

## FRANCHISE DISCLOSURE DOCUMENT



**The Red Collection, LLC**  
**a Delaware Limited Liability Company**  
7815 Walton Parkway  
New Albany, Ohio 43054  
Telephone (614) 744-2600  
[www.redrooffranchising.com](http://www.redrooffranchising.com)

The franchisee will own and operate a transient guest lodging facility that combines a local or historic trade name with our mark “The Red Collection®” (a “The Red Collection hotel” or “Hotel”). The Red Collection hotels offer high quality, affordable lodging that is modern, accessible and affordable in convenient city locations.

The total investment necessary to begin operation of a The Red Collection hotel franchise for a 65-room conversion hotel ranges from ~~\$246,220~~,875 to ~~\$1,552,600~~569,250. These amounts do not include the cost of land or rent for the hotel location but do include the approximately \$59,550 to \$68,500 that must be paid to the franchisor or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Franchise Development, The Red Collection, LLC, 7815 Walton Parkway, New Albany, Ohio 43054 or call 1-888-473-8861.

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

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

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

Issuance Date: April ~~10, 2024~~14, 2025

## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Exhibit D.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the supplies you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only The Red Collection hotel business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved with material litigation or bankruptcy proceedings.
<b>What is it like to be a The Red Collection hotel franchisee?</b>	Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

**Continuing Responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplies restrictions.** You may have to buy or lease items from franchisor or limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

### Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit B.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. ~~1.~~ **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Ohio. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Ohio than in your own state.
  
2. ~~2.~~ **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

**THE RED COLLECTION**  
**TABLE OF CONTENTS**

	<u>Page</u>
<del>ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES .....</del>	<del>1</del>
<del>ITEM 2 BUSINESS EXPERIENCE.....</del>	<del>4</del>
<del>ITEM 3 LITIGATION.....</del>	<del>5</del>
<del>ITEM 4 BANKRUPTCY.....</del>	<del>7</del>
<del>ITEM 5 INITIAL FEES.....</del>	<del>7</del>
<del>ITEM 6 OTHER FEES.....</del>	<del>9</del>
<del>ITEM 7 ESTIMATED INITIAL INVESTMENT.....</del>	<del>20</del>
<del>ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....</del>	<del>23</del>
<del>ITEM 9 FRANCHISEE’S OBLIGATIONS.....</del>	<del>25</del>
<del>ITEM 10 FINANCING.....</del>	<del>27</del>
<del>ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING.....</del>	<del>27</del>
<del>ITEM 12 TERRITORY.....</del>	<del>33</del>
<del>ITEM 13 TRADEMARKS.....</del>	<del>38</del>
<del>ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....</del>	<del>39</del>
<del>ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....</del>	<del>39</del>
<del>ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....</del>	<del>39</del>
<del>ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION.....</del>	<del>40</del>
<del>ITEM 18 PUBLIC FIGURES.....</del>	<del>43</del>
<del>ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS.....</del>	<del>43</del>
<del>ITEM 20 OUTLETS AND FRANCHISEE INFORMATION.....</del>	<del>43</del>
<del>ITEM 21 FINANCIAL STATEMENTS.....</del>	<del>45</del>
<del>ITEM 22 CONTRACTS.....</del>	<del>46</del>
<del>ITEM 23 RECEIPTS.....</del>	<del>46</del>
<u>ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES .....</u>	<u>1</u>
<u>ITEM 2 BUSINESS EXPERIENCE.....</u>	<u>4</u>
<u>ITEM 3 LITIGATION.....</u>	<u>6</u>
<u>ITEM 4 BANKRUPTCY.....</u>	<u>8</u>
<u>ITEM 5 INITIAL FEES.....</u>	<u>8</u>
<u>ITEM 6 OTHER FEES.....</u>	<u>10</u>
<u>ITEM 7 ESTIMATED INITIAL INVESTMENT.....</u>	<u>21</u>

<u>ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....</u>	<u>24</u>
<u>ITEM 9 FRANCHISEE’S OBLIGATIONS.....</u>	<u>26</u>
<u>ITEM 10 FINANCING.....</u>	<u>28</u>
<u>ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING.....</u>	<u>28</u>
<u>ITEM 12 TERRITORY.....</u>	<u>38</u>
<u>ITEM 13 TRADEMARKS.....</u>	<u>39</u>
<u>ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....</u>	<u>40</u>
<u>ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....</u>	<u>41</u>
<u>ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....</u>	<u>41</u>
<u>ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION.....</u>	<u>41</u>
<u>ITEM 18 PUBLIC FIGURES.....</u>	<u>44</u>
<u>ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS.....</u>	<u>44</u>
<u>ITEM 20 OUTLETS AND FRANCHISEE INFORMATION.....</u>	<u>45</u>
<u>ITEM 21 FINANCIAL STATEMENTS.....</u>	<u>47</u>
<u>ITEM 22 CONTRACTS.....</u>	<u>48</u>
<u>ITEM 23 RECEIPTS.....</u>	<u>48</u>

## EXHIBITS

Exhibit A	Financial Statements
Exhibit B	List of State Administrators
Exhibit C	List of Agents for Service of Process
Exhibit D	List of Franchisees
Exhibit E	Franchise Application
Exhibit F	Franchise Agreement
Exhibit G	Renovation Addendum
Exhibit H	Reservation Platform /PMS Software Sublicense Agreement
Exhibit I	Table of Contents of the Manuals
Exhibit J	Transfer Addendum to Franchise Agreement
Exhibit K	Development Incentive Program for Women and Veterans
Exhibit L	State Required Agreement Addenda
Exhibit M	RediCall Agreement
Exhibit N	Revenue Management Agreements
State Effective Dates	
FDD Receipts	

## ITEM 1

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

To simplify the language in this franchise disclosure document (the “Disclosure Document”), “TRC,” “we,” and “our” mean The Red Collection, LLC, the franchisor. “You” or “your” means the person who buys this franchise (and, for individuals, your spouse), and may include a corporation, a partnership, or a limited liability company. If a corporation, partnership, or limited liability company is the franchisee, “you” will also include the franchisee’s owners.

#### The Franchisor and its Parents, Affiliates, and Predecessors

##### Franchisor

The franchisor is The Red Collection, LLC, a Delaware limited liability company formed in October 2017 with a principal business address of 7815 Walton Parkway, New Albany, Ohio 43054. We do business under the name “The Red Collection” and offer franchises to operate hotels under “The Red Collection” name for transient guest lodging facilities that prefer to maintain their historic or locally popular trade names while participating in the benefits of franchise affiliation. We also sublicense the Reservation Platform Property Management System (“Reservation Platform / PMS”) software used in The Red Collection hotel system (“System”) to our franchisees.

We have offered franchises of The Red Collection since December 15, 2017. As of December 31, ~~2023~~2024, there were five franchised The Red Collection hotels. We have never offered franchises under any other brands, although the franchise agreements do not prohibit us from doing so. We do not own and operate any hotels affiliated with The Red Collection. We are not engaged in other business activities. Our agents for service of process are disclosed in Exhibit C.

##### Parents

The parent company of TRC is Red Roof Franchising, LLC, (“RRF”), a Delaware limited liability company that shares our principal business address. RRF was formed in January 2007. RRF does business under the names Red Roof Franchising, Red Roof Inn, Red Roof Inn and Suites, Red Roof PLUS+ and Red Roof PLUS+ and Suites, and Red Roof Inns. RRF offers franchises under the names Red Roof Inn, Red Roof Inn & Suites, Red Roof PLUS+ and Red Roof PLUS+ & Suites. RRF has offered franchises under the Red Roof Inn and Red Roof Inn & Suites brands since September 2007 and it has offered franchises under the names Red Roof PLUS+ and Red Roof PLUS+ & Suites since January 2014. RRF does not own or operate any Red Roof Inn, Red Roof Inn & Suites, Red Roof PLUS+ and Red Roof PLUS+ & Suites locations. The Red Roof Inn System has been continuously operated since 1973. Red Roof Inn franchises have been offered since August 1996 by RRF and its predecessors. As of December 31, ~~2023~~2024, there were ~~565~~584 franchised Red Roof Inns and ~~45~~35 Red Roof Inns operated by our affiliates in the United States and two franchised Red Roof Inns operating internationally.

The parent company of RRF is RRF Holding Company, LLC (“RRF Holding”), a Delaware limited liability company that shares our principal business address. RRF Holding does not offer franchises in any line of business and does not provide any services directly to our franchisees.

RRF Holding’s parent company is Red Roof Inns, Inc. (“RRI”), a Delaware corporation that shares our principal business address. RRI, through various subsidiaries, owns and/or operates Red Roof Inn hotels. RRI does not currently offer franchises in any line of business; however, it previously offered Red

Roof Inn and Red Roof Inn & Suites franchises. RRI does not provide any services directly to our franchisees.

RRI's parent company is WRRH LP, a Delaware limited partnership with a principal business address of 5847 San Felipe, Suite 4650, Houston, Texas 77057. WRRH does not offer franchises in any line of business. An affiliate of WRRH, RRI West Management LLC ("RRI West"), provides general and administrative services to us but does not offer franchises in any line of business. RRI West provides management services for certain Affiliate-Owned Hotels and Affiliate-Managed Hotels. For purposes of this Disclosure Document, the term "Affiliate" means entities under the direct and indirect control of WRRH LP.

### **Affiliates**

RRI Financial, Inc. ("RRI Financial"), a Nevada corporation formed in April 1996 is a wholly-owned subsidiary of RRF. RRI Financial shares our principal business address. RRI Financial sublicenses The Red Collection trademarks to us for the purpose of granting The Red Collection franchises. RRI Financial does not offer franchises in any line of business.

RRI Reservations, LLC ("RRI Reservations"), a Delaware limited liability company formed in September 2008, is a wholly-owned subsidiary of RRF. RRI Reservations shares our principal business address. RRI Reservations offers reservation services to The Red Collection franchisees. RRI Reservations does not offer franchises in any line of business.

HomeTowne Studios, LLC ("HTS"), a Delaware limited liability company formed in October 2017, is a wholly owned subsidiary of RRF. HTS shares our principal business address. HTS has offered franchises of the "HomeTowne Studios by Red Roof®" brand since July 2018, of the "HomeTown Inn®" and "HomeTowne Inn®" brands for extended stay lodging facilities since April 2020, and of the HomeTowne Studios & Suites by Red Roof brand since April 2021 (which are collectively referred to in this franchise disclosure document as "HomeTowne Studios hotels"). As of December 31, ~~2023~~2024, there were ~~2745~~ franchised HomeTowne Studios hotels and ~~4839~~ Affiliate-owned HomeTowne Studios hotels.

### **Predecessors**

We do not have any predecessors that must be disclosed in this Item.

### **The Red Collection Franchised Business**

We offer franchises to operators of existing hotels who will convert and renovate such hotels to The Red Collection in accordance with our standards ("Standards") as set forth in our confidential set of manuals ("Manuals") and as otherwise required for conversion (a "Conversion"). If you submit a franchise application ("Application") (Exhibit E) and we approve your hotel to become a member of The Red Collection (a "The Red Collection hotel" or "Hotel"), you will be granted the right to convert and operate a franchised The Red Collection hotel at a single, defined location that we approve ("Approved Location") through a Franchise Agreement, a copy of which is attached as Exhibit F. You will also sign a Renovation Addendum to the Franchise Agreement, a copy of which is attached as Exhibit G. Your use of certain of The Red Collection trademarks in connection with your The Red Collection hotel ("Proprietary Marks") will be pursuant to a sublicense from us to you under the Franchise Agreement. See Item 13 of this Disclosure Document for further discussion of the trademarks and the licensing arrangements.

A The Red Collection hotel offers affordable, mid-scale accommodations in locations convenient to center city business and leisure destinations. You will own and operate a The Red Collection hotel that

will use its own unique primary trade name and logo, and append a logo identifying the hotel as a member of The Red Collection, which is a “soft” brand that relies on the local or historic branding of each hotel instead of the primary mark of the franchisor to identify and distinguish the hotel from competitors. You will operate the business according to our business system and standards.

While The Red Collection hotels participate in many brand-originated support programs, each hotel will retain its independent character and local marketing focus. We do not provide prototype architectural plans and drawings for renovating an existing building for a Conversion. Your building must meet our standards for guest room and public space size and amenities, but these are more flexible and market-oriented than standards for the Red Roof Inn brands (“Red Roof Brands”) franchised by RRF. We may vary room size minimums in high density, high cost markets where Red Roof Brands have traditionally been under-represented. A typical Red Collection facility is not required to offer breakfast to guests and may at its owner’s option, offer full service and management intensive facilities or services, such as in-house restaurants or cocktail lounges, conference rooms, room service, or banquet centers. The Red Collection hotels should be designed and operated to meet guest demand for an enhanced experience at a value price, positioned to compete in markets attracting experienced business and leisure travelers accustomed to midscale accommodations.

Candidates for The Red Collection hotel franchises will be considered based on criteria including, but not limited to, an applicant’s experience and history in addressing guest satisfaction, proven guest service acumen, past property operating success as well as market qualifications (which may, but are not required to, include the following: a market with midscale as well as limited service competition, a market with appeal to business and leisure travelers, middle to upper middle class, key business demand generators present, i.e.: convention center, university, business parks, hospitals, government centers and the potential to support strong average daily rates.) Property qualifications for The Red Collection hotels include but are not limited to compliance with all The Red Collection specifications for both new construction or conversion locations and a commitment to elevated product and service standards. A franchisee operating a The Red Collection hotel must understand the continuous nature of upgrading their The Red Collection facility as outlined in The Red Collection Standards Manual.

## **Competition**

The midscale lodging business market in many geographic areas is highly developed. You will compete with other midscale hotels, including hotels that may be located directly adjacent to your The Red Collection hotel or in the immediate vicinity. Existing or new competitors in your market may offer similar services as your The Red Collection hotel, and engage in aggressive promotion, service offerings and discounting. In some geographic areas, occupancy and rates may vary greatly by season or citywide meeting and conference schedules.

## **Regulation**

In addition to federal, state and local laws that apply to a business generally, you must comply with a number of federal, state and local laws that apply specifically to the hotel industry, including, but not limited to, laws and regulations regarding zoning, construction, public accommodations, accessibility by persons with disabilities, occupational health and safety, labor, insurance, advertising, health and sanitation, innkeepers laws (such as posting room rates at a conspicuous place in each room), telephone charges, data privacy, information security, confidentiality and privacy of guest and cardholder data, as well as mandatory disclosures to affected persons in the event of a suspected or actual data breach. If you elect to serve alcoholic beverages, you will be subject to state and local licensing requirements and operating regulations. Many of these laws vary from jurisdiction to jurisdiction. It is your responsibility to know these laws and comply with them. You should consult with your attorney concerning these laws and regulations.

## ITEM 2

### BUSINESS EXPERIENCE

#### President: Zack Gharib

Zack Gharib has served as President of RRF, HTS and TRC since April 2024. From May 2022 to January 2024, Mr. Gharib served as Senior Vice President of Operations for Highgate Hotels, L.P. in Dallas, Texas. From November 2018 to April 2022, Mr. Gharib served as Senior Regional Director of Operations for Vacasa, Inc. in Portland, Oregon. From May 2005 to October 2018, Mr. Gharib served as Vice President of Franchise Operations for Wyndham Hotels & Resorts, Inc. in Parsippany, New Jersey. Mr. Gharib is based in New Albany, Ohio.

#### Chief Development Officer: Matthew Hostetler

Matthew Hostetler has served as Chief Development Officer of HTS, RRF and TRC since July 2020. Mr. Hostetler served as Senior Vice President, Franchise Sales of HTS and TRC from October 2017 to July 2020 and of RRF from January 2014 to July 2020. Mr. Hostetler is based in Elizabethtown, Pennsylvania.

#### Chief ~~Marketing~~Operating Officer: ~~Marina MacDonald~~Fouad Malouf

~~Marina MacDonald~~Fouad Malouf has served as Chief ~~Marketing~~Operating Officer of RRF, HTS, and TRC since October 2017 and of RRF since January 2014. SheMarch 2024. He served as Senior Vice President Sales and Marketing of RRF from November 2007 to January 2014. Ms. MacDonald is based in New Albany, Ohio.

#### ~~Senior Vice President, Technology: Sharee Brell~~

~~Sharee Brell has served as Senior Vice President, Technology of HTS, TRC and RRF since May 2023. Ms. Brell served as Vice President, Technology of HTS and TRC from October 2017 to May 2023 and of RRF from April 1995 to May 2023. Ms. Brell is based in New Albany, Ohio.~~

#### ~~Senior Vice President, Franchise Operations: Fouad Malouf~~

~~Fouad Malouf has served as Senior Vice President, Franchise Operations of RRF, HTS and TRC since~~from July 2020 to March 2024. He served as Vice President, Franchise Operations for HTS and TRC from October 2017 to July 2020 and of RRF from January 2016 to July 2020. Mr. Malouf served as Regional Vice President, Franchise Operations for RRF from September 2014 to December 2015 and as Franchise Operations Director from June 2007 to September 2014. Mr. Malouf is based in Peoria, Illinois.

#### Chief Financial Officer: Tara Henderson

Tara Henderson has served as Chief Financial Officer of RRF, HTS, and TRC since September 2024. From March 2021 to February 2024, Ms. Henderson served as Finance Leader for Lixil International in Piscataway, New Jersey. From March 2016 to June 2018, Ms. Henderson served as Chief Financial Officer for American Legion in Delaware, Ohio. Ms. Henderson is based in New Albany, Ohio.

### Senior Vice President, Technology: Sharee Brell

Sharee Brell has served as Senior Vice President, Technology of HTS, TRC and RRF since May 2023. Ms. Brell served as Vice President, Technology of HTS and TRC from October 2017 to May 2023 and of RRF from April 1995 to May 2023. Ms. Brell is based in New Albany, Ohio.

### Senior Vice President of Revenue Strategy: Robert Goad

Robert Goad has served as Senior Vice President of Revenue Strategy of RRF, HTS, and TRC since September 2023. From September 2022 to August 2023, he served as Head of Revenue for Mint House Inc. in New York, New York. From November 2018 to September 2022, he served as Senior Vice President Revenue Management for Nationwide Hotel Management LLC in Wichita, Kansas. ~~From July 2011 to June 2018, he served as Senior Director, Revenue Management for LQ Management LLC in Irving, Texas.~~ Mr. Goad is based in Dallas, Texas.

### Vice President, ~~Finance: John Park~~ Accounting: Brian E. Hankins

~~John Park~~ Brian E. Hankins has served RRF, HTS and TRC as Vice President ~~of Finance, Accounting and Director, Accounting~~ since January 2021. ~~From November 2018~~ 2025. Previously, from 2008 to January 2021 2025, Mr. ~~Park~~ Hankins served ~~RRF, HTS and TRC~~ as Director of ~~Financial Planning & Analysis. He served as a Director of Global Financial Planning & Analysis~~ Accounting for ~~General Cable Corporation in Highland Heights, Kentucky from April 2017 to November 2018.~~ RRF. Mr. ~~Park~~ Hankins is based in New Albany, Ohio.

### Vice President, Marketing: Lisa Jordan

Lisa Jordan has served as Vice President, Marketing of RRF, HTS and TRC since November 2021. From April 2018 to March 2021, Ms. Jordan served as Vice President of Marketing for Hostelling International USA in Hyattsville, Maryland. Ms. Jordan is based in New Albany, Ohio.

### Vice President, Brand Performance: Nicholas R. Kurek

Nicholas R. Kurek has served as Vice President, Brand Performance of RRF, HTS and TRC since January 2025. From August 2021 to January 2025, Mr. Kurek served as Franchise Operations Director for RRF, HTS, and TRC. From July 2014 to August 2021, Mr. Kurek served as Director, Franchise Sales Support for RRF, HTS, and TRC. Mr. Kurek is based in New Albany, Ohio.

### Vice President, Franchise Development: Richard Schaeffer

Richard Schaeffer has served ~~RRF, HTS and TRC~~ as Vice President, Franchise Development of RRF, HTS and TRC since July 2023. Mr. Schaeffer served ~~RRF, HTS and TRC~~ as Regional Vice President, Franchise Sales and Development of RRF, HTS and TRC from August 2018 to July 2023. ~~From February 2005 to August 2018, he served as Senior Development Director for G6 Hospitality in Carrollton, Texas.~~

### Vice President, ~~Quality, Training~~ Innovation, Learning & Development: Stephen Woodward

Stephen Woodward has served RRF, HTS and TRC as Vice President, Innovation, Learning & Development since February 2025. Mr. Woodward served RRF, HTS and TRC as Vice President, Quality, Training & Development ~~since~~ from August 2021 to February 2025. Mr. Woodward served RRF, HTS and TRC as Director of Training from September 2015 to August 2021.

~~Associate General Counsel: Nicholas Kolitsos~~ Gerrod Bede

~~Nicholas Kolitsos has served RRF, HTS and TRC as Associate General Counsel since May 2022. From June 2017 to May 2022, he was an Attorney with Jones Law Group, LLC in Columbus, Ohio.~~

~~Regional Vice President, Franchise Sales and Development: Alex Shamsuddin~~

~~Alex Shamsuddin has served RRF, HTS and TRC as Regional Vice President since July 2020. From March 2016 to June 2020, he served RRF, HTS and TRC as Director, Franchise Development.~~

~~Director, Strategic Franchise Initiatives: Sandhya Patel~~

~~Sandhya Patel has served as Director, Strategic Franchise Initiatives of RRF, HTS, and TRC since March 2023. From June 2000 to March 2023, she was Managing Partner of Gavri, LLC in Cincinnati, Ohio.~~

~~Director~~ Mr. Bede has served as General Counsel of RRF, HTS and TRC since September 2024. Since January 2024, he has served as owner of BFE Franchise Group, Inc. in Columbus, Ohio. From March 2022 to September 2024, he served as General Counsel of ASTECH Engineered Products, Inc., as General Counsel of Profile Plan LLC, and as Assistant General Counsel of the Ten Oaks Group in Columbus, Ohio. From March 2022 to March 2024, he served as General Counsel of Empowered Systems, LLC in Columbus, Ohio. From September 2022 to March 2024, he served as General Counsel of MailGate, LLC in Columbus, Ohio. From December 2022 to September 2024, he served as General Counsel of HMR Plan, LLC in Columbus, Ohio. From December 2018 to March 2022, he served as Chief Legal Officer of Retail Service Systems, Inc. in Dublin, Ohio.

Director and Vice President: Mohamed Thowfeek

Mohamed Thowfeek has served as a Director of HTS and TRC since October 2017, Director of RRF since March 2009 and Vice President of RRF since February 2011. He served as Interim President of RRF, HTS and TRC from October 2020 to February 2021. Mr. Thowfeek is based in Houston, Texas.

~~Director, Vice President, and Treasurer: Dorraine Lallani~~

~~Dorraine Lallani has served as Director of HTS and TRC since October 2017 and as Director of RRF since March 2010. Ms. Lallani has served as Senior Director-Asset Management of Westmont Hospitality Management LLC (“Westmont”) since May 2023. From May 2009 to April 2023, she served as Director-Asset Management of Westmont. Ms. Lallani is based in Houston, Texas.~~

**ITEM 3**

**LITIGATION**

**TRC Litigation**

TRC has no litigation to be disclosed in this Item.

Pending Action of our Affiliate

HP Holding LLC and HP Holding Hospitality LLC v. Red Roof Inns, Inc. and Red Roof Franchising, LLC, Civil Action No. 23-cv-20907-RMB-MJS (United States District Court for the District of New Jersey). On October 5, 2023, former franchisee HP Holding Hospitality LLC (“Hospitality”) and

its parent company, HP Holding LLC (“Holding”, and collectively with Hospitality, “Plaintiffs”) filed suit against RRF and RRI seeking damages for alleged breaches of the franchise agreement, tortious interference, and violations of the New Jersey Franchise Practices Act (the “NJFPA”). After RRF and RRI moved to dismiss the complaint, Plaintiffs filed an amended complaint on December 12, 2023, which RRF and RRI also moved to dismiss. On May 28, 2024, the court dismissed Hospitality’s claims for breach of contract and tortious interference with prejudice and dismissed Holding’s claim for tortious interference and Plaintiffs’ claim for violation of the NJFPA without prejudice. Thereafter, Plaintiffs moved to file a second amended complaint on July 11, 2024, which RRF and RRI opposed. On February 26, 2025, the court granted Plaintiffs’ motion to amend the complaint. The Plaintiffs filed their amended complaint on March 5, 2025, asserting the RRI tortiously interfered with Holding’s contractual relations by denying access to the reservation system, hiring the hotel manager, and influencing us to terminate the franchise agreement with Hospitality and that RRF and RRI violated Plaintiffs’ rights under the NJFPA by terminating the franchise agreement without cause. RRF and RRI filed an answer and affirmative defenses on March 24, 2025, denying the Plaintiffs’ claims and requests for relief. RRF and RRI intend to vigorously defend against these claims.

### **Concluded Actions Action of our Affiliates**

*State of Maryland v. Red Roof Franchising, LLC*, No. 2014-0330 (Securities Commissioner of Maryland, September 24, 2014) As of September 24, 2014 the Securities Division of the Office of the Attorney General of Maryland (the “Securities Division”) initiated an inquiry into RRF’s franchise related activities under the authority granted under the Maryland Franchise Registration and Disclosure Law, MD. Code ANN. BUS.REG sec. 14-201 et seq. (2010 Repl. Vol. and Supp. 2013) (the “Maryland Franchise Law”). Based on information presented to the Securities Division the Maryland Securities Commissioner (the “Commissioner”) concluded that grounds exist to allege that RRF violated the registration and disclosure provisions of the Maryland Franchise Law, in relation to the offer and sale of a Red Roof Inn franchise in Maryland. Before the holding of a hearing in this matter, without trial or final adjudication of any issue of fact or law, and without RRF admitting or denying any violation of law, the Commissioner and RRF reached an agreement to enter into a Consent Order (the “Consent Order”) providing for the following:

That after April 9, 2014, on June 6, 2014, during a period of time that RRF’s Maryland franchise renewal had not been approved by the Securities Division, while RRF’s franchise renewal application was under consideration by the Securities Division and RRF was not registered to offer and sell franchises in Maryland RRF entered into a franchise agreement with JSK Aberdeen, LLC (“JSK”) related to the transfer of ownership to JSK of an existing Red Roof Inn located in Aberdeen, Maryland. RRF provided JSK with its standard 2014 Franchise Disclosure Document which did not include all of the Maryland specific disclosures required by the Securities Division. RRF represented to the Securities Division that said offer and sale in violation of the registration and disclosure requirement of the Maryland Franchise Law was inadvertent. Based on that the Commissioner concluded that RRF violated Sections 14-214, 12-216, 14-223 and 14-228 of the Maryland Franchise Law.

As a result, the Commissioner ordered and RRF represented and consented that (A) RRF immediately cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Law, (B) RRF diligently pursue the completion of the pending application to register the Red Roof Inn franchise offering in Maryland and, (C) upon notification by the Securities Division that RRF’s franchise offering has been effectively registered for use in Maryland, RRF shall send to JSK the following (i) a copy of an effectively registered Maryland FDD, (ii) a copy of the Consent Order and (iii) a letter notifying JSK that it has the right to rescind its Red Roof Inn franchise agreement. On October 24, 2014, RRF sent JSK Aberdeen, LLC a letter providing them the opportunity to rescind the Franchise Agreement within 14 days from their receipt of the letter. JSK Aberdeen, LLC did not rescind the Agreement.

The Consent Order is hereby disclosed under Sec. 14-216((c)(9)(i)(4) of the Maryland Franchise Law and Item 3 of the NASAA Franchise Registration and Disclosure Guidelines and Amended FTC Franchise Rule.

~~*Parkersburg Management Company, LLC v Red Roof Inns, Inc.*, Civil Action No. 14-C-1985; Circuit Court of Wood County, West Virginia. In 2014, Parkersburg Management Company LLC (“Plaintiff”) filed suit in West Virginia state court against RRI seeking a preliminary injunction, permanent injunction, specific performance and damages for the alleged violation of a protective covenant. The Plaintiff also filed a Motion for Preliminary Injunction which was set for hearing on March 31, 2014. After the initial hearing the Court made no ruling on the injunction and permitted the Plaintiff to file an amended complaint. An amended complaint naming RRF and motion for preliminary injunction was filed on May 12, 2014. A hearing was conducted on May 27, 2014. After a full briefing by the parties, the Court entered an Order July 17, 2014, denying the preliminary injunction. The Plaintiff subsequently appealed the denial of the preliminary injunction to the West Virginia Court of Appeals. Upon joint motion of the parties the appeal was stayed pending further notice of the Court due to a tentative settlement of the parties. Subsequently, the settlement was completed and both actions were dismissed with prejudice.~~

**Lawsuits Filed by our Affiliate Against ~~A Franchisee~~ Franchisees In 20232024:**

~~Failure to de-identify following termination~~Collection action: Red Roof Franchising, LLC v JPR Hospitality Inc., Case No. 2:2023ev00862 (SD OH 2023). Janam Madison Lodging LLC et al, Case No. 2024-SV-2277 (State Court of Rockdale County, Georgia).

~~Failure to de-identify following termination~~Collection action: Red Roof Franchising, LLC v Galaxy, Channelview Welcome Hospitality LLC et al, Case No. 2:2023ev02799, (SD OH 2023).202441051 (Harris County District Court, Texas).

~~Failure to de-identify following termination: Red Roof Franchising, LLC v Palmetto Realty Group, Inc., et al., Case No. 2:2023ev02806 (SD OH 2023).~~

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

**ITEM 4**

**BANKRUPTCY**

In re ASTECH Engineered Products, Inc. (n/k/a AEP Legacy, Inc.), Case No. 22-10635-BLS (Bankr. Del.). Our General Counsel, Gerrod Bede, previously served as General Counsel of ASTECH Engineered Products, Inc. (“ASTECH”) On July 15, 2022, ASTECH filed a petition to reorganize under Chapter 11 of the U.S. Bankruptcy Code. A plan of liquidation was confirmed on May 20, 2024.

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

**ITEM 5**

**INITIAL FEES**

**Application Fee**

When you submit an Application, you must pay us an application fee in the amount of \$5,000. If we reject your Application, we will refund your application fee if we or our representatives have not visited your site or the area surrounding your site in connection with your Application, or provided you with written

architectural drawings or technical information. We do not offer refunds of the application fee under any other circumstances.

### **Initial Franchise Fee**

You must pay a lump sum initial franchise fee when you sign the Franchise Agreement in the amount of \$30,000 for hotels with up to 100 guest rooms. You must pay an additional \$300 for each additional guest room. Once the initial franchise fee is paid, there are no refunds under any circumstances. This amount is in addition to the application fee.

### **Cyber Liability Insurance**

We procure cyber liability insurance on your behalf and you must reimburse us for our costs of obtaining the coverage for you. You must pay for the first year of coverage prior to opening your Hotel, which we estimate to be between approximately \$550 to \$5,200 depending on the projected Gross Room Revenues of the Hotel. These costs are not refundable under any circumstances.

### **Opening Package**

Within 60 days of opening the Hotel, you must use one of our approved photographers to conduct a full professional photo shoot for the Hotel in accordance with our Standards to generate photographs that can be used across all distribution channels. We will provide you with the photographs for your use (the “Opening Package”). You must pay us \$2,500 to \$5,000 upon receipt of our invoice for the Opening Package, which includes a professional photo shoot and training materials. We will pay for the photography services and for the production of the training materials. We will retain a portion of the cost for our services in coordinating the photo shoot and preparing the training materials, which will range from \$101 to \$1,200. The cost of the Opening Package is not refundable under any circumstances.

### **Training Fees**

Before your Inn opens, you or your General Manager must complete the first two phases of RED Advantage Training and pay a fee for such training in the amount of \$1,000 to \$1,250 and your owners must attend New Owner Orientation and pay a fee for such training in the amount of \$1,000 to \$1,600 per person. Additionally, a trainer will visit your Inn the week before or the week of your opening and provide additional training for a fee of \$4,500 to \$5,000, which will be due upon completion of the training. In the event the on-site training is rescheduled, any rebooking of travel expenses associated with the rescheduling will be charged back to you. None of the training fees are refundable under any circumstances.

### **Reservation Platform / PMS**

You must use the Reservation Platform / PMS and use computer systems that support the Reservation Platform / PMS and otherwise meet our standards and specifications. You must sign the Reservation Platform Property Management Software Sublicense Agreement (Exhibit H) and pay us a software license fee for your use of the Reservation Platform / PMS in the amount of \$15,000. The software license fee is not refundable under any circumstances.

### **Re-Visit Fee**

If you notify us that your Hotel is ready for opening and our personnel visit your Hotel and we determine that your Hotel has not satisfied all requirements to open as a The Red Collection hotel, you must

pay a re-visit fee of \$2,250 to \$5,000 before we will authorize you to open your Hotel. The re-visit fee is not refundable under any circumstances.

**Franchise Referral Credit**

If a The Red Collection franchisee refers a prospective franchisee to us and that prospective franchisee ultimately purchases a franchise for a The Red Collection hotel, we currently (1) pay the referring franchisee \$5,000 or (2) provide the referring franchisee with a quarter percentage point reduction in Royalty Fees for a period of up to one year (for a maximum value of \$3,000). The referring franchisee must be current on all fees to us to be eligible for the Franchise Referral Credit. We may discontinue this practice or change the amount of the Franchise Referral Credit at any time without notice.

**Development Incentive Program for Women and Veterans**

In order to encourage the development and operation of franchised The Red Collection hotels by women and veterans of the United States military, we have implemented a Development Incentive Program for qualified Women-Owned and Veteran-Owned Businesses, as defined below. To be eligible to participate in the Development Incentive Program, you must be a Women-Owned or Veteran-Owned Business, and you must be in full compliance with the terms of the Franchise Agreement and all other agreements with us and/or our affiliates. Under the Development Incentive Program, we will reduce the initial franchise fee by \$10,000. You will sign a Development Incentive Program Addendum to the Franchise Agreement, a copy of which is attached as Exhibit K. If, prior to the first anniversary of the opening date of the Hotel, you wish to transfer the Hotel, you will be required to pay us the portion of the initial franchise fee that was reduced.

A “Woman-Owned Business” means a business entity that is at least 51% owned, operated and controlled on a daily basis by one or more females. A “Veteran-Owned Business” means a business entity that is at least 51% owned, operated and controlled on a daily basis by one or more Veterans. A “Veteran” means a person who has provided a DD Form 214 or other adequate documentation demonstrating honorable discharge from the United States military.

**Note**

Unless otherwise stated above, all fees are (i) imposed by and/or payable to HTS, (ii) are non-refundable and (iii) are subject to negotiation. In ~~2023~~2024, our application fees ranged from \$0 to \$5,000, our initial franchise fees ranged from \$15,000 to \$30,000, our RED Advantage Training fees ranged from \$1,000 to \$1,500, our opening training fees ranged from \$4,500 to \$5,000, and our New Owner Orientation fees ranged from \$1,000 to \$1,500.

**ITEM 6**

**OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty	4.5% of Gross Room Revenues	Payable 20 days after the invoice date	<del>“Gross Room Revenues” means the gross receipts whether collected or uncollected, attributable to or payable for the rental of guest rooms at the Hotel, including, without limitation, the gross revenues used in calculation of business interruption,</del>

Type of Fee	Amount	Due Date	Remarks
			<del>rent loss, or similar insurance with respect to the Hotel (provided that insurance proceeds shall be included in Gross Room Revenues only to the extent actually received or due).</del> See <a href="#">Note 2 for a definition of Gross Revenues</a>
Marketing and Reservation Fee	3% of Gross Room Revenues	Payable 20 days after the invoice date	The monthly Marketing and Reservation Fee may be used for the development and operation of the Reservation System and the Marketing Program. The fee is subject to increase (maximum of 5%). (See Item 11.)
RediRewards® Preferred Member Program	4% of Gross Room Revenues received from RediRewards Preferred Members.	Payable 20 days after the invoice date	This Program provides members with express check-in, daily delivery of bottled water to the room, guaranteed late check-in, a discount on premium room rates at select locations and the opportunity for guests to earn points redeemable for free room nights and points redeemable for discounts at Red Roof Inns, HomeTowne Studios hotels and members of The Red Collection as well as merchandise and gift cards on the RediRewards site. The fee is currently 4% but is subject to increase (maximum of 5%) on written notice from us.
Distribution Listing Fees, Commissions and Rebates	0% to 25% of any applicable net booking	Payable 20 days after the invoice date	You must reimburse us or our supplier for the amount of travel agency commissions, online travel agency commissions affiliate commissions, processing fees, corporate rebates, distribution listing fees, and request for proposal program fees paid on your behalf to third parties for reservations at your Hotel; or similar fees to be used for the development support and maintenance of direct connectivity to third party distribution channels. If we institute a centralized billing program where participation is required by franchisees under our Standards, you must pay us the fees assessed for participation in the program.
Booking Fees	\$6.60 to \$7.00 per GDS booking, \$3.30 to \$3.60 per third party internet booking, \$1.99 to \$2.25	Payable 20 days after the invoice date	All The Red Collection hotels are represented in all major GDS systems and select third party internet systems. The current fees are listed. These fees

Type of Fee	Amount	Due Date	Remarks
	per direct connect booking		may change during the term of the franchise. Additional third party internet systems are offered for optional participation.
Mobile App Booking Fee	\$1.75 per net booking	Payable 20 days after the invoice date	The Mobile App Booking Fee will be used for the development, operation and ongoing cost of mobile reservations
Professional Photography Services	\$750 to \$2,199	Payable 20 days after the invoice date	You must have professional photographs of your Hotel taken regularly to accurately depict hotel rooms, common spaces, and amenities. The cost varies based on the number of photographs needed. You must use one of our approved photography studios. We will pass this payment through to the photography studios.
Failure to Accommodate Group Booking Fee	\$250	Payable upon invoice	You must pay this fee if you confirmed a group booking of ten or more rooms (with confirmation number(s) or a signed group booking agreement) that your Hotel does not fulfill due to overbooking, unsatisfactory lodging conditions, or health and safety concerns. This fee is in addition to all costs that you will incur to relocate the guests to another property under our walk policy.
Consortia Participation Fee	Up to 20% of Gross Room Revenues generated on qualifying reservations	When we or an agency invoice you	The fee is for our consortia agency program that incurs fees based on consumption versus advance subscription fee.
RediCall	<del>\$2.00</del> <u>1.55</u> to <del>\$4.00</del> <u>1.75</u> per call or <del>\$5.00</del> <u>to</u> <del>\$8.00</del> per confirmed reservation, with a minimum of \$75 per month	Payable 20 days after the invoice date	The optional RediCall program allows your Hotel to have a unique call center number posted on search engines, local business listings, and other internet websites or applications. The program includes a centralized auto attendant customized for each Hotel. Reservation calls will be handled by trained reservation agents and Front Desk calls will be forwarded to your Hotel. If your Hotel transfers reservation calls to the call center outside of the RediCall program, you may be billed up to \$5.00 per call. You will sign the RediCall Agreement attached as Exhibit R if you elect to use the RediCall program.

