 WATER DAMAGE Annual Convention;

12. Your Managing Owner or, if applicable, your Designated General Manager, fail to attend, or send a representative in their place, to a minimum of one (1) training course or regional meeting per two (2) calendar years, provided that at least two (2) of the above named events have been offered during that time period;

13. You fail to employ and train a Service Technician within four (4) months of signing this Agreement;

14. Any other franchise agreement or other agreement you or your owner(s) or affiliates have with us, or any franchise agreement you or your owner(s) or affiliates have with 1 800 WATER DAMAGE International, LLC is terminated for any reason;

15. You commit three (3) or more defaults of this Agreement, of any type, in any 12-month period;

16. If you or your principals materially breach any other agreement with us or any of our affiliates, or threaten any material breach of any such agreement, or any lease for the Office, and fail to cure such breach within any permitted period for cure;

17. If you or your principals materially violate any provision hereof pertaining to Marks or Confidential Information or misuse the Marks or Confidential Information;

18. If you violate any safety or sanitation law, ordinance or regulation or operate the 1-800 WATER DAMAGE Business in a manner that presents a health or safety hazard to customers, or the general public;

19. If you violate the in-term restrictive covenant contained in Section 6 or fail to refer a Required Referral to us, BELFOR Franchise Group, Inc., or BELFOR USA, Inc.;

20. If a levy of writ of attachment or execution or any other lien is placed against you or any of your principals or any of their assets which is not released or bonded against within 30 days;

21. If you or any of your principals become insolvent;

22. You order or purchase supplies, signs, furnishings, fixtures, equipment, vehicle(s) or inventory for the Business from an unapproved supplier;

23. You misuse or make unauthorized use of any 1-800 WATER DAMAGE Software that we may develop for use in connection with the System;

24. You fail to comply with the provisions of Section 15.S;

25. You take for your own personal use any assets or property of the 1-800 WATER DAMAGE Business, including employee taxes, FICA, insurance or benefits; or

26. If there are insufficient funds in your bank account to cover a check or EFT payment to us three (3) or more times within any 12-month period.

C. TERMINATION IF NOT CURED WITHIN 15 DAYS.

We have the right to terminate this Agreement if any of the following defaults remains uncured after your receipt of a default notice from us and expiration of a 15-day cure period:

1. You fail to make payment of any amounts due to us, or funds are not available in your account for debiting when they are due, or you do not record in the WATER DAMAGE Software funds paid to you for jobs completed within 48 hours of their receipt, or you default on any loan made to you by us or our preferred lender, if applicable, in connection with your 1-800 WATER DAMAGE Business;

2. You fail to have in your employ for a period of two (2) consecutive months (a) at least one (1) Service Technician, or (b) a Designated General Manager, if you are required to have one.

3. You fail, within 15 days after notification of non-compliance by federal, state or local government authorities to comply with any law or regulation applicable to the 1-800 WATER DAMAGE Business;

4. You fail to comply with any part or condition, warranty, or certification requirement in this Agreement, the 1-800 WATER DAMAGE owners' intranet website, Operations Manual and/or other 1-800 WATER DAMAGE confidential materials;

5. You fail to comply with modifications to System Standards on the 1-800 WATER DAMAGE owners' intranet website, or in the Operations Manual within the required time period, including, but not limited to, the TPA guidelines and requirements;

6. You fail to make payments on the vehicle resulting in repossession and you do not have a vehicle that meets our standards to operate the Business;

7. You fail to receive our prior written approval and use products or materials that do not meet our System Standards and/or do not promptly discontinue use after written notice from us;

8. You fail to timely provide us with any report, statement, or return required by this Agreement;

9. You fail to service all Customers in a manner consistent with our System Standards and reputation and you fail to cure such inconsistency;

10. You advertise or solicit a customer or service location that is located outside the Territory without our prior written consent;

11. You fail to immediately endorse and deliver to us any payments due to us from any third party that is erroneously made to you;

12. If you fail to maintain the prescribed months, days or hours of operation at the 1-800 WATER DAMAGE Business;

13. If you fail, in our sole discretion, to personally supervise day-to-day operation of the 1-800 WATER DAMAGE Business or fail to employ a sufficient number of qualified, competent personnel as we require from time to time;

14. If you fail to maintain the strict quality controls reasonably required by this Agreement and/or the Operations Manual;

15. You conduct yourself in a manner that, although not criminal, reflects adversely on the System, the Marks, or the products offered through the System; or

16. You fail to procure or maintain any licenses, certifications, or permits necessary for the operation of your 1-800 WATER DAMAGE Business.

We also have the right to terminate this Agreement after providing notice and a 30 day cure period if you fail to perform or comply with any one or more of the terms or conditions of this Agreement or the Operations Manual not specifically contained in Section 12.A above; including, without limitation, any warranty, or certification of this Agreement, and any System Standard or other provision in the 1-800 WATER DAMAGE owners' intranet website or the Operations Manual.

In addition to our right to terminate this Agreement, and not in lieu of such right, or any other rights we may have against you, upon a failure to cure any default within the applicable time period (if any), we have the right, but not the obligation, to enter upon the 1-800 WATER DAMAGE Business premises and exercise complete authority with respect to the operation of the 1-800 WATER DAMAGE Business until such time as we determine, in our sole discretion that the default has been cured, and you are otherwise in compliance with this Agreement. In the event we exercise the rights described in this Section, you must pay us a reasonable management fee and reimburse us for all reasonable costs and overhead, if any, incurred in connection with our operation of your 1-800 WATER DAMAGE Business including, without limitation, costs of personnel for supervising and staffing the 1-800 WATER DAMAGE Business and their travel and lodging accommodations, plus a 20% service charge. This fee is in addition to the payment of the management fee and all other fees due under this Agreement during the time we exercise our rights under this Agreement. If we undertake to operate the 1-800 WATER DAMAGE Business pursuant to this Section, you agree to indemnify and hold us (and our representative(s) and employees) harmless from and against any fines, claims, suits or proceedings that may arise out of our operation of the 1-800 WATER DAMAGE Business.

Our delay in exercising or failing to exercise any right or remedy under this Agreement or our acceptance of any late or partial payment due hereunder will not constitute a waiver of any of our rights or remedies against you.

13. POST TERMINATION OBLIGATIONS.

A. PAYMENT OF AMOUNTS OWED TO US.

You promise to pay to us, on the effective date of termination or expiration of this Agreement, or at any later date that the amounts due to us are determined:

1. all Royalty fees, Referral Fees, promissory note balance(s), Late Report Fees, Late Payment Fees, NSF Fees, Interest Fees, or any other fees, amounts or interest owed to us; and

2. upon termination for any default, the actual and consequential damages, costs, and expenses (including reasonable attorneys' and experts' fees) incurred by us as a result of your default.

The obligation to pay said sums will create a lien in favor of us against any and all of the personal property, vehicles, furnishings, equipment, signs, fixtures, and inventory of the 1-800 WATER DAMAGE Business and/or against any moneys we hold or otherwise come to our possession.

Any transferee (or purchaser of all or substantially all of the assets of the 1-800 WATER DAMAGE Business) shall be liable for payment of these items if you do not timely pay them. Provided, however, the foregoing sentence will not release or discharge you from your obligations to pay us pursuant to this Section and/or to indemnify or reimburse the transferee or purchaser pursuant to the applicable purchase or transfer agreement.

B. MARKS.

Upon the termination or expiration of this Agreement, you promise to:

1. strictly comply with, observe, and abide by all of the post-termination provisions of this Agreement, including those as set forth in Sections 5, 6 and 13.D of this Agreement;

2. neither directly nor indirectly represent to the public that any other business you may then own or operate, is or was operated as, or was in any way connected to, the System;

3. not hold yourself out or advertise in any context that you are a present franchisee or were a former franchisee of ours;

4. immediately refrain from engaging in any business relationship with any contacts with Customers or former Customers of the Business, whether with respect to collection of accounts receivable, providing Services, or for any other purpose whatsoever;

5. assign any and all accounts receivable to us for collection, unless all Royalty fees and other payment obligations to us are paid in full. In connection with this assignment, you appoint us as attorney-in-fact to engage in these collection activities and you specifically refrain from engaging in any of these collection activities. We promise to employ good faith efforts, including where appropriate in our sole and exclusive judgment the commencement of legal proceedings to collect the accounts receivable. We have no duty or obligation to you to accomplish the collection of such accounts receivable. We will remit to you any of these sums collected after first deducting all moneys owed to us and our costs of collection;

6. immediately cease operation under this Agreement and not operate or do business under any name or in any manner which might tend to give the general public the impression that you are operating a 1-800 WATER DAMAGE Business, or any confusingly similar business;

7. take the action required to cancel all DBAs or equivalent registrations relating to your use of any Mark;

8. deliver to us, within seven (7) days, all electronic and hard copies of Customer Information;

9. remove all signage from vehicles and store fronts and deliver to us, within five (5) days, the Operations Manual and all copies thereof, and all proprietary information, confidential material, Required Software (including the WATER DAMAGE Software), signs, sign-faces, marketing and advertising materials, forms, uniform patches, decals (or proof of their removal) and other materials containing any Mark or otherwise identifying or relating to a 1-800 WATER DAMAGE Business, and allow us, without liability to you or third parties, to remove all of these items from your vehicles and place of business;

10. notify the telephone company and all telephone directory publishers and Internet directory listings (including Google, Yahoo! and others) of the termination or expiration of your right to use any listing, telephone, telecopy, or other numbers and any telephone directory listings associated with any Mark, and authorize the transfer of these numbers and directory listings to us or, at our direction, instruct the telephone company to forward all calls made to your telephone number to numbers we specify for a period of 90 days. If you fail to do so, we can take whatever action is necessary, on your behalf and consistent with the telephone and other listing agreement attached to this Agreement as Exhibit D, to affect these events;

11. agree to cooperate with us to effectuate any change in telephone numbers or other transfers of our property to us, including the signing of any forms, authorizations or other documents necessary;

12. deliver to us, upon our request, an assignment of any real estate leases for property from which the 1-800 WATER DAMAGE Business was operated; and

13. deliver to us, within 30 days, evidence that is satisfactory to us of your compliance with each of the foregoing obligations.

C. CONFIDENTIAL INFORMATION.

You promise that, upon termination or expiration of this Agreement, you must immediately cease to use any of our Confidential Information (including any computer software that we have provided or made available to you) in any business or otherwise, return to us all copies of the Operations Manual and other confidential materials that we have loaned to you, and you shall not maintain any copies of any such materials, in whole or part.

D. COVENANT NOT TO COMPETE.

For a period of 24 months from the time of expiration or termination of this Agreement, you and your owners and, if applicable, your Designated General Manager, shall not (a) engage as an owner, shareholder, partner, director, officer, employee, consultant, salesperson, representative, or agent or in any other capacity in any Remediation Services, cleaning and

restoration services and/or the services provided by our affiliates, (b) employ or seek to employ any person who is at that time employed by us, our affiliates or any other 1-800 WATER DAMAGE franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat, (c) solicit business from Customers of your former 1-800 WATER DAMAGE Business or contact any of our suppliers or vendors for any competitive business purpose, or (d) divert or attempt to divert any business or Customer of the 1-800 WATER DAMAGE 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 or the System or engage in any business relationship with any contacts with Customers or former Customers of the 1-800 WATER DAMAGE Business, whether with respect to collection of accounts receivable, or to provide them services, or for any other purpose whatsoever, within:

1. the Territory as defined in this Agreement;

2. the geographic area encompassed by the Territories of any 1-800 WATER DAMAGE franchisees, Company Stores, or any other 1-800 WATER DAMAGE business operator, as of the date of the termination or expiration of this Agreement; or

3. a geographic area that is contained in a circle having a radius of 100 miles outward from the outside boundary of the Territory as defined in this Agreement.

E. CONTINUING OBLIGATIONS AND OTHER OBLIGATIONS.

All of our and your obligations that expressly or by their nature survive the expiration or termination of this Agreement, will continue in full force and effect subsequent to and notwithstanding its expiration or termination, until they are satisfied in full or by their nature expire.

If, within five (5) days after termination or expiration of this Agreement, you fail to remove all displays of the Marks, we may enter the 1-800 WATER DAMAGE Business to effect removal. In this event, you agree that you may not file any complaint or action against us for trespass or any other violation or claim, nor shall we be accountable or required to pay for any displays or materials. You agree that this Agreement shall constitute your complete consent to such entry set forth in this Section.

If, within 30 days after termination or expiration, you have not taken all steps necessary to amend or terminate any registration, telephone number, email address, domain name, URL, or filing of any business name or DBA or any other registration or filing containing the Marks or any names and marks which are identified or associated with the Marks and System, you hereby irrevocably appoint us as your true and lawful attorney-in-fact for you, and in your name, place and stead and on your behalf, to take action as may be necessary to amend or terminate all registrations and filings, this appointment being coupled with an interest to enable us to protect the Marks and System. We may, at our discretion, choose to have your telephone numbers, domain names and/or URLs forwarded or directed to us.

You shall permit us to make final inspection of your financial records, books, and other accounting records within eighteen (18) months of the effective date of termination, expiration, or transfer.

Termination or expiration of this Agreement shall not affect, modify or discharge any claims, rights, causes of action or remedies which we may have against you, whether such claims or rights arise before or after termination or expiration, including, without limitation, our rights to receive or collect fees or other amounts payable by you under this Agreement, to enforce the provisions of this Agreement against you, to sue for damages, seek and obtain ex-parte or other injunctive relief, to pursue any other legal or equitable remedy for breach of this Agreement, or otherwise constitute a waiver of any of our other rights upon the occurrence of an event giving rise to our right to terminate. We shall not be obligated following any such termination, expiration or cancellation, to refund any amount previously paid by you under the terms of this Agreement.

You shall, for three (3) years following any termination or expiration of this Agreement, keep us advised of your current business and residence address and telephone numbers, as well as the business address and phone number of your employer and the employer(s) of any of your principal owners.

Upon expiration or termination, you shall allow us, our affiliates and our franchisees to solicit your employees for employment.

You shall not form, adopt or use in connection with, or in the name of, any subsequent business the terms or term "1-800 WATER DAMAGE" or any term confusingly similar to such term or any other term which may have the effect of creating confusion or question regarding his/her affiliation with the System or us.

14. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.

A. INDEPENDENT CONTRACTORS.

You acknowledge and agree that, under this Agreement; you are and will be an independent contractor of ours. You will not be deemed an employee of ours for any purpose, and no employee of yours will be deemed to be an employee of ours for any purpose, most particularly with respect to any mandated or other insurance coverage, tax, or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state, or federal governmental agency. Nothing in this Agreement will be construed so as to create a partnership, joint venture, or agency. You do not have any power to obligate us for any expenses, liabilities, or other obligations, other than as is specifically provided for in this Agreement. We will not have the power to hire or fire your employees and, except as expressly provided in this Agreement, we may not control or have access to your funds or expenditures, or in any other way exercise dominion or control over the Business.

You promise to identify yourself conspicuously in all dealings with customers, suppliers, public officials, the 1-800 WATER DAMAGE Business' employees, and others, and in the manner we prescribe, as the owner of the 1-800 WATER DAMAGE Business under a franchise agreement that we have awarded and to place notices of independent ownership on the forms, business vehicles, stationery, and advertising, and other materials we require you to use.

B. NO LIABILITY FOR ACTS OF OTHER PARTY.

Neither you nor we will make any express or implied agreements, warranties, guarantees, or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between you and us is other than that of franchisor and franchisee. We do

not assume any liability, and will not be deemed liable for any agreements, representations, or warranties made by you which are not expressly authorized under this Agreement, for any damages to any person or property which directly or indirectly arise from or relate to your operation of the 1-800 WATER DAMAGE Business authorized by this Agreement.

C. INDEMNIFICATION.

You promise to protect, defend, and indemnify us, and all of our past, present, and future shareholders, direct and indirect parent companies, subsidiaries, affiliates, officers, directors, employees, attorneys, and designees (the "Indemnified Parties"), and hold Indemnified Parties harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury, or damage to any person, firm, or corporation, or to any property arising out of, or in connection with, your operation of the Business.

Under no circumstances will we, or any other Indemnified Party, be required to seek recovery from any insurer or other third party, in order to maintain and recover fully a claim against you. You agree that a failure to pursue recovery against others will in no way reduce or alter the amounts we or another Indemnified Party may recover from you.

Neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed to state or imply that we are the employer of your employees and/or independent contractors, nor vice versa.

D. NO LIABILITY FOR TECHNOLOGY FAILURE.

We are not liable for any direct, incidental, or consequential damages, including but not limited to, lost profits, lost savings or consequential, punitive or incidental damages for any reason whatsoever, including but not limited to any cause arising out of or in any way connected to a technology related problem, such as high speed internet connection, electronic mail, software, website, computer, phone systems and other electronic equipment, or call center.

15. ENFORCEMENT.

A. SEVERABILITY.

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provision of this Agreement, the 1-800 WATER DAMAGE owners' intranet website, or the Operations Manual, and any present or future statute, law, ordinance, or regulation, contrary to which the parties have no legal right to contract, the latter will prevail, but if the provisions of this Agreement, or the Operations Manual thus affected, will be curtailed and limited only if necessary to bring them within the requirements of the law. In the event that any part, article, paragraph, sentence, or clause of this Agreement, the 1-800 WATER DAMAGE owners' intranet website, or the Operations Manual, will be held to be indefinite, invalid, or otherwise unenforceable, the indefinite, invalid, or unenforceable provision will be deemed deleted, and the remaining part of this Agreement will continue in full force and effect.

If any covenant in this Agreement which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, prohibited business activity, and/or length of time, but would be enforceable by reducing any part or all of the covenant, you and we agree

that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law is applicable to the validity of the covenant.

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of termination, or refusal to renew, than this Agreement, the prior notice or other action required by such law or rule will be substituted for the notice requirements of this Agreement. Such modification to this Agreement will be effective only in such jurisdiction and this Agreement will otherwise be enforced as originally made and entered into in all other jurisdictions.

B. WAIVER OF OBLIGATIONS.

Either of us may, by written notice, unilaterally waive or reduce any obligation or restriction of the other party under this Agreement. The waiver or reduction may be revoked at any time, for any reason, on ten (10) days' written notice.

C. FEES AND EXPENSES.

If you are in breach or default of any monetary or non-monetary material obligation under this Agreement or any related agreement between you and us and/or our affiliates, and we engage an attorney to enforce our rights (whether or not formal judicial proceedings are initiated), you must pay all reasonable attorneys' fees, court costs and litigation expenses we incur. If you institute any legal action to interpret or enforce the terms of this Agreement, and your claim in such action is denied or the action is dismissed, we are entitled to recover our reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

D. YOU MAY NOT WITHHOLD PAYMENT TO US.

You promise to not withhold payment of any amount due to us on the grounds of our alleged nonperformance or for any other reason.

E. RIGHTS OF PARTIES ARE CUMULATIVE.

Your and our rights are cumulative and no exercise or enforcement by either of us of any right or remedy in this Agreement will preclude the exercise or enforcement by that party of any other right or remedy to which it is entitled by law.

