

ITEM 2. PROPERTIES

Our corporate headquarters and the headquarters for Terminix are located in leased premises at 860 Ridge Lake Boulevard, Memphis, Tennessee. The headquarters for American Home Shield and the Franchise Services Group are located in leased premises at 889 Ridge Lake Boulevard, Memphis, Tennessee. In 2016, we entered into an office lease agreement with Peabody Place Centre GP that will result in the relocation of our corporate headquarters to 150 Peabody Place, Memphis, Tennessee at the end of 2017. In addition, we lease space for call centers located at 6399 Shelby View Drive, Memphis, Tennessee and 7620 Appling Center Drive, Memphis, Tennessee, offices located at 855 Ridge Lake Boulevard, Memphis, Tennessee, and a training facility located at 1650 Shelby Oaks Drive North, Memphis, Tennessee, and own offices at 3839 Forest Hill Irene Road, Memphis, Tennessee.

We and our operating companies own and lease a variety of facilities, principally in the United States, for branch and service center operations and for office, storage, call center and data processing space. Our branches are strategically located to optimize route efficiency, market coverage and branch overhead. The following table identifies the number of owned and leased facilities, other than the headquarters properties listed above, used by each of our reportable segments as of December 31, 2016. We believe that these facilities, when considered with the corporate headquarters, call center facilities, offices and training facilities described above, are suitable and adequate to support the current needs of its business.

Reportable Segment	Owned Facilities	Leased Facilities
Terminix	18	328
American Home Shield	1	6
Franchise Services Group	—	5

ITEM 3. LEGAL PROCEEDINGS

On July 21, 2016, TMX USVI and TMX LP, each an indirect, wholly-owned subsidiary of the Company, entered into the Superseding Plea Agreement in connection with the investigation initiated by the DOJ into allegations that a local Terminix branch used methyl bromide as a fumigant at a resort in St. John, U.S. Virgin Islands. The Superseding Plea Agreement was intended to resolve four misdemeanor charges of violations of the Federal Insecticide, Fungicide, and Rodenticide Act related to improper applications of methyl bromide. Those charges were set forth in an Information, dated March 29, 2016, in the matter styled *United States of America v. The Terminix International Company Limited Partnership and Terminix International USVI, LLC*. At a hearing held on August 25, 2016, the District Court rejected the Superseding Plea Agreement. On August 31, 2016, the DOJ requested that the charges be dismissed, reserving its right to re-file the charges, in light of ongoing discussions to resolve the matter. The District Court granted that request, and the March 29, 2016 Information was dismissed.

On January 20, 2017, TMX USVI and TMX LP entered into the New Plea Agreement with the DOJ, which has been filed with the District Court, and replaces the Superseding Plea Agreement. Under the New Plea Agreement, TMX USVI and TMX LP have agreed to plead guilty to four misdemeanor charges of violations of the Federal Insecticide, Fungicide, and Rodenticide Act related to improper applications of methyl bromide, as set forth in a new Information filed on January 20, 2017 with the District Court that is substantially similar to the March 29, 2016 Information. Under the terms of the New Plea Agreement, the parties agree and jointly recommend to the District Court that (i) TMX USVI and TMX LP each pay a fine of \$4 million (total of \$8 million); (ii) TMX USVI pay \$1 million to the EPA for costs incurred by the EPA for the response and clean-up of the affected units at the resort in St. John; (iii) TMX USVI make a community service payment of \$1 million to the National Fish and Wildlife Foundation for the purpose of engaging a third party to provide training to pesticide applicators in the U.S. Virgin Islands; and (iv) both TMX USVI and TMX LP serve a three-year probation period, subject to the special conditions of probation under the New Plea Agreement. The total financial terms of the recommended sentence under the New Plea Agreement are equivalent in total amount to the financial terms under the Superseding Plea Agreement. Unlike the Superseding Plea Agreement, however, the New Plea Agreement is non-binding on the District Court. It is possible that the District Court could use its discretion to impose fines or other terms different than those in the New Plea Agreement. If approved by the District Court, and upon compliance with the terms and conditions of the New Plea Agreement, the New Plea Agreement will resolve the federal criminal consequences associated with the DOJ investigation. The New Plea Agreement does not bind any other federal, state or local authority; however, the EPA has indicated that it does not intend to initiate any administrative enforcement action or refer the matter to the DOJ for any civil enforcement action if the New Plea Agreement is approved by the District Court.

We have recorded within Fumigation related matters in the consolidated statement of operations and comprehensive income charges of \$2 million and \$8 million in the years ended December 31, 2016 and 2015, respectively, in connection with the aforementioned criminal matter. The New Plea Agreement and the payments contemplated thereunder would not resolve any civil or administrative claims for damages or other relief related to the U.S. Virgin Islands matter; however, we previously disclosed that we have formalized the terms of the settlement agreement, which includes customary releases and confidentiality provisions, and a civil court in Delaware has given the necessary approvals. Accordingly, the civil claims for all four members of the Delaware family impacted are resolved. In the year ended December 31, 2016, we recorded within Fumigation related matters in the consolidated statement of operations and comprehensive income a charge of \$87 million in connection with the settlement agreement. In the year ended December 31, 2015, we recorded within Cost of services rendered and products sold in the consolidated statement of operations and comprehensive income a charge of \$3 million in connection with the civil claims related to the U.S. Virgin Islands matter, which is an amount equal to our insurance deductible under our general liability insurance policies.