Type of Fee	Amount	Due Date	Remarks
Credit Card Payment Surcharge	2.8%	Per transaction	If you choose to make payments to us via credit card, we will assess this surcharge.
Reservation Platform / PMS Fee; Help Desk; Hardware and Software Support and Maintenance	<del>\$465 plus \$25 to \$50 for additional PMS Modules</del> <u>Currently \$490 per month plus \$3.85 per room, per month; fee may be increased annually by up to 5%</u>	Payable 20 days after the invoice date	This fee is payable to <del>us</del> RRI, but we provide these services through a combination of in-house IT resources and outside suppliers. See Items 8 and 11.
Desktop Protection and Maintenance Fee	\$200 per machine	Annually	This fee covers service related to the installation of anti-virus, patching and web filtering software as well as the monitoring and proactive maintenance of the computers at the front desk and back office.
<u>Revenue Management Software System</u>	<u>Setup Fee: up to \$250;</u> <u>Monthly Fee: 0.3% of Gross Room Revenues received; subject to a minimum of \$100 per month and a maximum of \$400 per month</u>	<u>Payable 20 days after the invoice date</u>	<u>You must use the revenue management software system, which integrates with the Reservation Platform / PMS that we license to you and provides revenue management, analytics, data retention, and price optimization features. You will pay RRI Reservations for this system, which we will then pass through to the licensor of the system. Due to the nature of the billing for this system, we may retain some of the fees paid for this system in any given year.</u>
PCI-DSS Compliance	Our costs and expenses	Upon demand	If you are unable to demonstrate full PCI-DSS (as defined in Item 11) compliance: (i) we may require you to engage the services of an approved vendor to assist you to demonstrate full compliance on an ongoing basis; (ii) we may cut off your ability to process reservations and check-ins until compliance is proven; and (iii) you must reimburse us for any costs and expenses incurred by us in verifying your compliance and/or securing a vendor to assist you.
Meetings and Conferences	Currently, \$800 to \$3,500, plus expenses	Upon demand	You, your Manager or other approved executive, owner or employee may be required to attend our Annual Conference or Annual Brand Meeting and pay an attendance fee. We may conduct The Red Collection conference in conjunction with or as

Type of Fee	Amount	Due Date	Remarks
			<p>part of the annual conferences for The Red Roof Brands and HomeTowne Studios hotel systems. In addition to paying a fee for such Conference/Brand Meeting, you are responsible for your expenses and those of any of your employees that attend. We may charge a fee for attendance at regional conferences and brand meetings (which may be charged regardless of attendance) or a fee for your failure to appear at such conferences or brand meetings and you are responsible for all travel costs, meals, lodging and wages for all attendees of these conferences/meetings. The current fee for failure to attend a regional or an annual conference is between \$500 and \$2,500.</p>
RED Advantage Non-Completion Fee	\$500 per quarter for non-completion	Upon demand	We may charge a RED Advantage non-completion fee for not completing all RED Advantage courses within 90 days of the scheduled opening date of the Hotel.
On-Site Quality Training Fee	\$2,250 to <del>\$4,500</del> <u>\$5,000</u>	Upon demand	If you fail to meet our quality and guest satisfaction standards, you or your certified Manager along with the property staff will be required to attend and participate in on-site quality training. The fee for the training will be based on the number of training days required.
On-Site Quality Audit Fee	\$2,500 to \$10,000	Upon demand	If you fail to meet our quality and guest satisfaction standards we may conduct unannounced on-site quality and property improvement plan audits. Continued failure to meet our quality and guest satisfaction standards will result in an escalating fee for each additional time we complete an audit. The first audit is \$2,500 and doubles annually up to \$10,000 if your quality performance score is not brought up to the brand average or sub-brand quality performance score goal, whichever is lower.

Type of Fee	Amount	Due Date	Remarks
On-Site Quality Training Rescheduling Fee	\$500 per occurrence plus the cost of consumed, cancelled, or lost travel expenses	Upon demand	We may charge this fee if you do not comply with the scheduling of the On-Site Quality Training once those dates have been set by our trainers.
Continuing Education	\$900 to \$1,200	Upon demand	We will require you or your employees to attend additional or refresher training programs hosted on the Red Roof Learning Management System as well as live Webinars. An example of such training might include, but is not limited to human trafficking prevention training, continuing education courses or training you receive if your quality or service metrics fall to a level that is negatively impacting the business. Such costs are subject to change. When training is conducted at any other location, you are responsible for your own expenses and those of your employees.
General Manager Training (Other than Pre-Opening or Transfer Training)	\$1,000 to \$1,250	Upon demand	If you add or replace a General Manager, the new General Manager must complete RED Advantage virtual training within 90 days of hire.
Third Party Training	Varies	Varies	We may require you to participate in and pay a fee for training conducted by a third party.
New Owner Orientation	\$1,000 to \$1,600 per person	Upon demand	Payable prior to opening for your owners and payable when there is a majority ownership change and the new majority owner attends the New Owner Orientation. Attendance is mandatory within six months of a property opening or transfer.
Guest Relations Intervention Fee	Currently, \$150 per escalation	Upon demand	If we have to intervene to resolve a guest complaint, we will assess this fee, which we may modify at our discretion. You also must reimburse us for any payment or other consideration we may furnish the guest to resolve the complaint.
Guest Relations Watchlist	Currently, \$195 per intervention	Upon demand	For properties ranking in the bottom 20% of all The Red Collection hotels for negative responses, we will review all guest relations cases to ensure reasonable resolution. You must also reimburse us for any payment or other

Type of Fee	Amount	Due Date	Remarks
			consideration we may furnish the guest to reasonably resolve the complaint.
Transfer Application Fee	\$2,500	Upon application to transfer your franchise	We have the right to approve all transfers. We will evaluate your proposed transferee when we receive this fee.
Transfer Fee	\$15,000	Upon the transfer of your Franchise	Payable when the transaction closes; we will not recognize the transfer until this fee is paid.
Reinstatement Fee	Currently, \$5,000	Upon reinstatement of your Franchise	Payable in addition to all applicable amounts owed to restore your Franchise after termination or after removing the Hotel from the Reservation System.
Renewal Fee	50% of the then-current initial franchise fee	Upon renewal	Payable upon approval of your renewal application.
Audit Fee	If audit finds underpayment of 2% or more, all costs and expenses we incur in connection with the audit <u>in addition to paying the amount owed and interest</u> ; if you fail to produce required documents at audit, all costs and expenses we incur in connection with a re-audit	Upon demand	Amounts payable include <u>our third party auditor fees, and the travel expenses and room and board for our representatives and/or our third party auditor's representatives</u> conducting the audit <del>or</del> <u>as well as the expenses of conducting a re-audit.</u>
Returned Payment Fee	\$50 or the amount allowed by applicable law, whichever is less	Upon demand	Payable if a payment (check, ACH or credit card) for any fees or any other payment due us fails to clear.
Late Fee; Interest on Overdue Amounts	\$50 plus the lesser of 1.5% per month or the maximum rate permitted by law	Upon demand	Interest accrues on all overdue amounts from the date payment was due until such amount is paid.
Cyber Insurance	Premium price of the insurance (approximately \$550 to \$5,200 depending on the Gross Room Revenues of the Hotel)	Payable annually 20 days after the invoice date	We procure cyber liability insurance on your behalf and you must reimburse us for our costs of obtaining the coverage for you.
Insurance Procurement	The premium price of any insurance we procure for you, plus a \$2,500 administrative fee	Upon demand	Payable only if you fail to procure insurance and we do it for you. We are not obligated to procure insurance for you.
Public Securities Offering	\$10,000 or any greater amount needed to reimburse us for our	Upon demand	We limit our review to the subject of our relationship. This fee is in addition

Type of Fee	Amount	Due Date	Remarks
	reasonable costs and expenses of reviewing the proposed offering, including legal and accounting fees.		to the fees otherwise payable upon transfer.
Cooperative Contribution	A maximum of 1% of Gross Room Revenues	If charged, same as Royalty Fee	We do not currently have any approved advertising cooperatives. If such a cooperative is created and your Hotel is within the territory of a cooperative, you will contribute to the cooperative.
Supplier Testing Fee	\$1,000 to \$2,500	Upon demand	Payable only when you request that we approve an unapproved supplier. The amount of the fee will depend on the time we must spend investigating the supplier and if we need to visit the supplier's facilities.
Indemnification	Varies based on the circumstances	Upon demand	You must reimburse us for dealing with claims we defend and expenses we incur arising from your operation of the Hotel.
Liquidated Damages	Pre-opening: \$100,000; Post-opening: the greater of (a) \$100,000 or (b) the average of the monthly Royalty Fee, Marketing and Reservations Fee and RediRewards® Preferred Members Program Fee required by the Franchise Agreement for the 36 months preceding termination (or if you have been operating the Hotel as a franchisee of TRC for less than 36 months, the average of the months you operated the Hotel as a franchisee of TRC before termination), multiplied by the lesser of (i) 36, or (ii) the number of months remaining in the term of the Franchise Agreement	Within five days of termination or our request	You must pay us liquidated damages if the Franchise Agreement is terminated prior to the expiration date, unless otherwise specified in the Franchise Agreement.

Type of Fee	Amount	Due Date	Remarks
De-Identification Fee	<del>\$5,000</del> <u>\$2,500</u> per day that you continue to use our intellectual property following the expiration or termination of the Franchise Agreement <u>plus our attorney's fees if we file an action to enforce this requirement</u>	Upon demand	If you continue to use our intellectual property after the expiration or termination of the Franchise Agreement, you must pay this fee to compensate us for damage to our ownership interest in our intellectual property. <u>You will have 15 days from the date of expiration or termination to remove all non-high-rise signs and 30 days from the date of expiration or termination to remove all high-rise signs.</u>
RediPromise® Penalty Fee	\$75 to \$100	Upon demand	You must participate in the RediPromise Redroof.com Best Rate Guarantee Program, which ensures guests the best rate is always available at redroof.com. You must make available all rates and availability to the general public through our proprietary booking channels, such as redroof.com and Red Roof Central Reservations. You may set your own rates for distribution to online channels, as long as those rates are in conformity with the Brand Standard on Rates. If your Hotel violates the Brand Standard on Rates, you will be notified and the issue must be immediately corrected. We will assess the RediPromise Penalty fee for continued violations of the Brand Standard on Rates or failure to correct a violation after several notices. The fee may be assessed in response to a RediPromise claim or rate shops conducted by us or our affiliates.
RediBill®	5% to 6% of all RediBill room revenue that is billed centrally to a client.	Varies	You will be required to participate in the RediBill program, which offers centralized nationwide billing privileges to companies who utilize an approved volume of room nights annually. It provides companies with the option to maintain the privilege by making advanced reservations or to allow their employees to use the account upon walk in providing they provide the VolumePlan Plus® number for their company along with the company name associated with the

Type of Fee	Amount	Due Date	Remarks
			account. Members are billed for all stays weekly on one invoice. You may also participate in similar, optional property level direct billing programs if the account is only using your one property.
American Hotel & Lodging Membership (“AH&LA”)	\$3.00 per room per year	Annually	You must pay this fee for membership to the AH&LA unless you opt out.
Rooms Addition Fee	\$450 per additional guest room	Upon signing amendment to Franchise Agreement	Payable for rooms added to the Hotel. We will require you to sign an amendment to the Franchise Agreement to include the additional rooms.
<del>Accelerated-Pathways Program</del>	<del>\$500</del>	<del>Upon employee-acceptance into the program</del>	<del>We offer a debt-free education program for hourly Hotel employees. The coursework must be toward a GED or Associates Degree and offered through participating education institutions. You will be required to pay a \$500 fee when one of your employees is accepted into the program and we will provide a \$500 credit to you on your next invoice, once the payment is received and confirmed by our education vendor, Pearson Education. Participation in the program is on a first come first serve basis.</del>
Digital Marketing Fee for Search Engine Optimization and Hotel Localized Marketing	Initial Fee of \$1,250, thereafter annual fee of \$750	Payable on the date specified on the invoice	We will create and maintain on an ongoing basis local listings with search engine optimized content focusing on the property experience to drive organic search traffic and direct hotel revenue.
REDvenue Optimizer Program	\$525 to \$1,195  Plus <u>a</u> quarterly bonus of <del>\$50</del> <u>up</u> to <del>\$150</del> <u>300</u> if your Hotel achieves certain targets	Monthly	Your participation in this program is generally optional unless your hotel operates as a dual branded hotel with one of our Affiliate’s hotel brands, in which case, this program is required. Participation requires a separate Revenue Management Agreement (Exhibit N). The REDvenue Optimizer Program provides you with the services of a Revenue Manager. Performance varies by Hotel, location, market and experience of the Operator.

Type of Fee	Amount	Due Date	Remarks
			We do not represent or warrant that your Hotel’s performance will improve, and we are not liable for poor performance.
Digital Performance Marketing Program	Currently, the fee is no less than 3% of Gross Room Revenues for an applicable stay, but we have the right to increase the fee to no more than 15% of applicable Gross Room Revenues.	Payable 20 days after the invoice date	A fee on Gross Room Revenues from the Hotel stays that result from digital marketing tactics through paid search, metasearch, key words, banner display ads, Web lightboxes, and textual links.
RediCollect	<del>15</del> Up to 18% of all VCC collected revenue	Monthly	<a href="#">The optional RediCollect program</a> provides you with the ability to collect all potential Virtual Credit Card (“VCC”) revenue that is owed to you from distribution partners. We will collect all unpaid reservation revenue from certain distribution partners.
RediResponse	\$ <del>100</del> <a href="#">125</a> to \$250	Payable 20 days after the invoice date	RediResponse is a reputation management program that ensures all guests receive a timely and personal response when they share their experience at a Red Collection hotel. You are required to participate in the RediResponse program and may not use a third-party vendor for these same services.

**NOTES:**

1. Unless otherwise stated in the “Remarks” column, all fees are (i) imposed by and/or payable to TRC, (ii) are non-refundable and (iii) are subject to negotiation when business circumstances warrant, in our sole discretion.

2. [“Gross Room Revenues” means the gross receipts whether collected or uncollected, attributable to or payable for the rental of guest rooms at the Hotel, including, without limitation, the gross revenues used in calculation of business interruption, rent loss, or similar insurance with respect to the Hotel \(provided that insurance proceeds shall be included in Gross Room Revenues only to the extent actually received or due\). Gross Room Revenues shall not include gratuities to employees or service charges levied in lieu of such gratuities, which, in either case, are payable to employees, or federal, state and local taxes or fees collected by you for transmittal to the appropriate taxing authorities. Gross Room Revenues shall not be reduced by credit card commissions, bad debts \(or reserves for bad debts\) or refunds to lodgers.](#)

**ITEM 7**

**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>ESTIMATED EXPENDITURES FOR A 65 ROOM CONVERSION PROPERTY</b>					
<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT (LOW)</b>	<b>AMOUNT (HIGH)</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
Application Fee/Initial Franchise Fee (Note 1)	\$35,000	\$35,000	Lump Sum	\$5,000 Application Fee due upon submission of Application and \$30,000 due upon execution of the Franchise Agreement	TRC
Opening Package (Note 2)	\$2,500	\$5,000	Lump Sum	Prior to Opening	TRC
Landscaping (Note 3)	\$0	<del>\$45,000</del> <u>46,350</u>	As arranged	Prior to Opening	Contractors & Vendors
Facility Construction and/or Renovation (Note 4)	<del>\$325,500</del>	<del>\$520,000</del> <u>527,800</u>	As arranged	Prior to Opening	Contractors, Subcontractors, Construction Managers & Vendors
Furniture, Fixtures, Soft Goods and Equipment (Note 5)	<del>\$223,750</del>	<del>\$527,000</del> <u>531,500</u>	As Ordered	Prior to Opening	Vendors
Guest Wi-Fi System (Note 6)	\$0	\$26,000	Lump Sum	Prior to Opening	Vendors
Signage (Note 7)	\$12,000	\$67,000	Lump Sum	Prior to Opening	Installers & Vendors
Opening Inventory and Supplies (Note 8)	\$8,125	\$49,000	Lump Sum	As Arranged	Vendors
Voice Telephone System (Note 9)	\$0	\$24,000	Lump Sum	Prior to Opening	Vendors
Reservation Platform / PMS Software License Fee and Computer Systems including Front Desk and Back-Office (Note 10)	\$16,500	\$18,000	Lump Sum	Prior to Opening	TRC, Installers & Vendors
Insurance (Note 11)	\$0	\$73,500	Lump Sum	Prior to Opening	Insurers & TRC

ESTIMATED EXPENDITURES FOR A 65 ROOM CONVERSION PROPERTY					
TYPE OF EXPENDITURE	AMOUNT (LOW)	AMOUNT (HIGH)	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Training Expenses (Note 12)	\$5,500	\$9,100	Lump Sum	Upon commencement of training	TRC
Additional Funds (3 Months) (Note 13)	\$112,000	\$154,000	As Arranged	As Incurred	Vendors & Employees
<b>TOTAL</b> (Note 14)	<del>\$246,220</del> ,875	<del>\$1,552,600</del> 569,250			

**Notes:**

These estimates are for the conversion of an existing 65 room hotel to a The Red Collection hotel. For a Conversion, you will incur costs to bring the property into conformity with the System. Such costs will vary widely in each individual situation based on the size and the physical condition of the property, fixtures, equipment, furnishings, furniture, signage, and similar items already present on the property.

**1. Application Fee/Initial Franchise Fee** See Item 5 for the conditions when the application fee is refundable. The initial franchise fee is not refundable. We and our Affiliates do not finance any portion of the Initial Franchise Fee.

**2. Opening Package.** The Opening Package includes a full professional photo shoot for the Hotel and training materials. The cost of the Opening Package is not refundable. We and our affiliates do not finance any portion of this cost. The total cost will vary based on the photography and materials we deem necessary to highlight the property.

**3. Landscaping.** You are required to landscape your property in accordance with our Standards and as determined by local climate. Such costs will vary depending on the site, local code and the condition of the landscaping prior to conversion.

**4. Facility Construction and/or Renovation.** All franchisees converting to a The Red Collection hotel are required to make updates, upgrades and/or renovations to revise their Hotels in some manner. The cost of such updates, upgrades and/or renovations will vary widely, however, depending on the size and the physical condition of the property. See Note 14 below regarding further explanation of the timing and costs of such updates, upgrades and renovations.

**5. Furniture, Fixtures, Soft Goods and Equipment.** This includes equipment such as televisions, furniture, carpet, flooring, soft goods and fixtures for guest rooms, lobbies, common areas and back-of-house areas. The cost of such items will vary widely depending on size of the property and the quality and condition of such items already equipped at the Hotel. See Note 14 below regarding further explanation of the timing and costs of such updates/upgrades/renovations.

**6. Guest Wi-Fi System.** You are required to provide Wi-Fi services meeting our standards and specifications to guests. This is the estimated cost of installing such a system. Such cost will vary depending on whether you already have Wi-Fi services in place that meet our standards and specifications.

**7. Signage.** We recommend the largest exterior pole-mounted or pylon sign that local authorities will allow. This estimate includes building signage and smaller directional signage.

**8. Opening Inventory and Supplies.** You must purchase linens and towels, forms, uniforms, collateral materials and cleaning supplies. Costs will vary depending on how many towels and cleaning supplies you already have in stock in operation of your Hotel. Uniforms and collateral materials are Red Collection specific and must be purchased prior to opening.

**9. Voice Telephone System.** You are required to have a voice telephone system to provide telephone service to the front desk, back office, and guest rooms. Such cost will vary depending on whether you already have such a system prior to conversion. If such system must be purchased, the cost of such systems varies widely by geographic area and vendor.

**10. Reservation Platform / PMS Software License Fee and Computer Systems including Front Desk and Back-Office.** This estimate includes: (i) a software license fee for use of the Reservation Platform / PMS required to operate your Hotel (payable to us); (ii) fees for the computer systems required to support the Reservation Platform / PMS and access the Reservation System (payable to us if purchased from us); and (iii) fees for the installation of such items and related costs (payable to third parties). This estimate does not include taxes and shipping costs for the computer system, which will vary by location. At a minimum, you will be required to pay \$15,000, which covers your Reservation Platform / PMS software license fee. Whether you will incur additional costs will depend on whether you have the required computer hardware/software needed to support such PMS and otherwise meeting our specifications. See Items 8 and 11 for more information regarding the computer system and data communication capability requirements.

**11. Insurance.** You must purchase insurance meeting our coverage requirements. In the event you have insurance for your property that already meets our requirements, you will not be required to purchase insurance prior to opening and can simply renew. However, in the event you do not have insurance or must revise your insurance to meet our coverage requirements, the figures represent an estimated payment of one year's insurance premiums in advance, with coverage meeting our insurance requirements. Insurance costs vary widely depending on location, prior business history, size of the Hotel, and prior loss experience. You should obtain a quote from your insurance company for the required coverage. Insurance requirements are summarized in Item 8: We procure cyber-liability insurance on your behalf and you must pay for the first year of coverage prior to opening your Hotel.

**12. Training Expenses.** This amount covers the cost of your required training prior to/during opening and within 90 days of opening, including the current fee of \$1,000 to \$1,250 for the initial virtual training of one Owner/Operator and the current fee of \$1,000 to \$1,600 (per person) for New Owner Orientation hosted in New Albany, Ohio. Such amounts are subject to change. This estimate does not include the costs associated with such training for which you are responsible, including, but not limited to, meals and travel expenses of the individual(s) attending the training programs. You are responsible for the wages of all persons that attend our training programs and who are part of the initial on-site training but such amounts are not included in this estimate. A trainer will visit your Hotel the week before or the week of your opening and provide additional training for a fee of \$4,500 to \$5,000. In addition to the fees disclosed above, if you notify us that your property is ready for opening and our personnel visit your Hotel and we determine that your Hotel has not satisfied all requirements to open, you must pay a re-visit fee of \$2,250 to \$5,000 before we will authorize ~~you to open~~ your Hotel to open. The re-visit fee is not refundable under any circumstances.

**13. Additional Funds (3 Months).** This is an estimate of your additional startup expenses for a three month period. These estimates were prepared by relying on our own experience and, in part, on information from our Affiliates. These expenses include payroll costs.

**14. Estimated Initial Investment.** This amount represents the range of initial investment for a 65 room conversion property. Although all costs listed in this table are referred to as your "Estimated Initial Investment", you may not actually incur some of the costs covered by the titles "Facility Construction

and/or Renovation” and “Furniture, Fixtures, Soft Goods and Equipment”, until a period of time after your hotel has converted to a The Red Collection hotel. More specifically, as part of your Franchise Agreement, you will receive a property improvement plan which sets forth your Hotel’s requirements for construction and renovation and required furniture, fixtures, soft goods and equipment, as well as a schedule for completion of such items. However, depending on the condition of your hotel prior to conversion, we may permit you to complete such renovations in phases over a period of time. Therefore, you may incur such costs over a period of time rather than prior to converting your hotel to a The Red Collection hotel. Except as otherwise described above, all payments are non-refundable. We do not offer financing for any part of your initial investment. We do not estimate the cost of real estate due to wide variations among geographic areas and at different sites. The typical The Red Collection hotel requires approximately two acres of land.

## **ITEM 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

This item describes your obligations to buy or lease from us, from suppliers we permit you to use, or in accordance with our standards and specifications.

You are required to operate your Hotel in accordance with our procedures, policies, specifications and standards (including, but not limited to, product, service and operational standards). You must build, furnish, equip and supply the Hotel with products as designated by us, including but not limited to fixtures, furnishings, equipment, signs, materials and supplies. These specifications include, but are not limited to, standards for delivery, performance, design and appearance. The sources of such obligations are the Franchise Agreement and our Manuals, which may be amended by us in our sole discretion at any time.

We estimate that our standards and specifications will apply to 80-90% of your purchases and leases in the development and operation of your Hotel.

#### **Items That Must Be Purchased From TRC And Our Affiliates**

You are required to use the Reservation System, which is currently provided by our affiliate, RRI Reservations. In order for your Hotel to interface with the Reservation System and operate the Hotel generally, you must use the Reservation Platform / PMS with computer hardware and software that supports the Reservation Platform / PMS and otherwise meets our standards and specifications. We sublicense the Reservation Platform / PMS software to our franchisees. [We also sublicense the revenue management software system to you.](#) We provide the call center services under the RediCall Agreement, which is an optional service. In ~~2023~~2024, RRI Reservations earned \$~~170,927,286,332~~ from our franchisees. In ~~2023~~2024, we received revenue for the Reservation Platform / PMS from our franchisees in the amount of \$~~20,265,34,085~~ which was ~~7.68~~6.92% of our annual revenues of \$~~170,427,492,846~~ and we received revenue from the RediCall call center services in the amount of \$~~1,896,938~~, which was ~~1.11~~0.19% of our annual revenues of \$~~170,427,492,846~~.

#### **Items That Must Be Purchased From Designated Suppliers**

We require you to purchase certain items or services from specific suppliers (“Designated Suppliers”) which we identify from time to time. In instances in which there is a Designated Supplier, we do not permit you to purchase such items or services from alternative sources. You must purchase certain brand specific and The Red Collection logoed items, marketing materials, exterior and interior signage, the computer system, Reservation Platform / PMS, technology equipment, furnishings, fixtures and equipment for your Hotel from our Designated Suppliers. We will provide you with a list of our Designated Suppliers. The estimated proportion of any purchases and leases required to be made by franchisees from us or from

Designated Suppliers is (a) 21% of total purchases and leases in establishing the franchised business and (b) 14% of total purchases and leases in operating the franchised business.

**Supplier Approval Process**

If you want to purchase items from suppliers other than Designated Suppliers, you must submit a request to us in writing, together with any evidence of conformity to our specifications that we may reasonably require. When approving suppliers, we consider the durability, quality and aesthetics of the supplier’s products, the supplier’s ability to meet our Standards and specifications, and its maintenance and service capability. We may require that our representatives be permitted to inspect the supplier’s facilities, and that samples from the supplier be delivered for evaluation and testing to us or to an independent testing facility we designate. You must pay for the reasonable cost of the evaluation and testing, whether or not we approve the supplier. We will notify you of our approval or disapproval of the proposed supplier after the completion of the evaluation and testing. The Franchise Agreement does not specify any time within which we must notify you of our approval or disapproval of a proposed supplier. Our current practice is to notify you within 30 days after completion of the evaluation and testing. We may revoke our approval of particular items or suppliers if we determine that the items or suppliers no longer meet our Standards. When you receive written notice that we have revoked our approval of a supplier, you must stop purchasing from that supplier.

**Items That Must Meet Our Standards And Specifications**

You are required to provide high speed internet access via a wireless network in order to provide guests with internet access. Your Wi-Fi service must meet our standards and specifications and must be provided to guests free of charge in each guest room and otherwise as designated by us. We currently do not designate a particular supplier for Wi-Fi service at your Hotel but reserve the right to do so in the future. You are required to provide flat screen televisions that meet our standards and specifications in all guest rooms and provide at least two feeds of HBO programming services in every guest room. You must otherwise purchase items meeting our Standards and Specifications as outlined in our Standards Manual and our Master Design Specifications Manual. You must provide free of charge, one 12 - 20 ounce bottle of water per day for any RediRewards Preferred Member’s stay at your Hotel.

**Insurance**

Before the commencement of any activities under the Franchise Agreement, you must procure, and maintain in full force and effect at all times during the term of the Franchise Agreement, insurance policies with the following coverage limits and you must name us and our affiliates as additional insureds as we require. The insurance coverage shall be placed with an insurance company or companies having a Bests Key Rating Guide of A-IV or better and be satisfactory to us. Any and all deductibles and/or self-insured retentions are your sole responsibility. No such required policy may have a deductible that exceeds \$25,000, which such deductible shall be your responsibility.

Commercial Property Insurance	100% of the replacement value of your Hotel and recovery of net profits and continuing expenses of the Hotel for a 12-month period
Commercial General Liability	\$2,000,00 per occurrence with a \$2,000,000 aggregate
Commercial Umbrella Liability	\$5,000,000 aggregate
Automobile Liability	\$1,000,000 per occurrence
Dram Shop/Liquor Liability	\$1,000,000 per occurrence and \$1,000,000 aggregate (required only if you serve alcohol at your Hotel)

Workers Compensation	Not less than \$500,000 per occurrence
Cyber Liability	\$1,000,000 per occurrence with a \$1,000,000 limit for regulatory fines, 250,000 limit for PCI DSS fines, \$1,000,000 limit for legal services, public relations and crisis management expenses, and a \$50,000 limit for notified individuals to whom notification, call center and credit or identity monitoring services will be provided
Employment Practices	\$1,000,000 per occurrence / \$50,000 deductible

You must provide us with evidence of coverage. If you fail to procure or maintain the insurance required we have the right and authority (but not the obligation) to procure such insurance and to charge the cost of such policy thereof to you, which charge, plus a reasonable fee for our efforts in so acting (not to exceed \$2,500), shall be payable by you immediately upon notice.

**Other Related Issues**

We have negotiated purchase arrangements (including price terms) with suppliers for the benefit of our franchisees. We do not have any purchasing or distribution cooperatives. We do not provide material benefits to a franchisee based on that franchisee’s purchase of particular products or services or the use of particular suppliers.

We may earn money from suppliers based on your purchases in the form of rebates, commissions, sponsorships, or other payments. These payments compensate us for the cost of negotiating and maintaining the purchasing arrangements with the suppliers. In exchange for these fees, we may provide each vendor with certain services, which may include one or more of the following: marketing services from our procurement and marketing personnel, listing on our procurement website, access to our brand conference, listing and promotion in our online and electronic publications and notifications and sponsorship opportunities, among other benefits. In [2023](#)[2024](#), we did not receive any revenue from our suppliers based on franchisee purchases.

None of our officers own an interest in any of our suppliers.

**ITEM 9**

**FRANCHISEE’S OBLIGATIONS**

**This table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Item in Disclosure Document</b>
a. Site selection and acquisition/lease	Section 5.1 of Franchise Agreement; Section 1 of Renovation Addendum	Items 7 and 11

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Item in Disclosure Document</b>
b. Pre-opening purchases/leases	Sections 5.1.1, 5.8, and 11.1 of Franchise Agreement; Section 5 of Renovation Addendum	Items 5, 7 and 8
c. Site development and other pre-opening requirements	Section 5 of Franchise Agreement; Sections 2, 3 and 4 of Renovation Addendum	Items 7, 8 and 11
d. Initial and ongoing training	Section 5.6 of Franchise Agreement	Items 6, 7 and 11
e. Opening	Section 6 of Renovation Addendum	Items 5, 7 and 11
f. Fees	Sections 2.2.6, 4, 5.6, 5.7, 5.10.3, 8.2.2, 9.2, 10.2, 10.3.3, 11.4.3, 12, 13.1, 13.3, 14.1.7, 15.2.2, 17.8.4 of Franchise Agreement; 6.6.2 of Renovation Addendum; Section 3 of the RediCall Agreement	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	Sections 5, 6, 7, 8, and 10 of Franchise Agreement; Sections 2, 3, 4.1 and 4.2 of Renovation Addendum	Items 8, 11 and 16
h. Trademarks and proprietary information	Sections 5.2, 5.9, 6, 7, 8, 14 and 15 of Franchise Agreement; Section 7.2 of Renovation Addendum; Non-Disclosure Agreement	Items 13 and 14
i. Restrictions on products/services offered	Section 5.3 of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Section 5.10 of Franchise Agreement	Not Applicable
k. Territorial development and sales quotas	Section 1 of Franchise Agreement	Item 12
l. Ongoing product/service purchases	Section 5.3 and 5.8 of Franchise Agreement	Item 6 and 8
m. Maintenance, appearance and remodeling requirements	Sections 5.1, 5.2, 5.8, 5.9 and 5.19 of Franchise Agreement and Sections 4 and 5 of the Renovation Addendum	Items 7 and 8
n. Insurance	Section 11 of Franchise Agreement	Item 7
o. Advertising	Section 10 of Franchise Agreement; Section 7.2 of the Renovation Addendum	Items 6 and 11
p. Indemnification	Section 11.4.4 and 15 of Franchise Agreement; Guarantee	Not Applicable

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Item in Disclosure Document</b>
q. Owner's participation/Management/Staffing	Sections 5.5, 5.10, 15.1 of Franchise Agreement	Item 15
r. Records and reports	Section 9 of Franchise Agreement	Not Applicable
s. Inspections and Audits	Section 9 of Franchise Agreement; Section 6.6.1 of Renovation Addendum	Items 6 and 11
t. Transfer	Section 12 of Franchise Agreement	Item 17
u. Renewal	Section 2.2 of Franchise Agreement	Item 17
v. Post-termination obligations	Section 14 of Franchise Agreement; Section 8.3 of Renovation Addendum	Item 17
w. Non-competition covenants	Section 16.2.2 of Franchise Agreement	Item 17
x. Dispute resolution	Section 17.6 of Franchise Agreement	Item 17
y. Taxes/Permits	Sections 5.18 of Franchise Agreement	Item 1

## **ITEM 10**

### **FINANCING**

We do not offer direct or indirect financing to franchisees. We will not guarantee your note, lease, or other obligation.

## **ITEM 11**

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

**Except as listed below, TRC is not required to provide you with any assistance.**

#### **General Description of Services and Other Support.**

Before you open the Hotel, we will:

1. Approve the site for your Hotel prior to approving your Application. We do not locate a site for you or negotiate the purchase or lease of the site. You own or lease the site and you are responsible for the renovation of your Hotel at the approved site. See the discussion under Site Selection, below (Exhibit A to the Franchise Agreement; Section 1 of the Renovation Addendum).
2. Provide you with training (Franchise Agreement, Section 3.1.1). You are required to pay a fee for such training, in addition to expenses (see discussion under "Training" below).

3. Loan to you one set of our Manuals or post them electronically in a form accessible by you (Franchise Agreement, Section 3.1.2).
4. Designate the computer and data communication hardware, software, and communications facilities and services to be used in connection with operating your Hotel. (Franchise Agreement, Section 3.1.5).
5. Review your Renovation Plans for the Hotel (Section 3 of the Renovation Addendum). We do not assist you in conforming the premises to local ordinances and building codes or in obtaining required permits.
6. Inspect your Hotel and, if in our sole judgment you have renovated or constructed the Hotel in strict compliance with our Standards, authorize you to open as a The Red Collection hotel (Sections 6.6.1 and 7.1 of the Renovation Addendum). Although we provide the Standards with which you must comply, we do not assist you in constructing, remodeling or decorating the premises. We generally do not provide equipment, signs, fixtures, opening inventory, or supplies directly, but we provide written specifications and Designated Suppliers for these items.

During your operation of the Hotel, we will:

1. Provide initial and continuing training, consultation and advisory assistance to you in the management and operation of the Hotel. Consultation and advisory assistance will be as we deem appropriate (Franchise Agreement, Section 3.1.1). You are required to pay a fee for such training, in addition to expenses.
2. Establish and maintain a Reservation System (Franchise Agreement, Section 3.1.3) and Marketing Program (Franchise Agreement, Section 10.1).
3. Provide marketing, advertising and promotions which, in our sole opinion, best support The Red Collection member hotels, and may coordinate with the Red Roof Brands. (Franchise Agreement, Section 10)

We may, but are not obligated to, improve the System or develop new products or services that you will offer your customers, but we make a practice of doing so. If we make improvements to the System or adopt new products or services as a The Red Collection hotel Standard, you will be required to offer them. We may, but are not obligated to, provide advice or assistance to you in establishing room rates and managing unsold room inventory. The required computer system establishes procedures necessary for interface with our technology and reservation systems. If you do not timely resolve guest disputes, we reserve the right to intervene and resolve the dispute to maintain the positive public image and goodwill of the Red Collection System.