F. DISPUTE RESOLUTION PROCEDURES.

1. Internal Dispute Resolution. You must first bring any claim or dispute you have with us and our shareholders, officers, directors, agents and employees to our President, after providing notice as set forth in Section 15.F.4 below. You must exhaust this internal dispute resolution procedure before you may bring your dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

2. Mediation. At our option, all claims or disputes between us, our shareholders, officers, directors, agents and employees and you, arising out of, or in any way relating to, this Agreement or any other agreement by and between you and us or our affiliates, or any of the parties' respective rights and obligations arising from

such agreement, or the operation of the 1-800 WATER DAMAGE Business which are not first resolved through the internal dispute resolution procedure set forth in Section 15.F.1 above, must be submitted first to non-binding mediation in Ann Arbor, Michigan under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against us or our shareholders, officers, directors, agents and employees with respect to any such claim or dispute, you must submit a notice to us, which specifies, in detail, the precise nature and grounds of such claim or dispute. We will have a period of 30 days following receipt of such notice within which to notify you as to whether we or our affiliates elects to exercise our option to submit such claim or dispute to mediation. You may not commence any action against us, our shareholders, officers, directors, agents and employees or our affiliates with respect to any such claim or dispute in any court unless we fail to exercise our option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated as the result of a written declaration of either: (i) the mediator(s) that further mediation efforts are not worthwhile; or (ii) us. We may specifically enforce our rights to mediation. Each party shall bear its own cost of mediation and you and we shall share mediation costs equally. This agreement to mediate shall survive any termination or expiration of this Agreement.

a. We shall not be required to first attempt to mediate a controversy, dispute, or claim as set forth in this Section 15.F.2 if such controversy, dispute, or claim concerns an allegation that you have violated (or threaten to violate, or pose an imminent risk of violating):

i. Any federally protected intellectual property rights in the Marks, the System, trade secrets, or Confidential Information;

ii. Any claims pertaining to or arising out of any warranty issue;

iii. Any of the restrictive covenants contained in this Agreement; or

iv. Any claims arising out of or related to fraud or misrepresentation by you or your insolvency.

3. Selection of Venue. Nothing contained in this Agreement shall prevent us from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect our interests. The parties expressly agree to the exclusive jurisdiction and venue of any court of general jurisdiction in Washtenaw County, Michigan or the United States District Court for the Eastern District of Michigan. You acknowledge that this Agreement has been entered into in the State of Michigan, and that you are to receive valuable and continuing services emanating from our headquarters in Ann Arbor, Michigan, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, you hereby irrevocably consent to

the personal jurisdiction of the state and federal courts of the State of Michigan as set forth above and waive any objection you may have to either the jurisdiction or venue in such court. In the event that you file an action in any forum or jurisdiction in violation of this Section 15.F.3, you shall pay our costs and fees, including our reasonable attorneys' fees, in connection with any efforts to order the dispute to the proper forum or jurisdiction.

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

5. Third Party Beneficiaries. Our officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the mediation provision set forth in this Section 15.F, each having authority to specifically enforce the right to mediate/litigate claims asserted against such person(s) by you.

G. INJUNCTIVE RELIEF.

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

H. CHOICE OF LAW.

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement shall be interpreted under the laws of the State of Michigan, and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the State of Michigan, which laws shall prevail in the event of any conflict of law.

I. WAIVER OF PUNITIVE DAMAGES, JURY TRIAL AND CLASS ACTIONS.

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

THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER

WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE FROM US OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE 1-800 WATER DAMAGE BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN YOU, YOUR OWNERS AND US OR OUR AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN US AND ANY OTHER THIRD PARTY.

J. BINDING EFFECT.

This Agreement is binding upon us and you and will inure to the benefit of the parties identified in the Agreement and their respective executors, administrators, heirs, assigns, and successors in interest and may not be modified, except by a written agreement signed by you and us.

K. LIMITATIONS OF CLAIMS.

Except for claims arising from your non-payment or underpayment of amounts you owe us under this Agreement, any and all claims arising out of or relating to this Agreement or our relationship with you will be barred unless a judicial proceeding is commenced within one (1) year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claim. You hereby waive the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by us, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

L. CONSTRUCTION AND INTEGRATION.

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations or inducements, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you. You acknowledge that you are entering into this Agreement as a result of your own independent investigation of our 1-800 WATER DAMAGE Business and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to you pursuant to applicable law.

You agree that no modifications of this Agreement (except those specifically authorized herein) shall be effective except those in writing and signed by both parties. You acknowledge that you have not received any express or implied representations or warranties regarding the sales, earnings, income, profits, gross revenues, business or financial success, value of the franchise, provided by us or our representatives or any other matters pertaining to the franchise from us or any of our officers, employees or agents that were not contained in this Agreement or

the Franchise Disclosure Document received by you (hereinafter "Representations"). You further acknowledge that if you had received any such Representations, you would not have executed this Agreement, and you would have: (a) promptly notified us in writing of the person or persons making such Representations; and (b) provided to us a specific written statement detailing the Representations made. You acknowledge that we justifiably have relied on your representations made before the execution of this Agreement. Nothing in this Agreement is intended, nor is deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right, in our sole discretion, to refuse any request you make or to withhold our approval of any of your proposed initiated or effected actions that require our approval.

The headings of the sections and paragraphs in this Agreement are for convenience only and do not define, limit, or construe the contents of such sections or paragraphs.

References in this Agreement to "we," "us," and "our," with respect to all of our rights and all of your obligations to us under this Agreement, will be deemed to include any of our affiliates with whom you deal. The term "affiliate," as used in this Agreement with respect to you or us, means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. For purposes of this definition, "control" means the power to direct or cause the direction of management and policies.

If two (2) or more persons are the franchisee under this Agreement, their obligation and liability to us will be joint and several.

This Agreement may be signed in multiple copies, each of which will be deemed an original.

M. COMPLIANCE WITH OTHER LAWS.

You must comply with all national, state, and local laws and regulations that apply. You are solely responsible for investigating and complying with these laws.

N. WAIVERS.

We will not be deemed to have waived our right to demand exact compliance with any of the terms of this Agreement, even if at any time: (a) we do not exercise a right or power available to us under this Agreement; (b) we do not insist on your strict compliance with the terms of this Agreement; (c) there develops a custom or practice which is at variance with the terms of this Agreement; or (d) we do not demand payments which are otherwise due to us under this Agreement. Similarly, our waiver of any particular breach or series of breaches under this Agreement or of any similar term in any other agreement between you and us or between us and any other franchise owner, will not affect our rights with respect to any later breach by you or anyone else.

O. EFFECTIVE DATE AND LOCATION OF AGREEMENT.

This Agreement shall not be effective until accepted by us as evidenced by dating and signing by an officer of us and the place of execution of this Agreement shall be the State of Michigan.

P. DAYS.

Unless otherwise specifically stated in this Agreement, the term "days" shall refer to calendar days.

Q. ADDITIONAL DOCUMENTATION.

You must from time to time, subsequent to the date first set forth above, at our request and without further consideration, execute and deliver such other documentation or agreement and take such other action as we reasonably may require in order to effectuate the transactions contemplated herein. In the event that you fail to comply with the provisions of this Section, you hereby appoint us as your attorney-in-fact to execute any and all documents on your behalf that are reasonably necessary to effectuate the transactions contemplated herein.

R. FORCE MAJEURE.

Neither you nor us or our affiliates will be liable for loss or damage or deemed to be in breach of this Agreement or any related agreement if that party's failure to perform its obligations is not the fault nor within the reasonable control of that person due to perform but results from, without limitation, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders. Any delay resulting from any such cause will extend the time of performance for the period of such delay or for such other reasonable period of time as the parties agree in writing or will excuse performance, in whole or in part, as we deem reasonable.

S. ANTI-TERRORIST ACTIVITIES.

You certify that neither you, nor your owners, principals, employees or anyone associated with you are listed in the Annex to Executive Order 13224 (the "Annex"). You agree not to hire or have any dealings with a person listed in the Annex. You certify that you have no knowledge or information that, if generally known, would result in you, your owners, principals, employees, or anyone associated with you being listed in the Annex. You agree to comply with and/or assist us to the fullest extent possible in our efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, you certify, represent, and warrant that none of your property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that you and your owners or principals are not otherwise in violation of any of the Anti-Terrorism Laws. You are solely responsible for ascertaining what actions must be taken by you to comply with all such Anti-Terrorism Laws, and you specifically acknowledge and agree that your indemnification responsibilities as provided in Section 14.C of this Agreement pertain to your obligations under this Section. Any misrepresentation by you under this Section or any violation of the Anti-Terrorism Laws by you, your owners, principals or employees will constitute grounds for immediate termination, upon notice, of this Agreement

and any other agreement you have entered into with us or one (1) of our affiliates in accordance with the terms of Section 12 of this Agreement. As used herein, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies lists and any other requirements of any Governmental Authority (including without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

T. OUT OF STOCK AND DISCONTINUED.

We are not liable to you for any loss or damage, or deemed to be in breach of this Agreement, if we cannot deliver, or cause to be delivered, or if our designated sources or approved suppliers cannot deliver, all of your orders for ancillary goods, merchandise, equipment, supplies, etc., where such things are out-of-stock or discontinued.

U. PERSONAL GUARANTY.

Owner will ensure that each Owner (if Franchisee is an entity) and each Owner's spouse will sign and comply with the Guaranty and Assumption of Franchisee's Obligations attached as Exhibit L hereto, or as we, in our sole discretion, otherwise prescribes. Owner(s) must provide us with a copy of each executed agreement.

16. NOTICES AND PAYMENTS.

Any notice, report, payment, or other communication that is required to be delivered by the provisions of this Agreement, will be in writing and will be deemed to be delivered:

1. at the time of hand delivery;

2. at the time delivered via computer transmission (electronically verified and absent a notice of non-delivery) and, in the case of Royalty and other due fees, at the time we actually debit your account;

3. one (1) business day after transmission by telecopy, facsimile, or other electronic system;

4. one (1) business day after being placed in the hands of a commercial courier service for next business day delivery; or

5. five (5) business days after placement in the United States mail by registered or certified mail, return receipt requested, postage prepaid.

All communications are to be addressed to the party to be notified at its most current principal business address. Both you and we agree to immediately notify the other of any change

in address. Any required payment or report that we do not actually receive during regular business hours on the date due will be deemed delinquent.

17. YOUR AFFIRMATIONS.

In awarding this 1-800 WATER DAMAGE Business, we are relying upon your statements, as affirmed by your initials to the left of each statement, that:

___ ___The Managing Owner or, if applicable, the Designated General Manager, shall devote his/her full-time best efforts to the development and management of your Business. At least one (1) Managing Owner or Designated General Manager will operate the 1-800 WATER DAMAGE Business on a full-time basis.

___ ___We have not made, nor have you relied on, any representation as to the past or future sales, volume or potential profitability, earnings or income of the 1-800 WATER DAMAGE Business, or any other 1-800 WATER DAMAGE Business, other than the information provided in our franchise disclosure document.

___ ___You have had the opportunity, and have been encouraged by us, to independently investigate and analyze both the 1-800 WATER DAMAGE franchise opportunity and the terms and provisions of this Agreement by contacting any and all of our franchise owners and by utilizing the services of attorneys, accountants, or other advisors as you deem to be necessary.

___ ___You are not relying on any representation or statement that we have made, regarding the anticipated income, earnings and growth of 1-800 WATER DAMAGE, the System, or the viability of the 1-800 WATER DAMAGE franchise opportunity.

___ ___Like any other business, the nature of the business conducted by 1-800 WATER DAMAGE Businesses may, and probably will, evolve over time.

___ ___Your abilities and efforts are vital to the success of the 1-800 WATER DAMAGE Business.

___ ___Continually securing new Customers is necessary to the 1-800 WATER DAMAGE Business and requires you to make consistent and repeated marketing and advertising efforts through a variety of mediums.

___ ___We have certain rights reserved to us to own and operate 1-800 WATER DAMAGE Businesses, to franchise or franchise others to operate 1-800 WATER DAMAGE Businesses, and to otherwise use the System, Marks, know-how, techniques, and procedures, including (without limitation) those expressly set forth in of this Agreement.

___ ___We may sell our assets, Marks, or the System, outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations; may undertake a re-financing, re-capitalization, leverage buyout or other economic or financial restructuring; and with regard to any or all of the above sales, assignments, and dispositions, you expressly and agree to provide reasonable closing certificates and other documentation as reasonably requested by us to conclude the transaction, and specifically waive any claims, demands, or damages arising from or related to the loss of said Marks (or any variations of them) and/or the loss of association with or identification of 1-800 WATER DAMAGE International, LLC, as the franchisor of this Agreement.

___ ___The covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on you, since you have other considerable skills, experience, and education which will afford you the opportunity to derive income from other endeavors.

___ ___All information that you have set forth in any and all applications, financial statements, and submissions to us is true, complete, and accurate in all respects, and you expressly acknowledge that we are relying upon the truthfulness, completeness, and accuracy of this information.

18. REPRESENTATIONS.

NO SALESPERSON, REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO BIND OR OBLIGATE US EXCEPT OUR AUTHORIZED OFFICER BY A WRITTEN DOCUMENT. YOU ACKNOWLEDGE THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY US OR ON OUR BEHALF THAT HAVE LED YOU TO ENTER INTO THIS AGREEMENT. YOU UNDERSTAND THAT WHETHER YOU SUCCEED AS A FRANCHISEE IS DEPENDENT UPON YOUR EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF YOUR EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND OUR CONTROL OR INFLUENCE. YOU FURTHER UNDERSTAND THAT SOME FRANCHISEES ARE MORE OR LESS SUCCESSFUL THAN OTHER FRANCHISEES AND THAT WE HAVE MADE NO REPRESENTATION THAT YOU WILL DO AS WELL AS ANY OTHER FRANCHISEE.

THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF THIS AGREEMENT, WITH ALL BLANKS COMPLETED AND WITH ANY AMENDMENTS AND EXHIBITS, AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO EXECUTION OF THIS AGREEMENT. IN ADDITION, THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF OUR FRANCHISE DISCLOSURE DOCUMENT AT LEAST 14 CALENDAR DAYS PRIOR TO THE EXECUTION OF THIS AGREEMENT OR YOUR PAYMENT OF ANY MONIES TO US, REFUNDABLE OR OTHERWISE.

YOU ACKNOWLEDGE THAT WE HAVE RECOMMENDED, AND THAT YOU HAVE HAD THE OPPORTUNITY TO OBTAIN, REVIEW THIS AGREEMENT AND OUR FRANCHISE DISCLOSURE DOCUMENT BY YOUR LAWYER, ACCOUNTANT OR OTHER BUSINESS ADVISOR PRIOR TO EXECUTION HEREOF.

EACH OF THE UNDERSIGNED PARTIES WARRANTS THAT IT HAS THE FULL AUTHORITY TO SIGN AND EXECUTE THIS AGREEMENT. IF YOU ARE A PARTNERSHIP, CORPORATION, OR LIMITED LIABILITY COMPANY, THE PERSON EXECUTING THIS AGREEMENT ON BEHALF OF SUCH PARTNERSHIP, CORPORATION, OR LIMITED LIABILITY COMPANY WARRANTS TO US, BOTH INDIVIDUALLY AND IN HIS CAPACITY AS PARTNER, OFFICER, OR MANAGER/MEMBER THAT ALL OF THE PARTNERS OF THE PARTNERSHIP, ALL OF THE SHAREHOLDERS OF THE CORPORATION, OR ALL OF THE MANAGERS/MEMBERS OF THE LIMITED LIABILITY COMPANY, AS APPLICABLE, HAVE READ AND APPROVED THIS AGREEMENT, INCLUDING ANY RESTRICTIONS

WHICH THIS AGREEMENT PLACES UPON RIGHTS TO TRANSFER THEIR INTEREST IN THE PARTNERSHIP, CORPORATION, OR LIMITED LIABILITY COMPANY.

IN WITNESS WHEREOF, the parties hereto have signed and delivered this Agreement on the date stated on the first page hereof.

FRANCHISOR

1 800 WATER DAMAGE INTERNATIONAL, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE

[FRANCHISEE ENTITY/NAME]

By: _____

Name: _____

Title: _____

OWNERS

_____
[NAME], Individually

_____
[NAME], Individually

EXHIBIT A
TO THE FRANCHISE AGREEMENT

TERRITORY

The "Territory" referred to in Section 1.D of the Franchise Agreement will be defined by the following ZIP codes, as located on the attached map:

TERRITORY

This is to confirm your acknowledgement and understanding that ZIP codes and/or their boundaries change periodically, and in the event of a future change you may continue to market to an existing customer, who is now outside the Territory as a result of a ZIP code change. Provided, it will be your responsibility to clearly demonstrate that the customer was located in the Territory, when they first became a customer.

In the event a new ZIP code is created entirely within your existing geographic Territory, it will become a part of the Territory, and you may market in it. If a new ZIP code is created along the boundary of the Territory, if at least one-third of the new ZIP code area is within the Territory, as indicated on the attached map, then you can market to the new ZIP code, with the understanding an adjoining 1-800 WATER DAMAGE owner, who also has one-third of the new ZIP code in their previous Territory, may also be able to market in this new ZIP code.

The "Managing Owner" referred to in Section 1.C of the Franchise Agreement will be the following person:

«Managing Owner»

The "Designated General Manager" referred to in Section 1.C of the Franchise Agreement will be the following person (if there is no Designated General Manager, please write "none"):

«General Manager»

1 800 WATER DAMAGE

1 800 WATER DAMAGE INTERNATIONAL, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

[FRANCHISEE ENTITY/NAME]

By: _____

Name: _____

Title: _____

Date: _____

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EXHIBIT B
TO THE FRANCHISE AGREEMENT

INITIAL PACKAGE

Item:
Branded Print and Marketing Material
Promotional Items
Small Tools Package
Equipment Package
Safety Package
Consumables
Logowear
Convention Allowance

A full listing of the equipment included in the packages will be provided in your Operations Manual.

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EXHIBIT C
TO THE FRANCHISE AGREEMENT

FRANCHISE MANAGEMENT SOFTWARE LICENSE AGREEMENT

1 800 WATER DAMAGE International, LLC, a Delaware Limited Liability Company having its principal office at 731 Fairfield Court, Ann Arbor, Michigan 48108 ("1-800 WATER DAMAGE"), grants a renewable license ("License") to _____ with offices at _____ ("Licensee"), upon the terms included in this Agreement and subject to all the terms of a Franchise Agreement between 1-800 WATER DAMAGE and Licensee signed concurrently with this Agreement.

Licensee shall, during the term of this Agreement and upon the start of their 1-800 WATER DAMAGE franchised business, pay 1-800 WATER DAMAGE a monthly usage/support/upgrade fee. The amount of this fee may change periodically at the discretion of 1-800 WATER DAMAGE. Failure to make any payment shall result in the immediate termination of this License.

TERMS AND CONDITIONS

1. **License Grant:** 1-800 WATER DAMAGE grants to Licensee a renewable License to use the 1-800 WATER DAMAGE Franchise Management Software System ("Product" or "WATER DAMAGE Software"), and all subsequent upgrades, on Licensee's computer. This License does not extend to other parties, even if they use the same computer. 1-800 WATER DAMAGE reserves the right to issue new modules, which may be separately licensed.

2. **Title:** Title to the Product shall remain with 1-800 WATER DAMAGE.

3. **Term:** This License is a quarterly license. It shall automatically renew each quarter and shall remain in effect throughout the term of the Franchise Agreement between 1-800 WATER DAMAGE and Licensee.

4. **Copies and Listings:** The Licensee shall not copy or reverse-engineer the Product in whole or in part, nor shall it permit other parties to do so.

5. **Protection of Product:** Licensee agrees not to make available to any party the Product or any of its parts. Licensee agrees to take appropriate action with its employees and any other parties to obtain assurances of non-disclosure consistent with this Agreement.

   Licensee recognizes that the Product is 1-800 WATER DAMAGE copyrighted property, represents a large investment of human and financial resources by 1-800 WATER DAMAGE, is a trade secret of 1-800 WATER DAMAGE, and is confidential information. Licensee agrees to keep the Product, and all related materials, confidential. Licensee will use its best efforts, including any reasonable security precautions as 1-800 WATER DAMAGE may request, to insure that the proprietary rights of 1-800 WATER DAMAGE are preserved to the fullest extent possible under the law. In addition to the right to terminate this Agreement, 1-800 WATER DAMAGE shall be entitled to seek appropriate injunctive relief in the event of any violation of the confidentiality of its copyrighted materials, and to bring an action at law where appropriate.

6. **Assignment and Sub-Licensing:** This License shall not be assigned or sub-licensed by Licensee, except with the prior, specific written consent of 1-800 WATER DAMAGE.

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7. **Warranty:** 1-800 WATER DAMAGE warrants that the Product, when delivered to Licensee, shall be free from material defects and shall conform to the program documentation. Licensee acknowledges that the Product is of a complexity that it may have certain defects when delivered. Licensee agrees that the sole liability of 1-800 WATER DAMAGE shall be to correct program errors in the Product, and not to correct problems due to the hardware upon which the Product is operated, interaction with other non-standard software, or incorrect handling or employment of the Product by Licensee. All warranties extend only to the Licensee.

THE ABOVE WARRANTIES ARE IN LIEU OF ALL OTHER WARRANTIES, STATUTORY OR OTHERWISE, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ALL IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

8. **Limitation of Liability; Limitation of Actions:** 1-800 WATER DAMAGE SHALL NOT BE LIABLE FOR ANY INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING, BUT NOT LIMITED TO LOST PROFITS FROM ANY CAUSE ARISING OUT OF OR IN ANY WAY CONNECTED WITH THE PRODUCT, NOR FOR ANY CLAIM OR DEMAND BY OR AGAINST LICENSEE. No action arising out of the transactions under this Agreement may be brought by either party more than one (1) year after the cause of action has occurred. Additionally, any cause of action for improper use, transfer, sub-licensing, or disclosure of the Product or materials may be brought within one (1) year of the date when 1-800 WATER DAMAGE shall have actual knowledge thereof. In the event 1-800 WATER DAMAGE must institute suit to enforce the terms and conditions of this Agreement, Licensee shall pay reasonable attorneys' fees and costs incurred by 1-800 WATER DAMAGE.

9. **Termination by 1-800 WATER DAMAGE:** The parties agree that any of the following events shall be considered to be a default under the terms of this Agreement, shall entitle 1-800 WATER DAMAGE to terminate this Agreement, and shall authorize 1-800 WATER DAMAGE to immediately terminate Licensee's access to the Product:

   a. Failure to maintain the Franchise Agreement between 1-800 WATER DAMAGE and Licensee in good standing;

   b. Failure to make payments of any kind to 1-800 WATER DAMAGE in full or on time;

   c. Failure to comply with any covenants or agreements herein;

   d. Licensee's disposing of, licensing, or transferring the Product, other than strictly in accordance with the terms of this Agreement.

   e. Upon termination of this Agreement, Licensee shall immediately deliver to 1-800 WATER DAMAGE all Products, and copies of Products, and related materials in its possession, and shall not maintain any copies of any of these materials, in whole or part, for itself.

10. **Miscellaneous:** In the event that any part of this Agreement shall be found to be unenforceable, these findings shall not invalidate the other parts of this Agreement. This Agreement expresses the entire understanding of the parties with respect to the subject matter herein, all promises, undertakings, representations, agreements and arrangements with reference to the subject matter of this Agreement. This Agreement shall be construed in accordance with the laws of the State of Michigan and shall be deemed to have been made in the State of Michigan. This Agreement

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may not be modified, except by a written agreement signed by 1-800 WATER DAMAGE and Licensee.

1-800 WATER DAMAGE

1-800 WATER DAMAGE INTERNATIONAL, LLC

By: _____

Name: _____

Title: _____

Date:_____

LICENSEE
[FRANCHISEE ENTITY/NAME]

By: _____

Name: _____

Title: _____

Date: _____

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EXHIBIT D
TO THE FRANCHISE AGREEMENT

TELEPHONE AND OTHER LISTING AGREEMENT

In accordance with the terms of the Franchise Agreement between 1 800 WATER DAMAGE INTERNATIONAL, LLC ("FRANCHISOR"), a Delaware Limited Liability Company, and _____ ("FRANCHISEE") signed concurrently with this Agreement, under which FRANCHISOR granted FRANCHISEE the right to own and operate a franchised business (the "Franchised Business"), FRANCHISEE, for value received, hereby agrees with FRANCHISOR that all of FRANCHISEE'S right, title, and interest in and to those certain telephone numbers and regular, classified, or other telephone directory listings, domain names, internet directory listings or rights and/or URLs (collectively, the "Telephone Numbers and Listings") associated with FRANCHISOR'S trade and service marks and used periodically in connection with the operation of the Franchised Business, shall be promptly transferred to the FRANCHISOR, upon termination or expiration of the Franchise Agreement.

Upon termination or expiration of the Franchise Agreement (without renewal or extension), it is agreed and acknowledged that as between FRANCHISOR and FRANCHISEE, title or interest in the Telephone Numbers and Listings, directly or indirectly, will be assigned to the FRANCHISOR. Further, the FRANCHISEE will not seek to utilize, directly or indirectly, call forwarding messages of any nature, or otherwise seek to take advantage of the goodwill and/or marketing advantage associated with the Telephone Numbers and Listings. It is further agreed and understood, FRANCHISEE will remain liable to the telephone company or other vendor for all past due fees owing to the telephone company or other vendor on or before the effective date of the cancellation hereunder.

FRANCHISEE appoints FRANCHISOR as FRANCHISEE'S true and lawful attorney-in-fact to direct the Telephone Company or other vendor to assign the Telephone Number and Listings and sign any necessary documents and take any actions as may be necessary to effectuate the assumption.

The parties further agree that if the telephone company or other vendor requires that the parties sign any change forms or other documentation at the time of transfer, FRANCHISOR'S execution of the forms or documentation will effectuate FRANCHISEE'S consent and agreement to the change. The parties finally agree they will perform these acts and sign and deliver the documents as may be necessary to assist in or accomplish the transfer described herein, upon termination or expiration of the Franchise Agreement.

1-800 WATER DAMAGE	**FRANCHISEE**
1-800 WATER DAMAGE INT'L, LLC	**[FRANCHISEE ENTITY/NAME]**
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

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EXHIBIT E
TO THE FRANCHISE AGREEMENT

PROMISSORY NOTE

$25,000

1. FOR VALUE RECEIVED, _____ and _____ (collectively, the "Undersigned") promises to pay to the order of **1 800 WATER DAMAGE INTERNATIONAL, LLC,** a Delaware Limited Liability Company, at 731 Fairfield Court, Ann Arbor, Michigan 48108 (the "Holder"), the principal sum of $25,000 together with interest at a rate of an annual percentage rate of 0% for the first 12 months and 10% for the remaining 24 months. The principal and interest shall be paid in equal monthly installments as stated in the payment schedule attached to this Promissory Note as Exhibit "1", which is made a part of this Promissory Note. The first installment shall be due via Electronic Funds Transfer ("EFT") on the tenth of the month following the successful completion of the training required under the franchise agreement between Holder and the Undersigned, and thereafter monthly installments will be due via EFT on the tenth day of each successive month until the principal and interest due under this Promissory Note have been paid in full. PROVIDED, HOWEVER, that the entire principal balance together with all accrued interest thereon shall be due and payable on or before 35 months following the payment of the first installment, anything here in this Agreement to the contrary notwithstanding.

2. Monthly installments shall be applied first upon interest and the balance upon principal. This Promissory Note may be prepaid in full at any time without restriction or penalty.

3. Should any monthly installment not be paid when due, then the whole sum of the remaining principal and interest shall become due immediately and payable without notice or demand at the option of the holder of this Promissory Note. All unpaid amounts owing on this Promissory Note shall immediately become due and payable at the option of Holder without notice or demand upon the occurrence of any of the following events of default: (i) the default of any provision of the Promissory Note; or (ii) the death, dissolution, insolvency (however expressed or indicated) or the filing of a petition in bankruptcy, reorganization or for the adjustment of debts for, by or against the Undersigned; (iii) the sale of substantially all of the Undersigned's stock or assets; (iv) the Undersigned's failure to permit Holder to collect amounts via EFT.

4. The Undersigned hereby waives presentation for payment, demand, notice of non-payment, protest, and all other demands and notices required by law (statutory or otherwise). In the event that the undersigned should default under this Promissory Note, and legal proceedings are commenced to collect the indebtedness evidenced hereby, the undersigned agrees to pay all costs and expenses, including reasonable attorney fees, incurred in the collection of this Promissory Note.

5. Should the undersigned transfer or assign their franchise rights to a third party prior to the pay-off of this Promissory Note, said Promissory Note must be paid in full before Holder will approve such transfer or assignment.

6. The validity, construction, interpretation and enforceability of the terms of this Promissory Note shall be determined and governed by the laws of the State of Michigan.

7. The Undersigned hereby confirms that the proceeds of this Promissory Note will be used for the business purpose of starting up a 1-800 WATER DAMAGE franchised business.

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8. It is the parties' intent that the provisions of this Promissory Note be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the provisions contained here in this Promissory Note shall not render any other part unenforceable.

9. Holder's failure to enforce any rights granted to it under this Promissory Note will not constitute a waiver of such rights.

10. This Promissory Note is binding upon and will insure to the benefit of the parties and their successors, heirs, and assigns.

11. The persons executing this Note on behalf of the Undersigned acknowledge their authority to do so.

I HAVE READ THE ABOVE NOTE AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS NOTE IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

As provided in this Franchise Agreement this Promissory Note is personally guaranteed by _____.

HOLDER

1 800 WATER DAMAGE INTERNATIONAL, LLC

By: _____

Name: _____

Title: _____

Date: _____

UNDERSIGNED

[FRANCHISEE ENTITY NAME]

By: _____

Name: _____

Title: _____

Date: _____

[FRANCHISEE NAME]

_____

[NAME], Individually

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EXHIBIT 1 TO PROMISSORY NOTE

PAYMENT SCHEDULE

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		Opening Balance:	25,000.00
	Interest Rate Months 1 through 12		0.0%
	Interest Rate Months 13 through 36		10%

Payment				
Number	Amount	Interest	Principal	Balance
1	$694.44	-	694.44	24,305.56
2	$ 694.44	-	694.44	23,611.11
3	$ 694.44	-	694.44	22,916.67
4	$ 694.44	-	694.44	22,222.22
5	$ 694.44	-	694.44	21,527.78
6	$ 694.44	-	694.44	20,833.33
7	$ 694.44	-	694.44	20,138.89
8	$ 694.44	-	694.44	19,444.44
9	$ 694.44	-	694.44	18,750.00
10	$ 694.44	-	694.44	18,055.56
11	$ 694.44	-	694.44	17,361.11
12	$ 694.44	-	694.44	16,666.67
13	$ 769.08	$ 138.89	$ 630.19	$ 16,036.47
14	$ 769.08	$ 133.64	$ 635.44	$ 15,401.03
15	$ 769.08	$ 128.34	$ 640.74	$ 14,760.29
16	$ 769.08	$ 123.00	$ 646.08	$ 14,114.21
17	$ 769.08	$ 117.62	$ 651.46	$ 13,462.75
18	$ 769.08	$ 112.19	$ 656.89	$ 12,805.85
19	$ 769.08	$ 106.72	$ 662.37	$ 12,143.49
20	$ 769.08	$ 101.20	$ 667.89	$ 11,475.60
21	$ 769.08	$ 95.63	$ 673.45	$ 10,802.15
22	$ 769.08	$ 90.02	$ 679.06	$ 10,123.08
23	$ 769.08	$ 84.36	$ 684.72	$ 9,438.36
24	$ 769.08	$ 78.65	$ 690.43	$ 8,747.93
25	$ 769.08	$ 72.90	$ 696.18	$ 8,051.75
26	$ 769.08	$ 67.10	$ 701.98	$ 7,349.76
27	$ 769.08	$ 61.25	$ 707.83	$ 6,641.93
28	$ 769.08	$ 55.35	$ 713.73	$ 5,928.20
29	$ 769.08	$ 49.40	$ 719.68	$ 5,208.52
30	$ 769.08	$ 43.40	$ 725.68	$ 4,482.84
31	$ 769.08	$ 37.36	$ 731.73	$ 3,751.11
32	$ 769.08	$ 31.26	$ 737.82	$ 3,013.29
33	$ 769.08	$ 25.11	$ 743.97	$ 2,269.32
34	$ 769.08	$ 18.91	$ 750.17	$ 1,519.15
35	$ 769.08	$ 12.66	$ 756.42	$ 762.73
36	$ 769.08	$ 6.36	$ 762.73	$ 0.00

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EXHIBIT F
TO THE FRANCHISE AGREEMENT

STATE ADDENDA TO THE FRANCHISE AGREEMENT

ADDENDUM TO THE FRANCHISE AGREEMENT FOR USE IN CALIFORNIA

This is an addendum to the Franchise Agreement between 1 800 WATER DAMAGE INTERNATIONAL, LLC, a Michigan Limited Liability Company, with its principal place of business at 731 Fairfield Court, Ann Arbor, Michigan (referred to in this Agreement as "we," "us," and "ourselves"), and NAME, (referred to as "you" and "Managing Owner"), residents of the State of STATE, and CORPORATION, a STATE company to be formed or already existing, whose principal address is ADDRESS (referred to in this Agreement as "you," "your" or "Franchisee").

Notwithstanding anything to the contrary in the Franchise Agreement, if there is a conflict between the terms of this Addendum and the terms of your Franchise Agreement, the terms of this Addendum shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledges by each of the parties signing below, it is hereby agreed and understood that the following will supersede and replace Section 13.D. of the Franchise Agreement:

13.D. COVENANT NOT TO COMPETE.

You acknowledge and reaffirm that the 1-800 WATER DAMAGE customer list developed under your Franchise Agreement, is the sole and exclusive proprietary information of 1 800 WATER DAMAGE INTERNATIONAL, LLC, and you have no ownership right(s) or any other interest in this customer list except as a 1-800 WATER DAMAGE Franchisee. In the event of any future termination and/or expiration of your franchise agreement with 1 800 WATER DAMAGE INTERNATIONAL, LLC, you will not retain, in any form, a copy of this customer list. You further agree not to market to, service or otherwise deal with any customers on the list for residential or commercial remediation services for a period of 24 months after the termination and/or expiration of your Franchise Agreement.

It is also agreed and understood that if you sell any one (1) or more of your 1-800 WATER DAMAGE franchise businesses, as a condition precedent to our approving your purchaser as a new 1-800 WATER DAMAGE Franchisee, you will agree with your purchaser and with us not to compete for 24 months after the sale closing, in the remediation services, cleaning and restoration business within a geographic area extending out from the purchased 1-800 WATER DAMAGE Territory boundaries, in every direction, for 50 miles. Provided, however, these non-competition provisions do not create or imply any additional restrictions upon your ownership of other 1-800 WATER DAMAGE franchise business(es) in and around this geographic area.

The terms of this Addendum shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws or regulations.

In all other respects, the terms and conditions contained in your original Franchise Agreement, and any previous addendums to your Franchise Agreement, remain in full force and effect. Further this it to confirm that we have made no other promises or commitments of any nature concerning this or any other aspect of your franchise business that have not been set forth in writing, and any future promises, commitments or assurances must be in writing and signed by both of us, to be enforceable.

FRANCHISOR

1 800 WATER DAMAGE INTERNATIONAL, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

[FRANCHISEE ENTITY NAME]

By: _____

Name: _____

Title: _____

Date: _____

ADDENDUM TO THE FRANCHISE AGREEMENT FOR USE IN ILLINOIS

This is a Rider to the [Date] Franchise Agreement, which is being executed concurrently with this Rider, between 1 800 WATER DAMAGE INTERNATIONAL, LLC a Michigan Corporation, with its principal place of business at 731 Fairfield Court, Ann Arbor, Michigan (referred to in this Agreement as "we," "us," and "ourselves"), and [Legal Name 1] and [Legal Name 2] (referred to as "you" and "Managing Owner"), residents of the State of [State] and a [State] company to be formed or already existing whose principal address is [Address] (referred to in this Agreement as "you," "your" or "Franchisee").

Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, (Ill. Comp. Stat. δδ 705/1 to 705/44), the parties to the 1 800 WATER DAMAGE INTERNATIONAL, LLC Franchise Agreement (the "Agreement") agree as follows:

1. **Background**

   We and you are parties to that certain Agreement dated _____, 20___ that has been executed concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Agreement. This Rider is being executed because (a) the offer or sale of the franchise for franchise you will operate under the Agreement was made in the State of Illinois and you will operate the Franchise in the State of Illinois and/or (b) you are a resident of the State of Illinois.

2. **Dispute Resolution Procedures**

   Section 15.F. entitled "Dispute Resolution Procedures" is superseded and replaced by the following:

   Subject to Section 15.F., Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

3. **Choice of Law**

   Section 15.H. entitled "Choice of Law" is superseded and replaced by the following:

   Except to the extent governed the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 ET SEQ.) or Federal Law, and except for claims arising under the Illinois Franchise Disclosure Act, this Agreement, the Franchise and all claims arising from the relationship between us and you will be governed by the laws of the State of Illinois.

4. **Limitation of Claims**

   The following is added to the beginning of Section 15.K. of the Agreement, entitled "Limitations of Claims

   "Except for claims arising under the Illinois Franchise Disclosure Act, and…"

5. Illinois Franchise Disclosure Act

The following language is added to Section 15.M. of the Agreement:

15.M. Illinois Franchise Disclosure Act. Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act, or any law of the State of Illinois is void."

6. Agreements/Releases.

Section 11 Paragraph C of the Franchise Agreement is deleted in its entirety and replaced by the following:

"If you satisfy all of the other conditions to the awarding of a Renewal Term, you promise to execute the form of franchise agreement and any ancillary agreements we then are customarily using in awarding Renewal Terms for 1-800 WATER DAMAGE franchises, provided that in no event will the Territory or Royalty for the Renewal Term franchise agreement be changed from that contained in this agreement."

Each provision of this Rider shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act of 1987 are met independently without reference to this Rider.

7. Surety Bond.

A Surety Bond has been obtained by Franchisor to assure its financial capability; the bond is on file with the Office of the Illinois Attorney General. This financial assurance requirement was imposed by the Office of the Illinois Attorney general due to Franchisor's financial condition.