We may delegate the responsibility for any of these services or other support activities to others, including to our Affiliates.

You are solely responsible for the recruitment, selection, training, compensation, discipline, assignments, scheduling, work environment and termination of the Hotel employees. We may designate training requirements for certain management positions. We do not directly or indirectly control or supervise your employees or monitor your compliance with applicable laws and regulations governing your workplace. You must notify your employees at the time of hiring that they are employed and supervised by you and not by us or any Affiliate.

Other than set forth above, we have no obligation to provide any assistance in developing products or services you will offer to your Hotel's customers, hiring or training employees, improving and developing the franchised Hotel business, establishing prices or room rates, establishing and using administrative, bookkeeping, accounting and inventory control procedures, or resolving operating problems you may encounter in operating the Hotel.

### **Marketing and Reservation (Including Advertising)**

We provide advertising, marketing and promotional programs as more fully described below. The advertising and marketing may be done nationally, regionally or locally and we may use all types of media determined to be appropriate at our discretion, including print, television, radio, the internet, mobile, voice assistance technology, social media, newspapers, magazines and/or collateral materials. We may use a combination of in-house staff and national advertising agencies to create and place such materials. Funding for the marketing and advertising program comes from a portion of the monies collected for the Marketing and Reservation Fee, which is described in Item 6. Monies from the Marketing and Reservation Fee are otherwise used for the purposes described below. All franchisees must pay the Marketing and Reservation Fee. The Red Collection hotels owned or managed by our affiliates contribute to the marketing effort and pay for reservation services, but they may not pay the Marketing and Reservation Fee at the same rate as franchised Hotels.

We reserve the right to use Marketing and Reservation Fees to fund advertising, marketing and reservation support activities separately for The Red Collection or together, in whole or in part, with the Red Roof Brands when business circumstances warrant. Such combined activity may be on a specific advertising effort in one or more markets, joint campaign or longer term commitment basis, in our sole discretion. We cannot assure that the benefits from joint activities will be proportional to relative contributions of TRC and the other RRI-owned hotel brands. Any jointly funded advertising will position The Red Collection as a co-equal brand with the other RRI-owned brands.

The Marketing and Reservation Fee will be spent as we, in our sole discretion, determine to be necessary or appropriate for the development, promotion and operation of The Red Collection hotel System, including but not limited to (a) marketing, advertising, reservation confirmations, the development of new guests, repeat visits by guests, and systems designed for such purposes (including any and all costs associated with developing, preparing and administering reservation services, such as the computer system and software, phone lines and phone operations), (b) developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, telemarketing, promotional and public relations materials, programs and campaigns, (c) creating and maintaining internet advertising and marketing for the System (through a The Red Collection hotel website or otherwise), (d) conducting market research, (e) developing, operating, supporting and/or administering other marketing programs and (f) developing, operating, supporting and/or administering the Reservation System.

We may use a portion of the amounts collected for the Marketing and Reservation Fee to defray the reasonable administration costs and overhead costs we and/or an affiliate incur in providing and/or administering the Reservation System and Marketing Program, including, but not limited to, the cost of providing accounting, collection, bookkeeping, reporting and legal services. We (or an affiliate) may provide products or services to develop, operate, direct, provide and/or administer the Reservation System and Marketing Program. Any such products or services provided by us (or an affiliate) will be provided at a cost comparable to those costs that would have been otherwise incurred if such products or services were obtained from unaffiliated third parties.

The aggregate of the Reservation and Marketing Fee we collect from franchisees does not constitute a trust and we are not a fiduciary with respect to such amounts. We are not obligated to expend funds for

the marketing and reservation programs in excess of the Marketing and Reservation Fee received from all franchisees. We are not obligated to administer the aggregate of the Reservation and Marketing Fee we collect to make expenditures for you, which are equivalent or proportionate to your contribution, to spend money on advertising in your local area, or to ensure that any particular franchisee benefits directly or pro rata from expenditures for the marketing and reservation programs. Amounts spent from the Marketing and Reservation Fee are used to promote the System and the products and services sold by The Red Collection hotels and are not used to sell additional franchises. During ~~2023~~2024 the portion of the Reservation and Marketing Fees collected and allocated to Marketing were spent as follows: 99.83% on media placement, 4.20% on sales and +branding and 12.80% on administrative expenses.

Any portion of the amounts received from the Marketing and Reservation Fee but not spent is carried over to the following year. An annual unaudited financial report relating to the Marketing and Reservation Fee is available to any franchisee upon request. We are not required to spend any amount on marketing in your territory.

There is no advertising council that advises TRC about the use of the Marketing and Reservation Fee.

We may establish cooperative advertising, marketing and sales programs, loyalty programs, marketing and sales promotions and other similar programs or activities as we deem appropriate. You must participate in such programs and activities as we determine. Such programs and activities may cause you to incur expenses and/or pay fees to us.

*Cooperatives.* Currently, there are no local or regional advertising cooperatives (“Cooperatives”). However, we may authorize the establishment of local or regional advertising cooperatives (“Cooperatives”) in designated geographic areas and may require you to join and contribute monies to the Cooperative. Affiliate Owned Hotels will be members of any Cooperative in areas where such Hotels are located and will contribute at the same rate as other franchisees. Contributions to the Cooperative are in addition to the Marketing and Reservation Fee described above. If established, you and other members of the Cooperative must contribute a monthly amount determined by the membership, but your contribution may not be greater than 1% of the Gross Room Revenues of the Hotel. You must begin contributing to the Cooperative the first month the Cooperative commences operation. If your Hotel is within the area of an existing Cooperative when the Hotel opens for business, you must immediately join the Cooperative. If a Cooperative is established during the term of your Franchise Agreement, you must join no later than 30 days after written notification by us that the Cooperative has commenced operation. You will not be required to be a member of more than one Cooperative for the Hotel.

Each Cooperative must be organized and governed in a form and manner and must begin operations on a date we approve in advance in writing. Each Cooperative must adopt written governing documents. If your Hotel is within an area for which a Cooperative has been established, the Cooperative’s governing documents will be available upon request. No changes in the bylaws or other governing documents of a Cooperative will be made without our prior written consent. Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, promotional materials for use by the members in local advertising. Each Cooperative may determine its own voting procedures. No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without our prior approval.

*RediRewards.* You must participate in the RediRewards Preferred Member Program and any other guest loyalty program that we require. Currently, the RediRewards Preferred Member Program provides members access to our Member Exclusive Rates, as well as express check-in, daily delivery of bottled water to the room, guaranteed late check-in, a discount on premium rooms (where available) and the opportunity

for guests to earn points redeemable for free room nights and discounts at The Red Collection hotels, HomeTowne Studios hotels, and Red Roof Inns in addition to merchandise available on the RediRewards site. In the future, the guest loyalty program may involve additional expenses to you and may require your reimbursement to us or a designated supplier for expenses incurred on your behalf.

*Other Advertising.* You may, at your expense, conduct local and regional marketing programs and related activities subject to our prior written approval. You may not advertise, promote, post or list information about your The Red Collection hotel on the internet, except as permitted by the Manuals. We include information about your Hotel on a website that is maintained by us or one of our Affiliates.

*Volume Plan Plus® Program.* This program offers room rates to corporate partners that achieve a specific volume annually. Room rates for this program are set by us. All Hotels must participate in the Volume Plan Plus Program.

*RediBill.* The RediBill program offers centralized nationwide billing privileges to companies who utilize an approved volume of room nights annually. It provides companies with the option to maintain the privilege by making advanced reservations or to allow their employees to use the account upon walk-in providing they provide the Volume Plan Plus number for their company along with the company name associated with the account. Members are billed for all stays weekly on one invoice. All Hotels must participate in the RediBill program.

## **Computer Systems**

We require you to use our Reservation Platform / PMS. You must enter into a Reservation Platform / PMS software license agreement with us or our affiliate and pay the software license fee. [You also are required to use the revenue management software system that we designate.](#) You are required to have computer hardware and software that supports our PMS and otherwise meets our standards and specifications. If you do not have such items, you will be required to purchase them at an estimated cost of up to \$2,000 per computer (includes peripherals), which will vary on which components you are required to or otherwise decide to purchase (not including tax and shipping). ~~We are planning to replace the Reservation Platform / PMS in 2024. When we convert to a different property management system, you will be responsible for all costs of such conversation/replacement.~~

The Reservation Platform / PMS is a “front office” computer system designed to handle routine front desk functions and to be an interface with the central Reservation System. The PMS software automates check-in and payment, messages, rooms control and housekeeping scheduling, and various revenue and statistical reports on your business activity. The front desk hardware usually consists of two workstations, and associated credit card swipe devices and printers. You must obtain an EMV compliant credit card reader and an interface connection box. Where state and local ordinance permit, you may also opt to purchase a bar code scanner. You must retain the services of a supplier designated by us to interface your credit card processing with the Reservation Platform PMS. You also must obtain a facsimile machine (with an analog telephone line), a voice circuit to facilitate incoming and out-bound calls to and from the Inn and a data circuit with internet access with sufficient download and upload bandwidth as designated by us. We estimate it will cost \$16,500 to \$22,000 to obtain these items, including the cost of the software license fee for the Reservation Platform / PMS.

If you decide to use a back office system, we designate hardware and software for such system. Your back office system is used to access management and productivity tools not typically accessed from the front office system, for example, our extranet that provides on-line access to the Manuals and our e-mail system. The back office hardware consists of one personal computer and associated hardware and software, including a printer. We may require that you add a “back office system.

You are required to pay us a fee for IT support, which includes a help desk, hardware and software support and maintenance. Fees for such support are currently \$~~465~~490 per month plus \$~~25 to \$50 for additional PMS Modules~~3.85 per room, per month. You also will pay a Desktop Protection and Maintenance Fee in the amount of \$200 per machine. These fees are payable to us, but we provide these services through a combination of an in-house IT department and outside suppliers.

You have an obligation under the Franchise Agreement to update or upgrade the hardware and the software when it is necessary and when updates become available. We cannot predict the cost of future upgrades. There are no contractual limitations on the frequency or cost of this obligation.

The Reservation Platform / PMS stores data from your Hotel, including occupancy and rate information, pricing information, reservations traffic and other statistical information. There is no contractual limitation to our right to receive and access this information. We may use this information for our own statistical, audit and marketing purposes, but will not disclose the information about your Hotel in any way, which might be disseminated to the public and identified with your specific Hotel, unless required to do so by law.

You must comply with all applicable legal, regulatory, payment card brand requirements and brand standards regarding the use of information technology. You must comply with the then-current Payment Card Industry Data Security Standards (“PCI/DSS”) as those standards may be revised by the PCI Security Standards Council, LLC or any successor organization, including (1) implementing (at your expense) all security requirements that the PCI Security Standards Council, LLC (or its successor) requires of a merchant that accepts payment cards, and (2) participating in (at your expense) a standardized PCI/DSS compliance program that is provided by a PCI/DSS vendor, in each case, approved by us in our discretion. You must, at your expense, demonstrate full compliance through means which may include having an independent third party qualified security assessor conduct a PCI/DSS audit and upload an attestation of compliance to a portal or vendor designated by us. In the event you are unable to demonstrate full compliance: (1) we may require you to engage the services of an approved vendor to assist you to demonstrate full compliance on an ongoing basis; (2) we may cut off your ability to process reservations and check-ins until compliance is proven; and (3) you must reimburse us for any costs and expenses incurred by us in verifying your compliance and/or securing a vendor to assist you. We may require you to use, and directly contract with, certain approved third-party vendors, and in some cases a single approved third-party vendor, for some or all of your managed firewall, other technology security compliance and/or card brand or government requirements related to the transmission and processing of payment card transactions and information. You must immediately notify us if you become aware of any breach, or suspected breach, of card holder data or personally identifiable information, whether notice is provided by your credit card processor, law enforcement or any other party.

You are responsible for implementing all safeguards reasonably necessary for protecting customer and cardholder data from unauthorized disclosures and addressing data security risks that could arise from network connections between your technology systems and ours. You also are responsible for assessing the vulnerability of your own computer systems and implementing industry standard practices for maintaining data privacy and information security appropriate to the nature of that data. This responsibility includes your use of data security protection measures to prevent unauthorized access to and use of such data via your on-site technology as well as any technology hosted by third parties on your behalf, including your property management system.

## **Manuals**

We will make the Manuals available in electronic format. The Manuals are our confidential and proprietary property and contain mandatory and suggested specifications, standards, operating procedures

and rules periodically prescribed by us for use in the operation of a Hotel. We have the right to modify the Manuals periodically and to supplement with revised bulletins. You must return the Manuals and any copies you have made of the electronic Manuals to us upon the expiration or termination of your Franchise Agreement or at any time we request. You must treat the Manuals confidentially and you may share only the parts of the Manuals with those in your employ on a “need-to-know” basis. As of the issuance date of this disclosure document, the Manuals have 76 pages. The Table of Contents of the Manuals are attached as Exhibit I.

### **Site Location, Opening, and Operational Assistance**

You must submit to us a proposed site for the Hotel when you submit your Application. We require information about the proposed site that will help us evaluate it, including location and maps; ownership and control; and market information. We do not have specific site selection or site approval criteria. However, the factors we will evaluate in considering whether to approve a site for a The Red Collection hotel include demand in the immediate market, the number and type of competitive properties (including existing System hotels), the quality and physical condition of the property, service levels, location, visibility and accessibility, marketing efforts and effectiveness, prevailing rates in the market, facility reputation, convenience to destinations or generators of travelers and other factors. You must deliver to us satisfactory evidence that you have secured the right to possess the site by ownership or lease, within 90 days from the effective date of the Franchise Agreement or before the opening of your Hotel as a The Red Collection hotel, whichever occurs earlier. Failure to do so is a default under the Franchise Agreement and we may terminate the Franchise Agreement as a result.

Our approval of your site is not a guaranty, representation or warranty of the potential for success or revenues at the Hotel, or as any assurance that you can obtain financing for the Hotel. Our site approval is only an indication that the site meets the minimum requirements for a The Red Collection hotel site.

We estimate the time period between signing the Franchise Agreement and the opening of your The Red Collection hotel will be three 3 to 9 months in order to renovate an existing property to a The Red Collection hotel. The time needed to open a Hotel will vary depending on the time needed to obtain the site, the availability of financing, the time required to obtain necessary zoning and construction permits and licenses for the construction and operation of the Hotel, and successful completion of our initial training, weather and the availability of labor, materials and supplies.

Although the Franchise Agreement does not obligate us to do so, after your Franchise Agreement is signed, we assign a Regional Vice President of Operations (“RVPO”) or Franchise Operations Director (“FOD”) to your Hotel. The RVPO/FOD will work with you during the construction or renovation of the Hotel as applicable; to provide you with information and answer questions you may have about the Standards or the opening process. The RVPO/FOD will visit your property just prior to your projected opening date to confirm whether you have completed the required construction or renovation to our Standards. The RVPO/FOD will assist in the opening process and throughout the term of the Franchise Agreement. Your RVPO/FOD will be your primary source of field support. We may assign different RVPO/FODs to your Hotel from time to time at our discretion.

### **Training**

We provide a training program relating to your The Red Collection hotel franchise. As of the date of this Disclosure Document, the training program is as follows:

1. **RED Advantage Training.**

Owner/Operator Training is a blended learning solution consisting of OnDemand learning modules in the Red Roof Learning Management System and a series of live webinars divided into three phases: Learning the Brand, Managing the Brand, and Growing the Brand. The identified General Manager must complete the first two phases of the RED Advantage series of Webinars and OnDemand training to our satisfaction before you open your Hotel and must complete the third phase within 90 days of opening or transfer of ownership. Subsequent managers must also complete the RED Advantage Training to our satisfaction within 90 days of being designated as the General Manager. You are required to pay a fee as outlined in Item 7 for each manager (and subsequent managers) that attend this training. You are responsible for travel, lodging and meal expense and wages for your manager(s) attending the training. A second person may also attend this program during the same time with a discount of 50% for the second person. In the event training is not completed within the required timeline, a re-occurring quarterly fee will be assessed until all training is completed.

Instructional methods include online lectures, discussion, role-plays, exercises, and skill checks. Instructional materials include the Manuals and other written digital resources on products and services that will be available to you during your operation of your Hotel. RED Advantage Training is continually offered throughout the year.

**Item 11 Table 11-1**

**RED ADVANTAGE TRAINING PROGRAM**

**~~RED ADVANTAGE TRAINING PROGRAM~~**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The Job Training</b>	<b>Location</b>
Orientation / Mission / Philosophy	.5	0	Live Webinar
Technology	.5	0	Live Webinar
Opening Process	.5	0	Live Webinar
Human Trafficking Prevention	.5	0	OnDemand Learning Module
Diversity and Inclusion Training	.5	0	OnDemand Learning Module
Human Resources	.5	0	OnDemand Learning Module
GSR Training Program	.5	0	OnDemand Learning Module
Pet Policy	.5	0	OnDemand Learning Module
Loyalty Program	.5	0	OnDemand Learning Module
Brand Standards Service and Cleaning expectations	.5	0	OnDemand Learning Module
Brand Standards	1.0	0	Live Webinar
Room Inspections	.5	0	New Albany, OH Live Webinar
Room Inspections	.5	0	OnDemand Learning Module
Quality Expectations	.5	0	Live Webinar
Front Desk Service and Quality Expectations	.5	0	OnDemand Learning Module
Guest Recovery	.5	0	OnDemand Learning Module
Maintenance Service and Quality	.5	0	Live Webinar
Laundry Service and Quality	.75	0	OnDemand Learning Module
Crisis Communication	.5	0	Live Webinar

Subject	Hours of Classroom Training	Hours of On-The Job Training	Location
PMS Introduction	.5	0	Live Webinar
PMS Training	2	0	OnDemand Learning Module
Guest Relations / Social Feedback	.75	0	Live Webinar
Accounting / National Account Management	.75	0	Live Webinar
Accounting / National Account Managements	.5	0	OnDemand Learning Module
Revenue Management Introduction	.5	0	Live Webinar
Revenue Management	2	0	OnDemand Learning Module
Sales Introduction	.5	0	Live Webinar
Sales and Marketing	1.25	0	OnDemand Learning Module
Distribution Services	.5	0	OnDemand Learning Module
Guest Relations / Feedback	1	0	OnDemand Learning Module
Franchise Billing – Reservation Platform / PMS	.5	0	OnDemand Learning Module
Shift4	.5	0	OnDemand Learning Module
Total	21.5	0	

2. **Field Training.** In addition to RED Advantage Training, a trainer will visit your Hotel in the week before or the week of your opening in order to assist with training your front desk, housekeeping and maintenance employees and set up your computer system and front desk. This training takes place at your Hotel and is required for every guest service representative at your Hotel and the management team. You are required to pay a fee as outlined in Item 7 for such training. The computer training program covers the basic operations of the Reservation Platform / PMS software for management and front desk Guest Service Representatives. Brand standard programs, customer service training, and accounts receivable training will also be provided. This training commences approximately two to six days before your opening and lasts through your first night audit.

**Item 11 Table 11-2**  
**FIELD TRAINING**

**FIELD TRAINING**

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Reservation Platform / PMS (including customer service skills) (Managers and Front Desk Personnel)	16-24	4 (live night audit training)	Your Hotel
Direct Billing-Accounts Receivable, Back Office Computer, Outlook Express, Purchasing, RingRedi, Intranet, Medallia, Guest Redi, LRA	0	3 to 5	Your Hotel
Total	16-24	7-9	

3. **On-Site Quality Training.** Each quarter, The Red Collection hotels will be ranked according to their quality performance, using a “Q” Score and Hotel Ranking which includes Financial and Quality metrics. If your Hotel scores in the third, fourth, or fifth quintile of the “Q” Score, a trainer may travel to your location and conduct on-site training. The purpose of this training is to provide you and your employees with information, resources and coaching to improve the quality of service and/or guest experience at your Hotel. You are required to pay a fee for this training and are responsible for this fee regardless of whether the full staff can be in attendance. In the event that your training is scheduled by our trainers, and you have to reschedule, you will be responsible for paying a rescheduling fee.

4. **On-Site Quality Audit.** Twice a year, Hotels will be ranked according to their overall Hotel Ranking Performance. Properties that rank in the fifth quartile for both Financial Performance and Quality Performance will receive a quarterly visit from either their Operations Director or a Regional Training Manager. These visits are above and beyond standard support from the Brand and the quality audit fee will be assessed.

5. **New Owner Orientation.** New franchise owners are required to participate in New Owner Orientation at our corporate offices in New Albany, Ohio or a location defined by us within six months of opening the Hotel or transfer. This training will be offered on a quarterly basis.

6. **Continuing Education.** Franchisees are required to participate in a Continuing Education Program, whereas the Franchisee will be expected to complete a predetermined amount of continuing education training on an annual basis. You are required to pay a fee for this mandatory continuing education, currently in the amount of \$900 to \$1,200 per year, and you are responsible for all travel costs, meals, lodging and wages for all persons attending on behalf of your Hotel. This training will be provided through a variety of training mediums, location, and dates throughout the year. The hour requirement may vary from year to year and will be communicated to our franchisees each year.

7. **Conferences, Meetings and Additional Training.** We may hold regional conferences to discuss a variety of hotel operations topics. We will designate the location of the conferences, and they will be held in various cities throughout the United States. We also hold periodic brand meetings, giving franchisees and managers of our Affiliate-Owned Hotels an opportunity to be introduced to brand initiatives and results. We typically hold these meetings every other year but may hold these meetings every year in the future. We may charge a fee for attendance at such conferences and brand meetings (which may be charged regardless of attendance) or a fee for your failure to appear at such conferences or brand meetings and you are responsible for all travel costs, meals, lodging and wages for all attendees of these conferences/meetings.

Stephen Woodward, our Vice President, ~~Quality, Training~~Innovation, Learning & Development, directs our training program. The trainers are responsible for on-site opening, transfer and/or quality training will be one of the following.

Name	Title	Years of Training Experience with us and our Affiliates	Years of Training Experience with other Brands
Stephen Woodward	Vice President, <del>Quality, Training</del> <u>Innovation, Learning &amp; Development</u>	<del>8</del> <u>9</u>	21
<del>Corian Zirwes</del> <u>Michael Garner</u>	<del>Regional Training Manager, Quality</del>	<del>14</del> <u>6</u>	<del>0</del> <u>23</u>

Name	Title	Years of Training Experience with us and our Affiliates	Years of Training Experience with other Brands
<del>Michael Garner</del> Michelle Painter	Manager, <del>Quality of Training</del>	<del>5</del> 34	<del>23</del> 0
<del>Michelle Wehrle</del> Brenna Worl	<del>Manager</del> Director of Training	<del>33</del> 14	<del>0</del> 4
<del>Brenna Worl</del> Carrie Layne	<del>Director of Regional Training</del> Manager	<del>13</del> 2	<del>4</del> 1
<del>Carrie Layne</del> Warren Smith	<del>Field Trainer</del> Regional Training Manager	<del>1</del> 9	1
<del>Warren Smith</del> Diane Suga	<del>Field Trainer</del> Regional Training Manager	<del>18</del> 1	1

We may offer or require additional training during the term of the Franchise Agreement and charge a fee for attendance (which may be charged regardless of attendance). If you attend the additional training, you will be obligated to pay for the travel costs (including meals and lodging) and wages for all attendees.

## ITEM 12

### TERRITORY

You will operate your Hotel from the Approved Location that we approve as part of the application process and specify in the Franchise Agreement. You must receive our permission before relocating your Hotel. We will review any alternate location you propose using the same process as described under Site Location, Opening, and Operational Assistance in Item 11.

We will designate a geographic area around your Hotel that we will negotiate with you and that will be specified in the Franchise Agreement (the “Exclusive Territory”). We base our negotiations on factors that include the number of guest rooms, the total number of guest rooms of competing motels or hotels in the area, the demand generators, the population density, the proximity of transportation options, traffic patterns, access and visibility, and our future development plans. The Exclusive Territory may be as small as one or two blocks or as large as a small town. If we approve an alternate location for your Hotel, our approval may be conditioned on changing the boundaries of the Exclusive Territory. The Exclusive Territory applies during the term of your Franchise Agreement (assuming that you meet certain requirements, as outlined in the Franchise Agreement).

We will not grant a The Red Collection hotel franchise within your Exclusive Territory and none of our affiliates may operate a The Red Collection hotel location within your Exclusive Territory, except for any The Red Collection hotel existing at the time you sign your Franchise Agreement (assuming that you meet certain requirements, as outlined in your Franchise Agreement). The Franchise Agreement does not prohibit us or our Affiliates from operating or granting franchises for competitive lodging facilities under a different trademark in your Exclusive Territory. As of April 10, 2024, we and our Affiliates offer and operate hotels under the Red Roof Inn, Red Roof Inn and Suites, Red Roof PLUS+, Red Roof PLUS+ and Suites, The Red Collection, HomeTowne Studios by Red Roof, HomeTowne Studios & Suites by Red Roof, HomeTown Inn, and HomeTowne Inn. These hotels may offer extended stay rates and room types, which may affect some of your business. Like our other brands, these facilities offer transient lodging in addition to extended stay lodging. We reserve the right, when business circumstances warrant, to include these Red Roof Brands in the definition of what hotels and lodging facilities will not be operated or franchised by us or our Affiliates. Generally, RRF will be able to franchise or operate the Red Roof Inn

System brands, and HTS will be able to franchise or operate HomeTowne Studios brand, within your Exclusive Territory.

We and our Affiliates also retain the right to establish or operate, or to franchise others to establish or operate, Hotels under our trademarks and/or the System at any location outside your Exclusive Territory, including locations adjacent, adjoining or proximate to the Exclusive Territory. These Hotels may compete directly with the operation of your Hotel.

There are no restrictions on us, our Affiliates or our franchisees from advertising in your Exclusive Territory and RRI can accept reservations made from any other franchisee's Exclusive Territory without special payment other than the reservation fee.

The Franchise Agreement does not grant you options, rights of refusal or other similar rights to acquire additional franchises, either within or outside your Exclusive Territory. It only grants you the right to operate a franchised Hotel at the Approved Location.

### **ITEM 13**

#### **TRADEMARKS**

We grant you the right to operate a Hotel under the name "The Red Collection" You may also use our other trademarks to operate your Hotel. By trademarks, we mean trade names, trademarks, service marks and logos used to identify your Hotel ("Trademarks"). The Trademarks are owned by our affiliate RRI Financial, Inc. The following Trademarks are registered with the United States Patent and Trademark Office ("USPTO") on the Principal Register.

<b>Trademark</b>	<b>Registration Number</b>	<b>Registration Date</b>
THE RED COLLECTION	5644133	1/1/2019

As of the date of this Disclosure Document, all required declarations of continued use and all renewal registrations to maintain these Trademarks have been timely filed.

As of the date of this Disclosure Document, we know of no superior rights or infringing uses that could materially affect your use of the principal Trademarks.

You must follow our rules when you use these Trademarks. You cannot use a name or Trademark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use the Trademarks in connection with the sale of unauthorized products or services or in a manner not authorized in writing by us.

There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, the Trademark administrator of any state or any court, no pending Trademarks which may be relevant to their use in any other state. We do not know of any infringing uses, or any person or entity with superior rights that could materially affect your use of the Trademarks.

RRI Financial grants us a perpetual license to use, and to grant others the right to use, the Trademarks for the purpose of franchising. The license agreement can only be terminated if we misuse the Trademarks, or willfully allow our franchisees to misuse the Trademarks. Other than the license agreement with RRI Financial, there are no agreements that limit our right to use or license the use of the Trademarks.

We reserve the right to substitute different Trademarks to identify Red Collection hotels. If we do, you must promptly substitute any new Trademarks, and bear the costs associated with the substitution.

You must use each Trademark in full compliance with the Franchise Agreement and the Manuals.

You must promptly notify us of any unauthorized use of the Trademarks, any challenge to the validity of the Trademarks, or challenge to our ownership of the Trademarks, any challenge to the right to use and to license others to use the Trademarks, or any challenge to your right to use the Trademarks. We have the right to direct and control any administrative proceeding or litigation involving the Trademarks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Trademarks. We will defend you against any third-party claim, suit or demand arising out of your proper use of the Trademarks in compliance with our Standards.

If we determine that you have used the Trademarks in the manner required by the Franchise Agreement, we will bear the cost of defense, including the cost of any judgment or settlement. If we determine that you have not used the Trademarks in the manner required by the Franchise Agreement, you must bear the cost of defense, including the cost of any judgment or settlement. If there is any litigation relating to your use of the Trademarks, you must execute all documents and do all things necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action.

#### **ITEM 14**

#### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

As of the date of this disclosure document, we do not own any patents or patent applications that are material to your Hotel.

We claim copyright protection in our advertising and promotional materials, software, websites, social media sites, artistic designs and a variety of forms and programs. The information contained in these items may be used only with our permission, and at our direction. We also own business and technical information, such as our Manuals, training materials, market research, formulas, patterns, programs, devices, compilations of information, methods, techniques, and processes that we maintain as trade secrets. For additional information regarding the Manuals, please refer to Item 11 of this disclosure document.

We do not currently license you to use any registered copyrighted materials. There are currently no effective material determinations of the United States Copyright Office or any court regarding our copyrighted materials. We do not know of any infringing uses, or any person or entity with superior rights that could materially affect your use of these copyrighted materials.

You must notify us immediately if you learn about an infringement on our and your use of any item that may be copyrighted by us. However, we are not obligated by the Franchise Agreement, nor otherwise, to protect any rights that may be granted to you or to protect you against claims of infringement or unfair competition with respect to them.

## **ITEM 15**

### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

We do not require that you personally supervise the franchised business. The business must be directly supervised “on-premises” by a manager who has successfully completed our RED Advantage Training Program described in Item 11 and who is in compliance with the manager specifications and requirements set forth in the Manuals. The manager need not have an ownership interest in a corporate or partnership franchise, but we do require prior approval for your use of third party managers and we have the right to require all managers to sign a confidentiality and non-competition agreement. The manager must devote his or her full time and best efforts to managing your Hotel and may not work for any competitor. We require your owners and their spouses to sign a Guarantee, Indemnification and Acknowledgement, a copy of which is attached to the Franchise Agreement.

## **ITEM 16**

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

You may offer and sell only those goods and services that we have approved (see Item 8). You must use the Hotel premises solely to operate the Hotel unless you have our prior written consent.

You must offer products and services that we designate as required for all franchisees. The required products and services generally are lodging, internet service for guests, and telephone and television facilities with each room but are set more in greater detail in the Manuals. All products and services offered by your Hotel must be approved by us (see Item 8).

We have the right to change the decor and Standards of your Hotel. We also have the right to require renovations. There are no limits on these rights. However, we cannot change the nature of your business, in that your business will always offer lodging services.

We do not restrict you from soliciting customers, no matter whom they are or where they are located. However, you may not sell goods or services over the internet except in accordance with our internet policy in the Manuals.

## **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**

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 2.1	20 years. We may provide for an earlier termination date under certain conditions.

Provision	Section in Franchise Agreement	Summary
b. Renewal or extension of the term	Section 2.2	10 years
c. Requirements for you to renew or extend	Section 2.2	We will allow you to renew for a period of ten years if you are not in default, have paid all monetary obligations, submit a renewal application, complete certain training and upgrading requirements, execute a general release, pay a renewal fee in an amount equal to 50% of the then-current initial franchise fee and execute our then-current form of franchise agreement (which may contain materially different terms and conditions from your original Franchise Agreement).
d. Termination by you	Not Applicable	
e. Termination by us without cause	Not Applicable	We may not terminate your Franchise Agreement without cause.
f. Termination by us with cause	Section 13 and Section 8 of Renovation Addendum	We can terminate if you default.
g. “Cause” defined – defaults which can be cured	Section 13.2.12 through 13.2.17 and Section 13.3  Section 7 of the RediCall Agreement	You have 30 days to cure violation of any law or ordinance; failure to upgrade the Hotel; failure to operate according to the Franchise Agreement; failure to comply with any quality measurement, standard or Manual procedure; failure to promptly pay monies owed to us; failure of any inspection or quality standard; or listing the Hotel on the internet in violation of the relevant Franchise Agreement provisions or any breach of indemnification provisions. You have 30 days to cure a default of the RediCall Agreement (5 days for a monetary default).
h. “Cause” defined - defaults which cannot be cured	Sections 13.2.1 through 13.2.11, 13.2.18 and Section 13.3  Section 7 of the RediCall Agreement	Insolvency; bankruptcy; dissolution; foreclosure; ceases to operate; threat to public health or safety; conviction of a felony; engages in an activity which in our sole judgment adversely impacts the Proprietary Marks, the System or our goodwill; transfer without approval; disclosure of trade secrets; failure to transfer following incompetence of the owner; false statements or omissions; misuse of the Proprietary Marks; repeated defaults of the Franchise Agreement; failure to comply with the terms of the Renovation Addendum by the required dates including opening without written authorization; or termination of another agreement with us or our affiliates. A default of the Franchise Agreement will be a default of the RediCall Agreement.

Provision	Section in Franchise Agreement	Summary
i. Your obligations on termination/non-renewal	Sections 13.1 and 14 and Section 8.3 of Renovation Addendum	Obligations include de-identification; cease to operate as a The Red Collection hotel; cease to use the Proprietary Marks; payment of amounts due including any damages or attorneys' fees; cancel trade, fictitious or assumed name registrations; turn over all Manuals and records provided by us. If you default, you will be liable to us for damages caused by the premature termination.
j. Assignment of contract by us	Section 12.1	We may transfer or assign the Franchise Agreement, provided that the transferee is an entity to which we transfer all or substantially all of the Franchise Agreements under the System.
k. "Transfer" by you--defined	Sections 12.2, 12.4 and 12.5	Includes transfer of any interest in Franchise Agreement, Franchisee, or all or substantially all of the assets of the Hotel.
l. Our approval of Transfer by you	Sections 12.3 and 12.5	We have the right to approve transfers.
m. Conditions for our approval of Transfer	Sections 12.3, 12.4 and 12.5	Payment of money owed; non-default; execution of then-current Franchise Agreement; transferee has proper qualifications; written assignment; payment of Transfer Application Fee and Transfer Fee; sign Transfer Addendum to the Franchise Agreement (Exhibit J); Owners of transferee execute guarantee; signing of general release; evidence of continued liability for all obligations arising before transfer; training for transferee's manager; and conform to current Standards under the System.
n. Our right of first refusal to acquire your business	Section 12.6	If you or your owners receive and wish to accept a <i>bona fide</i> offer to sell any interest in the Hotel or you, you must notify us of the offer and we will have a right to purchase that interest on the same terms as the <i>bona fide</i> offer.
o. Our option to purchase your business	Section 14.2	Upon expiration or termination of your franchise, we can purchase all furnishings, signs, fixtures, supplies or inventory bearing the Proprietary Marks at fair market value.
p. Your death or disability	Section 12.5	Your executor, administrator, trustee or personal representative may operate the Hotel until transfer. Interest in Hotel must be transferred to a third party we have approved within 12 months.
q. Non-competition covenants during the term of the franchise	Section 16.2.2	You must not divert business away from The Red Collection hotels and Red Roof Inn System hotels.
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
s. Modification of the Franchise Agreement	Section 17.2	Must be in writing executed by both parties.
t. Integration/merger clause	Section 17.2	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside this Disclosure Document and your Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 17.6	All disputes relating to the Franchise Agreement or our relationship (excluding disputes concerning failure to commence renovation, failure to commence operations, insurance, insurance requirements, monetary obligations, indemnification or quality inspection ratings, abandonment or failure to continue operations, unauthorized use of Proprietary Marks or failure to de-identify) must be submitted to non-binding mediation where the Hotel is located, except that we can bring an action for injunctive or extraordinary relief (including specific performance), or actions involving the Hotel premises elsewhere.
v. Choice of forum	Sections 17.6, 17.7 and 17.8	All disputes must be filed in Columbus, Ohio subject to applicable state law.
w. Choice of law	Section 17.5	Ohio law applies subject to applicable state law.

## **ITEM 18**

### **PUBLIC FIGURES**

We do not use any public figures to promote The Red Collection hotel franchise.

## **ITEM 19**

### **FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting ~~Nicholas Kolitsos, Associate~~ [Gerrod Bede](#), General Counsel, The Red

Collection, LLC, 7815 Walton Parkway, New Albany, OH 43054, (614)-744-2631, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**

**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**Systemwide Outlet Summary**  
**For Years ~~2021~~2022 to ~~2023~~2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	<del>2021</del> <u>2022</u>	<del>1</del> <u>3</u>	3	<del>+2</del> <u>0</u>
	<del>2022</del> <u>2023</u>	3	<del>3</del> <u>5</u>	<del>0</del> <u>+2</u>
	<del>2023</del> <u>2024</u>	<del>3</del> <u>5</u>	5	<del>+2</del> <u>0</u>
Affiliate-Owned Outlets	<del>2021</del> <u>2022</u>	<del>10</del> <u>0</u>	0	<del>-10</del> <u>0</u>
	<del>2022</del> <u>2023</u>	0	0	0
	<del>2023</del> <u>2024</u>	0	0	0
Total Outlets	<del>2021</del> <u>2022</u>	<del>23</del> <u>3</u>	3	<del>+10</del> <u>0</u>
	<del>2022</del> <u>2023</u>	3	<del>3</del> <u>5</u>	<del>0</del> <u>+2</u>
	<del>2023</del> <u>2024</u>	<del>3</del> <u>5</u>	5	<del>+2</del> <u>0</u>

**Note:**

All numbers are as of December 31 of each year.

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners**  
**(Other than the Franchisor)**  
**For Years ~~2021~~2022 to ~~2023~~2024**

<b>Outlet Type</b> <u>State</u>	Year	Number of Transfers
<del>New York</del>	<del>2021</del>	<del>1</del>
<u>Total</u>	2022	0
	2023	0
<b>Total</b>	<del>2021</del>	<del>1</del>
	<del>2022</del> <u>2023</u>	0
	<del>2023</del> <u>2024</u>	0

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years ~~2021~~2022 to ~~2023~~2024**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Florida	<del>2021</del> 2022 <u>2</u>	<del>0</del> <u>1</u>	<del>1</del> <u>0</u>	0	0	0	0	1
	<del>2022</del> 2023 <u>3</u>	1	<del>0</del> <u>1</u>	0	0	0	0	<del>1</del> <u>2</u>
	<del>2023</del> 2024 <u>4</u>	<del>1</del> <u>2</u>	<del>1</del> <u>0</u>	0	0	0	0	2
Massachusetts	<del>2021</del> 2022 <u>2</u>	0	0	0	0	0	0	0
	<del>2022</del> 2023 <u>3</u>	0	<del>0</del> <u>1</u>	0	0	0	0	<del>0</del> <u>1</u>
	<del>2023</del> 2024 <u>4</u>	<del>0</del> <u>1</u>	1	0	0	0	0	<del>1</del> <u>2</u>
New Jersey	<del>2021</del> 2022 <u>2</u>	1	0	0	0	0	0	1
	<del>2022</del> 2023 <u>3</u>	1	0	0	0	0	0	1
	<del>2023</del> 2024 <u>4</u>	1	0	0	0	0	0	1
New York	<del>2021</del> 2022 <u>2</u>	<del>0</del> <u>1</u>	<del>1</del> <u>0</u>	0	0	0	<del>0</del> <u>1</u>	<del>1</del> <u>0</u>
	<del>2022</del> 2023 <u>3</u>	<del>1</del> <u>0</u>	0	0	0	0	<del>0</del> <u>1</u>	0
	<del>2023</del> 2024 <u>4</u>	0	0	0	0	0	0	0
Virginia	<del>2021</del> 2022 <u>2</u>	0	<del>0</del> <u>1</u>	0	0	0	0	<del>0</del> <u>1</u>
	<del>2022</del> 2023 <u>3</u>	<del>0</del> <u>1</u>	<del>1</del> <u>0</u>	0	0	0	0	1
	<del>2023</del> 2024 <u>4</u>	1	0	<del>0</del> <u>1</u>	0	0	0	<del>1</del> <u>0</u>
Total	<del>2021</del> 2022 <u>2</u>	<del>1</del> <u>3</u>	<del>2</del> <u>1</u>	0	0	0	<del>0</del> <u>1</u>	3
	<del>2022</del> 2023 <u>3</u>	3	<del>2</del> <u>1</u>	0	0	0	<del>1</del> <u>0</u>	<del>3</del> <u>5</u>
	<del>2023</del> 2024 <u>4</u>	<del>3</del> <u>5</u>	<del>2</del> <u>1</u>	<del>0</del> <u>1</u>	0	0	0	5

**Table No. 4**  
**Status of Affiliate-Owned Outlets**  
**For Years ~~2021~~2022 to ~~2023~~2024**

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
Illinois	<del>2021</del>	<del>1</del>	0	0	<del>1</del>	0	0
Totals	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Totals	<del>2021</del> <u>20</u> <u>24</u>	<del>1</del> <u>0</u>	0	0	<del>1</del> <u>0</u>	0	0
	<del>2022</del>	0	0	0	0	0	0
	<del>2023</del>	0	0	0	0	0	0

**Table No. 5**  
**Projected Openings as of December 31, ~~2023~~2024**

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Massachusetts	<u>1</u>	<u>1</u>	<u>0</u>
Ohio	1	0	0
Virginia	<u>1</u>	<u>1</u>	<u>0</u>
<b>Total</b>	<del>1</del> <u>3</u>	<del>0</del> <u>2</u>	0

A list of names, business addresses, and business telephone numbers of all franchised The Red Collection hotels as of December 31, ~~2023~~2024 are attached to this Disclosure Document as Exhibit D.

The name, city and state and last known business or home telephone number of every franchisee who has had an outlet terminated, canceled, not renewed, sold their franchise or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document is included in Exhibit D. If you buy this franchise, your contact information may be disclosed to other buyers when you leave The Red Collection System.

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 or former franchisees but be aware that not all such franchisees will be able to communicate with you.

As of the date of this Disclosure Document, we are not aware of any trademark-specific franchisee organization associated with The Red Collection hotel franchise system and no trademark-specific franchisee organizations have asked to be disclosed.

**ITEM 21**

**FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit A is a copy of the consolidated audited financial statements of RRF for the fiscal years ended December 31, ~~2023~~2024, December 31, ~~2022~~2023 and

December 31, ~~2021~~2022. RRF absolutely and unconditionally guarantees to assume the duties of obligations of TRC under the Red Collection Franchise Agreements identified in this Disclosure Document that TRC enters into with franchisees, as amended, modified, or extended from time to time. See the Guarantee of Performance signed by RRF included with its financial statements in Exhibit A.

## **ITEM 22**

### **CONTRACTS**

Attached to this Disclosure Document are copies of the following agreements regarding the offering of The Red Collection hotel franchise:

Exhibit E	Franchise Application
Exhibit F	Franchise Agreement
Exhibit G	Renovation Addendum
Exhibit H	Reservation Platform /PMS Software Sublicense Agreement
Exhibit J	Transfer Addendum to Franchise Agreement
Exhibit K	Development Incentive Program for Women and Veterans
Exhibit L	State Required Agreement Addenda
Exhibit M	RediCall Agreement
Exhibit N	Revenue Management Agreements

## **ITEM 23**

### **RECEIPTS**

Duplicate pages of the detachable document acknowledging receipt of the Disclosure Document by the prospective franchisee appear at the end of this Disclosure Document.

## **ADDITIONAL STATE REQUIRED DISCLOSURES**

### **FOR THE STATE OF CALIFORNIA**

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE

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.

SEE THE COVER PAGE OF THE DISCLOSURE DOCUMENT FOR OUR URL ADDRESS. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [WWW.DFPI.CA.GOV](http://WWW.DFPI.CA.GOV).

Neither The Red Collection, LLC nor any person listed in Item 2 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 parties from membership in such association or exchange.

The California Franchise Relations Act, Business and Professions Code Sections 20000 to 20043, provides the Franchisee with certain rights on termination or non-renewal of a franchise. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. 101, *et seq.*). If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control. The Franchise Agreement requires application of the law of the State of Ohio. This provision may not be enforceable under California law. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **FOR THE STATE OF ILLINOIS**

Illinois law shall apply to and govern the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' right upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **FOR THE STATE OF MARYLAND**

Item 17 is amended to provide that, pursuant to COMAR 01.01.08.16L, the general release required as a condition of renewal and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law, and to provide that the Franchisee may sue in Maryland for claims 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. The provision in the Franchise Agreement that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101, *et seq.*).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **FOR THE STATE OF MICHIGAN**

#### **NOTICE REQUIRED BY THE STATE OF MICHIGAN**

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.**

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

- (a) A prohibition of the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchisee 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 franchisee 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 THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

Any questions regarding this Notice shall be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 373-7117.

### **FOR THE STATE OF MINNESOTA**

Item 13 is amended to provide that:

Minnesota law requires that a franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee's use of the Trademarks infringes trademark rights of the third party. We do not indemnify against the consequences of your use of our Trademarks except in accordance with the requirements of the Franchise Agreement, and, as a condition to indemnification, you must provide notice to us of any such claim within 10 days and tender the defense of the claim to us. If we accept the tender of defense, we have the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

Item 17 is amended to provide that:

Minnesota statute §80C14 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of jurisdiction.

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, subdivisions 3, 4, and 5 which requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreements.

Liquidated damages are generally not permitted under Minnesota law.

Item 22 is amended to provide that:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **FOR THE STATE OF NEW YORK**

**State Cover Page.** The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT B 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 FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE 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, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

**Item 3, Additional Disclosure.** The following is added to the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

**3. Item 4, Additional Disclosure.** The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. **Item 5: Initial Fees.** The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. **Item 7: Renewal, Termination, Transfer and Dispute Resolution**

A. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in 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.

B. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

You may terminate the agreement on any grounds available by law.

C. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

D. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

**FOR THE STATE OF NORTH DAKOTA**

**Item 17, Additional Disclosures.** The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

A. **Restrictive Covenants:** Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. **Restriction on Forum:** Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

C. **Liquidated Damages and Termination Penalties:** Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

**D. Applicable Laws:** Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.

**E. Waiver of Trial by Jury:** Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

**F. Waiver of Exemplary and Punitive Damages:** Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

**G. General Release:** Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

**H. Limitation of Claims:** Requiring that North Dakota franchisees to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

**I. Enforcement of Agreement:** Requiring that North Dakota franchisees to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

#### **FOR THE STATE OF RHODE ISLAND**

Item 17 is amended to state that Section 19-28-1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

#### **FOR THE STATE OF VIRGINIA**

The following is 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.

#### **FOR THE STATE OF WASHINGTON**

**Item 17, Additional Disclosures.** The following statements are added to Item 17:

1. You have the right to terminate the Franchise Agreement upon any grounds permitted by law.
2. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
3. RCW 19.100.180 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.
4. A franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

5. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder 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, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
8. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
9. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**EXHIBIT A**  
**FINANCIAL STATEMENTS**

# **Red Roof Franchising, LLC and Subsidiaries**

**Consolidated Financial Statements**

**For the Years Ended December 31, 2024, 2023, and 2022**

**Red Roof Franchising, LLC and Subsidiaries**  
**Consolidated Financial Statements**  
**Table of Contents**  
**For the Years Ended December 31, 2024, 2023 and 2022**

---

	<b>Page(s)</b>
Independent Auditor’s Report .....	1-2
Consolidated Financial Statements	
Consolidated Balance Sheets .....	3
Consolidated Statements of Operations .....	4
Consolidated Statements of Changes in Member’s Equity .....	5
Consolidated Statements of Cash Flows .....	6
Notes to the Consolidated Financial Statements .....	7-17

## **Independent Auditor's Report**

To the Board of Directors  
Red Roof Franchising, LLC and Subsidiaries

### **Opinion**

We have audited the consolidated financial statements of Red Roof Franchising, LLC and Subsidiaries (collectively, the "Company"), which comprise the consolidated balance sheets as of December 31, 2024, 2023, and 2022 and the related consolidated statements of operations, changes in member's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, 2023, and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

### **Auditor's Responsibilities for the Audits of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

To the Board of Directors  
Red Roof Franchising, LLC and Subsidiaries

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

*Plante & Moran, PLLC*

March 28, 2025

**Red Roof Franchising, LLC and Subsidiaries**  
**Consolidated Balance Sheets**  
**For the Years Ended December 31, 2024, 2023 and 2022**

	December 31, 2024	December 31, 2023	December 31, 2022
<b>Assets</b>			
Cash and cash equivalents	\$ 22,445,012	\$ 32,416,728	\$ 45,860,206
Accounts receivable, net of allowance for credit losses of \$1,370,213, \$177,700, and \$1,583,800	14,263,435	12,129,153	9,045,668
Receivable from affiliates	178,386	-	-
Prepaid expenses and other assets	2,300,351	1,915,652	1,619,236
Deferred franchise sales commissions	3,753,078	3,956,371	3,763,383
Key money receivable	3,608,165	2,206,538	1,211,482
Operating lease right-of-use asset	2,003,505	-	-
Intangible assets, net of accumulated amortization of \$52,074,577, \$51,915,516, and \$51,609,292	585,714	730,924	1,037,148
Deferred tax asset, net	288,301	115,883	955,099
Property and equipment, net of accumulated depreciation of \$1,071,221, \$881,475, and \$679,051	294,866	566,319	399,239
Software, net of accumulated amortization of \$5,837,327, \$5,745,491, and \$5,726,487	902,098	53,704	72,707
	<u>50,622,911</u>	<u>54,091,272</u>	<u>63,964,168</u>
Total assets	<u>\$ 50,622,911</u>	<u>\$ 54,091,272</u>	<u>\$ 63,964,168</u>
<b>Liabilities and Member's Equity</b>			
Accounts payable	\$ 5,247,216	\$ 3,267,908	\$ 3,510,773
Payable to affiliates	-	413,455	3,656,910
Note payable, affiliate	4,550,000	5,200,000	5,850,000
Deferred revenue	7,501,279	7,841,487	9,509,527
Operating lease liabilities	2,006,694	-	-
Accrued income taxes	-	-	76,821
Accrued expenses	4,697,233	4,513,416	5,720,031
	<u>24,002,422</u>	<u>21,236,266</u>	<u>28,324,062</u>
Total liabilities	<u>24,002,422</u>	<u>21,236,266</u>	<u>28,324,062</u>
Member's equity	<u>26,620,489</u>	<u>32,855,006</u>	<u>35,640,106</u>
	<u>\$ 50,622,911</u>	<u>\$ 54,091,272</u>	<u>\$ 63,964,168</u>
Total liabilities and member's equity	<u>\$ 50,622,911</u>	<u>\$ 54,091,272</u>	<u>\$ 63,964,168</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Red Roof Franchising, LLC and Subsidiaries**  
**Consolidated Statements of Operations**  
**For the Years Ended December 31, 2024, 2023 and 2022**

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>Revenues</b>			
Revenues	\$ 91,958,435	\$ 94,164,425	\$ 95,442,592
<b>Expenses</b>			
Personnel costs	29,984,133	31,884,018	31,991,886
Sales and marketing	23,480,391	24,309,491	24,569,253
General and administrative	17,704,940	13,898,092	15,387,647
Amortization	301,168	325,228	246,060
Depreciation	189,746	202,424	354,373
Loss on disposal of assets	13,229	-	294,894
Total expenses	<u>71,673,607</u>	<u>70,619,253</u>	<u>72,844,113</u>
Income before interest and taxes	20,284,828	23,545,172	22,598,479
<b>Other Expense (Income)</b>			
Note payable, affiliate loan forgiveness	-	-	(650,000)
Interest expense	249,152	281,388	314,340
Interest income	<u>(893,650)</u>	<u>(1,512,774)</u>	<u>(122,649)</u>
Income before income taxes	20,929,326	24,776,558	23,056,788
Income tax expense	5,398,805	6,356,658	5,727,804
Net income	<u>\$ 15,530,521</u>	<u>\$ 18,419,900</u>	<u>\$ 17,328,984</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Red Roof Franchising, LLC and Subsidiaries**  
**Consolidated Statements of Changes in Member's Equity**  
**For the Years Ended December 31, 2024, 2023 and 2022**

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	<b>Member's Equity</b>
<b>Balance at December 31, 2021</b>	<b>\$ 34,711,122</b>
Net income	17,328,984
Capital distribution to member	(16,400,000)
<b>Balance at December 31, 2022</b>	<b>\$ 35,640,106</b>
Net income	18,419,900
Capital contribution from member	650,000
Capital distribution to member	(21,855,000)
<b>Balance at December 31, 2023</b>	<b>\$ 32,855,006</b>
Net income	15,530,521
Capital contribution from member	650,000
Capital distribution to member	(22,415,038)
<b>Balance at December 31, 2024</b>	<b>\$ 26,620,489</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Red Roof Franchising, LLC and Subsidiaries**  
**Consolidated Statements of Cash Flow**  
**For the Years Ended December 31, 2024, 2023 and 2022**

	December 31, 2024	December 31, 2023	December 31, 2022
Cash flows from operating activities:			
Net income	\$ 15,530,521	\$ 18,419,900	\$ 17,328,984
Adjustments to reconcile net income to net cash from by operating activities:			
Amortization	301,168	325,228	246,060
Key money loan forgiveness	248,873	112,444	86,203
Depreciation	189,746	202,424	354,373
Non-cash lease expense	3,189	-	-
Note payable, affiliate loan forgiveness	-	-	(650,000)
Change in deferred income taxes, net	(172,418)	839,216	39,859
Provision for credit losses	1,263,969	19,519	(8,662)
Loss on disposition of assets	13,229	-	294,894
Changes in operating assets and liabilities:			
Accounts receivable	(3,398,251)	(3,103,004)	1,433,350
Prepaid expenses and other assets	(384,699)	(296,416)	(662,923)
Contract assets	203,293	(192,988)	(123,785)
Key money	(1,650,500)	(1,107,500)	(310,019)
Accounts payable	1,979,308	(242,866)	765,100
Accrued expenses	183,817	(1,206,615)	690,791
Accrued income taxes	-	(76,821)	76,821
Deferred revenue	(340,208)	(1,668,040)	337,060
Payable/Receivable with affiliates	(591,841)	(3,243,455)	5,004,389
Net cash provided by operating activities	<u>13,379,196</u>	<u>8,781,026</u>	<u>24,902,495</u>
Cash flows from investing activities:			
Purchase of equipment and software	(922,023)	(369,504)	(102,969)
Purchase of intangible assets	(13,851)	-	-
Net cash used in investing activities	<u>(935,874)</u>	<u>(369,504)</u>	<u>(102,969)</u>
Cash flows from financing activities:			
Distribution to member	(22,415,038)	(21,855,000)	(16,400,000)
Net cash used in financing activities	<u>(22,415,038)</u>	<u>(21,855,000)</u>	<u>(16,400,000)</u>
Net change in cash and equivalents	(9,971,716)	(13,443,478)	8,399,526
Cash and cash equivalents, beginning of the period	<u>32,416,728</u>	<u>45,860,206</u>	<u>37,460,680</u>
Cash and cash equivalents, end of the period	<u>\$ 22,445,012</u>	<u>\$ 32,416,728</u>	<u>\$ 45,860,206</u>
Supplemental disclosure:			
Interest Paid	\$ 650,218	\$ 674,149	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

# Red Roof Franchising, LLC and Subsidiaries

## Notes to the Consolidated Financial Statements

### For the Years Ended December 31, 2024, 2023 and 2022

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#### 1. Organization

Red Roof Franchising, LLC (the "**Company**") was organized during 2007 by Red Roof Inns, Inc. ("**RRI**") and is a wholly owned subsidiary of RRI.

The Company is the franchisor for 624, 615, and 609 Red Roof Inns as of December 31, 2024, 2023 and 2022, respectively. The Company provides a variety of benefits for franchised hotels, which include national advertising, publicity and other marketing programs designed to increase brand awareness, training of personnel, continuous review of quality standards and centralized reservation systems.

During the third quarter of 2018, the Company introduced two new brand extensions: The Red Collection (the "**Red Collection**") and HomeTowne Studios by Red Roof ("**HomeTowne Studios**"). The Red Collection consists of upscale economy to midscale hotels, providing modern, accessible, and affordable accommodations. The Company is the franchisor for five, five, and four Red Collection hotels as of December 31, 2024, 2023, and 2022, respectively. HomeTowne Studios consists of extended stay hotels. The Company is the franchisor for 84, 73, and 68 HomeTowne Studios as of December 31, 2024, 2023, and 2022, respectively.

#### 2. Summary of Significant Accounting Policies

##### **Basis of Presentation**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

##### **Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and each of those subsidiaries, which it controls. All significant intercompany accounts and transactions are eliminated as part of the consolidation process.

##### **Member Support**

The Company may receive general and administrative support from RRI in the form of advances, services, and administration. These consolidated financial statements have been prepared from the separate records maintained by the Company and may not necessarily be indicative of the conditions or the results of the operations that would have existed if the Company had been operated as an unaffiliated company.

##### **Use of Estimates**

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### **Cash and Cash Equivalents**

RRI manages the Company's short-term liquidity through holdings of cash and highly liquid short-term investments with original maturities of three months or less when purchased. For the purposes of reporting cash and cash flows, these holdings are shown together as cash and cash equivalents. Cash and cash equivalents at December 31, 2024, 2023 and 2022 was approximately \$22.4 million, \$32.4 million, and \$45.9 million, respectively.

**Red Roof Franchising, LLC and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2024, 2023 and 2022**

**Concentration of Risk**

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and accounts receivable. As determined by the Company's management, the Company maintains its cash with high quality financial institutions and minimizes its exposure to accounts receivable through a diverse customer base. The Company maintains cash in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC"). Amounts deposited are insured by the FDIC up to \$250,000. The Company's management periodically assesses the financial condition of the institutions and believes that the risk of any loss is minimal.

The Company defines a franchise group as a franchisee that owns more than one Red Roof franchised hotel. The Company had uncollateralized receivables of approximately \$5.3 million, \$2.3 million, and \$1.0 million at December 31, 2024, 2023 and 2022, respectively, with its two largest franchise groups. For the years ended December 31, 2024, 2023 and 2022, the Company's two largest franchise groups accounted for approximately 11%, 12%, and 14% of total revenues, respectively.

**Accounts Receivable**

Accounts receivable are carried at their net realizable value and are expected to be collected in the normal course of business. Accounts receivable are reported net of an allowance for credit losses to represent the Company's estimate of expected losses at the balance sheet date. The balances of accounts receivable were approximately \$14.3 million, \$12.1 million, and \$9.0 million for the years ended December 31, 2024, 2023, and 2022, respectively. The balance of the Company's accounts receivable was approximately \$10.5 million as of January 1, 2022. The adequacy of the Company's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by payor source and aging of receivables, a review of specific accounts, as well as expected future economic conditions and market trends and adjustments are made to the allowance as necessary. The allowance for credit losses was approximately \$1.4 million, \$0.2 million, and \$1.6 million as of December 31, 2024, 2023 and 2022, respectively. Bad debt expense is included in general and administrative expense in the consolidated statement of operations.

The following table presents the changes in allowance for credit losses on accounts receivable for the periods indicated:

<i>(in millions)</i>	<b>For the Years Ended December 31,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
Balance at beginning of period	\$ 0.2	\$ 1.6	\$ 1.8
Additions charged to expense	0.9		
Write-offs	0.4	0.1	0.2
Recoveries and other	(0.1)	(1.5)	(0.4)
Balance at end of period	<u>\$ 1.4</u>	<u>\$ 0.2</u>	<u>\$ 1.6</u>

**Key Money Receivable**

In conjunction with brand and development programs, we strategically make certain payments to franchisees as an incentive to enter in new franchise agreements. If the franchisee remains in the franchise system in good standing over the 10 to 20 year term specified in the incentive agreement, the Company forgives the incentive ratably. If the franchisee exits our franchise system or is not operating their franchise in accordance with our quality and credit standards and

# **Red Roof Franchising, LLC and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

### **For the Years Ended December 31, 2024, 2023 and 2022**

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is terminated, the franchisee must repay the unamortized incentive payment plus interest. The Company and franchisees entered into key money forgivable promissory notes for approximately \$1.7 million, \$1.1 million, and \$0.3 million in the years ended December 31, 2024, 2023, and 2022, respectively. These notes are included in the key money receivable in the consolidated balance sheet. The interest rate is 5% per annum. One key money forgivable promissory note entered into during the year ended December 31, 2024 had not yet been disbursed at year end, so approximately \$0.3 million is included in accounts payable in the consolidated balance sheet related to this note. Three key money forgivable promissory notes entered into during the year ended December 31, 2023 had not yet been disbursed at year end, so approximately \$1.1 million is included in accounts payable in the consolidated balance sheet related to these notes.

These payments are recognized as an adjustment to the transaction price and capitalized as a key money asset. The key money asset is amortized on a straight line basis over the estimated benefit period of the arrangement as an offset to royalty fees and marketing and reservation fees.

The unamortized balance of the notes was approximately \$4.1 million, \$2.4 million, and \$1.3 million for the years ended December 31, 2024, 2023, and 2022, respectively. Amortization expense, which is included as a contra-revenue account within franchise revenue on the statement of operations, was approximately \$249,000, \$112,000, and \$86,600 for the years ended December 31, 2024, 2023 and 2022, respectively.

#### **Intangible Assets**

Intangible assets consist of the RRI trademark as well as franchise royalties. The trademark intangible is being amortized to expense on a straight-line basis over the estimated period the trademark will provide royalty relief to the individual hotels owned by RRI. The amortization period for the underlying hotels expires from 2025 through 2037. The franchise royalties intangible is being amortized to expense on a straight-line basis over the 13.5 year estimated useful life of the underlying franchise agreements. The trademark's net carrying value of approximately \$3.6 million was contributed in 2012 to the Company from a subsidiary of RRI, while an additional \$40,000 was paid in July of 2014 for an additional renewable trademark in China, which has an indefinite life. An additional \$14,000 was paid in August 2024 for the renewal of the indefinite life trademark in China. An additional \$31,000 in January of 2019 for the HomeTowne Studios trademark which has a 10 year useful life. Whenever events or changes indicate that recoverability of the Company's intangible assets may not be supported by current assumptions, the Company reviews its intangible assets to determine if their carrying costs will be recovered from future undiscounted cash flows. In cases where the Company does not expect to recover its carrying cost, an impairment loss is recorded. No events or circumstances indicating impairment of intangible assets have been identified as of December 31, 2024, 2023 and 2022.

#### **Software Costs**

The Company capitalizes costs incurred in the acquisition of software for internal use, including the costs of the software, materials and consultants. Amortization of capitalized software is computed for financial reporting purposes on the straight-line method using estimated lives of 3 to 8 years. At December 31, 2024, 2023 and 2022 the Company had capitalized software of approximately \$0.9 million, \$54,000, and \$73,000, net of accumulated amortization, respectively. Amortization expense was approximately \$131,000, \$19,000, and \$21,000 for the years ended December 31, 2024, 2023 and 2022, respectively.

# Red Roof Franchising, LLC and Subsidiaries

## Notes to the Consolidated Financial Statements

### For the Years Ended December 31, 2024, 2023 and 2022

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#### Property and Equipment

Property and equipment are recorded at cost. Expenditures for normal repairs and maintenance are charged to expense during the period in which the costs are incurred. The cost and related accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts. Depreciation of property and equipment is computed for financial reporting purposes on the straight-line method using the following estimated lives:

Land improvements	15 years
Building and building improvements	5 to 39 years
Furniture, fixtures and equipment	3 to 10 years

#### Income Taxes

The Company's results are included in the consolidated tax return of RRI. In accordance with ASC 740-10-30-27A, the Company has elected to allocate consolidated income tax expense of RRI to the Company. Accordingly, federal income taxes have been accounted for in accordance with ASC 740, Income Taxes. Deferred tax liabilities and assets are recognized for the estimated future tax effects of temporary differences between financial reporting and tax accounting. Under the separate return method, income taxes are recorded as if the Company were a separate taxpayer.

#### Accounting for Uncertainty in Income Taxes

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability if the Corporation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Company and has concluded that as of December 31, 2024, 2023 and 2022 there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions. IRS audits are closed for the parent of the Company through the 2020 tax year.

#### Accrued Expenses

Accrued expenses primarily includes accrued wages, bonus and other labor-related costs.

#### Sales & Marketing

The Company promotes its brands on behalf of its franchised hotels primarily via its website, loyalty program, billboards, various other media and through services provided by a public relations and communication consultancy. The Company is reimbursed for the costs incurred on behalf of franchisees through franchise fees. The total of these expenses was approximately \$23.5 million, \$24.3 million, and \$24.6 million for the years ended December 31, 2024, 2023 and 2022, respectively, and are included in sales and marketing expenses in the accompanying consolidated statement of operations.

### 3. Revenue

#### Revenue Recognition

Franchise revenues are mainly comprised of royalties and marketing and reservation revenue with third-party hotel owners. The Company enters into franchise agreements that provides franchisees with the right to license and operate an inn as a Red Roof Inn. Each franchise agreement permits the franchisee to use the Red Roof logo together with other trade names, trademarks, slogans, signs, colors, insignia and copyrights. The franchisee is also permitted use

**Red Roof Franchising, LLC and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2024, 2023 and 2022**

of marketing and reservation, and other miscellaneous franchise services. The franchise agreements typically have an initial term of 20 years, which typically include the ability for the franchisee to terminate after a certain anniversary date or dates without penalty. The enforceable period of a franchise agreement extends until the date the franchisee or the Company can terminate the agreement without incurring a significant penalty. Initial franchise fees, initial software license fees, and transfer fees are deferred to the inn's opening date and recognized ratably over the enforceable contract period. If a franchise agreement terminates prior to the end of the enforceable period, the unrecognized initial and transfer fees are immediately recognized. These fees are typically paid at the time a franchise agreement is signed and are non-refundable.

Additionally, in some cases, the Company provides payments to customers as an incentive to enter into franchise agreements. This is considered a reduction to the transaction price. These payments are recorded as a key money receivable on the consolidated balance sheet and are amortized over the life of the franchise agreement. After a hotel opens, royalty fees and marketing and reservation fees are recognized over the term of the franchise agreement based on a percentage of gross room revenues as they occur and are due to the Company in the following month. Expenses relative to these fees are recognized as services are incurred or goods are received. As of December 31, 2024, the remaining duration of the franchise agreements range from one to twenty years. The franchise agreements may be terminated for default upon prior notice and/or upon payment of certain specified fees.

A performance obligation is a promise in a contract with a customer to transfer a distinct good or service to the customer. At each franchised hotel, the Company has a performance obligation to grant each franchisee the right to establish and operate one or more hotels utilizing the intellectual property of Red Roof. The consideration received from a customer is allocated to each distinct performance obligation and recognized as revenue when, or as, each performance obligation is satisfied. All obligations to franchisees are considered one performance obligation and, as a result, all revenues are recognized over the enforceable period. Each franchise agreement has the following performance obligations:

- *Franchise right and other related services:* The Company has obligations to provide franchisees with the right to operate a branded hotel, training, technology, a reservation system and sales and marketing services.
- *Material rights for free or discounted goods or services to hotel guests:* Primarily consists of the points issued under the Company's guest loyalty program, RediRewards.

**Disaggregation of Revenue**

The following tables disaggregate the Company's revenue by major source for the years ended December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
On-going royalties, sales and marketing, reservations and other fees	\$ 90,076,232	\$ 92,450,255	\$ 93,617,665
Initial franchise, software license, and transfer fees	<u>1,882,203</u>	<u>1,714,170</u>	<u>1,824,927</u>
	<u>\$ 91,958,435</u>	<u>\$ 94,164,425</u>	<u>\$ 95,442,592</u>

# **Red Roof Franchising, LLC and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

### **For the Years Ended December 31, 2024, 2023 and 2022**

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#### **Loyalty Program**

The Company's RediRewards loyalty program allows members to earn points which may be redeemed for a free night certificate or other awards. The Company collects from franchisees a percentage of loyalty program members' gross room revenue from completed stays to operate the program. When points are redeemed for free accommodations or other benefits, the Company reimburses franchisees or third parties based on a rate derived in accordance with the franchise or vendor agreement. The Company is the principal for the loyalty program because the Company controls the percent of loyalty program members' gross room revenue that is collected from franchisees, the number of points required by loyalty members to earn a free night or other awards, and the amount reimbursed to franchisees and others when members redeem points. As a result, the Company recognizes revenue in the gross amount as those fees are charged to administer the loyalty program.

Loyalty points represent a performance obligation attributable to usage of the points, and thus revenues are recognized at the point in time when the loyalty points are redeemed by members for benefits. The transaction price is variable and determined in the period when the loyalty points are earned and the underlying gross room revenues are known. No loyalty program revenues are recognized at the time the loyalty points are issued.

#### **Contract Liabilities**

The balances of the contract liabilities for remaining performance obligations for which consideration has been received or receivable for initial franchise fees, initial software license fees, and transfer fees were approximately \$6.6 million, \$6.8 million, and \$7.0 million for the years ended December 31, 2024, 2023, and 2022, respectively. The balance of the Company's contract liability for these fees was approximately \$7.1 million as of January 1, 2022. These amounts are included in deferred revenue in the consolidated balance sheets. Revenue recognized that was previously recorded as a contract liability was approximately \$1.9 million, \$1.7 million, and \$1.8 million for the years ended December 31, 2024, 2023, and 2022, respectively.

The balances of the contract liabilities for remaining performance obligations for which consideration has been received or receivable related to the Company's RediRewards loyalty program were approximately \$0.9 million, \$1.0 million, and \$2.6 million for the each of the years ended December 31, 2024, 2023 and 2022, respectively. The balance of the Company's contract liability for the loyalty program was approximately \$2.1 million as of January 1, 2022. Effective January 1, 2023, the Company changed how the estimated breakage was calculated from the redemption pattern method to the projected redemption rate. This change was made as it was determined that the projected redemption rate, which was based on an actuarial model, was a more accurate method. The effect of this change was a reduction of approximately \$3.0 million in the Company's contract liability for the Redirewards loyalty program. These amounts are included in deferred revenue in the consolidated balance sheets.

#### **Costs to Obtain and Fulfill a Contract**

The incremental costs of obtaining a franchise agreement are those costs that would not have been incurred if the franchise agreement had not been obtained. The Company's incremental costs of obtaining a contract consists of sales commissions paid on both initial franchise agreements, renewals and transfers. Sales commissions are deferred and amortized ratably over the enforceable period of the franchise agreement, unless the franchise agreement is terminated and the hotel exits the system whereby remaining deferred amounts are expensed in the period of termination. Deferred franchise sales commissions totaled approximately \$3.8 million, \$4.0

**Red Roof Franchising, LLC and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2024, 2023 and 2022**

million, and \$3.8 million as of December 31, 2024, 2023, and 2022, respectively and are included in the consolidated balance sheets. Sales commission amortization expense was approximately \$1.0 million for each of the years ended December 31, 2024, 2023, and 2022.

**4. Property and Equipment**

Property and equipment consist of the following:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Land Improvements	\$ -	\$ -	\$ -
Buildings & Improvements	301,353	301,353	301,353
Major Equipment, Fixed Plant	16,912	16,912	16,912
FF&E	153,987	139,708	139,708
Computer Hardware	869,437	765,856	619,226
Construction in Process	24,398	223,965	1,091
Total	<u>1,366,087</u>	<u>1,447,794</u>	<u>1,078,290</u>
Less accumulated depreciation	<u>(1,071,221)</u>	<u>(881,475)</u>	<u>(679,051)</u>
Property and equipment, net	<u>\$ 294,866</u>	<u>\$ 566,319</u>	<u>\$ 399,239</u>

Depreciation expense of the property and equipment was approximately \$0.2 million, \$0.2 million, and \$0.4 million for each of the years ended December 31, 2024, 2023 and 2022, respectively.

**5. Intangible Assets**

Intangible assets consist of the following:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Trademark (See Note 2)	\$ 3,660,291	\$ 3,646,440	\$ 3,646,440
Franchise royalties	49,000,000	49,000,000	49,000,000
Less: accumulated amortization	<u>(52,074,577)</u>	<u>(51,915,516)</u>	<u>(51,609,292)</u>
	<u>\$ 585,714</u>	<u>\$ 730,924</u>	<u>\$ 1,037,148</u>

Amortization expense of the intangibles was approximately \$0.2 million, \$0.3 million, and \$0.2 million for the years ended December 31, 2024, 2023 and 2022, respectively. The unamortized balance of the trademark at December 31, 2024 will be charged to amortization expense through 2037 for years ended December 31 as follows:

2025	66,593
2026	48,041
2027	48,041
2028	48,041
2029	79,793
Thereafter	<u>295,205</u>
	<u>\$ 585,714</u>

**Red Roof Franchising, LLC and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2024, 2023 and 2022**

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**6. Leases**

On October 31, 2024, the Company entered into a lease for the corporate office which is classified as an operating lease expiring in 2030. This lease includes additional rent for operating costs for taxes, insurance, utilities, and maintenance costs.

Future minimum annual commitments under this operating lease are as follows:

Years Ending December 31	Amount
2025	\$ 371,048
2026	378,578
2027	386,153
2028	393,952
2029	401,796
Thereafter	<u>340,432</u>
Total	2,271,959
Less amount representing interest	<u>265,265</u>
Present value of lease payments	2,006,694

Expenses recognized under this lease for the year ended December 31, 2024 consist of the following:

Operating lease cost	\$ 64,822
Other information:	
Cash paid for amounts included in the measurement of lease liabilities - Operating cash flows from operating leases	\$ 61,632
Weighted-average remaining lease term (in years) - Operating leases	6.00
Weighted-average discount rate - Operating leases	4.21%

**7. Related Party Transactions**

On January 1, 2012 RRI Reservations, LLC ("Reservations"), a wholly owned subsidiary of the Company, entered into a \$6,500,000 demand promissory note with RRI. The note bears interest at a rate of 5% per annum. Beginning on April 1, 2012, the note required quarterly payments of interest only. The note's principal and all accrued interest are due in full upon the demand of RRI. The original maturity date of the note was December 31, 2021. On January 1, 2022, the note was extended for a period of 10 years, with full forgiveness of the note being granted ratably over the extended term which matures on December 31, 2031. Interest expense was approximately \$0.2 million, \$0.3 million, and \$0.3 million for the years ended December 31, 2024, 2023 and 2022, respectively. Accrued interest was approximately \$0.1 million, \$0.1 million, and \$0.5 million as of the years ended December 31, 2024, 2023 and 2022, respectively.