FRANCHISOR

1 800 WATER DAMAGE INTERNATIONAL, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

[FRANCHISEE ENTITY NAME]

By: _____

Name: _____

Title: _____

Date: _____

ADDENDUM TO THE FRANCHISE AGREEMENT FOR USE IN MARYLAND

The parties to this Rider are 1 800 WATER DAMAGE INTERNATIONAL, LLC ("we", "us" or "FRANCHISOR"), a Michigan Limited Liability Company, and «Legal_Name» ("you" or "FRANCHISEE"). The parties to the attached Franchise Agreement (the "Agreement") agree as follows:

1. Background:

We and you are parties to that certain Agreement dated _____, 20__ that has been executed concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Agreement. This Rider is being executed because (a) the offer or sale of the franchise for the 1-800 WATER DAMAGE franchise you will operate under the Agreement was made in the State of Maryland and you will operate the Franchise in the State of Maryland and/or (b) you are a resident of the State of Maryland.

2. Intentionally Deleted.

3. Expiration of this Agreement:

Pursuant to COMAR 02.02.08.16L, the following is added at the end of Sections 10.B.8, 11.C., and 12.A. of the Agreement:

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

4. Enforcement:

The following is added at the end of Section 15.F. and 15.K. of the Agreement:

Any limitation of claims provisions shall not act to reduce the three (3) year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. Dispute Resolution Procedures:

Pursuant to Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law, the following is added at the end of Sections 15.F. and 15.H. of the Agreement:

You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. Acknowledgment:

Pursuant to Section 14-226 of the Maryland Franchise Registration and Disclosure Law The following is added at the end of Section 17 of the Agreement and to the Disclosure Acknowledgement Statement:

The representations, acknowledgements and affirmations in the preceding section are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Act.

In all other respects, the terms and conditions contained in your Franchise Agreement, and any previous Addendums to your Franchise Agreement, remain in effect.

FRANCHISOR

1 800 WATER DAMAGE INTERNATIONAL, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

[FRANCHISEE ENTITY NAME]

By: _____

Name: _____

Title: _____

Date: _____

ADDENDUM TO THE FRANCHISE AGREEMENT FOR USE IN MINNESOTA

This is a Rider to the [Date] Franchise Agreement, (the "Agreement") which is being executed concurrently with this Rider, between 1 800 WATER DAMAGE INTERNATIONAL, LLC, a Michigan Limited Liability Company, with its principal place of business at 731 Fairfield Court, Ann Arbor, Michigan (referred to in this Agreement as "we," "us," and "ourselves"), and [Legal Name 1] and [Legal Name 2] (referred to as "you" and "Managing Owner"), residents of the State of [State] and [LLC or Corp Name], a [State] company to be formed or already existing whose principal address is [Address] (referred to in this Agreement as "you," "your" or "Franchisee").

Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. 80C.01 through 80C.22, and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rule 2860.0100 through 2860.9930, the parties to the attached 1 800 WATER DAMAGE INTERNATIONAL, LLC Franchise Agreement (the "Agreement") agree as follows:

Background. We and you are parties to that certain Franchise Agreement that has been executed concurrently with the execution of this Rider (the "Franchise Agreement"). This Rider is annexed to and forms part of the Agreement.

This Rider is being executed because (a) the offer or sale of the franchise for the 1-800 WATER DAMAGE franchise you will operate under the Agreement was made in the State of Minnesota and you will operate the Franchise in the State of Minnesota and/or (b) you are a resident of the State of Minnesota.

Marks. The following language is added at the end of Section 4 of the Agreement:

Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), we are required to protect any rights that you have to use our proprietary rights, including your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suite or demand regarding the use of the name.

Termination by Franchisor. The following language is added to Section 12.B of the Agreement:

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the franchise agreement.

Waiver of Punitive Damages and Jury Trial. The following is added to Section 15.I, of the Agreement:

Minn. Rule 2860.4400J. prohibits the waiver of a jury trial.

Limitations of Claims. The following is added to Section 15.K. of the Agreement:

Minn. Stat. 80C.17, Subd. 5 requires that no action may be commenced pursuant to this section more than three (3) years after the cause of action occurs.

Dispute Resolution Procedures/Governing Law. The following language is added to Sections 15.F and 15.H. of the Agreement:

PURSUANT TO MINN. STAT. 80C.21 AND MINN. RULE 2860.4400J, THESE SECTIONS SHALL NOT IN ANY WAY ABROGATE OR REDUCE YOUR RIGHTS AS PROVIDED FOR IN MINNESOTA STATUES 1984, CHAPTER 80C, INCLUDING THE RIGHT TO SUBMIT MATTERS TO THE JURISDICTION OF THE COURTS OF MINNESOTA.

Agreements/Releases. The following language is added to Section 11.C.:

Provided; however, that such general releases do not apply to the extent prohibited by applicable law with respect to claims which arise under Minn. Rule 2860.4400D.

In all other respects, the terms and conditions contained in your Franchise Agreement, and any previous Addendums to your Franchise Agreement, remain in effect.

FRANCHISOR

1 800 WATER DAMAGE INTERNATIONAL, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

[FRANCHISEE ENTITY NAME]

By: _____

Name: _____

Title: _____

Date: _____

ADDENDUM TO THE FRANCHISE AGREEMENT FOR USE IN NEW YORK

This is a Rider to the [Date] Franchise Agreement, (the "Agreement") which is being executed concurrently with this Rider, between 1-800 WATER DAMAGE International , LLC, a Michigan Limited Liability Company with its principal place of business at 731 Fairfield Court, Ann Arbor, Michigan (referred to in this Agreement as "we," "us," and "ourselves"), and [Legal Name 1] and [Legal Name 2] (referred to as "you" and "Managing Owner"), residents of the State of [State] and [LLC or Corp Name], a [State] company to be formed or already existing whose principal address is [Address] (referred to in this Agreement as "you," "your" or "Franchisee").

Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

1. BACKGROUND. We and you are parties to that certain Franchise Agreement that has been signed concurrently with the signing of this Rider (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the 1-800 WATER DAMAGE Business that you will operate under the Franchise Agreement was made in the State of New York, and/or (b) you are a resident of New York and will operate the Business in New York.

2. AGREEMENTS/RELEASES. Section 11.C. of the Franchise Agreement is amended by adding the following language to the end of the last sentence of the paragraph:

Provided, however, that all rights Franchisee enjoys and any causes of action arising in Franchisee's favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of the proviso that the non-waiver provisions of GBL 687 and 687.5 be satisfied.

3. TERMINATION OF AGREEMENT BY FRANCHISEE. Section 12.A. of the Franchise Agreement is amended by adding the following as the last sentence:

Franchisee also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

4. TRANSFER BY US Section 10.A. of the Franchise Agreement is amended by adding the following language at the end:

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

5. DISPUTE RESOLUTION PROCEDURES/CHOICE OF LAW. Sections 15.F. and 15.H. of the Franchise Agreement are amended by adding the following language:

HOWEVER, THE GOVERNING CHOICE OF LAW SHALL NOT BE CONSIDERED A

WAIVER OF ANY RIGHT CONFERRED UPON FRANCHISEE BY THE PROVISIONS OF ARTICLE 33 OF THE GENERAL BUSINESS LAW OF THE STATE OF NEW YORK.

6. BINDING EFFECT. Section 15.J. of the Franchise Agreement is amended by adding the following language:

Modifications to the Operations Manual will not unreasonably affect Franchisee's obligations, including economic requirements, under this Agreement.

In all other respects, the terms and conditions contained in your Franchise Agreement, and any previous Addendums to your Franchise Agreement, remain in effect.

FRANCHISOR

1 800 WATER DAMAGE INTERNATIONAL, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

[FRANCHISEE ENTITY NAME]

By: _____

Name: _____

Title: _____

Date: _____

ADDENDUM TO THE FRANCHISE AGREEMENT FOR USE IN NORTH DAKOTA

This is a Rider to the [Date] Franchise Agreement, (the "Agreement") which is being executed concurrently with this Rider, between 1 800 WATER DAMAGE INTERNATIONAL, LLC, a Michigan Limited Liability Company, with its principal place of business at 731 Fairfield Court, Ann Arbor, Michigan (referred to in this Agreement as "we," "us," and "ourselves"), and [Legal Name 1] and [Legal Name 2] (referred to as "you" and "Managing Owner"), residents of the State of [State] and [LLC or Corp Name], a [State] company to be formed or already existing whose principal address is [Address] (referred to in this Agreement as "you," "your" or "Franchisee").

Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

1. BACKGROUND.

We and you are parties to that certain Franchise Agreement that has been signed concurrently with the signing of this Rider (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the 1-800 WATER DAMAGE Business that you will operate under the Franchise Agreement was made in the State of North Dakota, and/or (b) you are a resident of North Dakota and your Business will be located or operated in North Dakota.

2. Intentionally Deleted.

3. AGREEMENTS/RELEASES.

Sections 10.B.8, 11.C and 12.A. of the Franchise Agreement are amended by adding the following:

"Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent otherwise prohibited by applicable law with respect to claims arising under the North Dakota Franchise Investment Law."

4. COVENANT NOT TO COMPETE.

Section 13.D of the Franchise Agreement is amended by adding the following:

"Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. However, you acknowledge and agree that we intend to seek enforcement of these provisions to the extent allowed under the law."

5. GOVERNING LAW.

The following is added to the end of Section 15.H. of the Franchise Agreement:

"except as otherwise required by North Dakota law."

6. DISPUTE RESOLUTION PROCEDURES.

Section 15.F. of the Franchise Agreement is amended by adding the following language:

"Notwithstanding the foregoing, to the extent required by the North Dakota Franchise

Investment Law, and subject to Franchisee's dispute resolution obligations, Franchisee may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law."

7. WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.

To the extent required by the North Dakota Franchise Investment Law, the following paragraph is deleted from Section 15.I. of the Franchise Agreement.

"You and we irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of us."

8. LIMITATIONS OF CLAIMS.

Section 15.K. of the Franchise Agreement is amended by adding the following:

"The time limitations set forth in this subsection might be modified by the North Dakota Franchise Investment Law."

In all other respects, the terms and conditions contained in your Franchise Agreement, and any previous Addendums to your Franchise Agreement, remain in effect.

FRANCHISOR

1 800 WATER DAMAGE INTERNATIONAL, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

[FRANCHISEE ENTITY NAME]

By: _____

Name: _____

Title: _____

Date: _____

ADDENDUM TO THE FRANCHISE AGREEMENT FOR USE IN WASHINGTON

This is a Rider to the [Date] Franchise Agreement, (the "Agreement") which is being executed concurrently with this rider, between 1 800 WATER DAMAGE INTERNATIONAL, LLC, a Michigan Limited Liability Company, with its principal place of business at 731 Fairfield Court, Ann Arbor, Michigan. (referred to in this Agreement as "we," "us," and "ourselves"), and [Legal Name1] and [Legal Name 2](referred to as the "Managing Owner"), residents of the State of [State], and [LLC or Corp Name] a [State] company to be formed or already existing, whose principal address is [Address] (referred to in this Agreement as "you," "your" or "Franchisee").

Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

We and you are parties to that certain Franchise Agreement that has been signed concurrently with the signing of this Rider (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the 1-800 WATER DAMAGE Business that you will operate under the Franchise Agreement was made in the State of Washington, and/or (b) you are a resident of Washington and your Business will be located or operated in Washington.

1. The state of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.
3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
4. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights, or remedies under the Act such as right to a jury trial may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

The undersigned does hereby acknowledge receipt of this Rider.

In all other respects, the terms and conditions contained in your Franchise Agreement, and any previous Addendums to your Franchise Agreement, remain in effect.

FRANCHISOR

1 800 WATER DAMAGE INTERNATIONAL, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

[FRANCHISEE ENTITY NAME]

By: _____

Name: _____

Title: _____

Date: _____

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT FOR USE IN VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for 1-800 WATER DAMAGE INTERNATIONAL, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Cover Page: The following statements are added to the cover page:

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 or grant. **Note, however, that no governmental agency has verified the information contained in this document.**

Additional Disclosures:

The following statements are added to Item 5:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

The following statements are added to Item 17.h:

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

FRANCHISOR

1 800 WATER DAMAGE INTERNATIONAL, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

[FRANCHISEE ENTITY NAME]

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT G
TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY/NON-DISCLOSURE AGREEMENT

With respect to determining the feasibility of whether or not to purchase a 1-800 WATER DAMAGE franchise, 1 800 WATER DAMAGE INTERNATIONAL, LLC, is are prepared to provide you with certain financial, business, marketing, and operational information concerning the business operations of 1 800 WATER DAMAGE INTERNATIONAL, LLC.

We are able to provide you this Information with your explicit understanding and agreement that you recognize and agree that this information is confidential and valuable, and that this information constitutes special and unique proprietary rights and assets of 1 800 WATER DAMAGE INTERNATIONAL, LLC.

The term "Confidential Information" shall mean and include any and all information disclosed by us to you relating to the 1-800 WATER DAMAGE business and potential trade name and internet web names, whether copyrighted or patented. Provided; however, Confidential Information shall not include information which:

A. Is disclosed to you following the date of this Agreement by a third party who is not under an obligation to keep the information confidential;

B. Is or becomes publicly disclosed through no act or omission of yours; and/or

C. Information previously known by you prior to contact with 1-800 WATER DAMAGE.

In accepting this Information, you agree that you will not disclose it to any third party or make use of it yourself, in any regard, with the exception that it may disclosed to an attorney, accountant or business consultant that you utilize as part of your due diligence process, provided you assure they are informed of and comply with all the terms of this Confidentiality and Non-Disclosure Agreement.

You further agree to maintain the confidentiality of any and all confidential information which has been provided to you in a manner using at least the same degree of care as the manner used to maintain the confidentiality of your most confidential information.

In the event that you do not purchase a 1-800 WATER DAMAGE business, or upon our request at any time, you agree to return all materials furnished to you or to certify in writing that such information has been destroyed.

You further recognize that breach of this Confidentiality and Non-Disclosure Agreement by you will cause severe and irreparable damage to 1 800 WATER DAMAGE INTERNATIONAL, LLC, and that 1 800 WATER DAMAGE INTERNATIONAL, LLC, may pursue all of its rights and remedies after any breach, including specific performance.

Please indicate that you agree to the conditions, as stated above, under which confidential information will be furnished to you by signing a copy of this letter in the space provided below.

ACKNOWLEDGED:

By: _____ Date: _____
Signature

EXHIBIT H
TO THE FRANCHISE AGREEMENT

DISCLOSURE ACKNOWLEDGEMENT QUESTIONNAIRE

To be completed by each signatory to the Franchise Agreement.

As you know, 1 800 WATER DAMAGE International, LLC ("we", "us"), and you are preparing to enter into a Franchise Agreement for the right to open and operate one (1) franchise (a "Franchised Business"). The purpose of this Questionnaire is to: (i) determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading; (ii) be certain that you have been properly represented in this transaction; and (iii) be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Franchise Agreement, and pay us the appropriate franchise fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer "No" to any of the questions below, please explain your answer on the back of this sheet.

1. Have you received and personally reviewed the Franchise Agreement, as well as each exhibit or schedule attached to the agreement that you intend to enter into with us?

2. Have you received and personally reviewed the Franchise Disclosure Document we provided?

3. Did you sign a receipt for the Disclosure Document indicating the date you received it?

4. Do you understand all the information contained in the Disclosure Document and the Franchise Agreement you intend to enter into with us?

5. Have you reviewed the Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor and discussed the benefits and risks of operating the Franchised Business with these professional advisor(s)?

6. Do you understand the success or failure of your Franchised Business will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as demographics of your Premises competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?

7. Do you understand we have only granted you certain, limited territorial rights under the Franchise Agreement, and that we have reserved certain rights under the Franchise Agreement?

8. Do you understand we and our affiliates retain the exclusive unrestricted right to engage, directly or through others, in the providing of services under the 1 800 WATER DAMAGE marks or any other mark at any location outside your Designated Territory under the Franchise Agreement without regard to the proximity of these activities to you're the premises of your Franchised Business?

9. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be mediated, at our option, at our then-current headquarters?

10. Do you understand the Franchise Agreement provides that you can only collect compensatory damages on any claim under or relating to the Franchise Agreement and are not entitled to any punitive, consequential or other special damages?

11. Do you understand the sole entity or person against whom you may bring a claim under the Franchise Agreement is us?

12. Do you understand that the Franchisee (or one of its principals if Franchisee is an organization) must successfully complete the appropriate initial training program(s) before we will allow the Franchised Business to open or consent to a transfer of that Franchised Business?

13. Do you understand that we require you to successfully complete certain initial training program(s) and if you do not successfully complete the applicable training program(s) to our satisfaction, we may terminate your Franchise Agreement?

14. Do you understand that we do not have to sell you a franchise or additional franchises or consent to your purchase of existing franchises?

15. Do you understand that we will send written notices, as required by your Franchise Agreement to either your Franchised Business or home address until you designate a different address by sending written notice to us?

16. Do you understand that we will not approve your purchase of a franchise, or we may immediately terminate your Franchise Agreement, if we are prohibited from doing business with you under any anti-terrorism law enacted by the United States Government?

17. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Franchised Business that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

18. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Franchised Business will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

19. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Disclosure Document?

20. Is it true that no broker, employee or other person providing services to you on our behalf has solicited or accepted any loan, gratuity, bribe, gift or any other payment in money, property or services from you in connection with a Franchised Business purchase with exception of those payments or loans provided in the Disclosure Document?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

_____	_____
Signature of Franchise Applicant	Signature of Franchise Applicant
_____	_____
Name (please print)	Name (please print)
Dated: _____, 20_____	Dated: _____, 20_____
_____	_____
Signature of Franchise Applicant	Signature of Franchise Applicant
_____	_____
Name (please print)	Name (please print)
Dated: _____, 20_____	Dated: _____, 20_____

GIVE A COMPLETE EXPLANATION OF ANY NEGATIVE RESPONSES ON BACK OF THIS PAGE (REFER TO QUESTION NUMBER)

EXHIBIT I
TO THE FRANCHISE AGREEMENT

GENERAL RELEASE – RENEWAL

THIS SETTLEMENT AND RELEASE is being made by and between 1 800 WATER DAMAGE INTERNATIONAL, LLC ("1-800 WATER DAMAGE") and [Name] (together referred to as the "FRANCHISE OWNER" and/or "you") resident of [State], and [Corp/LLC,] ("Franchisee") and shall be effective as of the date of the last signature below.

W I T N E S S E T H:

WHEREAS, 1-800 WATER DAMAGE and FRANCHISE OWNER(S) entered into Franchise Agreement on the [date] (the "Franchise Agreements") for the operation of a 1-800 WATER DAMAGE business in a defined Territory(s) in the state of [State] (the "Business"), which Franchise Agreements is being renewed;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by and between each of the parties, it is agreed and understood as follows:

1. FRANCHISE OWNER(S) and FRANCHISOR have agreed upon new renewal Franchise Agreements, to be executed contemporaneously with this Mutual Release, which will replace your original Franchise Agreements, thus continuing FRANCHISE OWNER(S) rights to operate a 1-800 WATER DAMAGE business within a Territory, as defined in the Franchise Agreement in the State of [State].

2. In reliance upon the execution of renewal Franchise Agreements, the parties agree to the following mutual releases:

A. FRANCHISE OWNER(S) and FRANCHISEE, for themselves and for their employees, agents, heirs, successor and assigns, and for every other person, firm, entity, and/or corporation succeeding to the interest of FRANCHISE OWNER(S) and/or FRANCHISEE, hereby releases, acquits, and forever discharges 1-800 WATER DAMAGE and its directors, officers, shareholders, employees, agents, legal representatives, successors and assigns, and every other person, firm, entity, and/or corporation succeeding to its interests, from any and all claims, actions, causes of action, demands, costs, losses, expenses and suits whatsoever and of every conceivable kind, character, and nature, whether absolute or contingent, and whether known or unknown, which either party may have against the other, by reason of, or arising out of, or in any way related to any acts or omissions of the other party occurring prior to the date of this Release.