**Red Roof Franchising, LLC and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2024, 2023 and 2022**

Payable to and receivables from affiliates primarily represents net cash receipts and disbursements of the Company, which were processed through a central cash account with RRI, and fees due to RRI West. The Company had an outstanding balance of approximately \$0.1 million net receivable from RRI and RRI West as of December 31, 2024, \$0.4 million net payable to RRI and RRI West as of December 31, 2023, and \$3.6 million net payable to RRI and RRI West as of December 31, 2022, including the accrued interest of approximately \$0.1 million, \$0.5 million, and \$0.1 million for the years ended 2023, 2022, and 2021, respectively.

**8. Income Taxes**

The provision for income taxes consists of the following:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current:			
Federal	\$ 4,272,570	\$ 4,290,239	\$ 4,377,793
State	1,298,654	1,304,024	1,310,152
Total current provision	<u>5,571,224</u>	<u>5,594,263</u>	<u>5,687,945</u>
Deferred:			
Federal	(140,668)	684,675	20,108
State	(31,751)	154,541	19,751
Total deferred benefit	<u>(172,419)</u>	<u>839,216</u>	<u>39,859</u>
Total income tax expense	<u>\$ 5,398,805</u>	<u>\$ 6,433,479</u>	<u>\$ 5,727,804</u>

A reconciliation of the Company's effective income tax rate and the United States federal statutory income tax rate for the years ended December 31 are summarized as follows:

	<u>2024</u>		<u>2023</u>		<u>2022</u>	
Expected income tax at federal statutory rate	\$ 4,395,158	21.0%	\$ 5,187,159	21.0%	\$ 4,683,103	21.0%
Effect of permanent differences	28,446	0.1%	26,326	0.1%	-	0.0%
Other	(18,985)	-0.1%	35,274	0.1%	(10,069)	0.0%
Effect of state income taxes	<u>994,186</u>	<u>4.8%</u>	<u>1,184,720</u>	<u>4.8%</u>	<u>1,054,770</u>	<u>4.7%</u>
Total income tax expense	<u>\$ 5,398,805</u>	<u>25.8%</u>	<u>\$ 6,433,479</u>	<u>26.0%</u>	<u>\$ 5,727,804</u>	<u>25.7%</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities consisted of the following at December 31:

**Red Roof Franchising, LLC and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2024, 2023 and 2022**

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deferred tax assets			
Deferred revenue	\$ 545,083	\$ 531,881	\$ 977,412
Other	617,652	312,654	725,200
Total deferred tax assets	<u>1,162,735</u>	<u>844,535</u>	<u>1,702,612</u>
Deferred tax liabilities			
Property and equipment	154,219	28,624	51,907
Trademark intangible	146,601	207,230	266,365
Other	573,614	492,798	429,241
Total deferred tax liabilities	<u>874,434</u>	<u>728,652</u>	<u>747,513</u>
Net deferred tax assets	<u>\$ 288,301</u>	<u>\$ 115,883</u>	<u>\$ 955,099</u>

**9. Commitments and Contingencies**

The Company is involved, at times, in claims, legal and regulatory proceedings and governmental inquiries arising in the ordinary course of its business, including but not limited to: breach of contract, fraud and bad faith claims with franchisees in connection with franchise agreements and with owners in connection with management contracts, as well as negligence, breach of contract, fraud, employment, consumer protection and other statutory claims asserted in connection with alleged acts or occurrences owned, franchised or managed properties or in relation to guest reservations and bookings. The Company may also at times be involved in claims, legal and regulatory proceedings and governmental inquiries relating to bankruptcy proceedings involving efforts to collect receivables from a debtor in bankruptcy, employment matters, claims of infringements upon third parties' intellectual property rights, claims relating to information security, privacy and consumer protection, fiduciary duty/trust claims, tax claims, environmental claims and landlord/tenant disputes. Along with many of its competitors, the Company, its parent company, and certain franchisees have been named as defendants in litigation matters filed in state and federal courts, alleging statutory and common law claims related to the purported incidents of sex trafficking at certain franchised hotel facilities. Many of these matters are in the pleading or discovery stages at this time. In certain matters, discovery has closed and the parties engaged in dispositive motion practice. As of December 31, 2024, the Company is aware of 205 matters naming the Company and/or its parent company, of which 66 have been filed and are in various stages of litigation. Certain of the cases have been consolidated since initial filing. Based upon the status of these matters, an estimate of the potential outcome or range of loss cannot be made at this time but could be significant.

The Company records an accrual for legal contingencies when it determines, after consultation with outside counsel, that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In making such determinations, The Company evaluates, among other things, the degrees of probability of an unfavorable outcome, and when it is probable that a liability has been incurred, its ability to make a reasonable estimate of loss. The Company reviews these accruals each reporting period and makes revisions based on changes in facts and circumstances, including changes to its strategy in dealing with these matters.

Litigation is inherently unpredictable and, although the Company believes that its accruals are adequate and/or that it has valid defenses in these matters, unfavorable results could occur. As

# **Red Roof Franchising, LLC and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

### **For the Years Ended December 31, 2024, 2023 and 2022**

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such, an adverse outcome from such proceedings for which claims are awarded in excess of the amounts accrued, if any, could be material to the Company with respect to earnings and/or cash flows in any given reporting period. The Company does not believe that the impact of such litigation will result in a material liability to the Company in relation to its combined financial position or liquidity.

The Company is subject to environmental regulations related to the ownership, management and franchising of hotels. The cost of complying with the environmental regulations was not significant to the Company's results of operations for the years ended December 31, 2024, 2023 and 2022.

The Company is not aware of any environmental condition on its property which is likely to have a material adverse effect on the consolidated financial statements.

The Company maintains general and other liability insurance; however, certain costs of defending lawsuits, such as those below the retention or insurance deductible amount, are not covered by or are only partially covered by insurance policies, and our insurance carriers could refuse to cover certain claims in whole or in part. The Company regularly evaluates our ultimate liability costs with respect to such claims and lawsuits. The Company accrue costs from litigation as they become probable and estimable.

#### **10. Subsequent Events**

The Company has evaluated subsequent events for potential recognition or disclosure in the consolidated financial statements through March 28, 2025, the day the consolidated financial statements were available to be issued. No significant subsequent events have occurred.

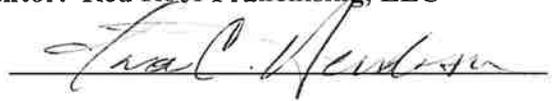
## GUARANTEE OF PERFORMANCE

For value received, Red Roof Franchising, LLC, a Delaware limited liability company (the “**Guarantor**”), located at 7815 Walton Parkway, New Albany, Ohio 43054, absolutely and unconditionally guarantees to assume the duties and obligations of The Red Collection, LLC, located at 7815 Walton Parkway, New Albany, Ohio 43054 (the “**Franchisor**”), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its Franchise Disclosure Document issued April 14, 2025, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, which ever occurs first. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee at Columbus, Ohio, on the 14<sup>th</sup> day of April, 2025.

**Guarantor: Red Roof Franchising, LLC**

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



Print Name: Tara Henderson

Print Title: Chief Financial Officer

**EXHIBIT B**

**LIST OF STATE ADMINISTRATORS**

**LIST OF STATE ADMINISTRATORS**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

<p><b>CALIFORNIA</b>          Commissioner of Financial Protection and Innovation          Department of Financial Protection and Innovation          320 West Fourth Street, Suite 750          Los Angeles, California 90013-2344          (213) 576-7500 / Toll Free: (866) 275-2677          Email: ASK.DFPI@dfpi.ca.gov          Website: <a href="http://www.dfpi.ca.gov">http://www.dfpi.ca.gov</a></p>	<p><b>NEW YORK</b>          NYS Department of Law          Investor Protection Bureau          28 Liberty St. 21st Fl          New York, NY 10005          (212) 416-8222</p>
<p><b>HAWAII</b>          Commissioner of Securities          Department of Commerce &amp; Consumer Affairs          Business Registration Division          Securities Compliance Branch          335 Merchant Street, Room 203          Honolulu, Hawaii 96813          (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>          North Dakota Securities Department          State Capitol          Department 414          600 East Boulevard Avenue, Fourteenth Floor          Bismarck, North Dakota 58505-0510          (701) 328-4712</p>
<p><b>ILLINOIS</b>          Illinois Office of the Attorney General          Franchise Bureau          500 South Second Street          Springfield, Illinois 62706          (217) 782-4465</p>	<p><b>RHODE ISLAND</b>          Department of Business Regulation          Securities Division, Building 69, First Floor          John O. Pastore Center          1511 Pontiac Avenue          Cranston, Rhode Island 02920          (401) 462-9527</p>
<p><b>INDIANA</b>          Secretary of State          Franchise Section          302 West Washington, Room E-111          Indianapolis, Indiana 46204          (317) 232-6681</p>	<p><b>SOUTH DAKOTA</b>          Division of Insurance          Securities Regulation          124 South Euclid Avenue, 2<sup>nd</sup> Floor          Pierre, South Dakota 57501          (605) 773-3563</p>
<p><b>MARYLAND</b>          Office of the Attorney General          Securities Division          200 St. Paul Place          Baltimore, Maryland 21202-2020          (410) 576-6360</p>	<p><b>VIRGINIA</b>          State Corporation Commission          Division of Securities and Retail Franchising          1300 East Main Street, 9th Floor          Richmond, Virginia 23219          (804) 371-9051</p>
<p><b>MICHIGAN</b>          Michigan Attorney General’s Office          Corporate Oversight Division, Franchise Section          525 West Ottawa Street          G. Mennen Williams Building, 1<sup>st</sup> Floor          Lansing, Michigan 48913          (517) 335-7567</p>	<p><b>WASHINGTON</b>          Department of Financial Institutions          Securities Division          P.O. Box 41200          Olympia, Washington 98504-1200          (360) 902-8760</p>
<p><b>MINNESOTA</b>          Minnesota Department of Commerce          85 7<sup>th</sup> Place East, Suite 280          St. Paul, Minnesota 55101          (651) 539-1600</p>	<p><b>WISCONSIN</b>          Division of Securities          4822 Madison Yards Way, North Tower          Madison, Wisconsin 53705          (608) 266-2139</p>

**EXHIBIT C**

**LIST OF AGENTS FOR SERVICE OF PROCESS**

**LIST OF AGENTS FOR SERVICE OF PROCESS**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents in some of the states listed.

<p><b>CALIFORNIA</b>          Commissioner of Financial Protection and Innovation          Department of Financial Protection and Innovation          320 West Fourth Street, Suite 750          Los Angeles, California 90013-2344          (213) 576-7500 / Toll Free: (866) 275-2677          Email: ASK.DFPI@dfpi.ca.gov          Website: <a href="http://www.dfpi.ca.gov">http://www.dfpi.ca.gov</a></p>	<p><b>NEW YORK</b>          New York Secretary of State          One Commerce Plaza          99 Washington Avenue          Albany, NY 12231          (518) 473-2492</p>
<p><b>HAWAII</b>          Commissioner of Securities          Department of Commerce &amp; Consumer Affairs          Business Registration Division          Securities Compliance Branch          335 Merchant Street, Room 203          Honolulu, Hawaii 96813          (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>          North Dakota Securities Commissioner          State Capitol          Department 414          600 East Boulevard Avenue, Fourteenth Floor          Bismarck, North Dakota 58505-0510          (701) 328-4712</p>
<p><b>ILLINOIS</b>          Illinois Attorney General          500 South Second Street          Springfield, Illinois 62706          (217) 782-4465</p>	<p><b>RHODE ISLAND</b>          Director of Department of Business Regulation          Department of Business Regulation          Securities Division, Building 69, First Floor          John O. Pastore Center          1511 Pontiac Avenue          Cranston, Rhode Island 02920          (401) 462-9527</p>
<p><b>INDIANA</b>          Secretary of State          Franchise Section          302 West Washington, Room E-111          Indianapolis, Indiana 46204          (317) 232-6681</p>	<p><b>SOUTH DAKOTA</b>          Division of Insurance          Director of the Securities Regulation          124 South Euclid Avenue, 2<sup>nd</sup> Floor          Pierre, South Dakota 57501          (605) 773-3563</p>
<p><b>MARYLAND</b>          Maryland Securities Commissioner          200 St. Paul Place          Baltimore, Maryland 21202-2020          (410) 576-6360</p>	<p><b>VIRGINIA</b>          Clerk of the State Corporation Commission          1300 East Main Street, 1<sup>st</sup> Floor          Richmond, Virginia 23219          (804) 371-9733</p>
<p><b>MICHIGAN</b>          Michigan Attorney General’s Office          Corporate Oversight Division, Franchise Section          525 West Ottawa Street          G. Mennen Williams Building, 1<sup>st</sup> Floor          Lansing, Michigan 48913          (517) 335-7567</p>	<p><b>WASHINGTON</b>          Director of Department of Financial Institutions          Securities Division – 3<sup>rd</sup> Floor          150 Israel Road, Southwest          Tumwater, Washington 98501          (360) 902-8760</p>
<p><b>MINNESOTA</b>          Commissioner of Commerce          Minnesota Department of Commerce          85 7<sup>th</sup> Place East, Suite 280          St. Paul, Minnesota 55101          (651) 539-1600</p>	<p><b>WISCONSIN</b>          Division of Securities          4822 Madison Yards Way, North Tower          Madison, Wisconsin 53705          (608) 266-2139</p>

**EXHIBIT D**  
**LIST OF FRANCHISEES**

**LIST OF RED COLLECTION FRANCHISEES  
(as of December 31, ~~2023~~2024)**

**FRANCHISEE-OWNED HOTELS**

Franchisee Name	Hotel Address	City	State	Zip Code	Phone Number
QDI 2, LLC	12235 Regency Village Drive	Orlando	FL	32821	321-218-4440
QDI 3, LLC	5703 Oakley Boulevard	Wesley Chapel	FL	33544	813-973-1665
Maa Gayatri Mariner LLC	573 Route 28	West Yarmouth	MA	02673	508-771-7887
<a href="#">Sai Vani Corporation</a>	<a href="#">51 Teaticket Hwy</a>	<a href="#">Falmouth</a>	<a href="#">MA</a>	<a href="#">02536</a>	<a href="#">(508) 548-4240</a>
Isha Hotel, LLC	232 E. Andrews Avenue	Wildwood	NJ	08260	609-522-6407
<del>Liam LLC &amp; Aaliyana, LLC</del>	<del>2604 Atlantic Avenue</del>	<del>Virginia Beach</del>	<del>VA</del>	<del>23451</del>	<del>757-961-8190</del>

**LIST OF FRANCHISEES WHO HAVE SIGNED A FRANCHISE AGREEMENT BUT HAVE NOT YET OPENED THEIR HOTELS**

Franchisee Name	Proposed Hotel Address	City	State	Zip Code	Phone Number
<a href="#">Fairhaven Seaport Hospitality Inc.</a>	<a href="#">110 Middle St</a>	<a href="#">Fairhaven</a>	<a href="#">MA</a>	<a href="#">02719</a>	<a href="#">(508) 997-1281</a>
Ascend Realty of Atlanta LLC	5090 Groveport Rd	Obetz	OH	43207	<a href="#">(678-) 501-1260</a>
<a href="#">The Carradoc Group LLC</a>	<a href="#">1500 East Market Street</a>	<a href="#">Leesburg</a>	<a href="#">VA</a>	<a href="#">20176</a>	<a href="#">(703) 349-4068</a>

**LIST OF FRANCHISEES WHO WERE TERMINATED, CLOSED THEIR HOTELS, OR TRANSFERRED THEIR HOTELS IN ~~2023~~2024**

~~None.~~

<a href="#">Franchisee Name</a>	<a href="#">Hotel City</a>	<a href="#">Hotel State</a>	<a href="#">Franchisee Telephone</a>	<a href="#">Hotel Status</a>
<a href="#">Liam LLC &amp; Aaliyana, LLC</a>	<a href="#">Virginia Beach</a>	<a href="#">VA</a>	<a href="#">(757) 961-8190</a>	<a href="#">Terminated</a>

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the System.

**EXHIBIT E**  
**FRANCHISE APPLICATION**

# THE *Red* COLLECTION

## Franchise Application

### I. GENERAL INFORMATION

City and State of Proposed Location: \_\_\_\_\_

Development:  New Construction  
 Conversion  
 Transfer

### II. SITE LOCATION/INFORMATION

#### A. Site Information:

Property Address: \_\_\_\_\_  
 (If new construction/address unavailable, list intersection and quadrant)

City: \_\_\_\_\_ State: \_\_\_\_\_ County \_\_\_\_\_

Zip: \_\_\_\_\_ Anticipated Opening Date: \_\_\_\_\_

Telephone Number (if in operation): \_\_\_\_\_

Facsimile Number (if in operation): \_\_\_\_\_

Number of Rooms \_\_\_\_\_ + Number of Suites \_\_\_\_\_ = Total Number of Rooms \_\_\_\_\_

Public Facilities (i.e. restaurants, meeting space, health club):

Surrounding Attractions: \_\_\_\_\_

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

**B. Competition Information:**

Identify other facilities which are competitors in market area of proposed location:

Facility Name	Distance (miles, direction)	Age of Facility	# of Rooms	Rate
				Spring: \$ Summer: \$ Fall: \$
				Spring: \$ Summer: \$ Fall: \$
				Spring: \$ Summer: \$ Fall: \$
				Spring: \$ Summer: \$ Fall: \$
				Spring: \$ Summer: \$ Fall: \$

**III. CONVERSION INFORMATION: (only complete if a Conversion property applicant)****A. Hotel Performance: (provide requested information for previous 5 years)**

Year \_\_\_\_\_

Occupancy \_\_\_\_\_

Average Daily Rate \_\_\_\_\_

Gross Room Revenues \_\_\_\_\_

**B. Current Affiliation:**

Is the property currently affiliated with a hotel chain?  Yes  No

Current Hotel Name: \_\_\_\_\_

Current Affiliation Window Date: \_\_\_\_\_

Agreement Ending Date: \_\_\_\_\_

**IV. PROPOSED FRANCHISEE/OWNERSHIP INFORMATION****A. The Applicant is (select one of the following)**

An Entity:

- Corporation
- Limited Liability Company
- General Partnership
- Limited Partnership
- Sole Proprietorship (Individual)
- Estate
- Trust
- Other: specify \_\_\_\_\_

**B. Ownership of Franchisee**

**An Owner Information Form should be completed by all parties involved:**

**V. ENTITY INFORMATION (to be completed by entity Applicants only)**

Entity Name: \_\_\_\_\_

State of formation: \_\_\_\_\_ Date of formation: \_\_\_\_\_

Federal Tax ID: \_\_\_\_\_

Principal Business Address for Entity: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Phone Number: \_\_\_\_\_

**Entity Ownership:****Name:** \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

**E-Mail Address:** \_\_\_\_\_ Ownership Percentage: \_\_\_\_\_ %

Title: \_\_\_\_\_ SSN: \_\_\_\_ - \_\_\_\_ - \_\_\_\_ DOB: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

Member of Hotel Associations: \_\_\_\_\_

**AAHOA** (Asian American Hotel Owners Association), **AHLA** (American Hotel Lodging Association); **LHA** (Latino Hotel Association); **NABHOOD** ( National Association of Black Hotel Owners ), etc.

Hotels currently Owned by

Applicant: \_\_\_\_\_

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

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

**E-Mail Address:** \_\_\_\_\_ Ownership Percentage: \_\_\_\_\_ %

Title: \_\_\_\_\_ SSN: \_\_\_\_ - \_\_\_\_ - \_\_\_\_ DOB: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

Member of Hotel Associations: \_\_\_\_\_

**AAHOA** (Asian American Hotel Owners Association), **AHLA** (American Hotel Lodging Association); **LHA** (Latino Hotel Association); **NABHOOD** ( National Association of Black Hotel Owners ), etc.

Hotels currently Owned by

Applicant: \_\_\_\_\_

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

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

**E-Mail Address:** \_\_\_\_\_ Ownership Percentage: \_\_\_\_\_ %

Title: \_\_\_\_\_ SSN: \_\_\_\_ - \_\_\_\_ - \_\_\_\_ DOB: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

Member of Hotel Associations: \_\_\_\_\_

**AAHOA** (Asian American Hotel Owners Association), **AHLA** (American Hotel Lodging Association); **LHA** (Latino Hotel Association); **NABHOOD** ( National Association of Black Hotel Owners ), etc.

Hotels currently Owned by

Applicant: \_\_\_\_\_

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

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

**E-Mail Address:** \_\_\_\_\_ Ownership Percentage: \_\_\_\_\_ %

Title: \_\_\_\_\_ SSN: \_\_\_\_ - \_\_\_\_ - \_\_\_\_ DOB: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

Member of Hotel Associations: \_\_\_\_\_

**AAHOA** (Asian American Hotel Owners Association), **AHLA** (American Hotel Lodging Association); **LHA** (Latino Hotel Association); **NABHOOD** ( National Association of Black Hotel Owners ), etc.

Hotels currently Owned by

Applicant: \_\_\_\_\_

**\*\*All owners are required to submit the above information regarding of ownership interest percentages. All owners having 20% or more ownership interest will be required to submit personal financial statements which are no older than 6 months from the date of the Application.**

**PLEASE USE BLANK SHEET FOR ADDITIONAL OWNERS IF NEEDED**

#### A. Hotel Ownership

List any Red Roof lodging facility currently or previously owned or partially owned and/or operated by the Applicant Entity or its owners:

Address	City, State	Phone	Dates of Ownership/Operation

List any other Hotels currently or previously owned or partially owned and/or operated by the Applicant entity:

Hotel Name	Address	City, State	Phone	Dates of Ownership/Operation

#### VI. CONTACT INFORMATION

##### A. Principal Contact for Legal Notices: (not a PO Box)

Full legal Name: First \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Phone: \_\_\_\_\_ Facsimile: \_\_\_\_\_ Email: \_\_\_\_\_

**B. Address and contact where you want Invoices sent:**

Full legal Name: First \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Phone: \_\_\_\_\_ Facsimile: \_\_\_\_\_ Email: \_\_\_\_\_

**VII. MANAGEMENT INFORMATION****A. The proposed location will be managed by:** The Applicant General Manager

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

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_ Email: \_\_\_\_\_

 A Management Company

Company Name: \_\_\_\_\_ Company Contact: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_ Email: \_\_\_\_\_

**B. Experience**

Describe the General Manager's or Management Company's experience (i.e. list of hotels owned or managed, years of experience)

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**VIII. FINANCIAL INFORMATION****A. Financing**

**Do you currently own the location?**

**Yes - a copy of the recorded deed must accompany this application**

**No:** A mortgage:  Has been secured  Is being negotiated

**Lender Information**

Name of lender(s): \_\_\_\_\_

Address: \_\_\_\_\_

Contact name: \_\_\_\_\_

Contact phone number: \_\_\_\_\_ Contact email address: \_\_\_\_\_

Anticipated Closing Date: \_\_\_\_/\_\_\_\_/\_\_\_\_ Loan Amount: \$\_\_\_\_\_

Is this an SBA Loan?  Yes  No Comfort Letter Required?  Yes  No

**IX. APPLICATION CHECKLIST**

For this Application to be complete, the following items must be included:

- Franchise Disclosure Document Receipt, signed and dated on the day on which the FDD was received
- Application – signed and dated
- Application Fee Check (\$5,000)** – dated no earlier than the day after the 14<sup>th</sup> full calendar day following the date that Applicant signs the Franchise Disclosure Document Receipt

- Financial Statements – for: the Applicant in accordance with the following:  
 Corporation, Limited Liability Company, General Partnership, Limited Partnership:
1. Entity Balance Sheet (most recent year)
  2. **Personal Financial Statement for all persons with a 20% or more ownership interest in the Applicant.**
- Sole Proprietor or Individual Owners:
1. Personal Financial Statement
- Existing Hotels:
1. Hotel Profit and Loss Statement
- Corporate Document Requirements (**documents must be signed**)
- Required Documents include:
- For a Corporation:**
- a. Copy of currently effective Articles or Certificate of Incorporation from Secretary of State
  - b. List of the officers and directors of the corporation (name and title)
- For a Limited Liability Company:**
- a. Copy of currently effective Articles or Certificate of Organization from Secretary of State
  - b. List of members or officers of the limited liability company (name and title with respect to any officers)
- For a Partnership:**
- a. Copy of currently effective Certificate of Partnership from Secretary of State if a limited partnership
  - b. A list of all partners; and
  - c. Copy of the Partnership Agreement
- For a Trust:**
- a. Copy of the Trust Agreement
  - b. A resolution authorizing the Applicant to enter into a franchise agreement for a Red Roof Inn
- The complete names and addresses of all Trustees and Beneficiaries
- Proof of Land Control  
 Deed (or Property Tax Filing)  
 Lease Agreement (lease agreement must be for the Term of the Franchise Agreement)

## **X. ACKNOWLEDGMENTS**

Applicant acknowledges that The Red Collection, LLC, ("TRC") is relying on the information in this Application and all documents submitted by the Applicant and its owners in connection with or in support thereof. The Applicant therefore confirms, understands and acknowledges the following:

- All information contained in the Application is true and correct as of the date set forth below and such information is complete and not misleading due to an omission of any material information. The Applicant will inform TRC promptly of any material change to any information furnished in this Application. The undersigned has the authority to submit the Application and enter into the other documents contemplated hereby, including, without limitation, a Franchise Agreement.
- Neither the submission of the Application nor the execution of a Franchise Agreement or other documents will conflict with the terms of any agreement to which the Applicant is a party or by which the Applicant is bound. The undersigned has not been induced by TRC to terminate or breach any agreement with respect to the proposed location.
- Information concerning the, The Red Collection system, including, without limitation, The Red Collection Franchise Disclosure Document, has been made available to the undersigned. The undersigned is familiar with the system and its requirements.
- TRC does not enter into oral agreements with regard to granting franchises and an agreement with respect to the proposed franchise shall only come into effect upon the execution of a Franchise Agreement. As of the date of this Application, there are no oral agreements or understandings between the undersigned and TRC with respect to the proposed franchise.
- An Application Fee has been paid to TRC. If TRC rejects the Application, TRC will refund the Application Fee if TRC or its representatives have not visited Applicant's proposed hotel site or the area surrounding Applicant's proposed hotel site in connection with the Application or provided the Applicant with written architectural drawings or technical information. TRC does not offer refunds of the Application Fee under any other circumstances.
- Applicant authorizes credit bureaus, financial institutions, companies and individuals to disclose to TRC any and all information required for conducting any necessary credit and/or background investigations, for the confidential use of RRF in processing this Application.
- Applicant authorizes TRC to release information provided to it with this application as well as agreements sent to applicant related to Red Roof franchise to Franchisee's lenders.
- Applicant authorizes TRC to release Property Investment Plan prepared by TRC or other on its behalf in conjunction with the potential franchising of the site as a Red Roof lodging facility to any vendors who may be in a position to provide products or services to the applicant in completion of the Property Investment Plan.
- The undersigned, jointly and severally, agree to indemnify RRF, its subsidiaries or affiliates, and their respective directors, officers, agents, and employees, representatives, successors and assigns and to hold them harmless from all losses, consequently or directly or indirectly incurred (including legal/accounting fees and expenses) and arising from, or as a result of or in connection with the breach of any warranty or representation contained in this Application, or arising, as a result of or in connection with TRC's reliance on such warranties/representations. TRC shall have the right independently to take any action it deems necessary in its sole discretion to protect and defend itself against any threatened action subject to this indemnification, without regard to expense, forum or other parties which may be involved. RRF shall have sole and exclusive control over the defense of any

such action. This Application may be executed in counterparts, each of which shall be deemed an original which together shall constitute one instrument.

I certify that the information contained herein is true and complete. By my signature below, I expressly authorize any credit reporting agency, law enforcement agency, and any person, association, firm, company, financial institution, court system, personnel agency or credit bureau to furnish and release to The Red Collection, LLC and/or its representatives, owners, partners, parents, subsidiaries, affiliates, successors and assigns ("RRF") any information it/they request including, but not limited to, information concerning my education, employment history, financial transactions, credit payment history, civil record, criminal record or legal judgments or any other record/report TRC may request with respect to this Application. The disclosed information will be used for the exclusive and confidential use of TRC.

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

**ADDITIONAL OWNER INFORMATION IF NEEDED**

**EXHIBIT F**  
**FRANCHISE AGREEMENT**

# THE *Red* COLLECTION

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## FRANCHISE AGREEMENT

By and between

THE RED COLLECTION, LLC

And

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**THE RED COLLECTION  
FRANCHISE AGREEMENT TABLE OF CONTENTS**

1	GRANT .....	2
2	TERM.....	3
3	DUTIES OF FRANCHISOR .....	4
4	FEES .....	4
5	DUTIES OF FRANCHISEE.....	6
6	PROPRIETARY MARKS .....	12
7	MANUALS.....	14
8	CONFIDENTIAL INFORMATION.....	15
9	ACCOUNTING AND RECORDS.....	16
10	MARKETING PROGRAM AND RESERVATION SYSTEM .....	17
11	INSURANCE .....	20
12	TRANSFER OF INTEREST.....	23
13	DEFAULT AND TERMINATION .....	28
14	OBLIGATIONS UPON TERMINATION .....	30
15	INDEPENDENT CONTRACTOR AND INDEMNIFICATION.....	33
16	ACKNOWLEDGMENTS AND REPRESENTATIONS .....	34
17	MISCELLANEOUS.....	35

## **EXHIBITS**

EXHIBIT A – SUPPLEMENTAL TERMS

EXHIBIT B – OWNERSHIP SCHEDULE

EXHIBIT C – GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGMENT

## THE RED COLLECTION FRANCHISE AGREEMENT

THIS RED COLLECTION FRANCHISE AGREEMENT (the “Franchise Agreement”) is entered into as of \_\_\_\_\_, 20\_\_\_\_, by and between THE RED COLLECTION, LLC, a Delaware limited liability company (“Franchisor”), and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

### RECITALS:

Franchisor has the right to grant licenses for the establishment and operation of transient guest lodging facilities that combine a local or historic trade name with Franchisor’s mark “The Red Collection” and offer high quality lodging that is modern, accessible and affordable in convenient city locations by utilizing certain procedures, policies, standards, specifications, controls, identification schemes and proprietary marks and information including prototypical architectural plans, designs, layouts and distinctive color schemes, a computer system and reservation system and management and personnel training programs (the “System”), all of which may be changed, improved or further developed from time to time.

The distinguishing characteristics of the System include, without limitation, the name and mark “The Red Collection” and the Red Collection logo, together with such other trade names, service marks, trademarks and trade symbols, emblems, signs, slogans, trade dress, logos, colors, insignia and copyrights as Franchisor has adopted and has designated for use in connection with the System and as Franchisor may hereafter acquire or develop and designate for use in connection with the System (the “Proprietary Marks”).

Franchisee desires to obtain a franchise and to obtain rights to the Proprietary Marks and to own and operate a hotel participating in The Red Collection system (a “Red Collection Hotel” or “Hotel” at the location identified on Exhibit A (the “Approved Location”). The Hotel will use its own unique primary trade name and logo, and append a logo identifying the hotel as a member of The Red Collection, which is a “soft” brand that relies on the local or historic branding of each Red Collection Hotel instead of the Proprietary Marks of Franchisor to identify and distinguish the Red Collection Hotel from competitors.

Franchisee understands and acknowledges the importance of operating in conformity with the System and of complying with such product, service and operational standards, specifications, policies and procedures for constructing or renovating the Hotel, equipping the Hotel, and operating the Hotel (the “Standards”), as may be published by Franchisor in hard copy and/or electronic form, as amended or supplemented by Franchisor in its sole discretion from time to time (the “Manuals”).

Franchisee has conducted an independent investigation into the feasibility and advisability of establishing the Hotel at the Approved Location, and has had the opportunity to consult with legal, accounting and other advisors of Franchisee’s own choosing in making a decision to enter into this Franchise Agreement and establish the Hotel at the Approved Location.

As used in this Franchise Agreement, “Affiliate” or “Affiliates” means an entity or entities controlled by, controlling or under common control with, another entity.

NOW, THEREFORE, in consideration of the mutual undertakings and commitments set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

## 1 GRANT

**1.1 Grant of Franchise:** As of the Opening Date (as defined below), Franchisor grants Franchisee the right, and Franchisee undertakes the obligation, to operate a hotel as a member of The Red Collection at the Approved Location and to use the System and the Proprietary Marks in compliance with the Standards and the terms of this Franchise Agreement in connection with the ownership and operation of the Hotel. Franchisee shall not operate the Hotel from or at any other address or location. The “Opening Date” means the date specified in a written notice and signed by an authorized representative of Franchisor as the approved date on which Franchisee is permitted to begin operating as a Red Collection Hotel. Franchisor shall have no obligation to approve an Opening Date until Franchisee has completed the renovation or construction of the Hotel in strict accordance with Section 5 of the Franchise Agreement (and the Renovation Addendum attached hereto and incorporated herein (as defined herein)) and Franchisor has had a reasonable opportunity to confirm completion by site inspection. If Franchisor approves a conditional opening, as described in the applicable Construction or Renovation Addendum, the approved conditional opening date is the Opening Date.

**1.2 Exclusive Territory:** If: (i) neither Franchisee nor any Affiliate is in default under the terms of this Franchise Agreement or any other agreements with Franchisor or its Affiliates and (ii) during the last twelve (12) consecutive months, the Hotel has met or exceeded all quality assurance and guest complaint standards published by Franchisor, then Franchisor shall not establish or operate, or grant any other person or entity the right to establish or operate a Red Collection Hotel at any location within the geographic area defined in Exhibit A to this Franchise Agreement (the “Exclusive Territory”). This provision shall not apply to any Red Collection Hotels in existence as of the date of this Franchise Agreement, as identified in Exhibit A hereto (including any replacement for such location).

### **1.3 Limitations of Franchise:**

1.3.1 Notwithstanding Section 1.2, Franchisee acknowledges and agrees that Franchisor or its Affiliates may establish or operate, or grant any person or entity the right to establish or operate a Red Collection Hotel at any location outside the Exclusive Territory, including locations adjacent, adjoining or proximate to the Exclusive Territory, which may compete directly with the operation of the Hotel. Franchisee further acknowledges and agrees that, except as specifically provided in Section 1.2, Franchisor and its Affiliates have and retain the right to engage in any business activities, under any name, at any location, without granting Franchisee any right therein, including, without limitation, the right to establish or operate, and to grant others the right to establish or operate, inns, motels, hotels and other lodging facilities (including, without limitation, extended stay, limited service, full service, resort, economy, luxury, and ultra-luxury facilities) under marks and names similar to or different from the Proprietary Marks at any location, including locations within, adjacent, adjoining or proximate to the Exclusive Territory. Affiliates of Franchisor will have the right to franchise or operate the Red Roof Inn and HomeTowne Studios system brands within the Exclusive Territory.

1.3.2 Franchisee acknowledges that Franchisor and its Affiliates have and may have business interests other than the operation of the network of Red Collection Hotels and that they, in their sole discretion, may identify, define, and act upon such interests in the manner they deem appropriate. Franchisee further acknowledges that business decisions made by Franchisor and its Affiliates may impact Franchisee, agrees that Franchisor and its Affiliates have no express obligation or implied duty to protect Franchisee from the consequences of such business decisions, and expressly waives any right to assert any claim against Franchisor or its Affiliates based on the existence, actual or arguable, of any such obligation or duty.

## 2 **TERM**

**2.1 Initial Term:** The initial term of this Franchise Agreement shall commence on the date that this Franchise Agreement is accepted and executed by Franchisor in Columbus, Ohio (the “Effective Date”) and shall expire on the Expiration Date, as shown on Exhibit A to this Franchise Agreement (the “Expiration Date”), unless sooner terminated in accordance with the provisions hereof.

**2.2 Renewal:** If Franchisee desires to renew this franchise for one additional period of ten (10) years, Franchisee shall submit a renewal application to Franchisor not less than twelve (12) months nor more than eighteen (18) months before the end of the initial term. Upon receipt of Franchisee’s renewal application, Franchisor shall have the right, in its reasonable discretion, to preliminarily approve or disapprove Franchisee’s application. Franchisor shall notify Franchisee of its preliminary decision, in writing, not less than nine (9) months before the end of the initial term. Notwithstanding Franchisor’s preliminary approval, Franchisee’s right and Franchisor’s obligation to renew this franchise is expressly subject to Franchisee’s continuing compliance with the following terms and conditions:

2.2.1 Upon the expiration of the initial term, Franchisee shall not then be in default of any provision of this Franchise Agreement, including any amendments or replacements hereof, or any other agreement between Franchisee and Franchisor, including any other franchise agreement, or in default of any agreement with Franchisor’s approved or designated suppliers, and Franchisee shall have substantially complied with all the terms and conditions of such agreements during their respective terms.

2.2.2 Upon the expiration of the initial term, Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and to all approved or designated suppliers to the Hotel and shall have met these obligations on a timely basis throughout the term of this Franchise Agreement.

2.2.3 Not less than six (6) months before the end of the initial term, as a condition to renewal, Franchisee shall, among other things: (i) cause the Manager, as that term is defined in Section 5.5, below, and any other employees designated by Franchisor to comply with Franchisor’s then-current training requirements and (ii) agree to upgrade the Hotel (and sign an agreement that Franchisor prepares to document such obligation), at Franchisee’s expense, to conform to Franchisor’s then-current Standards and specifications, including, without limitation, such structural changes, remodeling, redecoration, and modifications to existing improvements as may be required by Franchisor. All such training requirements and upgrades shall have been completed, to Franchisor’s sole satisfaction, upon the expiration of the initial term.

2.2.4 Franchisee and Franchisee’s owners shall execute a general release of any and all claims that Franchisee, the owners or their Affiliates may have, have had, or may have in the future against Franchisor and Franchisor’s Affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of Franchisor and Franchisor’s Affiliates, past or present, in their corporate and individual capacities, including, without limitation, claims arising under this Franchise Agreement or under federal, state or local laws, rules, regulations or orders, related to acts, omissions or claims which arose or accrued before the date of the renewal.

2.2.5 Franchisee shall execute Franchisor’s then-current franchise agreement and then-current ancillary agreements for the ten (10) year renewal term. If the renewal is approved by Franchisor, such renewal franchise agreement shall supersede in all respects this Franchise Agreement and the terms thereof may differ from the terms of this Franchise Agreement including, without limitation, different royalty and marketing and reservation fees.

2.2.6 Franchisee shall pay a renewal fee in an amount equal to fifty percent (50%) of Franchisor's then-current initial franchise fee.

### **3 DUTIES OF FRANCHISOR**

**3.1 Assistance by Franchisor:** In addition to the other duties and obligations set forth in this Franchise Agreement, Franchisor shall:

3.1.1 Make training programs available to Franchisee on the terms and conditions set forth in Section 5.6. Franchisor may provide continuing training, consultation and advisory assistance to Franchisee in the management, operation and marketing of the Hotel in the manner, at such times, and upon such other terms and conditions (including, but not limited to, fees payable for such assistance) as Franchisor deems advisable.

3.1.2 Provide Franchisee, on loan, one (1) hard copy set of the Manuals, or make such Manuals available in electronic form, accessible by Franchisee.

3.1.3 Provide for a system for receiving and transmitting guest reservations for stays at Red Collection Hotel locations, including without limitation all software, equipment, communications facilities, personnel and services for the operation of the system (the "Reservation System"). The Reservation System may be operated by Franchisor, an Affiliate of Franchisor or a third party supplier of Franchisor's choosing, as provided in the Manuals or otherwise in writing.

3.1.4 Publish a directory of The Red Collection hotel locations and information concerning The Red Collection hotel services for guests (the "Directory") periodically.

3.1.5 Designate for Franchisee the computer and data communication hardware, software, and communications facilities and services ("Computer System") to be used in connection with operating a Red Collection Hotel.

**3.2 Delegation by Franchisor:** Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Franchise Agreement (including any duty or obligation under Section 3.1) and any right or power conferred on Franchisor may be performed or exercised, at Franchisor's discretion, by any designee, employee, supplier, contractor or agent of Franchisor, which may include Affiliates, as Franchisor may approve or designate. Such persons may be referred to as "approved or designated suppliers."

### **4 FEES**

**4.1 Initial Franchise Fee:** As part of the consideration for the franchise granted herein, Franchisee shall pay to Franchisor an initial franchise fee in the amount of Thirty Thousand Dollars (\$30,000) for hotels with up to one hundred (100) guest rooms. You must pay an additional Three Hundred Dollars (\$300) for each additional guest room (the "Initial Franchise Fee") on or before the Effective Date of this Franchise Agreement. The Initial Franchise Fee is in addition to any application fee paid to Franchisor as part of the application process. The Initial Franchise Fee is fully earned and non-refundable in consideration of the administrative and other expenses incurred by Franchisor in entering into this Franchise Agreement and for Franchisor's lost or deferred opportunity to franchise others within the Exclusive Territory.

**4.2 Royalty Fee:** As further consideration for the franchise granted by this Franchise Agreement, Franchisee shall pay to Franchisor a monthly royalty fee as set forth in this Section 4.2 (the

“Royalty Fee”). Commencing with the calendar month in which the Opening Date occurs and continuing through the calendar month in which the Expiration Date occurs, Franchisee shall pay to Franchisor a monthly Royalty Fee in an amount equal to four and one-half percent (4.5%) of the Hotel’s Gross Room Revenues. “Gross Room Revenues” means the gross receipts whether collected or uncollected, attributable to or payable for the rental of guest rooms at the Hotel, including, without limitation, the gross revenues used in calculation of business interruption, rent loss, or similar insurance with respect to the Hotel (provided that insurance proceeds shall be included in Gross Room Revenues only to the extent actually received or due). Gross Room Revenues shall not include gratuities to employees or service charges levied in lieu of such gratuities, which, in either case, are payable to employees, or federal, state and local taxes or fees collected by Franchisee for transmittal to the appropriate taxing authorities. Gross Room Revenues shall not be reduced by credit card commissions, bad debts (or reserves for bad debts) or refunds to lodgers.

**4.3 Marketing and Reservation Fee:** Commencing with the calendar month in which the Opening Date occurs and continuing through the calendar date in which the Expiration Date occurs, Franchisee shall pay to Franchisor a monthly marketing and reservation fee (the “Marketing and Reservation Fee”) in an amount equal to three percent (3%) of the Hotel’s Gross Room Revenues for the preceding calendar month. The monthly Marketing and Reservation Fee shall be subject to increase from time to time upon notice by Franchisor; provided, that the Marketing and Reservation Fee shall not increase more than one half percent (0.5%) of Gross Room Revenues in any twelve (12) month period, nor shall the Marketing and Reservation Fee exceed a maximum of five percent (5%) of Gross Room Revenues.

**4.4 Preferred Members Program:** Franchisee must participate in any guest loyalty programs that Franchisor may initiate and amend from time to time at its sole discretion (a “Preferred Members Program”), including, but not limited to, the “RediRewards” Preferred Member Program. Such programs include but are not limited to providing guests with express check-in, guaranteed late check-in and the opportunity for guests to earn free room nights at Red Collection Hotels. Franchisee shall pay to Franchisor four percent (4%) of Gross Room Revenues that are generated by the Preferred Members Program (the “Preferred Members Program Fee”). The Preferred Members Program Fee shall be subject to increase from time to time upon notice by Franchisor; provided that the Preferred Members Program Fee shall not exceed five percent (5%) of Gross Room Revenues that are generated by the Preferred Members Program.

**4.5 Other Fees:** Franchisee must reimburse Franchisor or its approved or designated suppliers for the amounts of any travel agency commissions, airline reservation system fees, fees associated with the use of other electronic booking systems by guests and other related fees that Franchisor pays to third parties on Franchisee’s behalf in connection with reservations for rooms at the Hotel (“Booking Fees and Commissions”). Additionally, Franchisee shall comply with any terms of such programs. Franchisee acknowledges that the Booking Fees and Commissions may, in the future, be directly invoiced to Franchisee by one or more third-party billing clearinghouses, which may charge Franchisee an additional administrative or related fee for their services. Franchisee must pay Franchisor its then-current fee if Franchisee confirms a group booking of ten (10) or more rooms (with confirmation number(s) or a signed group booking agreement) that the Hotel does not fulfill due to overbooking, unsatisfactory lodging conditions, or health and safety concerns. This fee is in addition to all costs that Franchisee will incur to relocate the guests to another property under Franchisor’s then-current walk policy.

**4.6 Late Payment:** Franchisee shall be invoiced for all fees payable under this Section 4. In the event Franchisee fails to pay an invoice by the due date stated therein, Franchisor shall have the right, in its sole discretion, to impose a late fee of Fifty Dollars (\$50) and charge interest in an amount equal to the lesser of (a) one and one-half percent (1.5%) per month or (b) the maximum rate permitted by law. Further, Franchisor reserves the right to impose a returned check fee, payable upon demand, if Franchisee’s check for any payments due under this Franchise Agreement fails to clear.

**4.7 Form of Payment:** All sums payable by Franchisee to Franchisor or its approved or designated suppliers under this Franchise Agreement shall be paid as Franchisor may from time to time specify in writing. Franchisor may direct that all monthly payments required under this Section be made to a bank account designated by Franchisor by wire transfer, by automated clearinghouse (ACH) transfer, or by other means which Franchisor may specify from time to time.

## **5 DUTIES OF FRANCHISEE**

### **5.1 Renovation and Maintenance of the Hotel:**

5.1.1 Prior to the Opening Date, Franchisee shall, at Franchisee's expense, construct, convert, equip and furnish the Hotel in accordance with the provisions of this Franchise Agreement and the Renovation Addendum. Except for Franchisee's own uses related to its operation of the Hotel, Franchisee shall not reproduce, use, or permit the use of, any of Franchisor's design concepts, drawings, or specifications, without Franchisor's prior written consent.

5.1.2 At any time after the Opening Date, at Franchisor's request, Franchisee shall, at Franchisee's expense, make Short-Term Renovations to the Hotel. "Short-Term Renovations" means upgrades, refurbishments and renovations, which include but are not limited to such items as damaged or deteriorated carpet, drapes, bedspreads, paint and case goods. Additionally, at Franchisor's request, which shall not be made more often than once every five (5) years during the term of this Franchise Agreement, Franchisee shall, at Franchisee's expense, make Long-Term Renovations to the Hotel to conform the Hotel to the then-current Standards for facilities then entering the System. "Long-Term Renovations" are those upgrades, refurbishments and renovations which constitute capital improvements and include, without limitation, such items as interior/exterior structural changes, shower and tub combinations, vanities, roofs and parking lots.

5.1.3 Throughout the term of the Franchise Agreement, Franchisee shall maintain the Hotel in good repair and in a condition consistent with the Standards and shall make such additions, alterations, repairs and replacements as may be required for that purpose (but no others without Franchisor's written consent), including, without limitation, periodic repainting and replacement of signs, equipment, furnishings and furniture in accordance with the Standards.

**5.2 Maintaining Franchisor's Image:** Franchisee acknowledges that every detail of the System is important to Franchisor and other franchisees operating under the System in order to develop and maintain the Standards and public image of the System, to protect Franchisor's reputation and goodwill, and to increase the demand for the lodging services offered by Red Collection Hotels. Franchisee agrees to comply with the Standards and not to deviate from them. Franchisee shall not operate the Hotel in any manner which Franchisor reasonably believes adversely reflects on Franchisor, the System, the Proprietary Marks, the associated goodwill, or Franchisor's rights therein. Franchisee shall not, directly or indirectly, operate any business, at the Approved Location or otherwise, which violates this Section 5.2.

**5.3 Products and Services:** Franchisee shall offer only such goods and services at the Hotel as are from time to time specifically approved by Franchisor in writing.

**5.4 Business Operations:** Franchisee shall operate the Hotel twenty-four (24) hours a day, every day, except as otherwise approved in writing by Franchisor. Franchisee shall use the Approved Location solely for the operation of the Hotel, and shall not permit the use of the Approved Location for any other purpose or activity at any time without Franchisor's prior written consent.

**5.5 Designated Manager:** Before the Opening Date, and at all times during the term of this Franchise Agreement, Franchisee shall designate a person who must devote his or her full time, best efforts to managing the Hotel, who may, but need not, be an owner of Franchisee and who shall have authority over the day-to-day operations of the Hotel (the “Manager”).

**5.6 Training:**

5.6.1 Before the Opening Date, Franchisee or Franchisee’s Manager must attend and successfully complete to Franchisor’s satisfaction, Franchisor’s New Owner Orientation Program and RED Advantage Training Program, unless otherwise approved by Franchisor in writing. Franchisee shall pay Franchisor’s then-current fee for Franchisor’s training programs. For each replacement or substitute Manager, Franchisee hires subsequent to the initial Manager, Franchisee shall: (i) cause each such Manager to attend and successfully complete, to Franchisor’s satisfaction, Franchisor’s RED Advantage training program within a reasonable period of time (not to exceed two (2) months) after commencing his or her duties as Manager; and (ii) pay Franchisor the then-current training fee for the RED Advantage training program. Franchisor may charge a RED Advantage non-completion fee of Five Hundred Dollars (\$500) per quarter for not completing all RED Advantage courses within ninety (90) days of the Opening Date.

5.6.2 Before the Opening Date, Franchisor or its approved or designated suppliers shall conduct at the Hotel (i) a one (1) to three (3) day initial training program for Franchisee’s employees, at Franchisee’s expense, to prepare them to operate, administer, and manage the Hotel in compliance with Franchisor’s Standards and (ii) Computer System training. Franchisee shall pay the then-current fee for such training and shall reimburse Franchisor or its approved or designated suppliers for the cost of the trainers’ travel, out-of-pocket expenses, meals and lodging, as well as the cost of shipping computer training equipment to the Hotel.

5.6.3 Franchisor may require Franchisee and its employees to attend other training courses, programs, conferences (including annual conferences) and seminars at such locations as Franchisor may designate (“Ongoing Training”). Franchisee shall pay the then-current fee for any Ongoing Training and shall be responsible for all expenses incurred by its participants (including, but not limited to, the costs of transportation, meals, lodging and wages or salary and benefits). Franchisor reserves the right to impose a fee for Franchisee’s failure to attend Ongoing Training.

**5.7 Guest Room Count:** The Hotel shall consist of the number of guest rooms specified in Exhibit A. Franchisee shall not increase or decrease the number of guest rooms in the Hotel without the prior written consent of Franchisor. Franchisor may impose reasonable conditions on its consent to an increase or decrease in the number of guest rooms, including, without limitation, the following:

5.7.1 Franchisee shall demonstrate to Franchisor’s reasonable satisfaction that the Hotel, as altered, will continue to meet the then-current Standards;

5.7.2 In the case of a proposed decrease in the number of guest rooms, Franchisee shall demonstrate to Franchisor’s reasonable satisfaction that the number of guest rooms remaining after the decrease are sufficient to serve the Exclusive Territory; and

5.7.3 In the case of a proposed increase in the number of guest rooms, Franchisee shall sign an amendment to this Agreement and pay Franchisor’s then-current Rooms Addition Fee.

## **5.8 Supplies/Fixtures/Equipment/Designated and Approved Suppliers:**

5.8.1 Franchisee shall purchase and install and use at the Hotel, at Franchisee's expense, all fixtures, furnishings, equipment, decor items (including signs, posters and other property identification items) and supplies as may be required by Franchisor, which may be amended from time to time, in writing, in the Manuals or through other written communications. In no event shall Franchisee, without Franchisor's prior written consent, use, install or permit to be installed in, on or about the Hotel, any fixtures, furnishings, equipment, signs or other items not meeting the Standards.

5.8.2 Upon notice from Franchisor, Franchisee shall purchase any or all such items solely from suppliers who have been listed by Franchisor as approved or designated suppliers in the Manuals or otherwise in writing. Franchisor reserves the right to approve or designate a single supplier of certain items in order to promote compliance with the Standards. Franchisor may earn money from suppliers based on Franchisee's purchases in the form of rebates, commissions, sponsorships, or other payments. Franchisee acknowledges that these payments compensate Franchisor for the cost of negotiating and maintaining the purchasing arrangements with the suppliers and that Franchisor has no obligation to remit the funds to Franchisee.

5.8.3 If Franchisee desires to purchase any items from a supplier not designated as an approved or designated supplier, then Franchisee shall submit to Franchisor a written request to approve the proposed supplier, together with such evidence of the supplier's qualifications as Franchisor may reasonably require. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered for evaluation and testing to Franchisor or to an independent testing facility designated by Franchisor. A charge, not to exceed the reasonable cost of the evaluation and testing, shall be paid by Franchisee whether or not the supplier is approved. After completion of such evaluation and testing (if required by Franchisor), Franchisor shall notify Franchisee in writing of its approval or disapproval of the proposed supplier. Approval shall not be unreasonably withheld. Franchisee shall not purchase any products or services from the proposed supplier until Franchisor's written approval of the proposed supplier is received.

5.8.4 Franchisor may from time to time revoke its designation or approval of particular products or suppliers if Franchisor determines, in its sole discretion, that such products or suppliers no longer meet the Standards or no longer are able to meet the System's needs. Upon receipt of a written notice of revocation, Franchisee shall immediately cease to offer or sell any disapproved products and shall cease to purchase from any disapproved supplier.

5.8.5 Except as otherwise specifically approved by Franchisor in writing, Franchisee agrees that it will use products purchased from approved suppliers solely for the purpose of operating the Hotel and not for any other purpose, including, without limitation, for resale.

**5.9 Signage/Display of Proprietary Marks:** Franchisee shall prominently display in and upon the premises of the Hotel such signs as are required by Franchisor in the Manuals or as otherwise directed or approved by Franchisor from time to time in writing, including, without limitation, signs bearing the Proprietary Marks. All such signs shall be of a nature, and shall be in the form, color, number, location, size and content as specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall comply with the Standards concerning the types of services and products that may be promoted or advertised at the Hotel, including those Standards relating to the display of promotional materials. Franchisor reserves the right at any time to require, and Franchisee agrees to conform to, any change in or presentation of the Proprietary Marks.

## **5.10 Employee Relations/Guest Relations:**

5.10.1 Franchisee shall be solely responsible for all employment decisions and functions at and for the Hotel, including, without limitation, those related to hiring, firing, training, wage and hour requirements, payment and provision of wages, salaries and fringe benefits, record-keeping, supervision and discipline. Franchisee further acknowledges and agrees that Franchisee shall be solely responsible for the acts and omissions of its employees. Franchisee shall specify on all employment applications used at the Hotel that Franchisee is the sole employer of the Hotel's employees and that there exists no employment relationship between Franchisor and any such employee.

5.10.2 Franchisee shall take such steps as are necessary to ensure that its employees preserve good guest relations, render competent, prompt, courteous and knowledgeable service, and meet the Standards.

5.10.3 Franchisee shall comply with Franchisor's policies and procedures set forth in the Manuals concerning guest relations and guest complaints. If Franchisee fails to resolve a guest complaint in accordance with Franchisor's policies, Franchisee shall be required to (a) reimburse Franchisor for any expenses incurred by Franchisor to resolve the guest complaint and (b) pay Franchisor a guest relations intervention fee if Franchisor communicates with the guest or otherwise intervenes or takes action to resolve the complaint. The guest relations intervention fee shall be as set forth in the Manuals, which fee may be modified by Franchisor from time to time.

**5.11 Compliance with Laws:** Franchisee shall (i) comply with all federal, state and local laws, rules, regulations, and ordinances, including but not limited to laws regarding public accommodation, occupational health and safety, labor, insurance, advertising, health and sanitation, innkeepers laws, telephone charges, data security and privacy legislation and (ii) timely obtain any and all permits, certificates and licenses necessary for the full and proper development and operation of the Hotel, including, without limitation, licenses to do business, trade, fictitious or assumed name registrations, building permits, sales tax permits, health and sanitation permits and ratings, and fire clearances. Franchisee shall be solely responsible for and Franchisor shall have no responsibility for architecture or engineering, for code, zoning, or other requirements of the laws, rules, regulations or ordinances of any state, local municipality, urban community, or provincial or federal governmental body, including any errors, omissions, or discrepancies of any nature in any drawings or specifications obtained by Franchisee, including those provided by Franchisor. Without limiting the foregoing, Franchisee shall be solely responsible for compliance with any requirements of the Americans with Disabilities Act. Franchisee shall provide proof of compliance herein as Franchisor may require.

## **5.12 Risk of Litigation:**

5.12.1 Franchisee shall promptly report to Franchisor all incidents involving safety, security, public relations or serious injury to persons or property that occur at, or involve, the Hotel and shall consult with Franchisor before speaking to or corresponding with the media about any such incident. Franchisee shall otherwise comply with those portions of the safety, security and public relations provisions as designated by Franchisor in the Manuals. Notwithstanding the foregoing, Franchisee acknowledges and agrees that it is Franchisee's sole responsibility to maintain the safety and security of its employees, guests and others who may be on the Hotel premises.

5.2.1. Franchisee shall, within five (5) days of its receipt thereof, forward to Franchisor copies of all inspection reports, warnings, certificates, letters and ratings issued by any governmental authority, agency or instrumentality during the term of this Franchise Agreement in connection with the operation of the Hotel, which indicate (i) Franchisee's failure to meet or

maintain the Standards or (ii) less than full compliance with any applicable law, rule, regulation, or ordinance.

5.2.2. Franchisee shall notify Franchisor in writing within five (5) days after the commencement of any action, suit, or proceeding, and thereafter upon the issuance of any order, writ, injunction, award or decree, of any court, agency or other governmental authority or instrumentality relating to the Hotel (and provide a copy of such).

**5.13 Inspection:** Franchisee shall permit Franchisor and its agents to enter upon the premises of the Hotel at any time for the purpose of conducting inspections or evaluations, and Franchisee shall provide Franchisor's representatives with lodging, without charge, during such evaluations. If the inspection reveals deficiencies in the operation of the Hotel or Franchisee's failure to conform to the Standards, as determined in Franchisor's sole discretion, Franchisee shall: (i) upon the written request of Franchisor or its agent, take such steps as may be necessary to correct such deficiencies within the time specified by Franchisor and (ii) provide Franchisor's representatives with lodging, without charge, and reimburse Franchisor for the travel expenses incurred by such representatives in subsequent evaluations to determine whether all deficiencies have been corrected.

**5.14 Reservation Service:** Franchisee acknowledges and agrees that offering the public a single, efficient, reservation referral service is essential to the goodwill, reputation and success of the System. Franchisee agrees to participate during the term of this Franchise Agreement in any Reservation System maintained or designated by Franchisor for the System and to comply with all terms and conditions of participation. Franchisee shall purchase, install and maintain at the Hotel all equipment necessary for participation in the Reservation System, including any required reservation terminal and related equipment and any future enhancements, additions, substitutions or other modifications specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall be responsible for telephone line charges, data communication equipment and services, and other charges to connect Franchisee's equipment to the Reservation System, for the cost of supplies used in the operation of the equipment, and for all other related expenses necessary to the operation of the Reservation System.

**5.15 Directory:** Franchisee shall list the Hotel in each edition of the Directory and shall timely furnish to Franchisor in writing such information as Franchisor may request for that purpose, including, but not limited to, the Hotel's then-current room rate. Failure to timely respond to Franchisor's request for Directory information may result in Franchisee's Hotel not being listed in the Directory and, in such event Franchisee agrees that neither Franchisor nor Franchisor's Affiliates shall be liable for any such omission. Franchisee shall not engage in any rate practices which tend to mislead the public in any way.

**5.16 Programs:** Franchisee shall participate in and comply with the terms of all marketing, reservation service, rate and room inventory management, advertising and operating programs and policies required by Franchisor for the System (including, without limitation, any internet-based or other electronic advertising and marketing conducted and prescribed by Franchisor), in the manner directed by Franchisor in the Manuals or otherwise in writing. Such programs and policies may include, without limitation, a "Kids Stay Free" policy, Preferred Member Programs, corporate programs, any other billing and/or controlled spending card program, voucher program, guest satisfaction program, pay-per-view program, pet friendly policy and all other programs designated by Franchisor that do not violate the laws of the state/locality in which the Hotel is located. Franchisor may also establish and coordinate advertising, marketing and sales programs, guest satisfaction programs and other activities among System hotels, including hotels owned or operated by its Affiliates, on a local or regional basis and Franchisee shall participate in and comply with such programs and activities on the same basis as other participating Red Collection Hotels in the same region as your Red Collection Hotel.

## 5.17 Computer System:

5.17.1 Franchisee shall purchase or license, install, utilize and maintain at the Hotel, at its sole cost, the Computer System and any upgrades or improvements to or replacements for it, as designated from time to time by Franchisor. The Computer System shall include, but not be limited to, computers, printers, monitors, keyboards, communication lines and equipment, and credit card readers, property management software, any other guest check-in, reservation, revenue and other statistical reporting systems, other software necessary to utilize the services, and any third-party computer services designated from time to time by Franchisor in the Manuals. The foregoing obligation shall include any enhancements, additions, substitutions or other modifications to the Computer System or any component of the Computer System that may be required from time to time. Franchisee shall be responsible for all costs incurred in fulfilling its obligations hereunder, including, without limitation, purchase and installation of hardware and software, data circuit charges, charges for connecting Franchisee's equipment to Franchisor's office, the cost of supplies used in the operation of the equipment, maintenance and support services, and for other related expenses. In furtherance of its obligation hereunder, Franchisee shall, (i) upon execution of this Franchise Agreement, execute and deliver to Franchisor a Software Sublicense Agreement (the "Software Agreement") related to Franchisor's Reservation Platform / PMS software, and fully comply with all of its obligations under such Software Agreement throughout its term; and (ii) not later than ninety (90) days before the anticipated Opening Date, make application through Franchisor for a data circuit, as specified by Franchisor, for communication between the Computer System and Franchisor's Reservation System and network. Franchisee shall install the data circuit not later than thirty (30) days before the anticipated Opening Date. Franchisee may not open before the approved installation of the Computer System, including the data circuit. Notwithstanding the foregoing, Franchisee shall not purchase, install, utilize or maintain any computer software, hardware or other telecommunications line that has not been previously approved in writing by Franchisor.

5.17.2 Franchisee shall comply with all applicable legal, regulatory, payment card brand requirements and brand standards regarding the use of information technology. Franchisee shall comply with the then-current Payment Card Industry Data Security Standards ("PCI DSS") as those standards may be revised by the PCI Security Standards Council, LLC or any successor organization, including (i) implementing (at Franchisee's expense) all security requirements that the PCI Security Standards Council, LLC (or its successor) requires of a merchant that accepts payment cards, and (ii) participating in (at Franchisee's expense) a standardized PCI DSS compliance program that is provided by a PCI DSS vendor, in each case, approved by Franchisor in its discretion. Franchisee shall, at its expense, demonstrate full compliance through means which may include having an independent third party qualified security assessor conduct a PCI DSS audit and upload an attestation of compliance to a portal or vendor designated by Franchisor. In the event Franchisee is unable to demonstrate full compliance: (i) Franchisor may require Franchisee to engage the services of an approved vendor to assist Franchisee to demonstrate full compliance on an ongoing basis; (ii) Franchisor may cut off Franchisee's ability to process reservations and check-ins until compliance is proven; and (iii) Franchisee must reimburse Franchisor for any costs and expenses incurred by Franchisor in verifying Franchisee's compliance and/or securing a vendor to assist Franchisee. Franchisor may require Franchisee to use, and directly contract with, certain approved third-party vendors, and in some cases a single approved third-party vendor, for some or all of Franchisee's managed firewall, other technology security compliance and/or card brand or government requirements related to the transmission and processing of payment card transactions and information. Franchisee shall immediately notify Franchisor if Franchisee becomes aware of any breach, or suspected breach, of card holder data or personally identifiable information, whether notice is provided by Franchisee's credit card processor, law enforcement or any other party.

5.17.3 Franchisee shall implement all safeguards reasonably necessary for protecting customer and cardholder data from unauthorized disclosures and addressing data security risks that could

arise from network connections between Franchisee's Computer System and Franchisor's technology systems. Franchisee must assess the vulnerability of its Computer System and implement industry standard practices for maintaining data privacy and information security appropriate to the nature of that data. This responsibility includes Franchisee's use of data security protection measures to prevent unauthorized access to and use of such data via Franchisee's on-site technology as well as any technology hosted by third parties on Franchisee's behalf, including Franchisee's property management system.

## **5.18 Taxes:**

5.18.1 Franchisee shall promptly pay when due all taxes levied or assessed by any federal, state or local tax authority, and any and all other indebtedness incurred by Franchisee in connection with the operations of the Hotel. Franchisee shall pay to Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax imposed on Franchisor or its Affiliates with respect to any payments to Franchisor or its Affiliates required under this Franchise Agreement.

5.18.2 In the event of any bona fide dispute as to liability for taxes assessed or other indebtedness, Franchisee may contest the validity of the amount of the tax or indebtedness in accordance with the procedures of the taxing authority or applicable law, provided that such action does not result in any liability to or assessment of, any fine, penalty, or fee against, Franchisor; however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the Hotel, any part thereof, or any of its assets.

**5.19 Casualty:** If at any time during the term of this Franchise Agreement the Hotel is damaged by fire or other casualty and the cost to repair such damage is reasonably estimated to be not more than fifty percent (50%) of the fair market value of the Hotel, Franchisee shall expeditiously repair the damage. If the reasonable estimated cost to repair the damage exceeds such amount, Franchisee shall immediately notify Franchisor and shall elect, by written notice to Franchisor delivered within sixty (60) days following the date of the casualty, to repair or rebuild the Hotel in accordance with the Standards or to terminate this Franchise Agreement. Any such notice of termination shall be effective sixty (60) days after receipt of the notice by Franchisor. If Franchisee elects to repair the damage, Franchisee shall commence reconstruction within six (6) months after the date of the casualty, shall expeditiously continue with such reconstruction on an uninterrupted basis and, subject to Franchisor's inspection and final approval, shall reopen the Hotel for continuous business operations as soon as practicable, but in any event within eighteen (18) months after closing of the Hotel, giving Franchisor four (4) weeks' advance notice of the date of reopening. Franchisor shall have the right to terminate this Franchise Agreement by written notice to Franchisee if Franchisee fails to reconstruct the Hotel and recommence operations in accordance with the time periods specified in this Section and the Standards. If Franchisee elects to repair damages done to the Hotel pursuant to this Section, Franchisor reserves the right to require Franchisee to repair/renovate/rebuild both the damaged and undamaged portions of the Hotel to then-current Standards.

## **6 PROPRIETARY MARKS**

**6.1 Use by Franchisee:** Unless otherwise approved in writing by Franchisor, Franchisee shall:

6.1.1 Use the Proprietary Marks only on and after the Opening Date.

6.1.2 Use only the Proprietary Marks designated by Franchisor and shall use them only in the manner authorized by Franchisor. Any unauthorized use thereof shall constitute an infringement of the rights of Franchisor and its Affiliates owning rights in the Proprietary Marks.

6.1.3 Use the Proprietary Marks only for the operation of the Hotel at the Approved Location.

6.1.4 Not use the Proprietary Marks to incur any obligation or indebtedness on behalf of Franchisor or its Affiliates.

6.1.5 Not use the Proprietary Marks as part of its corporate or other legal name nor shall Franchisee use the Proprietary Marks as part of its domain name except as permitted by and subject to Franchisee's strict compliance with Franchisor's Internet Style Guide and Manuals, as amended from time to time.

6.1.6 File and maintain the requisite trade, fictitious or assumed name registrations, and shall execute any documents, in each case as deemed necessary by Franchisor to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

6.1.7 Identify itself as the owner of the Hotel, and a franchisee of The Red Collection, in conjunction with any use of the Proprietary Marks, including, but not limited to, on stationery, invoices, order forms, receipts, business cards, and contracts, and at such conspicuous locations on the Hotel premises as Franchisor may direct in writing.

**6.2 Exclusive Property of Franchisor:** Franchisee acknowledges and agrees that:

6.2.1 Franchisor or its Affiliate is the owner of all right, title and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them, and Franchisor has the exclusive right to use, and to license others to use, the Proprietary Marks in connection with the franchising, promotion and development of the System.

6.2.2 The Proprietary Marks are valid and identify the System and Red Collection Hotels operating thereunder.

6.2.3 During the term of this Franchise Agreement and after its expiration, Franchisee shall not directly or indirectly contest the validity of the Proprietary Marks, Franchisor's (or Franchisor's Affiliates') ownership, exclusive right to use and license others to use the Proprietary Marks or the ownership of the Proprietary Marks by Franchisor or its Affiliate.

6.2.4 Franchisee's use of the Proprietary Marks pursuant to this Franchise Agreement does not give Franchisee any ownership or other interest in or to the Proprietary Marks.

6.2.5 Any and all goodwill arising from Franchisee's use of the Proprietary Marks in the operation of its Hotel under the System shall inure exclusively to the benefit of Franchisor and its Affiliates, and upon expiration or termination of this Franchise Agreement, no monetary amount shall be attributed to any goodwill associated with Franchisee's use of the System or the Proprietary Marks.

6.2.6 Franchisor reserves the right, in its sole discretion, to substitute different Trademarks or service marks for the Proprietary Marks for use in identifying the System and the facilities operating under the System. Franchisee agrees to comply promptly in connection with any such substitution, at Franchisee's expense.

6.2.7 Franchisor has sole discretion over any secondary designations by which the Hotel will or may be identified. If the Hotel is to be identified with a secondary designation of any kind Franchisee shall obtain written approval from Franchisor before utilizing any such secondary

designation. Franchisor maintains sole discretion over said designations and may at any time during the term of the agreement change said designation provided that the Hotel's name shall always include the name of the brand. Franchisee shall not identify the Hotel with any intellectual property rights, brand, name or generic designation (such as by way of example only "Conference Center", "Resort" or "Spa") or any demand generator or geographic descriptor (such as by way of example only "East", "West", "North", "South", "University" or "Airport") without Franchisor's approval. Franchisor has sole discretion over this determination.

**6.3 Infringement by Others:** Franchisee shall promptly notify Franchisor of any unauthorized use of the Proprietary Marks or marks confusingly similar to the Proprietary Marks and any challenge to (i) the validity of the Proprietary Marks, (ii) the ownership of or exclusive right to use and license the Proprietary Marks by Franchisor or its Affiliate, (iii) Franchisor's right to use and to license others to use the Proprietary Marks, or (iv) Franchisee's right to use the Proprietary Marks. Franchisee acknowledges that Franchisor and its Affiliate have the sole right to initiate, direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. Franchisor and its Affiliate have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

6.3.1 Franchisor shall defend Franchisee against any third-party claim, suit or demand which alleges that Franchisee's use of the Proprietary Marks infringes the rights of such third party, provided that Franchisee has used the Proprietary Marks in accordance with this Franchise Agreement, the Standards, the Manuals and other instructions issued by Franchisor from time to time. If Franchisor, in its sole discretion, determines that Franchisee has used the Proprietary Marks in accordance with the foregoing requirements, the cost of Franchisee's defense, including the cost of any judgment or settlement, shall be borne by Franchisor, and Franchisor shall be entitled to use its counsel of choice. If Franchisor, in its sole discretion, determines that Franchisee has not used the Proprietary Marks in accordance with such requirements, the cost of Franchisee's defense, including the cost of any judgment or settlement, shall be borne by Franchisee.

6.3.2 In the event of any litigation or administrative proceeding relating to the Proprietary Marks, Franchisee shall execute any and all documents and do all acts that may, in the opinion of Franchisor, be necessary or appropriate to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Franchise Agreement, Franchisor agrees to reimburse Franchisee for its out-of-pocket costs for such acts.

## **7 MANUALS**

**7.1 Business Operations:** In order to protect the reputation and goodwill of Franchisor and to maintain uniform standards of operation under the Proprietary Marks, Franchisee shall conduct its operations hereunder in accordance with the Manuals.

**7.2 Confidentiality:** Franchisee shall at all times treat the Manuals and the information contained therein as confidential and shall use all reasonable efforts to maintain the confidentiality thereof, in accordance with Section 8 of this Franchise Agreement. The Manuals shall remain at all times the sole property of Franchisor (or its approved or designated suppliers if they supply the Manuals) and any hard copies shall be kept in a secure place on the Hotel premises. Franchisee shall keep access to electronic copies of the Manuals secure.

**7.3 Modification:** Franchisor shall have the right to add to or otherwise modify the Manuals from time to time. Franchisee shall ensure that any hard copy of the Manuals in Franchisee's possession is kept up-to-date. In the event of any dispute as to the content of the Manuals, the terms of the master copies of the Manuals maintained by Franchisor at Franchisor's home office shall control.

## **8 CONFIDENTIAL INFORMATION**

**8.1 Franchisor's Confidential Information:** Franchisee acknowledges that, pursuant to this Franchise Agreement, it will receive valuable Confidential Information. Franchisor's "Confidential Information" means the proprietary property management software, the Manuals (including all supplements and revisions thereto), any other manuals issued for use in connection with the establishment and operation of Red Collection Hotels, and any and all other materials, information, procedures, techniques or data which Franchisor (or as the case may be its approved or designated supplier) provides (including, without limitation, the site selection, operational, sales, promotional, and marketing methods and techniques of the System), except information which Franchisee can demonstrate came to Franchisee's attention by proper means before disclosure thereof by Franchisor (or as the case may be its approved or designated supplier), or which, at or after the time of such disclosure, had become or later becomes a part of the public domain, through proper publication or communication by others and which does not violate this Franchise Agreement or any agreement Franchisor (or as the case may be its approved or designated supplier) may have with a third party.