B. 1-800 WATER DAMAGE, for themselves and for their employees, agents, heirs, successor and assigns, and for every other person, firm, entity, and/or corporation succeeding to the interest of FRANCHISOR, hereby releases, acquits, and forever discharges FRANCHISE OWNER(S) and/or FRANCHISEE and their directors, officers, shareholders, employees, agents, legal representatives, successors and assigns, and every other person, firm, entity, and/or corporation succeeding to its interests, from any and all claims, actions, causes of action, demands, costs, losses, expenses and suits whatsoever and of every conceivable kind, character, and nature, whether absolute or contingent, and whether known or unknown, which

either party may have against the other, by reason of, or arising out of, or in any way related to any acts or omissions of the other party occurring prior to the date of this Release.

C. **[CALIFORNIA ONLY]** Except as set forth herein, 1-800 WATER DAMAGE, FRANCHISE OWNER(S) and FRANCHISEE expressly waives and relinquishes all rights and benefits afforded by Section 1542 of the Civil Code of the State of California ("Section 1542"), and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542. Section 1542 states as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH EITHER PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AS OF THE DATE OF EXECUTION OF THIS AGREEMENT, WHICH IF KNOWN BY SUCH PARTY WOULD HAVE MATERIALLY AFFECTED THE TERMS OF THE AGREEMENT."

Notwithstanding the provisions of Section 1542, and for the purpose of implementing the general release and discharges described in this paragraph, 1-800 WATER DAMAGE, FRANCHISE OWNER(S) and FRANCHISEE expressly acknowledge that this Agreement is intended to include in its effect without limitation, all claims described in this paragraph which 1-800 WATER DAMAGE, FRANCHISE OWNER and/or FRANCHISEE does not know or suspect to exist in its favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.

3. Any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises made by the parties herein or with regard to the interpretation, formation, or breach of this Release, shall be litigated exclusively in the courts of general jurisdiction of Washtenaw County, Michigan or the United States District Court presiding over Ann Arbor, Michigan.

4. Neither this Release nor any provision of this Release can be modified or waived in any way, except by an agreement in writing signed by each of the parties hereto, consenting to such modification or waiver.

5. All parties hereto do hereby acknowledge and agree that they have been represented by independent counsel of their own choice throughout all negotiations which preceded the execution of this Release, and that they have executed this Release with the consent and upon the advice of said independent counsel.

6. This Release may be signed in two (2) or more counterparts, and will be effective when all the parties and signatories have affixed their signatures to two (2) or more of the counterparts and they have been delivered as aforesaid, at which time the counterparts together will be deemed one (1) original document.

7. The terms of this Mutual Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws or regulations.

8. This Agreement contains the entire agreement between the parties hereto concerning the resolution of any and all disputes or controversies between or among them.

9. **[MARYLAND ONLY]** This Mutual Release may not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, the parties have caused this Release to be executed as of the day and year written below.

FRANCHISOR

1 800 WATER DAMAGE INTERNATIONAL, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE

[FRANCHISEE ENTITY/NAME]

By: _____

Name: _____

Title: _____

FRANCHISE OWNER(S)

_____
[Name of Owner], Individually

_____
[Name of Owner], Individually

_____
[Name of Owner], Individually

EXHIBIT J
TO THE FRANCHISE AGREEMENT

GENERAL RELEASE – ASSIGNMENT

THIS SETTLEMENT AND RELEASE is being made by and between 1 800 WATER DAMAGE INTERNATIONAL, LLC ("1-800 WATER DAMAGE" and/or "Franchisor") and [Franchise Owner Name(s)] (together referred to as the "FRANCHISE OWNER(S)"), resident(s) of [State], and [Company] ("Franchisee") and shall be effective as of the date of the last signature below.

W I T N E S S E T H:

WHEREAS, 1-800 WATER DAMAGE and FRANCHISE OWNER(S) entered into a Franchise Agreement on the _____ day of _____, 20___ (the "Franchise Agreement(s)") for the operation of a 1-800 WATER DAMAGE business in a defined territory(s) in the state of [State Name(s)], (the "Business");

WHEREAS, 1-800 WATER DAMAGE and FRANCHISE OWNER(S) have reached agreement that it is in the best interest of all parties for FRANCHISE OWNER(S) to discontinue operations and terminate the Franchise Agreement, upon the terms and conditions specified below, and for the parties to exchange mutual releases;

NOW THEREFORE, in consideration of the mutual covenants and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by and between each of the parties, it is agreed and understood as follows:

1. Effective as of the date last signed below, FRANCHISE OWNER(S) hereby transfers, sets over and assigns to 1-800 WATER DAMAGE all right, title and interest in and to the Franchise Agreement and agrees to abide by and observe all Post-Termination Obligations and Covenants Not to Compete as set forth in the Franchise Agreement.

2. 1-800 WATER DAMAGE hereby releases FRANCHISE OWNER(S) from any further duties and obligations thereunder except those continuing duties and obligations specifically set forth in Paragraph 1 of this Agreement.

3. The parties hereby agree to the following mutual releases:

A. Except for the obligations of the parties herein contained, FRANCHISE OWNER(S) and FRANCHISEE for themselves, and their employees, agents, heirs, successors and assigns, and for every other person, firm, entity, and/or corporation succeeding to the interests of FRANCHISE OWNER(S) and/or FRANCHISEE, hereby releases, acquits, and forever discharges 1-800 WATER DAMAGE and it directors, officers, members, shareholders, employees, agents, legal representatives, heirs, successors and assigns, and every other person, firm, entity, and/or corporation succeeding to its interests, from any and all claims, actions, causes of action, demands, costs, losses, expenses, and suits whatsoever and of every conceivable kind, character and nature, whether absolute or contingent and whether known or unknown, which FRANCHISE OWNER(S) and/or FRANCHISEE has, has had or may ever have against 1-800 WATER DAMAGE, by reason of, or arising out of, or in any way related to any acts or omissions of the other party prior to the date of this Agreement.

B. Except for the obligations of the parties herein contained, 1-800 WATER DAMAGE for themselves, and their employees, agents, heirs, successors and assigns, and for every other person, firm, entity, and/or corporation succeeding to the interests of 1-800 WATER DAMAGE, hereby releases, acquits, and forever discharges FRANCHISE OWNER(S) and FRANCHISEE and it directors, officers, members, shareholders, employees, agents, legal representatives, heirs, successors and assigns, and every other person, firm, entity, and/or corporation succeeding to its interests, from any and all claims, actions, causes of action, demands, costs, losses, expenses, and suits whatsoever and of every conceivable kind, character and nature, whether absolute or contingent and whether known or unknown, which 1-800 WATER DAMAGE has, has had or may ever have against FRANCHISE OWNER(S) and/or FRANCHISEE, by reason of, or arising out of, or in any way related to any acts or omissions of the other party prior to the date of this Agreement.

C. **[CALIFORNIA – for use in CA only]** Except as set forth herein, 1-800 WATER DAMAGE, FRANCHISE OWNER(S) and FRANCHISEE expressly waives and relinquishes all rights and benefits afforded by Section 1542 of the Civil Code of the State of California ("Section 1542"), and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542. Section 1542 states as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH EITHER PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AS OF THE DATE OF EXECUTION OF THIS AGREEMENT, WHICH IF KNOWN BY SUCH PARTY WOULD HAVE MATERIALLY AFFECTED THE TERMS OF THE AGREEMENT."

Notwithstanding the provisions of Section 1542, and for the purpose of implementing the general release and discharges described in this paragraph, 1-800 WATER DAMAGE, FRANCHISE OWNER(S) and FRANCHISEE expressly acknowledge that this Agreement is intended to include in its effect without limitation, all claims described in this paragraph which 1-800 WATER DAMAGE, FRANCHISE OWNER(S) and/or FRANCHISEE does not know or suspect to exist in its favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.

4. Any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises made by the parties herein or with regard to the interpretation, formation, or breach of this Release, shall be litigated exclusively in the courts of general jurisdiction of Washtenaw County, Michigan or the United States District Court presiding over Ann Arbor, Michigan.

5. Neither this Mutual Release nor any provision of this Mutual Release can be modified or waived in any way, except by an agreement in writing signed by each of the parties hereto, consenting to such modification or waiver.

6. All parties hereto do hereby acknowledge and agree that they have been represented by independent counsel of their own choice throughout all negotiations which preceded the execution of this Mutual Release, and that they have executed this Mutual Release with the consent and upon the advice of said independent counsel.

7. This Mutual Release may be signed in two (2) or more counterparts, and will be effective when all the parties and signatories have affixed their signatures to two (2) or more of the counterparts and they have been delivered as aforesaid, at which time the counterparts together will be deemed one (1) original document.

8. The terms of this Mutual Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws or regulations.

9. This Agreement contains the entire agreement between the parties hereto concerning the resolution of any and all disputes or controversies between or among them.

10. **[MARYLAND – for use in MD only]** This Mutual Release may not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

11. **[TRANSFERS – WHEN BUYER IS PAYING IN INSTALLMENTS]** FRANCHISE OWNER(S) and Franchisee acknowledge and agree (i) that they negotiated the sale of their franchise to Buyer Company without the assistance, or any other involvement of the Franchisor; (ii) that the purchase price for such sale (the "Purchase Price") will not be paid in full at closing, but will be paid over a period of time after closing, and (iii) that they are assuming the full risk of nonpayment of the Purchase Price, FRANCHISE OWNER(S) and Franchisee further agree that they will not, in any manner, at any time, under any set of circumstances, seek payment of any portion of the Purchase Price from 1 800 WATER DAMAGE INTERNATIONAL, LLC, and/or any of its directors, officers, members, shareholders, employees, agents, representatives, heirs, successors or assigns.

IN WITNESS WHEREOF, the parties have caused this Release to be executed as of the day and year written below.

FRANCHISOR

1 800 WATER DAMAGE INTERNATIONAL, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE

[FRANCHISEE ENTITY/NAME]

By: _____

Name: _____

Title: _____

FRANCHISE OWNER(S)

_____
[Name of Owner], Individually

_____
[Name of Owner], Individually

_____
[Name of Owner], Individually

EXHIBIT K
TO THE FRANCHISE AGREEMENT

ELECTRONIC FUNDS TRANSFER (EFT) AUTHORIZATION

AUTOMATIC DEBIT OF AMOUNT DUE TO FRANCHISOR

1 800 WATER DAMAGE International, LLC ("1 800 WATER DAMAGE") is hereby authorized to charge the below account, owned by _____ ("Franchisee") by way of Automated Clearing House ("ACH") debit for the amount due 1 800 WATER DAMAGE by Franchisee pursuant to the terms of the Franchise Agreement signed by and between 1 800 WATER DAMAGE and Franchisee, for the month preceding the debit (the "Due Date"). As the amount due 1 800 WATER DAMAGE may vary on each Due Date, 1 800 WATER DAMAGE is authorized to transfer amounts from Franchisee's Account, which amounts are subject to change, without prior notice to Franchisee.

Franchisee may terminate this authorization by giving notice not less than three (3) days' notice to 1 800 WATER DAMAGE International, LLC in writing to 1 800 WATER DAMAGE International, LLC, Attn: _____[person], at 731 Fairfield Court, Ann Arbor, MI 48108.

Both 1 800 WATER DAMAGE and Franchisee agree to be bound by the operating rules of the National Automated Clearing House Association ("NACHA").

Franchisee Bank Information

Bank Name	
Bank Address	
Account Name	
ABA Routing Number	
Account Number	

FRANCHISEE
[Insert entity name]
By:_____ Date:_____
[insert name of signatory]

EXHIBIT L

TO THE 1 800 WATER DAMAGE INTERNATIONAL, LLC FRANCHISE AGREEMENT PERSONAL GUARANTY AND GUARANTY OF SPOUSES

NOTE: IF FRANCHISEE IS A CORPORATION, EACH OF FRANCHISEE'S SHAREHOLDERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A PARTNERSHIP, EACH OF FRANCHISEE'S GENERAL PARTNERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A LIMITED LIABILITY COMPANY, EACH OF FRANCHISEE'S MEMBERS AND MANAGERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING.

ARTICLE I
PERSONAL GUARANTY

The undersigned persons (individually and collectively "you") hereby represent to 1 800 WATER DAMAGE International, LLC ("Franchisor") that you are all of the shareholders of, or all of the general partners of, or all of the members and managers of, or the spouse of any such shareholder, general partner, or member or manager of _____ ("Franchisee"), as the case may be. In consideration of the grant by Franchisor to the Franchisee as herein provided, each of you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the foregoing Franchise Agreement, and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement and that you (jointly and individually) will not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer, which consent must not be unreasonably withheld, and without first paying or causing to be paid to Franchisor the transfer fee provided for in said Franchise Agreement, if applicable, and without otherwise complying with the transfer provisions of the foregoing Franchise Agreement. You further agree to be bound by the in-term and post-term covenants against competition of the aforesaid Franchise Agreement.

ARTICLE II
CONFIDENTIALITY

During the term of this Agreement, you will receive information which Franchisor considers a trade secret and confidential information ("Confidential Information"). You will not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information including, without limitation, operating procedures, customer lists, sources of supply, supplier contracts, advertising materials, copyrighted materials, equipment specifications, any information contained in the Operations Manual, trade secrets, the Proprietary Recipes, copyrighted materials, and other methods, techniques and know-how concerning the operation of the Business which may be communicated to you or of which you may be apprised by virtue of your relationship with Franchisee and role as a Guarantor of the Franchise Agreement.

ARTICLE III
NON-COMPETITION

1) **During the Term of the Franchise Agreement.** During the term of this Franchise Agreement, you shall not:

   a. Engage as an owner, partner, shareholder, director, officer, employee, consultant, agent, or in any other capacity in any other business offering water damage restoration services, carpet, tile and grout cleaning services, mold remediation, odor removal, fire, smoke and related restoration and cleaning services (collectively, the Remediation Services") that are the same as or similar to the services sold by the 1-800 WATER DAMAGE Business (except for other franchises or authorizations we enter into with you;

   b. Use our Confidential Information, System, 1-800 WATER DAMAGE' owners' intranet website, Operations Manual, Marks, Customer lists, Customer Information, trade secrets, trade dress, proprietary knowledge, or know-how, or any colorable imitations, in the design, development, or operation of any business other than the 1-800 WATER DAMAGE Business franchised hereunder, unless specifically authorized by us;

   c. Employ or seek to employ any person who is at that time employed by us, our affiliates or any other 1-800 WATER DAMAGE Business, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

   d. Divert or attempt to divert any business or customer of the 1-800 WATER DAMAGE 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 the Marks or the System.

2) **After the Term of the Franchise Agreement.** For a period of 18 months from the time of expiration or termination of this Agreement, you and your owners and, if applicable, your Designated General Manager, shall not: (a) engage as an owner, shareholder, partner, director, officer, employee, consultant, salesperson, representative, or agent or in any other capacity in any Remediation Services (b) employ or seek to employ any person who is at that time employed by us, our affiliates or any other 1-800 WATER DAMAGE franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat, (c) solicit business from Customers of your former 1-800 WATER DAMAGE Business or contact any of our supplies or vendors for any competitive business purpose, or (d) divert or attempt to divert any business or Customer of the 1-800 WATER DAMAGE 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 or the System or engage in any business relationship with any contacts with Customers or former Customers of the 1-800 WATER DAMAGE Business, whether respect to collection of accounts receivable, or to provide them services, or for any other purpose whatever, within:

a. The Territory defined in the Franchise Agreement;

b. The geographic area encompassed by the Territories of any 1-800 WATER DAMAGE franchisees, Company Stores, or any other 1-800 WATER DAMAGE business operator, as of the date of the termination or expiration of the Franchise Agreement; or

c. A geographic area that is contained in a circle having a radius of 100 miles outward from the outside boundary of the Territory as defined in the Franchise Agreement.

3) **Intent and Enforcement**. It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein will not render any other part unenforceable. In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor will be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that each of you has previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevent you from earning a living. You further acknowledge and agree that the time limitation of this Article III will be tolled during any default under this Personal Guaranty.

ARTICLE IV
DISPUTE RESOLUTION

1) **Acknowledgment**. You acknowledge that this Personal Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's Proprietary Marks or its system.

2) **Governing Law.** This Personal Guaranty will be deemed to have been made in and governed by the laws of the State of Michigan (without reference to its conflict of laws principals).

3) **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty to Franchisor's President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first will survive the termination or expiration of this Agreement.

4) **Mediation.** At Franchisor's option, all claims or disputes between you and Franchisor

arising out of, or in any way relating to, this Personal Guaranty or the Franchise Agreement or any other agreement by and between you and the Franchisor, or any of the parties' respective rights and obligations arising from such agreements must be submitted first to non-binding mediation, in Ann Arbor, Michigan under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of 30 days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. You may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and the parties will share the cost of mediator. This agreement to mediate at our option will survive the termination or expiration of the Franchise Agreement.

a) The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section IV if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating):

(1) Any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information;

(2) Any claims arising out of or pertaining to any warranty issued; or

(3) Any of the restrictive covenants contained in this agreement.

5) **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the Franchise Agreement and this Personal Guaranty, and the mediation provisions contained herein, each having authority to specifically enforce the right to mediate and arbitrate claims asserted against such person(s) by you.

6) **Injunctive Relief.** Nothing contained in this Personal Guaranty will prevent Franchisor from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any mediation proceeding or pending the trial or handing down of a decision or award pursuant to any mediation or judicial proceeding conducted hereunder.

7) **Jurisdiction and Venue.** With respect to any proceeding not subject to mediation, the parties expressly agree to submit to the jurisdiction and venue of any court of general jurisdiction in Washtenaw County, Michigan and the jurisdiction and venue of the United States District Court presiding over Ann Arbor, Michigan.

8) **Jury Trial Waiver.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS PERSONAL GUARANTY OR THE FRANCHISE AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE FROM FRANCHISOR OF THE FRANCHISE, OPTION AND/OR ANY GOODS OR SERVICES.

9) **Waiver of Punitive Damages.** You waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) that you may have against us arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, your recovery will be limited to actual damages. If any other term of this Personal Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

10) **Limitation on Action.** You agree that no cause of action arising out of or under this Personal Guaranty or the Franchise Agreement may be maintained by you unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim against the Franchisor, whichever occurs sooner, and that any action not brought within this period will be barred as a claim, counterclaim, defense or set-off.

11) **Attorneys' Fees.** If either party institutes any mediation action or judicial proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Personal Guaranty and the Franchise Agreement, and Franchisor prevails in such action, you will be liable to Franchisor for all costs, including reasonable attorneys' fees, incurred in connection with such proceeding.

12) **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Personal Guaranty and the Franchise Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Personal Guaranty will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.

13) **Severability.** The parties agree that if any provisions of this Personal Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning that renders it valid and enforceable. The language of all provisions of this Personal Guaranty will be construed according to fair meaning and not strictly construed against either party. The provisions of this Personal Guaranty are severable, and this Personal Guaranty will be interpreted and enforced as if all completely invalid or

unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Personal Guaranty will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Personal Guaranty.