### **8.2 Use of Franchisor's Confidential Information/Enforcement:**

8.2.1 Franchisee shall not, during the term of this Franchise Agreement or thereafter, misuse, communicate, divulge, or disclose to any third party, or use for the benefit of any other person any Confidential Information, knowledge or know-how concerning Franchisor, the System, or the operation of the Hotel, which may be communicated to Franchisee or its owners, or of which Franchisee or its owners may be apprised, by virtue of Franchisee's operation under the terms of this Franchise Agreement. Further, after the termination or expiration of this Franchise Agreement, Franchisee and its owners shall not use the Confidential Information for its or their own benefit and shall surrender all Confidential Information to Franchisor. Franchisee shall not, at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part. Franchisee shall divulge such Confidential Information only to such of its employees, contractors, architects, lenders, investors, agents or others who must have access to the Confidential Information in connection with the performance of this Franchise Agreement or the operation of the Hotel pursuant hereto and who have executed covenants satisfactory to Franchisor to maintain the confidentiality thereof, copies of which shall be submitted to Franchisor at Franchisor's request.

8.2.2 Franchisee agrees that the existence of any claims it may have against Franchisor or Franchisor's Affiliates, whether or not arising from this Franchise Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 8. Franchisee and its owners further acknowledge that any violation of the terms of this Section 8 would result in irreparable injury to Franchisor or its Affiliates for which no adequate remedy at law may be available, and Franchisee and its owners accordingly consent to the issuance of an injunction prohibiting any conduct by them in violation of the terms of this Section 8. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees and court costs) incurred by Franchisor or its Affiliates in connection with the enforcement of this Section 8, including all costs and expenses for obtaining specific performance, or an injunction against any violation, of the requirements of Section 8.

8.2.3 At Franchisor's request, Franchisee shall obtain covenants similar in substance to those in this Section 8, in a form acceptable to Franchisor, from any of its owners and from such of Franchisee's officers as Franchisor may require.

8.2.4 The covenants in this Section 8 shall survive the termination, expiration or transfer of this Franchise Agreement.

**8.3 Franchisee's Confidential Information:** Franchisor acknowledges that during the term of this Franchise Agreement it may obtain confidential or proprietary information belonging to or concerning Franchisee and/or the operation of the Hotel, through reports provided by Franchisee, inspections or evaluations of the Hotel, the Computer System, or other means. Franchisor shall use all reasonable measures to protect Franchisee's confidential or proprietary information, provided that Franchisor shall have the right to use (and to allow its approved or designated suppliers to use) all such Confidential Information in evaluating and administering the System and the operation of individual Red Collection Hotels, including Franchisee's Hotel, and may disclose such Confidential Information to third parties, including in reports of hotel/motel industry data and franchise earnings claims, provided that unless otherwise required by law, individual franchise or Hotel results will be reported without specifically identifying Franchisee or the Hotel.

## **9 ACCOUNTING AND RECORDS**

**9.1 Record Retention:** Franchisee shall maintain and preserve, for at least five (5) years from the date of their preparation, complete and accurate books, records, and accounts showing the results of operation of the Hotel, in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing, such requirement to survive termination. In connection with its keeping of such accounts and records, Franchisee, at its expense, shall:

9.1.1 Install and maintain such equipment or participate in such services (including Computer System), make such arrangements and follow such procedures as Franchisor may require in the Manuals or otherwise in writing, to permit Franchisor to access each night during the term of this Franchise Agreement, from Franchisee's Computer System, information on the occupancy, average daily room rate, rooms sold, Gross Room Revenue, and such other data and information attributable to the Hotel as Franchisor may require (the "Reports"). To the extent the Reports for any calendar month or partial calendar month are not furnished to Franchisor by Franchisee's Computer System, as provided herein, Franchisee shall submit such Reports to Franchisor within twenty (20) days following the end of each calendar month.

9.1.2 Upon Franchisor's request, submit to Franchisor within ninety (90) days following the end of each fiscal year (in the form prescribed by Franchisor): (a) an annual income statement for such fiscal year, and (b) a balance sheet as of the end of such fiscal year. If such statement is audited, a copy of the audited statement, together with the auditor's report, shall be furnished. Each statement shall be signed by an authorized representative of Franchisee attesting that it is true and correct.

9.1.3 Submit to Franchisor, for review and/or auditing, such other forms, periodic and other reports, records, information, and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in the Manuals or otherwise in writing. All such reports and information received by Franchisor pursuant to this Franchise Agreement shall be the property of Franchisor, and Franchisor shall have the right to use such information in its reasonable discretion, subject to the limitations set forth in Section 8.3 of this Franchise Agreement, for the benefit of the entire System.

**9.2 Examination by Franchisor:** Franchisor or its designated agents shall have the right at any time to examine and copy, at Franchisor's expense, all books, records and tax returns of Franchisee related to the Hotel and, at Franchisor's option, to have an independent audit made. Such records shall be made available to Franchisor or its agents at the Approved Location as soon as practical but not more than three (3) days after Franchisee receives written notice of the request. If all books, records and tax returns of Franchisee related to the Hotel are not made available to Franchisor at a scheduled audit; the audit will be deemed failed. If an inspection or audit reveals that Franchisee has failed to pay Franchisor or its approved or designated suppliers any sums required to be paid as provided by this Franchise Agreement, then Franchisee shall immediately pay Franchisor or its approved or designated suppliers the amount of such deficiency, any late fees, and interest from the date such amount was due until paid, as provided in Section 4.7. If an inspection discloses an underpayment to Franchisor of two percent (2%) or more of the total amount that should have been paid to Franchisor or its approved or designated suppliers, Franchisee shall, in addition to payment of such deficiency, with late fees and interest, reimburse Franchisor for any and all costs and expenses incurred in connection with the inspection or audit (including, without limitation, reasonable accounting and attorneys' fees), ~~our third party auditor fees, and the travel expenses and room and board for our representatives and/or our third party auditor's representatives in conducting the audit as well as the expenses of conducting a re-audit.~~ If Franchisee fails an audit (whether because of a failure to make records available as required above or because the inspection reveals that Franchisee has failed to pay all amounts payable), Franchisor may re-inspect the books and Franchisee shall bear the re-inspection costs. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

## **10 MARKETING PROGRAM AND RESERVATION SYSTEM**

### **10.1 Use of Marketing and Reservation Fee:**

10.1.1 Franchisor shall use the Marketing and Reservation Fee received pursuant to Section 4.3 in a manner Franchisor determines, in its sole discretion, to be necessary or appropriate to develop, operate, support or administer a marketing program (the "Marketing Program") including but not limited to (a) marketing, advertising, reservation confirmations, the development of new guests and repeat visits by guests, and systems designed for such purposes (including any and all costs associated with developing, preparing and administering reservation services and developing the specifications for the Computer System, phone lines and phone operations), (b) developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, telemarketing, promotional and public relations materials, programs and campaigns, (c) developing, preparing, producing, directing, administering, conducting, maintaining, publishing and disseminating the Directory, (d) creating and maintaining internet-based advertising and marketing for the System (through a Red Collection Hotel website or otherwise), (e) conducting market research, and (f) developing, operating, supporting and/or administering other marketing programs; as well as developing, operating, supporting and/or administering the Reservation System. The Marketing and Reservation Fee may be applied by Franchisor to defray the reasonable administration costs and overhead costs Franchisor and/or an Affiliate incurs in providing and/or administering the Reservation System and Marketing Program, including, but not limited to, the cost of providing accounting, collection, bookkeeping, reporting and legal services. Franchisor or an Affiliate may provide products or services to develop, operate, direct, provide and/or administer the Reservation System and Marketing Program. Any such products or services provided by Franchisor or an Affiliate will be provided at a cost comparable to those costs that would have been otherwise incurred if such products or services were obtained from unaffiliated third parties.

10.1.2 Franchisee agrees and acknowledges that the Reservation System and Marketing Program are intended to maximize general public recognition, acceptance and use of the System and of Franchisor's brands, and that in administering the Marketing and Reservation Fee Franchisor is not

obligated to: make expenditures for Franchisee which are equivalent or proportionate to Franchisee's Marketing and Reservation Fee, spend money on advertising in Franchisee's local area, or to ensure that Franchisee benefits directly or pro rata from expenditures for the marketing and reservation programs.

10.1.3 The aggregate of the Marketing and Reservation Fee Franchisor collects from Franchisee and other franchisees in the System does not constitute a trust and Franchisor is not a fiduciary with respect to such amounts. Franchisor may aggregate the Marketing and Reservation Fees with other funds of Franchisor in one or more accounts in financial institutions and is not obligated to administer the proceeds as a separate fund. However, an unaudited annual report of the receipts and expenditures of the Reservation System and Marketing Program shall be made available to Franchisee upon request.

10.1.4 Franchisor reserves the right to use Marketing and Reservation Fees to fund advertising, marketing and reservation support activities separately for The Red Collection or together, in whole or in part, with other brands owned by its Affiliates when business circumstances warrant. Such combined activity may be on a specific advertising effort in one or more markets, joint campaign or longer term commitment basis, in Franchisor's sole discretion. Franchisor cannot assure that the benefits from joint activities will be proportional to relative contributions of Franchisor and the other Affiliate-owned hotel brands. Any jointly funded advertising will position The Red Collection as a co-equal brand with the other Affiliate-owned brands.

## **10.2 Advertising Done by Franchisee:**

10.2.1 In addition to the Marketing and Reservation Fee, Franchisee shall pay the following: (i) all of Franchisee's expenditures for local billboard advertising and other Hotel-specific advertising and promotions and (ii) certain special promotion support materials, such as the in-room acrylic holders for promotional materials, point-of-sale or other such materials used to promote the System from time to time

10.2.2 Within sixty (60) days of opening the Hotel, Franchisee must use one of Franchisor's approved photographers to conduct a full professional photo shoot for the Hotel in accordance with Franchisor's System Standards to generate photographs that can be used across all distribution channels. Franchisor will provide Franchisee with the photographs (the "Opening Package"). Franchisee must pay Franchisor upon receipt of an invoice for the Opening Package in the amount of Two Thousand Five Hundred Dollars (\$2,500) to Five Thousand Dollars (\$5,000). The Opening Package includes a professional photo shoot and training materials. Franchisor will pay for the photography services and for the production of the training materials. Franchisor will retain a portion of the cost for its services in coordinating the photo shoot and preparing the training materials. During the term of this Agreement, Franchisee must have new professional photographs taken periodically, or at Franchisor's direction, by Franchisor's approved photographers to accurately depict hotel rooms, common spaces and amenities.

10.2.3 Franchisee may, at Franchisee's expense, conduct local and regional marketing programs and related activities subject to Franchisor's prior written approval; provided, that in no event shall Franchisee advertise, promote, post or list information relating to the Hotel available on the internet or other electronic media, except in accordance with Section 10.5 below or as permitted and subject to Franchisee's compliance with the Standards.

10.2.4 Franchisee shall participate in any designated one-time marketing, advertising or quality assurance programs designated or conducted by Franchisor, and pay the cost of participating, subject to the limitations in this paragraph. The amount of Franchisee's required payment shall not exceed Two Thousand Five Hundred Dollars (\$2,500) in the aggregate in the first calendar year in which

Franchisor first requires such payments. The cost of participation in subsequent calendar years may be increased by no more than 5% over the previous calendar year requirement.

### **10.3 Cooperatives:**

10.3.1 Franchisor shall have the right, exercisable at any time, to require Franchisee to join with Franchisor, its Affiliates and/or other franchisees in a specified geographic area in local and regional cooperative advertising and marketing materials (each, a “Cooperative”). In no event shall Franchisee be required to be a member of more than one Cooperative at a time for each Red Collection Hotel operated by Franchisee under franchise agreements with Franchisor.

10.3.2 Franchisee agrees to be bound by the terms of the Cooperative agreement to be entered into with other franchisees in such Cooperative as may be designated by Franchisor, which may include Red Collection Hotel locations owned or operated by Franchisor or by any entity controlled by Franchisor or its Affiliates.

10.3.3 Franchisee shall contribute to such Cooperative such amounts as are determined by the Cooperative, which shall not be greater than one percent (1%) of the Gross Room Revenues of each Red Collection Hotel operated by the members of the Cooperative. The contribution to the Cooperative shall be in addition to, and not in lieu of, the Marketing and Reservation Fee. Each member of the Cooperative shall contribute at the same percentage of its Gross Room Revenues.

10.3.4 If a Cooperative has been established for the area in which the Hotel is located at the time the Hotel opens for business, Franchisee shall immediately become a member of the Cooperative. If a Cooperative is established for the area in which the Hotel is located during the term of this Franchise Agreement, Franchisee shall become a member no later than thirty (30) days after written notification by Franchisor that the Cooperative has commenced operation.

10.3.5 Franchisee agrees to abide by all rules, regulations and bylaws, which shall be implemented and, as necessary, amended with Franchisor’s prior written consent.

10.3.6 No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without Franchisor’s prior consent.

**10.4 Compliance with Standards:** Recognizing the value of advertising and the importance of the standardized advertising programs to the furtherance of the goodwill and public image of the System, Franchisee agrees that all advertising by Franchisee shall be conducted in a dignified manner and shall conform to the Standards and other requirements as Franchisor may otherwise specify in writing. At least fifteen (15) business days before the date on which Franchisee intends to print or record the materials, Franchisee shall submit to Franchisor, for its prior written approval, samples of all proposed advertising and promotional materials for the Hotel and a statement of the intended use of each. Any materials that are not in clear violation of Franchisor’s published guidelines for form and content, which are submitted to Franchisor and not disapproved in writing within ten (10) business days following the date such materials are received by Franchisor shall be deemed approved. Franchisor may, upon thirty days’ prior written notice, revoke its approval of any advertising and promotional materials previously approved or deemed approved, at which point Franchisee shall immediately cease its use of same.

### **10.5 Franchise Website:**

10.5.1 In the event Franchisor maintains a website that provides information to the public about Franchisor and its franchise systems (including the System and the accommodations and services that

Red Collection Hotels provide), Franchisor may use the Marketing and Reservation Fee to pay or reimburse the costs associated with the development, maintenance and update of the website.

10.5.2 Franchisor may (but is not required to) include at the website an interior page containing information about the Hotel. If Franchisor includes such information on the website, Franchisor may require Franchisee to prepare all or a portion of the information about the Hotel, at Franchisee's expense, using a template or process that Franchisor provides. All such information will be subject to Franchisor's approval before posting.

10.5.3 Although not required to do so, Franchisor also may develop or identify an electronic network (an "Intranet") through which Franchisor and its franchisees can communicate by e-mail or similar electronic means, Franchisor may post information related to the System, and Franchisee may access information related to its operation of the Hotel. If Franchisor develops such an Intranet, Franchisee agrees to use the facilities of the Intranet in strict compliance with the Standards (including, without limitation, protocols and restrictions relating to the encryption of Confidential Information and prohibitions against the transmission of libelous, derogatory or defamatory statements).

10.5.4 Franchisee is not permitted to create, develop or manage its own property website or booking engine without authorization from Franchisor.

## **11 INSURANCE**

**11.1 Insurance:** Before the commencement of any activities under this Franchise Agreement, Franchisee shall procure, and shall maintain in full force and effect at all times during the term of this Franchise Agreement, at Franchisee's sole expense, an insurance policy or policies of the types, in the coverage amounts, and with the terms specified in the Manuals, which include the following as of the Effective Date:

11.1.1 Commercial Property Insurance with coverage on an all risk special form basis, insuring the Hotel, fixtures, equipment, improvements and the betterments, and for full recovery of the net profits and continuing expenses of the Hotel (including rental value) for a twelve (12) month period must be carried. Property coverage must be written with agreed amount endorsement and/or no co-insurance on a replacement cost basis. Continuing expenses must specifically include royalty/license fees and other fees payable to Franchisor and its Affiliates. In the event of damage or destruction to the Hotel, unless the mortgagee requires otherwise, the proceeds of any such insurance shall be used to repair or restore the Hotel in accordance with renovation or construction plans and specifications prepared by Franchisee and approved in writing by Franchisor. Franchisor, its Affiliates and successors, and their respective past and present officers, directors, partners, agents, and employees shall be included as a loss payee under the policy in relation to commercial property and business interruption insurance. If the Hotel is located within a high hazard flood zone, flood insurance is required up to the full limits offered by the National Flood Insurance Program for each and every building.

11.1.2 Commercial General and Commercial Umbrella Liability Insurance with independent contractor's coverage and coverage for liability assumed under contract, for libel, slander, defamation, false arrest, detention, or imprisonment, malicious prosecution, wrongful entry, sexual assault or molestation, assault and battery, invasion of privacy and for any claim for loss of property of Franchisor or any guest caused by a dishonest or fraudulent act by an employee of Franchisee. The General Liability minimum limits are Two Million Dollars (\$2,000,000) in the aggregate and One Million Dollars (\$1,000,000) each occurrence. Umbrella insurance must also be carried on a follow form basis with a minimum limit of Five Million Dollars (\$5,000,000) in the aggregate and must include coverage for sexual assault or molestation and assault and battery. In addition, if alcoholic beverages are sold at the Hotel, Dram

Shop/Liquor Liability Insurance shall also be provided with limits of not less than One Million Dollars (\$1,000,000) per occurrence and One Million Dollars (\$1,000,000) in the aggregate, with a Five Million Dollars (\$5,000,000) aggregate umbrella. The policy shall be written on the then-current ISO occurrence form (or a substitute form providing equivalent coverage) and shall also provide Broad Form Blanket contractual liability coverage Franchisor, its Affiliates and successors, and their respective past and present officers, directors, partners, agents, employees shall be endorsed as an additional insured under the policy, such evidence shall be by an Additional Insured Endorsement – Grantor of Franchise, ISO Form CG 2029 or its equivalent, Additional Insured wording on a Certificate of Insurance is not acceptable. General Liability limits must be written on a per location basis. Umbrella/Excess liability coverage must be a follow form to the liability policies. If any coverage required by this Section 11.1.2 is not included in the then-current ISO occurrence form, it can be provided by separate policy. The coverage in this Section 11.1.2 shall in every instance be primary and without right to contribution from any coverage maintained by Franchisor or its Affiliates. Franchisee shall provide notice to Franchisor of any claim or suit arising out of or in connection with its operation of the Hotel within three (3) days of its receipt thereof. Such insurance will contain a waiver of subrogation in favor of Franchisor, its Affiliates and successors and their respective past and present officers, directors, partners, agents, and employees on all liability policies referenced.

11.1.3 Automobile Liability Insurance (and if necessary, Umbrella Liability Insurance) for all owned, non-owned and hired vehicles, covering bodily injury, death and property damage with a minimum combined single coverage limit of not less than One Million Dollars (\$1,000,000). Umbrella insurance must also be carried on a follow form basis with a minimum limit of Five Million Dollars (\$5,000,000). Franchisor, its Affiliates and successors, and their respective past and present officers, directors, partners, agents, employees shall be endorsed as an additional insured under the policy. The coverage in this Section 11.1.3 shall in every instance be primary and without right to contribution from any coverage maintained by Franchisor or any Affiliate.

11.1.4 Statutory Workers' Compensation Insurance with employers liability and/or commercial umbrella insurance limits not less than Five Hundred Thousand Dollars (\$500,000) each accident for bodily injury by accident or Five Hundred Thousand Dollars (\$500,000) each employee for bodily injury by disease. Franchisee agrees to waive all rights of subrogation against Franchisor and its Affiliates and successors, their respective past and present officers, directors, partners, agents, and employees for recovery of damages.

11.1.5 Cyber Liability Insurance covering privacy and data breach, including but not limited to, claims for guest and employee information taken or accidentally leaked from hard copies or technology breaches with coverage limits not less than One Million Dollars (\$1,000,000), with a One Million Dollar (\$1,000,000) limit for regulatory fines, a Two Hundred Fifty Thousand Dollar (\$250,000) limit for PCI DSS fines levied against any technology breach, a One Million Dollar (\$1,000,000) limit for legal services, public relations, and crisis management expenses, and a Fifty Thousand Dollar (\$50,000) limit for notified individuals to whom notification, call center and credit or identity monitoring services will be provided. Franchisor may procure Cyber Liability Insurance for Franchisee, in which case Franchisee shall reimburse Franchisor for the insurance premiums paid by Franchisor.

11.1.6 Employment Practices Liability coverage for ownership, management, and employing entities covering claims for sexual harassment, wrongful termination, discrimination, and Americans with Disability Act claims with a coverage limits of One Million Dollars (\$1,000,000), One Million Dollars (\$1,000,000) additional defense limit, Fifty Thousand Dollars (\$50,000) defense limit provided to Franchisor, Fifty Thousand Dollars (\$50,000) wage and hour coverage for wage and hour claims, and One Hundred Fifty Thousand Dollars (\$150,000) immigration practices claim defense.

11.1.7 The insurance coverage described above shall be placed with an insurance company or companies having a Bests Key Rating Guide of A-V or better and be satisfactory to Franchisor. Any and all deductibles and/or self-insured retentions are the sole responsibility of Franchisee. No such required policy may have a deductible that exceeds Twenty-Five Thousand Dollar (\$25,000), which such deductible shall be the responsibility of Franchisee.

**11.2 Additional Insured:** Franchisee agrees to direct its insurance company to furnish to Franchisor at least ten (10) days before the commencement of construction or renovation of the Hotel, and again at least ten (10) days before the anticipated Opening Date, current certificates of insurance indicating: (a) the name and address of the Hotel; (b) that with regard to the coverage in Sections 11.1.1, 11.1.2 and 11.1.3 above, Franchisor, its Affiliates and successors, and their respective past and present officers, directors, partners, agents and employees are additional insureds; (c) that, with regard to the coverage in Section 11.1.4 above, the insurer has waived subrogation; and (d) evidence showing that the premiums thereof have been paid. Additionally, evidence of renewal shall be furnished to Franchisor before the expiration date of such insurance. Such policy or policies shall stipulate that Franchisor shall receive a thirty (30) days written notice of cancellation or reduction in coverage or other alteration of the policy or policies. All certificates of insurance shall be addressed to:

The Red Collection, LLC  
c/o Lockton Companies  
5 Centerpointe Drive, Suite 400  
Lake Oswego, OR 97035

With a copy to: Franchise Legal Department  
The Red Collection, LLC  
7815 Walton Parkway  
New Albany, OH 43054  
Facsimile Number (614) 225-5328

The Certificate Holder and additional insured should be listed on the certificate of insurance and the Additional Insured endorsement as follows:

The Red Collection, LLC and Red Roof Inns, Inc.

**11.3 Change of Required Coverage:** Franchisor may from time to time during the term of this Franchise Agreement, at its sole option, require that the minimum limits and types of insurance coverage described Section 11.1 be reasonably increased or changed in any manner (including, without limitation, amounts and types of coverage) as determined solely by Franchisor. Franchisee shall comply with such requirements, at Franchisee's sole cost and expense, and shall deliver evidence of such compliance to Franchisor within thirty (30) days of its receipt of written demand by or on behalf of Franchisor for any such increase or change in said insurance.

#### **11.4 Other:**

11.4.1 Franchisee's obligation to obtain and maintain the policy or policies described in this Section 11, in the amounts specified in this Section 11 or in the Manuals, shall not be limited in any way by reason of any insurance which may be maintained by Franchisor or Franchisor's approved or designated suppliers, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions in Section 15 of this Franchise Agreement. Nothing contained herein shall be deemed to be a representation by Franchisor that the required insurance coverages will insure Franchisee in part or

in whole against any or all insurable risk arising from or in connection with the establishment or operation of the Hotel.

11.4.2 Upon the execution of this Franchise Agreement, on each policy renewal date thereafter, and each time a change is made in any insurance or insurance carrier, Franchisee shall submit evidence of satisfactory insurance, as specified in this Section 11.

11.4.3 Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Franchise Agreement, as such requirements may be revised from time to time by Franchisor in the Manuals or otherwise in writing, Franchisor shall have the right and authority (but not the obligation) to procure such insurance and to charge the cost of such policy thereof to Franchisee, which charge, plus a reasonable fee for Franchisor's efforts in so acting (not to exceed Two Thousand Five Hundred Dollars (\$2,500)), shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor or its Affiliates may have.

11.4.4 Notwithstanding anything to the contrary stated herein, Franchisor shall under no circumstances be liable for any premiums or costs of insurance and/or indemnification or defense incurred by Franchisee to fulfill any of the insurance requirements stated herein.

## **12 TRANSFER OF INTEREST**

**12.1 Transfer by Franchisor:** Franchisor may transfer or assign this Franchise Agreement or any part of its rights or obligations under this Franchise Agreement to any person or legal entity, provided that the transferee is an entity to which Franchisor transfers all or substantially all of the franchise agreements for Red Collection Hotels and the transferee or assignee accepts the transfer or assignment. Franchisee agrees that Franchisor shall have no liability after the effective date of such transfer or assignment for the performance of any obligations under this Franchise Agreement.

### **12.2 Transfer by Franchisee:**

12.2.1 Franchisee understands and acknowledges that the rights and duties set forth in this Franchise Agreement are personal to Franchisee, and that Franchisor has granted this Red Collection Hotel franchise in reliance on Franchisee's business skills, financial capacity and character of Franchisee and its owners and on the Guarantee, Indemnification and Acknowledgement Agreement attached to this Franchise Agreement as Exhibit C. Accordingly, except as permitted in this Section 12, neither Franchisee nor any of its owners shall sell, assign, transfer, convey, exchange, gift, lease, sublease, pledge, mortgage or otherwise encumber, whether for consideration or otherwise, any direct or indirect ownership interest in Franchisee, this Franchise Agreement, the Hotel, or substantially all of the assets of the Hotel, whether by merger or otherwise and whether or not such event constitutes a transfer or assignment under applicable law (each event, a "Transfer").

12.2.2 Notwithstanding anything in this Section 12, Franchisee shall at all times during the term of this Franchise Agreement own or control the real property and all improvements thereon at the Approved Location. Any change of ownership or control of the real property and improvements thereon at Approved Location is subject to Franchisor's prior written consent.

**12.3 Franchisor's Consent to Transfer:** For Franchisor to consider granting consent for a proposed Transfer, which consent may be withheld based on any reasonable grounds, Franchisee or the transferring owner shall provide Franchisor at least sixty (60) days prior written notice of any proposed Transfer, in such form as Franchisor may require, together with: (i) all information which Franchisor believes would be appropriate for consideration by Franchisor in connection with Franchisor's review of

the proposed transfer and (ii) a non-refundable transfer application fee in the amount of Two Thousand Five Hundred Dollars (\$2,500) (the “Transfer Application Fee”). This Transfer Application Fee, which is in addition to the Transfer Fee, if applicable, required by Section 12.3.4, and shall not obligate Franchisor to approve the proposed Transfer. Upon Franchisor’s request, Franchisee shall provide such additional information and documentation relating to the proposed Transfer as Franchisor may reasonably require. Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval of a proposed Transfer:

12.3.1 Franchisee’s compliance with all terms of this Franchise Agreement and any other agreement between Franchisee and Franchisor, including, but not limited to, curing any and all existing defaults or events that would become defaults with the giving of notice and the passage of time, including the payment in full of all unpaid obligations owed to Franchisor, its Affiliates or approved or designated suppliers.

12.3.2 Franchisee agrees to remain liable for all of its obligations to Franchisor which arose before the effective date of the Transfer and executes any and all instruments reasonably requested by Franchisor to evidence such liability.

12.3.3 Franchisee and its owners execute a general release, in a form satisfactory to Franchisor, that waives, releases and discharges all claims that Franchisee, its owners, their Affiliates and the respective officers, directors, employees and agents of each of them have, have had or may ever have, against Franchisor, its Affiliates and their respective officers, directors, shareholders, employees or agents, past or present, in their corporate or individual capacities arising or accruing up to the date of Transfer.

12.3.4 Franchisee pays to Franchisor a transfer fee of Fifteen Thousand Dollars (\$15,000) upon closing of the Transfer (the “Transfer Fee”); provided, however, that if Franchisee does not timely submit information and other items described in this Section, or if Franchisee’s proposed Transfer requires Franchisor to engage outside parties to evaluate the proposed Transfer, then, in addition to the Transfer Fee, Franchisor may require Franchisee to reimburse Franchisor for its reasonable out-of-pocket costs and expenses associated with the Transfer, including, without limitation, legal and accounting fees.

12.3.5 The transferee meets Franchisor’s then-current qualifications for new franchisees, including, but not limited to, the ability to demonstrate to Franchisor’s satisfaction that the transferee and, if applicable, its owners possess good moral character, business reputation and credit rating and adequate financial resources and capital to operate the Hotel.

12.3.6 The transferee and the transferee’s manager(s), at transferee’s expense, complete any training programs then in effect for new franchisees to the satisfaction of Franchisor.

12.3.7 The transferee agrees, at the transferee’s expense, to upgrade the Hotel to conform to the then-current Standards and specifications for Red Collection Hotels operating under the System (and execute a form created by us to evidence such obligation), and to complete such upgrading within a reasonable time specified by Franchisor.

12.3.8 The transferee shall execute the following: the then-current form of transfer agreement and consent, and the then-current form of The Red Collection franchise agreement. Transferee shall also execute any other ancillary agreements as Franchisor may require. Notwithstanding the terms of any new franchise agreement, the transferee shall not be required to pay the initial franchise fee.

12.3.9 The transferee and its owners, if applicable, execute Franchisor's then-current form of guarantee of the transferee's performance of its obligations under the assumed or new franchise agreement.

12.3.10 If applicable, Franchisee and the transferee execute Franchisor's then-current transfer agreement covering termination of this Franchise Agreement.

**12.4 Transfer to Related Entity of Franchisee or Other Business Entity:** Notwithstanding the terms of Section 12.3, Franchisee shall have the following Transfer rights:

12.4.1 From the Effective Date to the date which is six (6) months from the Opening Date (the "Transfer of Convenience Period") Franchisee or all the owners of Franchisee shall be permitted to make one Transfer to a transferee entity owned by the owners in the same proportions as set forth in this Franchise Agreement, without payment of a Transfer Application Fee or a Transfer Fee. Franchisor's consent may, in its sole discretion, be conditioned on the following requirements:

12.4.1.1. Evidence of the transferee entity's governing documents, which shall provide that its activities are confined exclusively to operate the Red Collection franchise and activities related thereto;

12.4.1.2. The transferee entity, and its owners shall enter into an agreement, in a form satisfactory to Franchisor, unconditionally guaranteeing the full payment and performance of the transferee entity's obligations to Franchisor; and

12.4.1.3. Franchisee shall assign the Franchise Agreement in a form acceptable to Franchisor.

12.4.2 After expiration of the Transfer of Convenience Period, Franchisee, or the owners of Franchisee collectively, shall have the right to transfer up to a total of twenty percent (20%) of ownership in Franchisee (in the aggregate for the entire term considering all Transfers collectively, whether effected in one or a series of transactions), without payment of a Transfer Application Fee or Transfer Fee. Franchisor's consent may, in its sole discretion, be conditioned on the following requirements:

12.4.2.1 Franchisee provides prior written notice to Franchisor;

12.4.2.2 All new owners execute a guarantee in a form acceptable to Franchisor;

12.4.2.3 Revision of the ownership Schedule attached as Exhibit B to this Franchise Agreement.

12.4.2.4 All new owners meet Franchisor's then-current qualifications for new franchisees.

12.4.2.5 Such a transfer will not relieve a prior owner of its obligations under this Franchise Agreement prior to the Transfer. For such obligations accruing after the Transfer, the prior owner shall continue to be obligated unless the new owner accepts responsibility for those obligations.

12.4.3 At any time during the initial term of this Franchise Agreement, an owner that owns a majority interest in Franchisee may acquire the interest of one or more minority owners upon the conditions:

12.4.3.1 Franchisee submits notice of such Transfer to Franchisor;

12.4.3.2 Franchisee pays the Transfer Fee, and

12.4.3.3 Franchisee obtains the execution of such guarantees or assumptions of liability as Franchisor may require.

Transfers under this Section 12.4.3 shall not require execution of a new Franchise Agreement.

**12.5 Right of Franchisee's Heirs Upon Death or Disability of Franchisee:** In the event of the death or medically certified incapacity of an individual Franchisee who is a sole proprietor or any owner of a Franchisee that is a corporation or other legal entity (a "Death or Incapacity"), an executor, administrator, trustee or personal representative shall give Franchisor written notice of such Death or Incapacity within thirty (30) days thereof. Upon a Death or Incapacity, the Franchise Agreement may transfer to an executor, administrator, trustee or personal representative of Franchisee (a "Franchisee by Death or Incapacity") in accordance with such person's will, the intestacy laws of the state or otherwise by operation of law, provided that: (i) within one (1) year of such Death or Incapacity, the Franchisee by Death or Incapacity meets all of Franchisor's then-current qualifications for a new franchisee. A Transfer under this Section shall not be subject to a Transfer Application Fee or a Transfer Fee, but shall be subject to the conditions of Section 12.3 and its subparts.

## **12.6 Franchisor's Right of First Refusal:**

12.6.1 If Franchisee or its owners shall at any time decide to sell, transfer or assign any right or interest under this Franchise Agreement, or any ownership interest in Franchisee if Franchisee is a corporation, partnership or other entity, Franchisee or its owners shall first obtain a bona fide, executed, written offer from a responsible and fully disclosed purchaser and shall submit to Franchisor an exact copy of such offer, along with all items required in Section 12.3 and its subparts and any other additional information and documentation relating to the offer as Franchisor may require (the offer and all related documents and fees, the "Offer"). Franchisor shall have the right and option for a period of thirty (30) days after its receipt of delivery of the Offer, exercisable upon written notice to Franchisee or its owners, to purchase such rights or interests for the price and on the terms and conditions contained in the Offer, provided that Franchisor may substitute equivalent cash for any form of payment proposed in the Offer. If Franchisor elects to accept the Offer, the Transfer Application Fee will be refunded and closing on such purchase must occur within the later of (i) ninety (90) days from the delivery of Franchisor's delivery of written notice of intent to purchase; or (ii) ninety (90) days after the date Franchisor receives and obtains all necessary permits and approvals, or such other date as the parties may agree upon in writing.

12.6.2 If Franchisor does not exercise its right of first refusal, Franchisee or its owners may complete the sale of such interest to the bona fide purchaser pursuant to the requirements of this Section 12 and provided that if the sale to such purchaser is not completed in a manner substantially similar to the original terms of the Offer or if the sale to such bona fide purchaser is not completed within one (1) year after delivery of the Offer to Franchisor, Franchisor shall again have the right of first refusal provided herein.

12.6.3 Franchisor's failure to execute its right of first refusal under this Section shall not constitute a waiver of its subsequent rights of first refusal or any other provision of this Franchise Agreement.

12.6.4 Upon a request for a Transfer pursuant to this Section 12.6, including its subparts, Franchisor may assign its purchase rights under this Section 12.6 to a third party of Franchisor's choosing.

12.6.5 In the event an offer from a third party provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect to purchase transferor's interest for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the reasonable cash equivalent of the non-cash portion of the offer, then such amount shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be the exercise price. After determination of the exercise price by the appraisers, Franchisor may elect to exercise its right of first refusal at that price or not. In the event of an appraisal, each party shall bear its own legal and other costs and shall bear the appraisal fees equally. If Franchisor exercises its right of first refusal, it shall have the right to set off against any payment due to Franchisee (i) all fees for any independent appraiser due from Franchisee, and (ii) all amounts due Franchisor, its Affiliates and its approved or designated suppliers from Franchisee, Franchisee's owners, and any of Franchisee's Affiliates.

**12.7 Public Sale by Franchisee:** In addition to the other requirements of this Section 12, securities in Franchisee may be offered to the public only in compliance with this Section 12.7. All materials required by federal or state law to be filed in connection with the offer or sale of any interest in Franchisee shall be submitted to Franchisor for review before filing with any governmental agency and any materials to be used in any offering of interests exempt from filing shall be submitted to Franchisor for review before their use. Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Franchisee and Franchisor. No Franchisee offering shall imply, by use of the Proprietary Marks or otherwise, that Franchisor is participating as an underwriter, issuer or offer or of Franchisee's or Franchisor's securities. Franchisee and other participants in the offering must fully indemnify Franchisor in connection with the offering. For each proposed offering, Franchisee shall pay to Franchisor a non-refundable offering fee of Ten Thousand Dollars (\$10,000) or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees.

#### **12.8 Other Transfer Provisions:**

12.8.1 At Franchisor's request, Franchisee shall obtain covenants similar in substance to those in this Section 12, in a form specified by Franchisor, from any of its owners agreeing not to engage in a Transfer except in accordance with the terms and conditions of this Franchise Agreement; provided, that this provision shall not apply to owners that are required to comply with the reporting requirements under Section 13 or Section 15 of the Securities Exchange Act of 1934.

12.8.2 Without limiting any of the provisions of this Section 12, throughout the term of this Franchise Agreement, Franchisee's governing documents shall provide that no transfer of any interest in Franchisee may be made except in accordance with this Section 12, and any certificate issued by Franchisee evidencing such interests shall bear a conspicuous printed legend to that effect. Upon Franchisor's request, Franchisee shall furnish to Franchisor copies of its governing documents and any other documents Franchisor may reasonably request. No change affecting the power to direct and control the affairs of Franchisee shall be made in Franchisee's governing documents, nor shall Franchisee or the owners enter into any shareholders' agreement, management agreement, voting trust or other arrangement

affecting the power to direct and control the affairs of Franchisee, without Franchisor's prior written consent.

12.8.3 Franchisee shall not enter into any third party management agreement, or other similar arrangement for the operation of the Hotel without Franchisor's approval.