14) **Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Personal Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Personal Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Personal Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

15) **Successors**. References to "Franchisor" or "the undersigned," or "you" include the respective parties' successors, assigns or transferees.

16) **No Personal Liability**. You agree that fulfillment of any and all of Franchisor's obligations written in this Personal Guaranty or in the Franchise Agreement or based on any oral communications that may be ruled to be binding in a court of law will be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's franchise company will be personally liable to Franchisee or you for any reason.

PERSONAL GUARANTOR(S) **SPOUSE(S)**

_____ _____

_____ _____

Exhibit B

TO FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

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

1 800 Water Damage International, LLC

Financial Statements

March 31, 2019

1 800 Water Damage International, LLC
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1 800 Water Damage International, LLC
Unaudited Balance Sheet
March 31, 2019

ASSETS

Current Assets	
Cash	$ 408,340
Accounts and royalty fees receivable	3,100
Prepaid expenses	49,888
Notes receivables, current portion	39,825
Total current assets	501,153
Property and Equipment	
Technical equipment	87,521
Computers	241,963
Furniture and fixtures	7,926
Vehicles	102,092
	439,502
Accumulated depreciation	(271,787)
	167,715
Other Long Term Assets	
Notes receivables, net of current portion	871,205
Deferred broker fee expense	778,720
Goodwill	733,778
Customer lists	460,000
Franchise fees	100,000
Trade names	40,000
Accumulated amortization	(353,611)
Total intangible assets	246,389
Total long term assets	2,630,091
Total assets	$ 3,298,960

LIABILITIES AND MEMBER'S DEFICIT

Current Liabilities	
Accounts payable	$ 39,207
Accrued expenses	418,933
Deferred franchise fee revenue (less than 1 year)	199,274
Total current liabilities	657,414.15
Long Term Liabilities	
Accounts payable – related parties	3,643,397
Deferred franchise fee revenue	2,933,143
Total long term liabilities	6,576,540
Member's Deficit	(3,934,994)
Total liabilities and member's deficit	$ 3,298,960

These Financial Statements Have Been Prepared Without An Audit.
Prospective Franchisees or Sellers of Franchises Should Be Advised That
No Certified Public Accountant Has Audited These Figures or Expressed
an Opinion with Regard to their Content or Form.

1 800 Water Damage International, LLC
Unaudited Statement of Operations
For the period January 1 through March 31, 2019

Revenue:		
Revenue	$	437,397
License fees		82,293
Franchise fees		256,298
Total revenue		775,989
Less:		
Marketing Expenses		221,729
General and administrative expenses		620,708
Total expenses		842,437
Other income		
Interest income		2,384
Net loss	$	(64,065)

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1 800 Water Damage International, LLC
Unaudited Statement of Member's Deficit
For the period January 1 through March 31, 2019

Balance, January 1, 2019	$	(3,870,929)
Net loss		(64,065)
Balance, March 31, 2019	$	(3,934,994)

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1 800 Water Damage International, LLC
Unaudited Statement of Cash Flows
For the period January 1 through March 31, 2019

Cash Flows From Operating Activities

Net loss	$	(64,065)
Adjustments to reconcile net income to net cash used from operating activities		
Depreciation and Amortization		39,499
Changes in assets and liabilities		
Accounts and royalty fees receivable		(2,507)
Notes receivable		(177,096)
Other receivable		75,247
Deferred broker fee expense		63,911
Accounts payable		(67,616)
Accounts payable - related parties		273,427
Accrued expenses		(189,872)
Deferred franchise fee revenue		75,883
Net cash provided from operating activities		26,811

Cash Flows From Investing Activities

Purchase of fixed assets		(22,022)
Net cash used in investing activities		(22,022)
Net increase in cash		4,789
Cash - beginning of year		403,551
Cash - March 31, 2019	$	408,340

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1 800 Water Damage International, LLC

Financial Statements

June 30, 2019

1 800 Water Damage International, LLC
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1 800 Water Damage International, LLC
Unaudited Balance Sheet
June 30, 2019

ASSETS

Current Assets		
Cash	$	648,829
Accounts and royalty fees receivable		6,785
Prepaid expenses		58,177
Notes receivables, current portion		22,612
Total current assets		736,404
Property and Equipment		
Technical equipment		87,521
Computers		242,359
Furniture and fixtures		7,926
Vehicles		102,092
		439,898
Accumulated depreciation		(286,417)
		153,481
Other Long Term Assets		
Notes receivables, net of current portion		444,067
Deferred broker fee expense		891,817
Goodwill		733,778
Intangible assets		
Customer lists		460,000
Franchise fees		100,000
Trade names		40,000
Accumulated amortization		(379,444)
Total intangible assets		220,556
Total long term assets		2,290,217
Total assets	$	3,180,101

LIABILITIES AND MEMBER'S DEFICIT

Current Liabilities		
Accounts payable	$	121,260
Accrued expenses		503,791
Deferred franchise fee revenue (less than 1 year)		128,688
Total current liabilities		753,739.01
Long Term Liabilities		
Accounts payable – related parties		3,494,067
Deferred franchise fee revenue		2,860,691
Total long term liabilities		6,354,758
Member's Deficit		(3,928,396)
Total liabilities and member's deficit	$	3,180,101

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1 800 Water Damage International, LLC
Unaudited Statement of Operations
For the period January 1 through June 30, 2019

Revenue:		
Revenue	$	1,037,094
License fees		161,949
Franchise fees		432,627
Total revenue		1,631,670
Less:		
Marketing Expenses		374,801
General and administrative expenses		1,320,404
Total expenses		1,695,205
Other income		
Interest income		6,068
Net loss	$	(57,467)

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1 800 Water Damage International, LLC
Unaudited Statement of Member's Deficit
For the period January 1 through June 30, 2019

Balance, January 1, 2019	$	(3,870,929)
Net loss		(57,467)
Balance, June 30, 2019	$	(3,928,396)

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1 800 Water Damage International, LLC
Unaudited Statement of Cash Flows
For the period January 1 through June 30, 2019

Cash Flows From Operating Activities

Net loss	$	(57,467)
Adjustments to reconcile net income to net cash used from operating activities		
Depreciation and Amortization		79,962
Changes in assets and liabilities		
Accounts and royalty fees receivable		(6,192)
Notes receivable		267,255
Other receivable		66,958
Deferred broker fee expense		(49,186)
Accounts payable		14,437
Accounts payable - related parties		124,097
Accrued expenses		(105,014)
Deferred franchise fee revenue		(67,155)
Net cash provided from operating activities		267,695

Cash Flows From Investing Activities

Purchase of fixed assets		(22,417)
Net cash used in investing activities		(22,417)
Net increase in cash		245,278
Cash - beginning of year		403,551
Cash - June 30, 2019	$	648,829

These Financial Statements Have Been Prepared Without An Audit.
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1 800 Water Damage International, LLC

Financial Report

December 31, 2018

1 800 Water Damage International, LLC

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Independent Auditor's Report

To the Board of Directors
1 800 Water Damage International, LLC

We have audited the accompanying financial statements of 1 800 Water Damage International, LLC (the "Company"), which comprise the balance sheet as of December 31, 2018 and 2017 and the related statements of operations, member's deficit, and cash flows for the years ended December 31, 2018, 2017, and 2016, 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 from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 1 800 Water Damage International, LLC as of December 31, 2018 and 2017 and the results of its operations and its cash flows for the years ended December 31, 2018, 2017, and 2016 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the financial statements, on January 1, 2018, the Company adopted Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, usisng the modified retrospective adoption method. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

March 11, 2019

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1 800 Water Damage International, LLC

Balance Sheet

December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash	$ 293,361	$ 178,876
Restricted cash	110,191	23,553
Accounts receivable:		
Trade	296,214	61,784
Unbilled	86,106	78,299
Notes receivable - Current portion	155,975	98,217
Prepaid expenses and other assets	39,029	210,526
Total current assets	980,876	651,255
Property and Equipment - Net (Note 5)	161,023	192,940
Goodwill	733,778	733,778
Intangible Assets - Net (Note 6)	270,554	368,888
Deferred Broker Commissions (Note 3)	842,631	-
Other Assets		
Notes receivable - Net of current portion	233,338	182,645
Amounts due from related parties (Note 4)	317,537	99,974
Total assets	**$ 3,539,737**	**$ 2,229,480**
Liabilities and Member's Deficit		
Current Liabilities		
Accounts payable	$ 126,610	$ 83,543
Capital lease obligation - Current portion (Note 7)	13,501	8,537
Accrued and other current liabilities:		
Accrued compensation	121,519	96,164
Deferred revenue - Current portion (Note 2)	346,903	488,470
Other accrued liabilities	365,766	191,487
Total current liabilities	974,299	868,201
Amounts Due to Related Parties (Note 4)	3,593,635	2,697,228
Capital Lease Obligation - Net of current portion (Note 7)	33,104	29,648
Deferred Revenue - Net of current portion (Note 2)	2,709,631	-
Total liabilities	7,310,669	3,595,077
Member's Deficit	(3,770,932)	(1,365,597)
Total liabilities and member's deficit	**$ 3,539,737**	**$ 2,229,480**

See notes to financial statements.

1 800 Water Damage International, LLC

Statement of Operations

Years Ended December 31, 2018, 2017, and 2016

	2018	2017	2016
Net Revenue			
Royalties	$ 1,361,636	$ 938,656	$ 812,311
Franchise fees	455,647	1,096,715	59,648
Other revenue	244,327	116,169	62,383
Total net revenue	2,061,610	2,151,540	934,342
Operating Expenses			
General and administrative expenses	3,627,247	2,684,888	1,714,210
Selling and marketing	42,921	27,084	13,344
Total operating expenses	3,670,168	2,711,972	1,727,554
Operating Loss	(1,608,558)	(560,432)	(793,212)
Nonoperating Income (Expense)			
Interest income	6,843	2,403	3,603
Interest expense	(3,600)	(900)	(541)
Total nonoperating income	3,243	1,503	3,062
Net Loss	**$ (1,605,315)**	**$ (558,929)**	**$ (790,150)**

See notes to financial statements.

1 800 Water Damage International, LLC

Statement of Member's Deficit

Years Ended December 31, 2018, 2017, and 2016

Balance - January 1, 2016	$ (16,518)
Net loss	(790,150)
Balance - December 31, 2016	(806,668)
Net loss	(558,929)
Balance - December 31, 2017	(1,365,597)
Adoption of new accounting standard (Notes 2 and 3)	(800,020)
Net loss	(1,605,315)
Balance - December 31, 2018	**$ (3,770,932)**

See notes to financial statements.

1 800 Water Damage International, LLC

Statement of Cash Flows

Years Ended December 31, 2018, 2017, and 2016

	2018	2017	2016
Cash Flows from Operating Activities			
Net loss	$ (1,605,315)	$ (558,929)	$ (790,150)
Adjustments to reconcile net loss to net cash from operating activities:			
Depreciation and amortization	190,345	172,150	155,777
Changes in operating assets and liabilities that (used) provided cash:			
Accounts receivable	(242,237)	29,612	(65,804)
Amounts due from related parties	(217,563)	-	-
Notes receivable	(180,676)	51,925	(252,391)
Deferred broker commissions	(547,881)	(141,947)	(138,915)
Prepaid expenses and other assets	171,497	(99,974)	12,258
Accounts payable	43,067	76,964	(8,184)
Accrued and other liabilities	199,634	(533,885)	1,221,228
Deferred revenue	1,545,519	-	-
Amounts due to related parties	896,407	1,172,815	415,474
Net cash provided by operating activities	252,797	168,731	549,293
Cash Flows from Investing Activities			
Restricted cash	(86,638)	(22,518)	(1,035)
Purchase of property and equipment	(47,423)	(120,686)	(60,358)
Repurchase of franchise territory	-	(100,000)	-
Payments on contingent liabilities	-	-	(380,135)
Net cash used in investing activities	(134,061)	(243,204)	(441,528)
Cash Flows Used in Financing Activities - Repayment of capital lease obligation	(4,251)	(7,353)	(4,392)
Net Increase (Decrease) in Cash	114,485	(81,826)	103,373
Cash - Beginning of year	178,876	260,702	157,329
Cash - End of year	**$ 293,361**	**$ 178,876**	**$ 260,702**
Supplemental Cash Flow Information - Cash paid for interest	$ 3,600	$ 900	$ 541
Significant Noncash Transactions			
Transfer of property and equipment under capital lease from related party in exchange for assumption of capital lease obligation	-	-	12,781
Transfer of property and equipment under capital lease to a related party in exchange for assumption of capital lease obligation	6,616	-	-
Property and equipment acquired through capital lease	19,287	39,868	-
Transfer of equipment to related party	-	28,432	-

See notes to financial statements.

Note 1 - Nature of Business

1 800 Water Damage International, LLC (the "Company") is a wholly owned subsidiary of Belfor Franchise Group, LLC (the "Member"), which is a wholly owned subsidiary of Belfor USA Group, Inc. (Belfor). The Company's operations are principally related to the sales and support of franchises offering water damage restoration services, carpet cleaning services, mold remediation, and odor removal, primarily in the United States.

The Member is also the sole member of 1 800 Water Damage North America, LLC; Hoodz North America, LLC; Hoodz International, LLC; Ductz North America, LLC; Ductz International, LLC; Driploc, LLC; and A Cure Disaster Services, LLC.

Note 2 - Significant Accounting Policies

Revenue Recognition

The Company's revenue mainly consists of franchise fees, royalties, management fees, technology fees, and advertising fees. The Company sells individual franchises that grant the right to service customers within a defined territory using the franchise name. The initial term of franchise agreements is typically 10 years with an option to renew for a fee or transfer the franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid.

The Company has performance obligations to provide franchisees with the franchise rights to service customers, as well as provide customized software and advertising for which fees are charged. The Company has concluded that these items represent a single performance obligation. Therefore, initial franchise fees for each agreement and the fixed technology fees are allocated to each individual franchise and recognized over the term of the respective franchise agreement from the date the agreement is entered into. Renewal fees are recognized over the renewal term for the respective franchise from the start of the renewal period. Transfer fees are recognized over the remaining term of the franchise agreement beginning at the time of transfer. Income for royalties, management fees, variable technology fees, and advertising fees is recognized over the term of the respective franchise agreement as the underlying sales occur.

Payment Terms

Initial franchise, renewal, and transfer fees are due and typically paid when a franchise agreement is entered into and are nonrefundable. Royalties, management fees, and advertising fees are paid on a monthly basis, based upon a percentage of franchisee gross sales. Technology fees are paid on a monthly basis based upon a percentage of franchisee gross sales or a fixed amount defined within the franchise agreement. Franchise fees are collected prior to the satisfaction of the Company's performance obligation, resulting in the Company recognizing deferred revenue contract liabilities. Refer to the *Notes Receivable* section below for information about financing provided to franchisees. Amounts that are expected to be recognized as revenue within one year are classified as current deferred revenue in the balance sheet.

Current Revenue from Historical Periods

During the year ended December 31, 2018, the amount of revenue that the Company recognized as a result of of satisfying performance obligations that were previously partially satisfied associated with franchise agreements was approximately $285,000. There were no changes in collectibility or transaction price on these agreements.

Note 2 - Significant Accounting Policies (Continued)

Future Revenue from Current Period

The following table presents the aggregate amounts of revenue the Company expects to recognize in future years as a result of satisfying the performance obligations associated with franchise agreements that have unsatisfied performance obligations as of December 31, 2018:

Year	Amount
2019	$346,903
2020	336,778
2021	336,778
2022	336,778
2023	334,305
Thereafter	1,364,992
	$3,056,534

Allocating the Transaction Price

The transaction price of is the amount of consideration to which the Company expects to be entitled in exchange for providing franchisees with the franchise rights to service customers. To determine the transaction price, the Company considers its customary business practices, as well as the terms of the underlying agreement. For the purpose of determining transaction prices, the Company assumes performance obligations will be satisfied as promised in accordance with franchise agreements and that agreements will not be canceled, renewed, or modified.

The Company's franchise agreements with franchisees have transaction prices that contain a fixed and variable component. Variable consideration includes revenue related to royalties, management fees, technology fees, and advertising fees, as the transaction price is based on the franchisees sales. The variable consideration is recognized based on the actual amounts incurred each month.

Costs to Obtain a Franchise Agreement

The Company occasionally incurs broker commission expenses paid to third parties to obtain franchise agreements with franchisees. The commissions are related to franchise fee revenue, which is recognized over time. As a result, the commissions are capitalized as deferred broker commissions and are expensed over the term of the respective franchise agreement. In 2018, the amounts expensed related to costs to obtain a franchise agreement were approximately $292,000.

Restricted Cash

Restricted cash represents amounts received from franchisees that are restricted for certain advertising activities.

Accounts Receivable

Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices issued to franchisees that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. Management considers all accounts receivable collectible; therefore, an allowance for doubtful accounts has not been recorded at December 31, 2018 and 2017, respectively.

Notes Receivable

During the normal course of business, the Company may provide financing to franchisees in the form of notes.

Note 2 - Significant Accounting Policies (Continued)

Notes receivable are reported at original issue amount plus accrued interest, less principal repaid. Interest is recognized according to terms of the specific notes. An allowance for loan losses is determined based on a specific assessment of all notes that are delinquent or determined to be doubtful to be collected. Notes are considered delinquent if the repayment terms are not met. All amounts deemed to be uncollectible are charged against the allowance for loan losses in the period that determination is made. Management considers all notes receivable collectible; therefore, an allowance for loan losses has not been recorded at December 31, 2018 and 2017.

At December 31, 2018 and 2017, notes receivable represent various loans bearing interest between 0 percent and 8 percent, including related accrued interest. The notes are generally secured by the related assets or business. Notes receivable generally require monthly payments of principal and interest, due one to three years from the original issuance date. The notes are classified as current or long term on the accompanying balance sheet, depending on their maturity dates.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the individual assets, ranging from two to seven years. Depreciation of leasehold improvements is provided using the straight-line method over the lesser of the useful life of the improvement or the term of the lease. Costs of maintenance and repairs are charged to expense when incurred.

Goodwill

The recorded amount of goodwill from a business acquisition is based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition. Goodwill is not amortized, but rather is assessed at least on an annual basis for impairment.

No impairment charge was recognized during the years ended December 31, 2018, 2017, and 2016. It is reasonably possible that management's estimates of the carrying amount of goodwill will change in the near term.

Intangible Assets

Acquired intangible assets subject to amortization are stated at cost and are amortized using the straight-line method over the estimated useful lives of the assets (four years for the trademarks, six years for the franchise rights, and 10 years for the repurchased franchise territory). Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. No impairment charge was recognized during the years ended December 31, 2018, 2017, and 2016.

Advertising Expense

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for the years ended December 31, 2018, 2017, and 2016 was $222,112, $139,532, and $83,678, respectively.

Income Taxes

The Company is a single-member LLC and joins in filing a consolidated federal income tax return with the Member and Belfor. Current and deferred tax obligations or benefits are not allocated to the Company by the Member or Belfor.

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

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

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including March 11, 2019, which is the date the financial statements were available to be issued.

Note 3 - Adoption of New Accounting Standard

In May 2014, the Financial Accounting Standards Board issued an Accounting Standards Update that amends the guidance for revenue recognition. This amendment contains principles that require an entity to recognize revenue to depict the transfer of promised goods and services to customers at an amount that an entity expects to be entitled to in exchange for those promised goods or services. The Company adopted this amendment on January 1, 2018, using the modified retrospective method for all contracts for which performance was not completed as of January 1, 2018. Results for the reporting period beginning January 1, 2018 are presented under the new guidance, while prior period amounts are not adjusted.

The adoption of this amendment changed the timing of recognition of initial franchise fees, including renewal and transfer fees. Previously, these fees were generally recognized up front upon either opening of the respective franchise, when a renewal agreement became effective, or upon transfer of a franchise agreement. The new guidance generally requires these fees to be recognized over the term of the related franchise agreement.

The adoption of this amendment also changed the timing of recognition of broker commissions. Broker commissions are considered a cost to obtain a contract. Previously, these costs were recognized when the commissions were earned by the broker. The new guidance generally requires these costs to be recognized over the term of the related franchise agreement.

The following tables outline the effects of the accounting change, as of January 1, 2018, as originally reported using the ASC 605 method, as compared to using the newly adopted ASC 606 method:

Statement of Operations

	Year Ended December 31, 2018		
	As Computed Under Previous Standard	As Reported Under New Standard	Effect of Adoption
Franchise fees	$ 2,509,636	$ 455,647	$ (2,053,989)
Other revenue	157,610	244,327	86,717
General and administrative	4,180,636	3,627,247	(553,389)
Net loss	(191,432)	(1,605,315)	(1,413,883)

Note 3 - Adoption of New Accounting Standard (Continued)

Balance Sheet

	December 31, 2018		
	As Computed Under Previous Standard	As Reported Under New Standard	Effect of Adoption
Deferred broker commissions	$ -	$ 842,631	$ 842,631
Deferred revenue	-	3,056,534	3,056,534
Member's deficit	(1,557,029)	(3,770,932)	(2,213,903)

Note 4 - Related Party Transactions

The following is a description of transactions between the Company and related parties:

Amounts Due to and from Related Parties

The Company's portion of shared expenses is allocated to the Company by parties related through common ownership, including employee payroll costs, certain retirement costs, occupancy costs, and other general and administrative expenses. Expenses that are not allocated to the Company by parties related through common ownership include property taxes, certain retirement contributions, and payroll processing fees. The Company and parties related through common ownership also advance funds to each other for working capital purposes. Amounts due to and from related parties result from these transactions:

At December 31, 2018 and 2017, the Company owed Ductz North America, LLC $412,600 and $307,125, respectively.

At December 31, 2018 and 2017, the Company owed Belfor $671,345 and $1,268,182, respectively.

At December 31, 2018 and 2017, the Company owed A Cure Disaster Services, LLC $211,436.

At December 31, 2018 and 2017, the Company owed Hoodz International, LLC $100,894 and $146,093, respectively.

At December 31, 2018 and 2017, the Company owed Belfor Franchise Group, LLC $2,113,104 and $750,171, respectively.

At December 31, 2018 and 2017, the Company owed Ductz International, LLC $75,238 and $5,203, respectively.

At December 31, 2018 and 2017, 1 800 Water Damage North America, LLC owed the Company $317,537 and was owed $99,974, respectively.

At December 31, 2018 and 2017, the Company owed Hoodz North America, LLC $9,018.

Guarantee

The Company has guaranteed balances outstanding on term loans and a line of credit issued to the Member, Belfor, and other entities related through common ownership. In the event of a default by the affiliates, the Company could be obligated to repay the full amount outstanding on these loans. As of December 31, 2018, the affiliates' outstanding borrowings under the loans and the maximum potential future obligations under this guarantee totaled approximately $392,768,000 and $578,550,000, respectively, and are payable through April 2019. In the event the Company is required to make payments under this guarantee, the Company could seek to recover those amounts from the affiliate; however, the Company does not hold specific recourse or collateral rights in connection with the guarantee.

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2018	2017
Technical equipment	$ 108,435	$ 71,581
Trucks	59,155	60,783
Furniture and fixtures	7,926	1,696
Computer equipment and software	241,963	223,053
Total cost	417,479	357,113
Accumulated depreciation	256,456	164,173
Net property and equipment	$ 161,023	$ 192,940

Depreciation expense for the years ended December 31, 2018, 2017, and 2016 was $92,011, $85,483, and $69,110, respectively.

Note 6 - Intangible Assets

Intangible assets of the Company are summarized as follows:

	2018		2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Franchise rights	$ 460,000	$ 281,111	$ 460,000	$ 204,444
Trademarks	40,000	36,668	40,000	26,668
Repurchased franchise territory	100,000	11,667	100,000	-
Total amortized intangible assets	$ 600,000	$ 329,446	$ 600,000	$ 231,112

Amortization expense for intangible assets for the years ended December 31, 2018, 2017, and 2016 was $98,334, $86,667, and $86,667, respectively.

Estimated amortization expense for the years ending December 31 is as follows:

Years Ending	Amount
2019	$ 90,000
2020	86,667
2021	35,556
2022	10,000
2023	10,000
Thereafter	38,331
Total	$ 270,554

Note 7 - Capital Leases

At December 31, 2018 and 2017, property under a capital lease consists of automobiles with a gross cost of $59,155 and $60,783, respectively. Accumulated depreciation on the property under the capital leases at December 31, 2018 and 2017 was $9,895 and $15,899, respectively. Depreciation on property under capital lease is included in depreciation expense disclosed in Note 5.

Note 7 - Capital Leases (Continued)

The future minimum lease payments under capital leases are as follows:

Years Ending December 31	Amount
2019	$ 17,076
2020	17,076
2021	16,613
2022	3,248
Total	54,013
Less amount representing interest	7,408
Present value of net minimum lease payments	46,605
Less current obligations	13,501
Long-term obligations under capital leases	$ 33,104

Note 8 - 401(k) Plan

The Company participates in the Belfor Group 401(k) plan of Belfor. The employer matching contribution and discretionary match are paid by Belfor. The Company was allocated a portion of the matching contributions by its affiliates in the amount of $11,656 and $14,978 for the years ended December 31, 2018 and 2017, respectively, and was not allocated a portion of the discretionary match. The Company was allocated a portion of the matching contributions and discretionary match by its affiliates in the amounts of $4,989 and $6,984, respectively, for the year ended December 31, 2016.

Exhibit C

TO THE FRANCHISE DISCLOSURE DOCUMENT

STATE ADMINISTRATORS

State	State Administrator
CALIFORNIA	Commissioner of Business Oversight Division of Corporations 320 West 4th Street, Suite 750 Los Angeles, CA 90013 213.576.7500 or Toll Free 866.275.2677
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 808.586.2722
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 217.782.1090
INDIANA	Indiana Secretary of State Securities Division Franchise Section, Room E-111 302 West Washington Street Indianapolis, IN 46204 317.232.6681
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 410.576.6360
MICHIGAN	Michigan Department of Attorney General Division of Securities, Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 517.373.7117
MINNESOTA	Minnesota Department of Commerce Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101 651.296.4026

State	State Administrator
NEW YORK	New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 212.416.8236
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor Dept. 414 Bismarck, ND 58505-0510 701-328-4712
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Securities 350 Winter Street, N.E. #410 Salem, OR 97310 503.378.4387
RHODE ISLAND	Department of Business Regulation Division of Securities 1151 Pontiac Avenue Building 69-1 Cranston, RI 02920 401.222.3048
SOUTH DAKOTA	Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 605.773.3563
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 804.371.9051
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 360.902.8760
WISCONSIN	Wisconsin Securities Commissioner Department of Financial Institutions 201 W. Washington Ave., 3rd Floor P.O. Box 1768 Madison, WI 53703 608-261-9555

Exhibit D

TO FRANCHISE DISCLOSURE DOCUMENT

AGENTS FOR SERVICE OF PROCESS

State	Agent for Service of Process
CALIFORNIA	California Commissioner of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, CA 90013 213.576.7500 or Toll Free 866.275.2677
HAWAII	Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, HI 96813 808.586.2722
ILLINOIS	Illinois Attorney General 500 South Second Street Springfield, IL 62706 217.782.1090
INDIANA	Indiana Secretary of State 201 State House Indianapolis, IN 46204 317.232.6681
MARYLAND	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 410.576.6360
MICHIGAN	Michigan Department of Commerce, Corporations and Securities Bureau 670 Law Building Lansing, MI 48913 517.373.7117
MINNESOTA	Minnesota Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101 651.296.4026
NEW YORK	Secretary of State 99 Washington Avenue Albany, NY 12231
NORTH DAKOTA	North Dakota Securities Commissioner 600 East Boulevard Avenue State Capital, Fifth Floor Dept. 414 Bismarck, ND 58505-0510 701-328-4712
OREGON	Director of Oregon Department of Insurance and Finance 350 Winter Street, N.E. #410 Salem, OR 97310 503.378.4387

State	Agent for Service of Process
RHODE ISLAND	Director of Rhode Island Department of Business Regulation 1151 Pontiac Avenue Building 69-1 Cranston, RI 02920 401.222.3048
SOUTH DAKOTA	Director of South Dakota Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 605.773.3563
VIRGINIA	Clerk of State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 804.371.9051
WASHINGTON	Director of Washington Financial Institutions 150 Israel Road SW Tumwater, Washington 98501 360.902.8760
WISCONSIN	Commissioner of Securities of Wisconsin 201 W. Washington Ave., 3rd Floor Madison, WI 53703 P.O. Box 1768 608-261-9555

Exhibit E

TO FRANCHISE DISCLOSURE DOCUMENT

STATE ADDENDA TO DISCLOSURE DOCUMENT

ADDITIONAL DISCLOSURES FOR THE STATE OF CALIFORNIA

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code δδ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code δδ 20000 – 20043, the Franchise Disclosure Document, in connection with the offer and sale of franchises for use in the State of California, shall be amended to include the following:

The following is added to the Cover Page of this Disclosure Document:

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

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

The cover page of this Disclosure Document is amended to state that the California's Department of Business Oversight toll free number is 866.275.2677.

Item 5 of the Franchise Disclosure Document is hereby supplemented with the following:

Based on Franchisor's financial condition, the California Department of Business Oversight requires that we post a surety bond. We have secured a surety bond in the amount of $82,500.00 from the Hartford Fire Insurance Company to ensure fulfillment of all of our pre-opening obligations to you under the Franchise Operator Agreement.

Item 6 of the Franchise Disclosure Document is hereby supplemented with the following: "The highest interest rate allowed in California is 10%."

The following paragraphs are added at the end of Item 17 of the Disclosure Document:

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

2. Non-Competition Covenants. The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

3. Applicable Law. The Franchise Agreement requires application of the laws of the State of Michigan. This provision may not be enforceable under California law.

4. General Release. The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000-31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000-20043).

5. Applicable Law. The Franchise Agreement requires application of the laws and forums of the State of Michigan. This provision may not be enforceable under California law.

6. Litigation. The Franchise Agreement requires that all disputes be litigated in Michigan. This provision may not be enforceable under California law. Prospective franchises are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 and Code of Civil Procedure Section 1281) to any provisions of the Franchise Agreement restricting venue to a forum outside of the State of California.

7. Financial Performance Representations. "The earnings claims figure(s) does (do) not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from Gross Sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information."

OUR WEBSITE WWW.1800WATERDAMAGE.COM HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT, ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT WWW.DBO.CA.GOV.

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

ADDITIONAL DISCLOSURES FOR THE STATE OF HAWAII

The following is added to the Cover Page of this Disclosure Document**:**

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 SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS

FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

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

1. In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. Sections 482E-, *et. seq*., the Franchise Disclosure Document of 1 800 WATER DAMAGE INTERNATIONAL, LLC, in connection with the offer and sale of franchises for use in the State of Hawaii, shall be amended to include the following:

a. The following list is hereby added to the end of Item 20 of the Disclosure Document to reflect the status of our franchise registrations in states which have franchise registration and/or disclosure laws:

i. The states in which a registration is effective, in which we are relying on an exception, or where an offering has been filed: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

ii. The states in which a proposed registration of filing is or will be shortly on file: None

iii. The states, if any, which have refused, by order or otherwise, to register these franchises: None.

iv. The states, if any, which have revoked or suspended the right to offer these franchises: None

v. The states, if any, in which proposed registration of these franchises has been withdrawn: None

ADDITIONAL DISCLOSURES FOR THE STATE OF ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, 815 ILCS δδ705/1 et. seq., the Franchise Disclosure Document, in connection with the offer and sale of franchises for use in the State of Illinois, shall be amended to include the following:

The following language is added to the table in Item 17 at the end of the Summary sections of provisions (v) and (w) entitled Choice of Forum and Choice of Law: "subject to state law, and except for any claims arising under the Illinois Franchise Disclosure Act of 1987." Illinois law will govern the Agreement and all litigation will be commenced in Illinois.

Based on Franchisor's financial condition, the Illinois Attorney General's Office requires that we post a surety bond. We have secured a surety bond in the amount of $79,000.00 from the Hartford Fire Insurance Company to ensure fulfillment of all of our pre-opening obligations to you under the Franchise Operator Agreement.

Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Investment Act of 1987 are met independently without reference to this Addendum to the Disclosure Document.

ADDITIONAL DISCLOSURES FOR THE STATE OF INDIANA

In recognition of the requirements of the Indiana Code, Title 23, Article 2, Chapter 2.7, Sections 1 -7; amended by Laws of 1985, PL 233, the Franchise Disclosure Document, in connection with the offer and sale of franchises for use in the State of Indiana, shall be amended to include the following:

1. It is unlawful for any Franchise Agreement entered into between any franchisor and a franchisee that is either a resident of Indiana or a nonresident who will be operating a franchise in Indiana, to contain any of the following provisions. The following statements are added at the end of the Franchise Agreement table in Item 17: "Any release required as a condition of renewal and/or transfer will not apply to any claims that may arise under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act."

2. The Summary section of Item 17(r.) entitled Non-Competition Covenants after the Franchise Terminates or Expires is amended to provide that the provisions contained in the Franchise Agreement and Item 12 of this Disclosure Document are subject to Indiana Code 23-2-2-7-1(9), which prohibits covenants not to compete which extend beyond any exclusive Territory granted to you.

3. Item 17(v) and 17(w) entitled Choice of Forum and Choice of law are amended to provide that Michigan law generally applies except for matters arising under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act.

4. Any waivers in the Agreement may constitute a limitation on litigation and therefore violate IC 23-2-2.7-1(10) and may not occur under this provision.

5. A limitation of claims in the Franchise Agreement may only be barred unless an action is brought more than two years after the violation pursuant to IC 23-2-2.7-7.

Each provision of these Additional Disclosures to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law, Indiana Code 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practices Act, Indiana Code 23-2-2.7-1 to 23-2-2.7-10, are met independently without reference to these Additional Disclosures to the Disclosure Document.

ADDITIONAL DISCLOSURES FOR THE STATE OF MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Uniform Franchise in connection with the offer and sale of franchises for use in the State of Maryland, shall be amended to include the following:

Item 17.C. and 17.M. require a general release as a condition of renewal, sale, and/or transfer. Any such release shall not apply to any liability that falls under the Maryland Franchise Registration and Disclosure Law.

Item 17.U. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought by you within three (3) years after the grant of the Franchise.

Item 17.V., requires that all actions will be commenced in the state, and any court of general jurisdiction in Washtenaw, Michigan, or the United States District Court for the Eastern District of Michigan except for claims arising under the Maryland Franchise Registration and Disclosure Law, which may be commenced by you in Maryland.

Exhibit H of the Franchise Agreement is a Disclosure Acknowledgement Questionnaire. Such representations are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The following is added to the end of the Item 17 chart:

Despite any contradicting provision in the Franchise Agreement, you have three years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.

ADDITIONAL DISCLOSURES FOR THE STATE OF MINNESOTA

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat 80C.01 through 80C.22, and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules 2860.0100 through 2860.9930, the Franchise Disclosure Document in connection with the offer and sale of franchises for use in the State of Minnesota shall be amended to include the following:

Item 13 "Trademarks, Service Marks, Trade Names Logotypes and Commercial Symbols," is amended by the addition of the following:

Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), we are required to protect any rights that you have to use our proprietary rights, including your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suite or demand regarding the use of the name.

Item 17 "Renewal, Termination, Transfer, and Dispute Resolution," is amended by the addition of the following paragraphs:

1. Minn. Rule 2860.4400J. prohibits the waiver of a jury trial.

2. Minn. Stat. 80C.17, Subd. 5 requires that no action may be commenced pursuant to this section more than three years after the cause of action occurs.

3. Minn. Stat. Sec. 80C, 14 Subds. 3, 4, and 5 requires that, except in certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise cannot be unreasonably withheld.

4. Minn. Stat. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any rights you have under the Minnesota Franchises Law, including (if applicable) the right to submit matters to the jurisdiction of the courts of Minnesota and the right to any procedure, forum, or remedies that the laws of jurisdiction provide.

5. Minn. Rule 2860.4400D. prohibits us from requiring you to assent to a general release.

Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated by the Minnesota Commissioner of Commerce, are met independently without reference to these Additional Disclosures in the Disclosure Document.

ADDITIONAL DISCLOSURES FOR THE STATE OF NEW YORK

The following is added to the Cover Page of the Disclosure Document:

SPECIAL RISK FACTORS:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT C OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NY 10271.

REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NY 10271.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATION PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

The following should be added to Item 3 of this Disclosure Document:

Item 3. Litigation. The first paragraph is deleted in its entirety and replaced with the following:

"Neither we, nor anyone identified in Item 2:

1. Has an administrative, criminal, or civil action alleging: a felony; violation of a franchise, antitrust, or securities law; fraud; embezzlement; fraudulent conversion; misappropriation of property; unfair or deceptive practices; or comparable civil or misdemeanor allegations.

2. Has been convicted of a felony or pleaded nolo contendere to a felony charge, or within the ten-year period immediately preceding the application for registration, has been convicted or pleaded nolo contendere to a misdemeanor charge; or been held liable in a civil action alleging: violation of a franchise, antitrust, or securities law; fraud; embezzlement; misappropriation of property; unfair or deceptive practices, or comparable allegations.

3. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a franchise as a real estate broker or sales agent.

Item 4. Bankruptcy. The first paragraph is deleted in its entirety and replaced with the following:

"Neither we, nor any of our predecessors, affiliates, officers or general partners have, during the ten-year period immediately preceding the date of the Disclosure Document; (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the U.S. Bankruptcy Code; or (c) was a principal officer of a company, or a general partner in a partnership, that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code, or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after that officer or general partner of ours held this position in the company or partnership."

Item 11. The following is inserted at the end of Item 11: "Advertising on the Internet". We have no restrictions regarding our use of the internet or the worldwide web for advertising purposes. You must have a customized web site connected to our web site and managed by our web site provider (Items 6 and 8 of this Disclosure Document). You may not develop and implement a 1-800 WATER DAMAGE website through a third party provider.

The following is added to the end of 17(c) and 17 (m):

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

Item 17.J. Summary Column, is amended to read: "No restriction on us of the right to assign however, no assignment will be made except to an assignee that, in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement."

Item 17.S. Summary Column, the following is added to the end of Item 17.S.:

"Modifications to the Operations Manuals will not unreasonably affect your obligations under the Franchise Agreement."

Item 17.V. and 17.W. Summary Column, is amended to read:

"However, the governing choice of law and choice of forum should not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York."

ADDITIONAL DISCLOSURES FOR THE STATE OF NORTH DAKOTA

For franchises and franchisees subject to the North Dakota Franchise Investment Law, the following information supersedes on supplements, as the case maybe, the corresponding disclosures in the main body of the text of the 1 800 WATER DAMAGE INTERNATIONAL, LLC Franchise Disclosure Document.

1. Item 17 is amended by the addition of the following language to the original language that appears therein:

(a) Covenants not to compete upon termination or expiration of a franchise agreement are generally unenforceable in North Dakota, except in certain instances as provided by law.

(b) Any provision in the Franchise Agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue in a forum outside of North Dakota is void with respect to any cause of action which is otherwise enforceable in North Dakota.

(c) Any provision in the Franchise Agreement which requires a franchisee to waive his or her right to a jury trial has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

(d) Any provision requiring a franchisee to sign a general release upon renewal of the franchise agreement has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

(e) Any provision in the Franchise Agreement requiring a franchisee to agree to the arbitration or mediation of disputes at a location that is remote from the site of the franchisee's business has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

(f) Apart from civil liability as set forth in Section 51-19-12 of the N.D.C.C., which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud), the liability of the franchisor to a franchisee is based largely on contract law. Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents and it is unfair to franchise investors to require them to waive their rights under North Dakota Law.

(g) Any provision in the Franchise Agreement requiring that the Franchise Agreement be construed according to the laws of a state other than North Dakota are unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

(h) Any provision in the Franchise Agreement requiring a franchisee to consent to termination or liquidated damages is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

(i) Any provision in the Franchise Agreement requiring a franchisee to consent to a waiver of exemplary and punitive damages is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

ADDITIONAL DISCLOSURES FOR THE STATE OF RHODE ISLAND

The following is added to the Cover Page of the Disclosure Document:

EVEN THOUGH THE FRANCHISE AGREEMENT PROVIDES THAT "HOME STATE" LAW APPLIES, LOCAL LAW MAY SUPERSEDE IT IN YOUR STATE. PLEASE REFER TO ANY STATE-SPECIFIC ADDENDUM THAT MAY BE ATTACHED TO THE OFFERING FOR DETAILS.

In recognition of the requirements of the State of Rhode Island Franchise Investment Act §19-28.1 et seq., the Franchise Disclosure Document for 1 800 WATER DAMAGE INTERNATIONAL, LLC, for use in the State of Rhode Island is amended as follows:

1. Item 17 (u) shall be amended to read: §19-28.1-21 (a) A person who violates any provision of this act is liable to the franchisee for damages, costs, and attorneys and experts fees. In the case of a violation of §§19-28.1-5, 19-28.1-8, or 19-28.1-17(1)-(5), the franchisee may also sue for rescission. No person shall be liable under this section if the defendant proves that the plaintiff knew the facts concerning the violation. (b) Every person who directly or indirectly controls a person liable under this section, every principal executive officer or director of the liable person, every person occupying a similar status or performing similar functions, and every agent or employee of a liable person, who materially aids in the act or transaction constituting the violation, is also liable jointly and severally with and to the same extent as the person liable under this section, unless the agent, employee, officer, or director proves he or she did not know, and in the exercise of reasonable care could not have known of the existence of the fact by reason of which the liability is alleged to exist.

2. Item 17 (v)(w) shall be amended to read: §19-28.1-14 A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this act.

Exhibit F

TO FRANCHISE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES
as of December 31, 2018

Managing Operators

Location	Name	Phone Number	Address
1-800 WATER DAMAGE of NE Sacramento-Folsom	Bill Burns	916-594-7752	11355-A Pyrites Way Suite 6 Rancho Cordova CA
1-800 WATER DAMAGE of Murrieta/Temecula	Richard Marquez	951-461-0340	41555 Cherry Street Unit A Murrieta CA
1-800 WATER DAMAGE of Mount Dora	Bret A. Poe	352-735-8198	3804 N Hwy 19A Suite 2 Mount Dora FL
1-800 WATER DAMAGE of Palm Harbor	Nathan Darling	813-489-4176	430 Douglas Road Unit H Oldsmar FL
1-800 WATER DAMAGE of Duluth / Cumming	Eric Edwards	770-674-8608	470 Satellite Boulevard NE Suite R Suwanee GA
1-800 WATER DAMAGE of Carrollton	John C. Ake	678-890-1283	105 Park Place Way Carrollton GA
1-800 WATER DAMAGE of North Atlanta *(2 Territories)*	John Knight	770-696-1152	2650 Pleasantdale Road Ste. 12 Atlanta GA
1-800 WATER DAMAGE of North Fulton	Ron Wilder	470-545-0365	1815 Hembree Road Unit 403 Alpharetta GA
1-800 WATER DAMAGE of Marietta, GA	Steven Dunn	678-540-4351	1710 Cumberland Point Dr. SE Suite 1 Marietta GA
1-800 WATER DAMAGE of Aurora / Naperville	Eugene Williams	630-402-6611	751 Frontenac Road Suite 103 Naperville IL

Location	Name	Phone Number	Address
1-800 WATER DAMAGE of NW Suburban Chicago *(2 Territories)*	Jeff Siegel	224-678-9520	9176 Trinity Drive Lake in the Hills IL
1-800 WATER DAMAGE of Peoria / Bloomington	Jordan Kohn	309-740-1497	511 Denver St. Bloomington IL
1-800 WATER DAMAGE of N. Indianapolis	Robert Frankel	317-877-0015	15552 Herriman Blvd. Noblesville IN
1-800 WATER DAMAGE of Laurel	Laire Bourne	240-630-4742	14723 Baltimore Avenue Unit G Laurel MD
1-800 WATER DAMAGE of Windsor Mill	Vince Bochese	410-864-9144	2607 North Rolling Road Suite 209-210 Windsor Mill MD
1-800 WATER DAMAGE of Fall River and New Bedford	Joe Rezendes	508-974-9372	231 Weaver Street Unit 231-E Fall River MA
1-800 WATER DAMAGE of Southwest Michigan	Kent Ristow	269-473-8805	3850 River Road Sodus MI
1-800 WATER DAMAGE of W. Ann Arbor/ Jackson/ East Lansing	Kevin Krull	734-926-5208	3510 W. Liberty Road Ann Arbor MI
1-800 WATER DAMAGE of Central Oakland County	Scott Hayward	248-331-9211	3250 Old Farm Lane Suite 4 Commerce Township MI
1-800 WATER DAMAGE of Royal Oak / Sterling Heights	Rowland Crosby	248-607-6830	32494 Dequindre Road Warren MI
1-800 WATER DAMAGE of Rochester / Clarkston	Todd Justman	248-218-1829	1874 Star-Batt Drive Rochester Hills MI
1-800 WATER DAMAGE of the Mississippi Gulf Coast	Glen Murray	228-284-5869	10551 Outdoor Way Bldg #2 Suite G Gulfport MS
1-800 WATER DAMAGE of Reno	Josh Foote	775-686-6513	4690 Longley Lane Suite 38 & 47 Reno NV
1-800 WATER DAMAGE of McKinney	David Wilson	214-666-5607	403 Powerhouse St., #308 McKinney TX

Location	Name	Phone Number	Address
1-800 WATER DAMAGE of Utah County *(2 Territories)*	Gerald Cleveland	801-701-1004	1194 E 1060 N Unit 114 Spanish Fork UT
1-800 WATER DAMAGE of Virginia Beach	Antoine Curry	757-837-4080	424 Investors Place Ste. 105 & 106 Virginia Beach VA
1-800 WATER DAMAGE of Chesapeake / Norfolk *(2 Territories)*	Diane Keegan	757-512-5718	215 Research Drive Suite 104 Chesapeake VA
1-800 WATER DAMAGE of Greater Madison	Lucien Adams	608-234-5825	2870 Terra Court Unit 2 Sun Prairie WI
1-800 WATER DAMAGE of Hamilton	Ian Brandt	905-450-2495	505 Kenora Avenue Bldg 1 Unit 3 Hamilton, ON L8E 3P2

Traditional Franchisees

Location	Name	Phone Number	Address
1-800 WATER DAMAGE of South Birmingham, AL	Kurt Gardner, Cody Bass	205-545-7788	1116 Dunnavant Valley Road Birmingham AL
1-800 WATER DAMAGE of Phoenix	Thomas H. Hodges, Alicia L. Hodges	602-715-2225	26996 N 90th Lane Peoria AZ
1-800 WATER DAMAGE of Denver	Efrem Woldu	303-284-0145	747 Sheridan Blvd Unit #7A Lakewood CO
1-800 WATER DAMAGE of SE Denver and Englewood	Luis Balmaceda	720-619-8843	2985 W. Oxford Avenue Unit 5 Englewood CO
1-800 WATER DAMAGE of Colorado Springs	Michael Whittemore, Michelle Maria Whittemore	719-359-5204	PO Box 775 Cascade CO
1-800 WATER DAMAGE of North Orlando	Chris Cento	321-972-8425	998 Josiane Court Ste. 1055 Altamonte Springs FL
1-800 WATER DAMAGE of the Emerald Coast *(2 Territories)*	John Williams, Sandy Williams	850-932-8818	6875 Greenland Road McDavid FL

Location	Name	Phone Number	Address
1-800 WATER DAMAGE of South Jacksonville *(2 Territories)*	Justin Aldridge	904-329-1292	2611 Old Middleburg Road Unit 300-7 Jacksonville FL
1-800 WATER DAMAGE of Savannah/Hilton Head	James Edward Richtman, Theresa Marie Richtman	912-728-3857	106 Winnai Lane Guyton GA
1-800 WATER DAMAGE of Boise	Doug P. Stern	208-887-0084	149 S Adkins Meridian ID
1-800 WATER DAMAGE of South Indianapolis	Doug Snell, Bob Betts	317-399-9141	210 Meadowview Ln Greenwood IN
1-800 WATER DAMAGE of Northwest Indiana	Jim Brumfield	219-992-0594	312 North 325 East Valparaiso IN
1-800 WATER DAMAGE of Southwestern Indiana	Tim Wright	812-610-4646	766 E 200 N Washington IN
1-800 WATER DAMAGE of East Louisville	Shawn Baker	502-525-0133	440 Commercial Drive Suite 100 Louisville KY
1-800 WATER DAMAGE of Southeast Michigan *(3 Territories)*	Fred Arthur, Lisa Arthur	248-412-4030	7792 Boardwalk Road Brighton MI
1-800 WATER DAMAGE of Mid-Michigan	Ronald Veenhuis	810-655-0388	6012 S Linden Road Suite 13 Swartz Creek MI
1-800 WATER DAMAGE of Southern Passaic/Bergen County	John Cherup	201-636-2686	45 Wadsworth St Wallington NJ
1-800 WATER DAMAGE of Suffolk County	Richard Gherardi, Illiana Giambone	631-488-1454	45 Ramsey Road Unit 8 Shirley NY
1-800 WATER DAMAGE of South Raleigh	Adam (Red) Howard	919-805-3171	1129 Corporation Parkway Suite 101 Raleigh NC
1-800 WATER DAMAGE of Cincinnati / Dayton, OH *(5 Territories)*	Jason Byrd	513-942-0820	6749 Gilmore Road Suite A Hamilton OH
1-800 WATER DAMAGE of Oklahoma City *(2 Territories)*	Conrad Therrien, Joe Therrien	405-348-3060	7043 Highwater Circle Suite D Edmond OK

Location	Name	Phone Number	Address
1-800 WATER DAMAGE of DelChester	Jim McDevitt, Mike McDevitt	610-321-3477	1235 Pottstown Pike Glenmoore PA
1-800 WATER DAMAGE of Fairfax County *(3 Territories)*	Johnnie Shaffer	703-650-9104	14700 Flint Lee Road Suite E Chantilly VA
1-800 WATER DAMAGE of Roanoke & NRV	Robert (Dave) Bittle, Ruth M. Irwin	540-315-4334	815 Wasena Ave SW Roanoke VA
1-800 WATER DAMAGE of Portland, OR / Vancouver, WA *(3 Territories – 1 in WA and 2 in OR)*	James M. Chiodo, Pamela G. Chiodo	360-737-7677	1200 NE 112th Avenue Vancouver WA
1-800 WATER DAMAGE of South Metro Milwaukee *(2 Territories)*	Justin Johnson	414-750-8383	10700 W. Venture Drive Suite C5 Franklin WI

Franchisees that have signed but not yet opened as of the issuance date

Location	Franchise Type	Owner(s)	Phone Number	Address
1-800 WATER DAMAGE of Tampa Bay	Traditional	Jim Abramson, Donna Collova	813-517-8426	4127 Cypress Street Tampa FL
1-800 WATER DAMAGE of Lawrenceville / Norcross	Traditional	Cole Miele	678-619-5848	6500 McDonough Drive Bldg. A-4 Norcross GA
1-800 WATER DAMAGE of the Quad Cities	Managing Operator	Robert Hinckley	563-554-6858	7620 Louis Rich Court Unit 6 Davenport IA
1-800 WATER DAMAGE of South Bend / Elkhart	Managing Operator	Scott Kretchmer	574-314-6222	1002 South Lafayette Blvd. South Bend IN
1-800 WATER DAMAGE of Greenville	Managing Operator	Brian Hill	864-501-2141	16-A Brozzini Court Greenville SC
1-800 WATER DAMAGE of Bowling Green / Toledo	Traditional	Gary Thompson, Peggy Thompson	419-352-1964	559 Sand Ridge Road Bowling Green OH
1-800 WATER DAMAGE of Kansas City North	Traditional	David Johnson, Savana Johnson	816-781-6760	2581 SW Highway 169 Trimble MO

1-800 WATER DAMAGE of Western Montana	Traditional	Robert & Nina Montgomery	406-407-3344	US Hwy 93 Ronan MT
1-800 WATER DAMAGE of SE Tulsa	Managing Operator	Joshua Smith	918-872-0864	1904 West Iola Street Units 108 & 109 Broken Arrow OK

Exhibit G

TO FRANCHISE DISCLOSURE DOCUMENT

LIST OF FORMER FRANCHISEES

Former Traditional Model Franchisees

Owner	Address	City	State	Phone	Email
Antonio Galvan[1]	517 Colebrook Court	Modesto	CA	(209) 495-9347	tonygalvan44@yahoo.com
Paul Patrikian[2]	825 S. Myrtle Ave.	Monrovia	CA	(626) 399-8538	certifiedpainter@gmail.com
Nathan Holmes	36 Rolling Oaks Drive	Asheville	NC	(828) 768-2799	nate.holmes1977@gmail.com
Rod Sturchio	55 Ocean Ave, 8C	Monmouth Beach	NJ	(908) 217-0301	rodsturchio@gmail.com
Jeff TePastte	200 Oakdale Street	Maryville	TN	(865) 250-9935	jefftepastte@att.net

1. This franchisee entered into a franchise agreement with us, but decided, after training, to not open his location.
2. This franchisee entered into a franchise agreement with us and attended training, but decided not to open after failing to locate a facility for the Business.

Former Managing Operator Franchisees

Owner	Address	City	State	Phone	Email
Brent Winter	800 NW 73rd Ter	Plantation	FL	(786) 769-2138	brent.a.winter@gmail.com
Felix Bergollo	17332 SW 153 Court	Miami	FL	(305) 205-6151	felix.bergollo01@gmail.com
Jim Monteith	3783 Washburn Road	Pleasureville	KY	(502) 643-5953	poetickangaroo@gmail.com
Joe Antencio	4363 Dundee Road	Reno	NV	(775) 343-8926	jennasdad@sbcglobal.net
Shaun Hicks	2605 W. Oakland Ave.	Sumter	SC	(334) 614-7257	ulysses.hicks@gmail.com
Tony Peery	324 Long Pointe Lane	Columbia	SC	(803) 724-0888	tony.peery@yahoo.com
Rich Weaver	10123 Nina Ridge	San Antonio	TX	(760) 670-6650	rich.weaver@icloud.com
Andrew Y'Barbo	505 W. Gray Street, #3	Houston	TX	(832) 330-6664	andrew.ybarbo@gmail.com
Tommy Hoopsick[1]	410 Dupuy Ave.	Colonial Heights	VA	(804) 720-9604	tommy.hoopsickpa@ductz.com
Jeff Tatum	9996 Firethorn Lane	Quiton	VA	(804) 389-6447	statmd@live.com

1. This franchisee formerly operated a 1 800 WATER DAMAGE Business in Pennsylvania, but has since moved back to Virginia and operates a DUCTZ Franchised Business.

Exhibit H - 1

TO FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE ORGANIZATIONS

We have created, sponsored or endorsed the following franchise organizations:

Organization	Established	Address	Members
Franchise Advisory Council	January 2017	731 Fairfield Ct. Ann Arbor, MI 48108	Chairpersons: - Tim Fagan Committee: Jim Chiodo, Franchisee 360-737-7677 Jim.Chiodo@1800waterdamage.com Ron Wilder, Franchisee 470-545-0365 Ron.Wilder@1800waterdamage.com Fred Arthur, Franchisee 586-295-0593 Fred.Arthur@1800waterdamage.com Jason Byrd, Franchisee 513-886-3690 Jason.Byrd@1800waterdamage.com Red Howard, Franchisee 919-745-9128 Red.Howard@1800waterdamage.com

Exhibit H - 2

TO FRANCHISE DISCLOSURE DOCUMENT

INDEPENDENT FRANCHISEE ASSOCIATIONS

As of the date of this Disclosure Document, to our knowledge, there are no Independent 1-800 WATER DAMAGE Franchise Associations.

Exhibit I
TO FRANCHISE DISCLOSURE DOCUMENT

RECEIPTS

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If 1 800 WATER DAMAGE INTERNATIONAL, LLC offers you a franchise, it must provide the 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 franchise sale.

If 1 800 WATER DAMAGE INTERNATIONAL, LLC 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 C.

New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other Agreement, or the payment of any consideration that relates to the Franchise Relationship. Michigan and Oregon require that we give you this Disclosure Document at least ten business days before the execution of the franchise or other Agreement, or the payment of any consideration that relates to the Franchise Relationship.

Date of Issuance: April 20, 2019, as amended July 19, 2019

See Exhibit D for our registered agents authorized to receive service of process.

I have received a disclosure document dated April 20, 2019, as amended July 19, 2019, that included the following Exhibits:

A – Franchise Agreement	F – List of Franchisees
B – Financial Statements	G – List of Former Franchisees
C – State Administrators	H-1 – Franchise Organizations
D – Agents for Service of Process	H-2 - Independent Franchisee Associations
E – State Addenda to the Disclosure Document	I - Receipt

The franchise seller is 1 800 WATER DAMAGE INTERNATIONAL, LLC, 731 Fairfield Court, Ann Arbor, MI 48108, (734) 864-9799. Any additional individual franchise sellers involved in offering the 1-800 WATER DAMAGE franchises are:

( ) Ken Osness phone (734) 864-9767 ( ) Steve Olson (734) 929-1035 ( ) Ryan McLaughlin (734) 864-9766 All located at 731 Fairfield Court, Ann Arbor, MI 48108.

Date Received:_____

_____ _____
Signature of Prospective Franchisee Print Name

_____
Entity Name (if applicable)

You should return one copy of the signed receipt by signing, dating, and mailing it to us at 731 Fairfield Court, Ann Arbor, MI 48108 or faxing it to 734 222-0531, attn. Janet Hughes, Legal Administrator. You may keep the second copy for your records.

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