## **13 DEFAULT AND TERMINATION**

**13.1 Early Termination:** If this Franchise Agreement terminates prior to the Expiration Date, such termination will result in damages payable to Franchisor, including lost future revenue and profits to Franchisor, harm to the goodwill associated with the System and the Proprietary Marks, and increased costs to Franchisor to redevelop or re-franchise the market in which the Hotel is located. Franchisor and Franchisee agree that such damages may be difficult to quantify or estimate. Therefore, if the Franchise Agreement is terminated due to Franchisee's failure to open the Hotel, as specified in the Renovation Addendum or otherwise, Franchisee agrees to pay Franchisor liquidated damages as set forth in the Renovation Addendum. If the Franchise Agreement is terminated after the Opening Date, Franchisee agrees to pay to Franchisor, as a result of such termination, and in addition to any other monies owed hereunder, liquidated damages (for early termination and not as a penalty) equal to the greater of (a) \$100,000 or (b) the average of the monthly Royalty Fee, Marketing and Reservations Fee and Preferred Members Program Fee required by the Franchise Agreement for the thirty-six (36) months preceding Franchisee's termination (or if Franchisee has been operating the Hotel as a member of The Red Collection for less than thirty-six (36) months, the average of the months Franchisee operated the Hotel as a member of The Red Collection before termination), multiplied by the lesser of (i) thirty-six (36), or (ii) the number of months remaining in the term of this Franchise Agreement. Franchisee shall pay Franchisor the payment specified in this Section no later than five (5) days following: the termination of this Franchise Agreement or Franchisor's written request thereof. In addition to Franchisor's right to the payment of liquidated damages as provided in this Section, Franchisor shall not otherwise be limited in its ability to recover other monies due under the Franchise Agreement and to otherwise seek damages or equitable relief for the harm caused by the conduct which gave rise to the termination, as well as for any other defaults of Franchisee under the Franchise Agreement and to obtain such other relief in law or equity as provided for in this Franchise Agreement; provided, that Franchisor shall not be entitled to recover damages for lost future revenue or profits, loss of good will, or cost of redeveloping or refranchising the market in which the Hotel is located, in excess of the liquidated damages specified in this Section.

**13.2 Events of Default:** The occurrence of any of the following events shall constitute a default under this Franchise Agreement:

13.2.1 Franchisee becomes insolvent or makes a general assignment for the benefit of creditors; a petition in bankruptcy is filed by Franchisee or such a petition is filed against, and consented to by, Franchisee; Franchisee is adjudicated as bankrupt; if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law is instituted by or against Franchisee; Franchisee is dissolved; execution is levied against the Hotel or any part or asset of the Hotel, or suit to foreclose any lien or mortgage against the Hotel or any part or asset of the Hotel is instituted against Franchisee and not dismissed within ninety (90) days; or if the Hotel or any part or asset of the Hotel is sold after levy;

13.2.2 The failure of an executor, administrator, trustee or personal representative of a deceased Franchisee to comply with the provisions of Section 12.5;

13.2.3 Franchisee ceases to do business at the Approved Location, or ceases to operate the Hotel under the Proprietary Marks and System, or loses the right to possession of the Hotel, or otherwise forfeits the right to operate the Hotel at the Approved Location; provided, that if the cessation of business or loss of possession results from a fire or other casualty, then the provisions of Section 5.19 of this Franchise Agreement shall apply;

13.2.4 The construction, renovation, maintenance or operation of the Hotel, in the sole opinion of Franchisor, presents a threat or danger to public health or safety and an immediate shutdown of the Hotel is either required by competent authority or reasonably determined by Franchisor to be essential to avoid substantial liability or loss of goodwill;

13.2.5 Franchisee, any owner or any entity controlled by any owner is convicted of a felony or any other crime or offense, or if Franchisee, any owner or any entity controlled by any owner acts, or operates the Hotel or any other business, in any manner that is reasonably likely, in the sole opinion of Franchisor, to adversely affect the System, the Proprietary Marks, the goodwill associated therewith or Franchisor's or its Affiliate's interests therein;

13.2.6 Any Transfer or attempted Transfer in violation of Section 12 of this Franchise Agreement;

13.2.7 Franchisee or any owner fails to comply with the covenants in Sections 7 and 8, Franchisee fails to exercise reasonable care to prevent disclosure of Franchisor's Confidential Information, or Franchisee uses the Reservation Platform / PMS software outside the scope of the Software Agreement or otherwise breaches the Software Agreement;

13.2.8 Franchisee or any owner makes any material false statements or omissions, negligently or otherwise, in connection with Franchisee's Application for the franchise, the execution of this Franchise Agreement, or in connection with any information submitted to Franchisor;

13.2.9 Franchisee or any owner misuses or participates in any unauthorized use of the Proprietary Marks or otherwise adversely impacts the goodwill associated therewith or Franchisor's or its Affiliate's rights therein, including, without limitation, any use of the Proprietary Marks before receiving written authorization to open the Hotel as a Red Collection Hotel, except as otherwise expressly permitted under the Renovation Addendum;

13.2.10 Franchisee commits a default of any terms of the Franchise Agreement more than three times in any consecutive twelve (12) month period, whether the same or different defaults, and whether or not such defaults are cured after notice;

13.2.11 Franchisee fails to strictly comply with the terms of the Renovation Addendum on or before the dates set forth therein, including, without limitation, if Franchisee opens the Hotel before receiving Franchisor's written approval to do so pursuant to the Renovation Addendum;

13.2.12 If Franchisee fails, refuses or neglects to pay any monies owing to Franchisor or its approved or designated suppliers when due, or to submit the financial information or other Reports required by Franchisor under this Franchise Agreement;

13.2.13 If, in connection with the establishment or operation of the Hotel, Franchisee, by act or omission, allows a continuing violation of any law, ordinance, rule or regulation of a governmental agency, in the absence of a good faith dispute over its application or legality and without having promptly resorted to an appropriate administrative or judicial forum for relief therefrom;

13.2.14 If Franchisee fails to comply with the requirements concerning the upgrading of the Hotel set forth in Section 5.1 hereof;

13.2.15 If Franchisee lists the Hotel on an internet site or in other electronic media in violation of Sections 10.2 or 10.5 of this Franchise Agreement;

13.2.16 If Franchisee fails any quality measurement of the Hotel, or otherwise fails to maintain Franchisor's Standards or comply with Franchisor's procedures as set forth in the Manuals or otherwise in writing;

13.2.17 If after receipt of written demand from Franchisor, Franchisee fails to timely comply with its obligations in violation of Section 15.2 of this Franchise Agreement; or

13.2.18 If any other franchise agreement or other agreement between Franchisor (or any of Franchisor's affiliates) and Franchisee (or any of Franchisee's owners or affiliates) is terminated before its term expires, regardless of the reason.

**13.3 Termination:** Upon the occurrence of any of the events set forth in Section 13.2, Franchisor may, without prejudice to any other rights or remedies contained in this Franchise Agreement or provided by law or equity, terminate this Agreement. Such termination shall be effective immediately without notice upon the occurrence of the events set forth in paragraph 13.2.1. Such termination shall be effective immediately upon written notice upon the occurrence of the events set forth in paragraphs 13.2.2 through 13.2.11. Such termination shall be effective thirty (30) days (five (5) days for monetary defaults) after written notice upon the occurrence of the events set forth in paragraphs 13.2.12 through 13.2.17 if such defaults are not cured within such period. If Franchisee cures such default and requests reinstatement to the System and Franchisor agrees to do so, Franchisor may, at its discretion, charge Franchisee the then-current Reinstatement Fee, which is currently Five Thousand Dollars (\$5,000).

**13.4 Franchisor's Additional Remedies:** In the event Franchisee commits any default of this Franchise Agreement, and if Franchisee fails to cure any such default which may be cured as permitted hereunder, Franchisor may, in its sole discretion, in lieu of, or as a preliminary action before, terminating this Franchise Agreement as provided in Sections 13.2 or 13.3, cease accepting reservations from guests for lodging at Franchisee's Hotel through the Reservation System (provided, that Franchisor shall preserve, and Franchisee shall honor, all reservations received before the date reservations cease to be accepted), and/or refuse to provide any operational or procurement support, and/or refuse to list the Hotel in the Directory, until the default is cured. During any period in which some or all of the services listed above are suspended, Franchisee shall nevertheless comply with all of its obligations under this Franchise Agreement, including the obligation to pay all fees.

## **14 OBLIGATIONS UPON TERMINATION**

**14.1 Obligations of Franchisee:** Upon termination or expiration of this Franchise Agreement, Franchisee shall, at its expense:

14.1.1 Immediately cease to operate the Hotel under the System and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former Red Collection Hotel franchisee.

14.1.2 Immediately and permanently cease to use, by advertising or in any other manner whatsoever, the name “The Red Collection,” any other Proprietary Marks or identifying characteristics of the System, and any and all Confidential Information, methods, procedures and techniques associated with the System including, but not limited to, the Computer System. Franchisee shall remove and discontinue using for any purpose, any and all signs, fixtures, furniture, furnishings, equipment, software, advertising, materials, stationery, supplies, forms or other articles, which display the Proprietary Marks. Nothing herein contained shall allow Franchisee to sell or Transfer any of the foregoing without obliterating any Proprietary Marks or distinctive features of the System, unless transferred to Franchisor, its designee, or another franchised Red Collection Hotel. Any signs bearing the Proprietary Marks which Franchisee is unable to remove within one (1) day following expiration or termination of this Franchise Agreement shall be completely covered by Franchisee until the time of their removal, which shall be within ~~ten (10)~~fifteen (15) days following the expiration or termination of this Franchise Agreement for any non-high rise signs and thirty (30) days following the expiration or termination of this Franchise Agreement for any high-rise signs. Franchisee agrees that all signs that are not timely removed pursuant to this Section may be removed by Franchisor, and all legal and other costs related to such removal shall be borne by Franchisee.

14.1.3 Immediately make such modifications or alterations as may be necessary to distinguish the Hotel so clearly from its former appearance and from other Red Collection Hotels as to prevent any possibility of confusion therewith by the public, including, without limitation, removing of all distinctive physical and structural features identifying Red Collection Hotels or the System, removing of all distinctive signs and emblems, and removing or altering of any design or decor features that Franchisor, in its sole discretion, determines to be indicative of a Red Collection Hotel, including, without limitation, the removal of The Red Collection hoods and the exterior and interior color schemes. Franchisee shall, at Franchisee’s expense, make such specific additional changes as Franchisor may reasonably request for purposes of de-identifying the Hotel. Franchisee shall do all things necessary to prevent the operation of any business at the Approved Location (by Franchisee or others) in violation of this Section 14.1.

14.1.1.1. Without limiting the foregoing, (a) the following distinctive features or devices associated with the System shall be painted colors other than the then-current colors used by The Red Collection: Sign Cans for all signs, Sign Poles for all signs, Doors, and Railings; and (b) the following distinctive features or devices associated with the System shall be completely removed from the Approved Location: Logo Sign Faces, Non-Logo Signs in The Red Collection colors and font, The Red Collection Posters, The Red Collection Drapes, The Red Collection Bedspreads and top sheets, and The Red Collection -designated coffee machine and presentation, Phone Face Plates, Signage on the back of guest doors, Pool Signage and The Red Collection Theft Disclaimer Signage.

14.1.1.2. Until all modifications and alterations required by this Section 14.1 are completed, Franchisee shall (i) maintain a conspicuous sign at the registration desk in a form specified by Franchisor stating that the Hotel is no longer associated with the System, and (ii) advise all guests or prospective guests who telephone the Hotel that it is no longer associated with the System.

14.1.1.3. If Franchisee fails to initiate immediately and timely complete the alterations described herein Franchisee acknowledges and agrees that Franchisor or its designated agents may enter the premises of the Hotel and adjacent areas at any time and make such alterations, at Franchisee’s sole risk and expense, without responsibility for any actual or consequential damages to

the property of Franchisee or others, and without liability for trespass or other tort or criminal act. Franchisee expressly acknowledges that its failure to make such alterations timely and completely will cause irreparable injury to Franchisor.

14.1.4 Take such action as may be necessary to cancel any trade, fictitious or assumed name or equivalent registration which contains the mark “The Red Collection” or any other Proprietary Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Franchise Agreement.

14.1.5 Refrain from using any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks, in connection with the operation of any other business or the promotion thereof. Franchisee further agrees not to utilize any design or decor features, designation of origin, description or representation (including, but not limited to, reference to Franchisor, the System, or the Proprietary Marks) which, in Franchisor’s sole discretion, suggests or represents a present or former association or connection with Franchisor, the System, or the Proprietary Marks.

14.1.6 Timely pay all sums owing to Franchisor, its Affiliates and its approved or designated suppliers, including all amounts required under Section 14.1.7 below. Franchisor shall have the right, within sixty (60) days following the termination or expiration of this Franchise Agreement, to inspect the Hotel premises and offices, and conduct a review and/or an audit of Franchisee’s books and records for the purpose, among other things, of assuring Franchisee’s compliance with the provisions of this Section 14. Such books and records shall be made available to Franchisor at the Approved Location upon five (5) days written notice to Franchisee.

14.1.7 Pay upon demand to Franchisor all damages, costs and expenses, including reasonable attorneys’ fees, incurred by Franchisor in connection with Franchisee’s default and/or the early termination or expiration of this Franchise Agreement including, without limitation, a fee of Two Thousand Five Hundred Dollars (\$2,500) per day for Franchisee’s failure to comply with the obligations set forth in this Section (“De-Identification Fee”), and those incurred to enforce and/ or obtain injunctive or other relief in connection with this Section 14.

14.1.8 Immediately return to Franchisor all Manuals and other Confidential Information, and all other records, files, instructions, correspondence and other materials provided by Franchisor related to the operation of the Hotel, and all copies thereof (all of which are acknowledged to be Franchisor’s property), and shall retain no copy or record of any of the foregoing, with the exception of Franchisee’s copy of this Franchise Agreement, any correspondence between the parties, and any other documents which Franchisee reasonably needs for compliance with any provision of law.

**14.2 Franchisor’s Fixture Purchase Option Upon Expiration or Termination:** Franchisor shall have the option, (which may be assigned by Franchisor to any person, including its Affiliates) to be exercised within thirty (30) days after the termination or expiration of this Franchise Agreement, to purchase from Franchisee any or all of the furnishings, signs, fixtures, supplies or inventory of Franchisee bearing the Proprietary Marks at their then-current fair market value. If the parties are unable to agree on fair market value within ten (10) days after the termination or expiration of this Franchise Agreement, then such amount shall be determined by two (2) licensed appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be the appraised value. The two (2) appraisers shall determine fair market value within ten (10) days after their appointment. If the amount determined by the appraisers is not acceptable to Franchisor, then Franchisor shall have the option to withdraw its offer. Each party shall bear its own legal and other costs and shall bear the appraisal costs equally. If Franchisor elects to exercise any option herein provided, it shall have the right to set off all amounts due from Franchisee, if any, against any payment due hereunder to Franchisor, its Affiliates and its approved or designated suppliers.

## 15 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

**15.1 Independent Contractor:** The parties hereto understand and agree that, in connection with its performance under this Franchise Agreement, Franchisee, its agents, employees and successors, shall act as independent contractors, and nothing herein shall at any time be construed to create the relationship of employer and employee, partnership, principal and agent, or joint venture between Franchisor (or its Affiliates) and Franchisee. In addition, Franchisee shall have no right or authority to enter into any contract, commitment, or agreement, or to speak on behalf of, or incur any debt or obligation in the name or on behalf of, Franchisor or its Affiliates unless expressly authorized to do so in writing by Franchisor. Franchisee shall exercise full and complete control over, and have full responsibility for, its contracts, daily operations, labor relations, employment practices and policies, including but not limited to recruitment, selection, hiring, disciplining, firing, compensation, work rules and schedules of its employees. During the term of this Franchise Agreement, Franchisee shall at all times hold itself out to the public as an independent contractor who independently owns and operates the Hotel pursuant to a franchise agreement from Franchisor.

### **15.2 Indemnification and Release:**

15.2.1 Franchisee assumes full responsibility and liability for its construction, renovation, establishment or operation of the Hotel and Franchisee's performance under this Franchise Agreement. Franchisor and its Affiliates shall in no event be liable by reason of any act or omission of Franchisee in its construction, renovation, establishment or operation of the Hotel or its performance under this Franchise Agreement or for any claim or judgment arising therefrom against Franchisee or Franchisor or its Affiliates.

15.2.2 Franchisee shall indemnify, protect, defend release and hold harmless Franchisor, its Affiliates and predecessors, their respective successors and assigns, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, past or present (the "Indemnitees"), from and against any and all payments of money (including, without limitation, all liabilities, losses, damages, claims, suits, demands, fines, settlement amounts, costs, expenses, attorneys' fees, investigative fees and court costs) for injury to property or persons including death (and in addition including, without limitation, the injury or death of any of Franchisee's employees or agents or damage to any of their property) which may arise out of or in connection with any act or omission, whether actual or alleged, negligent or otherwise, of Franchisee, its employees or agents, in connection with Franchisee's ownership, construction, renovation, establishment or operation of the Hotel, the performance of Franchisee, its employees or agents, under this Franchise Agreement (including, but not limited to, fraudulent or dishonest acts of Franchisee or its employees or agents, personal injury, slander, libel, defamation, false arrest, detention or imprisonment, malicious prosecution, wrongful entry or eviction, invasion of privacy, or disclosure of any customers personally identifiable or credit card information), or the default by Franchisee or its owners of any representation, warranty, or obligation under this Franchise Agreement. Franchisee's obligations under this Section 15.2.2 shall also extend to circumstances in which the damages to property or persons including death (and in addition including, without limitation, the injury or death of any of Franchisee's employees or agents or damage to any of their property) arise in whole or in part as a result of the negligent acts or omissions of the Indemnitees, but shall not apply to the extent they are caused by the intentional or willful misconduct of such Indemnitee. The obligations of Franchisee under Section 15.2.2 shall survive the termination or expiration of this Franchise Agreement. Franchisee shall comply with its obligations hereunder within ten (10) business days of its receipt of Franchisor's written demand for indemnification.

15.2.3 Franchisor shall have the right, through counsel of its own choosing and at Franchisee's sole cost and expense, to direct, manage and control its defense of any matter to the extent

that it could directly or indirectly affect Franchisor or its Affiliates. In addition to the foregoing, Franchisee also will reimburse Franchisor or its Affiliates for all expenses reasonably incurred by Franchisor or its Affiliates to protect themselves from, or to remedy, defaults by Franchisee under this Franchise Agreement.

15.2.4 Franchisee agrees that all of the obligations of Franchisor under this Franchise Agreement are to Franchisee, and no other party is entitled to rely on, enforce or obtain relief for default of, such obligations, directly or indirectly, by subrogation or otherwise. Franchisee agrees and understands that Franchisor and its Affiliates shall not, nor shall they have the obligation to, indemnify or hold Franchisee harmless from and against any action or claim by any third party based upon Franchisor's or its Affiliates' exercise of any of its rights in accordance with the terms of this Franchise Agreement.

## **16 ACKNOWLEDGMENTS AND REPRESENTATIONS**

### **16.1 Acknowledgments by Franchisee:** Franchisee acknowledges that:

16.1.1 It has independently investigated the business franchised hereunder, including current and potential market conditions, competitive factors and risks, and recognizes that the business venture contemplated by this Franchise Agreement involves business risks and that its success will be largely dependent upon the ability of Franchisee as an independent business owner.

16.1.2 It has not received from Franchisor or its representatives, or relied on, any representation, warranty or guaranty, express or implied, whatsoever, including, but not limited to, the potential volume, profits or success of the business venture contemplated by this Franchise Agreement, or that otherwise contradicts the information in Franchisor's Franchise Disclosure Document.

16.1.3 It has received a completed copy of this Franchise Agreement, the exhibits and addenda hereto, and the agreements relating thereto, if any, at least seven (7) calendar days before the date on which this Franchise Agreement was executed, or such longer period as required by the law of the state in which the Hotel is located. Franchisee further acknowledges that Franchisee has received the Franchise Disclosure Document required by the Federal Trade Commission and, if applicable, the state in which the Hotel is located, at the earlier of (i) at least fourteen (14) calendar days before the date on which this Franchise Agreement was executed; or (ii), if required by state law, at the "first personal" meeting with Franchisor's representatives, or such longer period as required by the law of the state in which the Hotel is located.

16.1.4 It has read and understood this Franchise Agreement, the Attachments, Exhibits, Schedules and Addenda hereto, and the agreements relating thereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Franchise Agreement.

16.1.5 Franchisee acknowledges that the System may be supplemented, improved and otherwise modified from time to time by, and in the sole discretion of, Franchisor, and Franchisee agrees to comply with all reasonable requirements of Franchisor in that regard.

### **16.2 Representations by Franchisee:** Franchisee represents and warrants to Franchisor that:

16.2.1 Franchisee represents that the owners named in Exhibit B to this Franchise Agreement have the legal and/or beneficial interests set forth in the ownership Schedule contained in Exhibit B to this Franchise Agreement. Franchisor shall have the right to approve any additional owners, and to require that each additional owner personally guarantee the Franchise Agreement. Upon

Franchisor's request, Franchisee shall from time to time furnish Franchisor with a current list of all owners and their mailing addresses.

16.2.2 In recognition of the valuable specialized training and Confidential Information received by them pursuant to this Franchise Agreement, Franchisee and its owners covenant that during the term of this Franchise Agreement, except as otherwise approved in writing by Franchisor, Franchisee and its owners shall not, directly or indirectly, for itself or themselves, or through, on behalf of, or in conjunction with any other person or legal entity, divert or attempt to divert any present or prospective business or customer of any hotel operating under the System to any competitor (other than a hotel owned or franchised by Franchisor or an Affiliate of Franchisor), by direct or indirect inducement or otherwise.

## 17 MISCELLANEOUS

**17.1 Notices:** All notices pursuant to this Franchise Agreement shall be in writing and shall be personally delivered; sent by facsimile (if confirmed by regular mail within three (3) days); mailed by registered or certified mail, return receipt requested; or dispatched by overnight delivery to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: Chief Development Officer  
The Red Collection, LLC  
7815 Walton Parkway  
New Albany, OH 43054  
Facsimile Number (614) 225-5328

With copy to: Franchise Legal Department  
The Red Collection, LLC  
7815 Walton Parkway  
New Albany, OH 43054  
Facsimile Number (614) 225-5363

Notices to Franchisee: [Title]  
[Franchisee]  
[Address]

Facsimile Number:

Notice shall be deemed to have been received as follows: by personal delivery – at the time of delivery; by facsimile (if confirmed by regular mail as set forth above) - at time of faxing; by overnight delivery service - on the next business day following the date on which the notice was given to the overnight delivery service; and by registered or certified mail, return receipt requested - three (3) days after the date of mailing.

**17.2 Nature of Agreement:** This Franchise Agreement together with the Schedules, Exhibits and Addenda attached hereto are intended by Franchisor and Franchisee to be the final and binding expression of their agreement, to contain all of the material terms agreed to, be a complete and exclusive statement of the terms thereof and supersede all prior oral or written agreements, negotiations and representations. No representations, understandings or agreements, oral or written, have been made or relied upon in the making of this Franchise Agreement other than as specifically set forth herein. Unless otherwise provided in this Franchise Agreement, this Franchise Agreement and the Exhibits and Addenda attached hereto may only be amended, modified, or supplemented by a writing signed by

authorized representatives of both Franchisor and Franchisee. Oral modification of this Franchise Agreement is not permitted, and Franchisee hereby waives any right to claim an oral modification of this Franchise Agreement. Nothing in this Franchise Agreement is intended to disclaim the representations made by Franchisor in the franchise disclosure document furnished to Franchisee.

**17.3 Severability:** In the event any provision of this Franchise Agreement, in whole or in part (or the application of any provision to a specific situation), is held to be invalid or unenforceable by the final judgment of a court of competent jurisdiction after appeal or the time for appeal has expired, such invalidity shall be limited to such specific provision or portion thereof (or to such situation), and this Agreement shall be construed and applied in such manner as to minimize such unenforceability. This Franchise Agreement shall otherwise remain in full force and effect.

**17.4 Headings:** The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of any provision of this Franchise Agreement.

**17.5 Construction of Agreement and Applicable Law:**

17.5.1 This Franchise Agreement and any claims arising under it or in relation to it or to the relationships between the parties shall be governed, construed, interpreted and enforced by and under the laws of the State of Ohio, without regard to, and without giving effect to, the application of Ohio conflict-of-law rules; except that if Ohio law would invalidate or make unenforceable any provision of this Franchise Agreement, then that provision will be governed by the law of any relevant state whose law would uphold or enforce the provision.

17.5.2 All Schedules, Exhibits, and Addenda to this Franchise Agreement are incorporated herein by reference as if fully set forth herein.

**17.6 Dispute Resolution:** Franchisor has established a policy for Franchisee to air and resolve grievances, issues and disputes internally. If the parties are unable to resolve such disputes through this policy, the parties agree to submit any claim, controversy or dispute arising out of or relating to this Franchise Agreement (including the Attachments, Exhibits, Schedules and Addenda hereto) or the relationship created by this Franchise Agreement (with the exception of those disputes concerning failure to commence or complete construction or renovation, failure to commence operations, insurance, insurance requirements, monetary obligations, indemnification, quality inspection ratings, the Hotel has ceased operations, unauthorized use of trademarks, failure to de-identify) to non-binding mediation before bringing such claim, controversy or dispute in a court or before any other tribunal. The parties shall select a mediator within thirty (30) days of request of mediation by either party. The mediation shall be conducted through either an individual mediator or a mediator appointed by a mediation services organization or body approved by Franchisor and experienced in the mediation of lodging service business disputes or franchise disputes, and shall be conducted at a location selected by Franchisor that is reasonably proximate to the Hotel. The costs and expenses of any such mediation, including compensation and expenses of the mediator (and except for the attorneys' fees incurred by either party), shall be borne by both parties equally. If the parties are unable to resolve the claim, controversy or dispute within ninety (90) days after either party requests mediation, then either party may bring a legal proceeding under Section 17.8 below to resolve such claim, controversy or dispute unless such time period is extended by written agreement of the parties. Notwithstanding the foregoing, Franchisor may bring an action for injunctive or other extraordinary relief (including, without limitation, specific performance), or involving the possession or disposition of, or other relief relating to, real property in a court having jurisdiction and in accordance with Section 17.7 below, without first submitting such action to mediation.

**17.7 Jurisdiction and Venue:** With respect to any claims, controversies or disputes which are not finally resolved through mediation or as otherwise provided above, Franchisor, Franchisee, and owners hereby irrevocably submit themselves to the jurisdiction of the state and federal courts located in Columbus, Ohio having subject matter jurisdiction of the claim, and hereby waive all objections to personal jurisdiction for the purpose of carrying out this provision. Franchisee and owners hereby agree that service of process may be made upon any of them in any proceeding relating to or arising out of this Franchise Agreement or the relationship created by this Franchise Agreement by any means allowed by the laws and applicable rules of procedure of the United States, the State of Ohio, Franchisee's or its owner(s)' state(s) of residence, or the state in which the Hotel is located.

**17.8 Litigation:**

17.8.1 No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Franchise Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

**17.8.2 To the extent permitted by law, Franchisor and Franchisee and its owners irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of them against the other. Any and all claims and actions arising out of or relating to this Franchise Agreement, the relationship of Franchisee and Franchisor, or Franchisee's operation of the Hotel, brought by either party hereto against the other, whether in mediation or a legal action, shall be commenced within three (3) years from the occurrence of the facts giving rise to such claim or action, notwithstanding any applicable statute of limitations, or such claim or action shall be barred.**

**17.8.3 Except for any indemnification obligations in Section 17, Franchisor and Franchisee and its owners hereby waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other, provided, that this provision shall not serve as a waiver of rights to damages set forth in Section 13.**

17.8.4 In connection with any suit or proceeding, brought by Franchisor or Franchisee to enforce any of their respective rights under this Franchise Agreement, the prevailing party in such suit or proceeding shall be entitled to recover its reasonable attorney's fees and expenses of litigation and its court costs incurred therein.

**17.9 Consent and Waiver:**

17.9.1 Whenever this Franchise Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request therefor to Franchisor, and such approval or consent shall not be valid unless given in writing and signed by an authorized officer of Franchisor. Franchisor may, in its sole discretion, withhold its approval or consent to any such request unless otherwise provided for herein.

17.9.2 Except for the obligations of Franchisor specifically set forth in this Franchise Agreement, Franchisor makes no warranties or guaranties upon which Franchisee may rely. Franchisor assumes no liability or obligation to Franchisee by providing any waiver, approval, consent or suggestion to Franchisee in connection with this Franchise Agreement, or by reason of any delay or denial of any request, therefore.

17.9.3 Franchisor will not be deemed to waive or impair any right, power or option this Franchise Agreement reserves (including, without limitation, Franchisor's right to demand exact compliance with every term, condition and covenant of this Agreement) because of any custom or practice at variance with this Franchise Agreement's terms; Franchisor's waiver of or failure to exercise any right, power or option, whether of the same, similar or different nature, with other Red Collection Hotel franchisees; or the existence of franchise agreements for other Red Collection Hotel locations which contain provisions different from those contained in this Franchise Agreement. Franchisor's waiver of any particular default of Franchisee shall not affect or impair Franchisor's rights with respect to any subsequent default of the same, similar or different nature; nor shall any delay, forbearance or omission of Franchisor to exercise any power or right arising out of any breach or default by Franchisee affect or impair Franchisor's rights with respect to such default, or Franchisor's right to declare any subsequent breach or default and to terminate this Franchise Agreement before the expiration of its term. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding default by Franchisee of any terms, covenants or conditions of this Franchise Agreement.

17.9.4 In the event that either party hereto shall be delayed, hindered in, or prevented from, the performance of any act required hereunder by reason of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection or natural disaster (all referred to herein as "Force Majeure"), then performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay. Force Majeure shall not include Franchisee's lack of adequate financing. Notwithstanding the foregoing, in no event shall the time periods established for commencement or completion of construction or renovation be excused, and/or extended in the aggregate for longer than (one) 1 year due to one or more events of Force Majeure.

~~{Signatures follow on next page.}~~

IN WITNESS WHEREOF, each of the parties hereto has caused this Franchise Agreement to be executed by its duly authorized representative as of the date first above written.

**FRANCHISOR:**  
**THE RED COLLECTION, LLC,**  
a Delaware limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE:**

,  
a

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**EXHIBIT B TO  
THE RED COLLECTION FRANCHISE AGREEMENT**

**OWNERSHIP SCHEDULE**

The following list identifies the owners of Franchisee:

<u>Name</u>	<u>Type of Interest</u>	<u>Percentage Interest in Franchisee</u>
-------------	-------------------------	--

Initial: \_\_\_\_\_  
Franchisee

Initial: \_\_\_\_\_  
Franchisor

**EXHIBIT C TO  
THE RED COLLECTION FRANCHISE AGREEMENT**

**GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGMENT**

As an inducement to and as additional consideration for Franchisor to enter into the Franchise Agreement, with Franchisee, the undersigned Guarantors, jointly and severally, hereby unconditionally agree to guarantee to Franchisor, its Affiliates, and their respective successors and assigns the due, complete and punctual performance and observance of all of Franchisee's financial obligations under the Franchise Agreement including, without limitation, the due and timely performance of all payment obligations (the "Guarantee"). Additionally, each Guarantor shall submit to Franchisor, upon written request from time to time, a copy of its current financial statement.

Upon demand by Franchisor, the undersigned will immediately make each payment required of Franchisee under the Franchise Agreement, including damages, costs and expenses owed by Franchisee, payments due under any indemnification claim for reimbursement and all other duties and obligations that are susceptible to being satisfied by payment. This Guarantee is a guarantee of payment, and not of collection. This Guarantee is a primary obligation of the undersigned and is an unconditional, absolute, irrevocable present and continuing obligation and guarantee of performance and is not subject to any defense other than that of full prior performance. The undersigned hereby waive any right to require Franchisor, its Affiliates, successors and assigns to: (a) proceed against Franchisee for any payment required under the Franchise Agreement; (b) proceed against or exhaust any security from Franchisee; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee or any other person. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust or compromise any claims against Franchisee. The undersigned waive notice of amendment of the Franchise Agreement and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Franchise Agreement.

The undersigned hereby agree to defend, protect, indemnify and hold Franchisor, its Affiliates, their respective successors and assigns, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, past or present, of each of them (the "Indemnitees"), harmless from and against any and all losses, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorneys' fees, reasonable costs of investigation and court costs) resulting from, consisting of, or arising out of, or in connection with, any act or omission of, or any failure by Franchisee to perform any obligation of Franchisee under the Franchise Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned hereby acknowledge and agree to be individually bound by all of the terms of the Franchise Agreement, including, in particular, those contained in Sections 7, 8, 12, 14, 15, 16 and 17 of the Franchise Agreement. These sections contain a number of provisions that may affect the legal rights of the undersigned, including a waiver of jury trial, waiver of punitive or exemplary damages and limitations on when claims may be raised.

This Guarantee shall terminate upon the termination or expiration of the Franchise Agreement, except with respect to any and all obligations and liabilities which arose or accrued under the Franchise Agreement on or before the effective date of such termination, in which case this Guarantee shall remain in full force and effect with respect to such obligations or liabilities until such obligations or liabilities have been fully satisfied or discharged by the undersigned. In addition, all covenants which by their terms continue in force after the expiration or termination of the Franchise Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be

bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

The undersigned shall pay Franchisor and any Indemnitees for all costs and expenses (including, but not limited to, reasonable attorneys' fees and court costs) they incur in connection with any action they bring to enforce this Guarantee or any other action related to or arising out of this Guarantee in which Franchisor or such Indemnitee is deemed to be the prevailing party.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Franchise Agreement.

This Guarantee and any claims arising under it shall be governed, construed, interpreted and enforced by under the laws of the State of Ohio. In the event of any conflict of law, the laws of Ohio shall prevail, without regard to, and without giving effect to, the application of the State of Ohio conflict-of-law rules; except that if Ohio law would invalidate or make unenforceable any provision of this Franchise Agreement, then that provision will be governed by the law of any relevant state whose law would uphold or enforce the provision. With respect to any claims, controversies or disputes which arise under this Guarantee or the Franchise Agreement, the undersigned hereby irrevocably submit themselves to the jurisdiction of the state and federal courts located in Columbus, Ohio having subject matter jurisdiction of the claim, and hereby waive all objections to personal jurisdiction for the purpose of carrying out this provision. The undersigned hereby agree that service of process may be made upon any of them in any proceeding relating to or arising out of this Guarantee, or the Franchise Agreement or the relationship created by the Franchise Agreement by any means allowed by the laws and applicable rules of procedure of the United States, the State of Ohio, the state of residence of the Guarantor, or the state in which the Hotel is located.

All notices pursuant to this Guarantee or the Franchise Agreement shall be in writing and shall be personally delivered; sent by facsimile (if confirmed by regular mail within three (3) days); mailed by registered or certified mail, return receipt requested; or dispatched by overnight delivery to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: Chief Development Officer  
The Red Collection, LLC  
7815 Walton Parkway  
New Albany, Ohio 43054  
Facsimile Number (614) 225-5328

With copy to: Franchise Legal Department  
The Red Collection, LLC  
7815 Walton Parkway  
New Albany, Ohio 43054  
Facsimile Number (614) 225-5363

Notices to Guarantors: [Guarantor Name]  
[Guarantor Address]

Facsimile Number

Notice shall be deemed to have been received as follows: by personal delivery – at the time of delivery; by facsimile (if confirmed by regular mail as set forth above); - at time of faxing; by overnight

delivery service - on the next business day following the date on which the notice was given to the overnight delivery service; and by registered or certified mail, return receipt requested - three (3) days after the date of mailing.

The undersigned acknowledge that they have read and understood the Franchise Agreement, including the Attachments, Exhibits, Schedules and Addenda thereto, including this Guarantee, and any other agreements relating to the Franchise Agreement, and that Franchisor has accorded the undersigned ample time and opportunity to consult with advisors of their own choosing about the potential benefits and risks of entering into this Guarantee.

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Franchise Agreement.

**GUARANTORS**

\_\_\_\_\_  
[Insert Name]

Home Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
[Insert Name]

Home Address: \_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT G**

**RENOVATION ADDENDUM**

## RENOVATION ADDENDUM TO THE RED COLLECTION HOTEL FRANCHISE AGREEMENT

This Renovation Addendum (“Renovation Addendum”) to The Red Collection Hotel Franchise Agreement (the “Franchise Agreement”) dated \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between THE RED COLLECTION, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) with respect to the Red Collection hotel (the “Hotel”) located at \_\_\_\_\_ (the “Approved Location”) is made effective as of the Effective Date.

### RECITALS:

Franchisor and Franchisee wish to enter into this Renovation Addendum to provide for the terms and conditions upon which the Hotel shall be converted to a Red Collection hotel at the Approved Location.

Now, therefore, in consideration of the mutual promises and covenants set forth herein and in the Franchise Agreement, the parties agree as follows:

1. Site Control. If not previously provided, within ninety (90) days after the execution of this Renovation Addendum or before the Opening Date, whichever is earlier, Franchisee shall deliver to Franchisor satisfactory evidence, in the form of a warranty deed or long term lease, that it has secured ownership or the right to possession of the Approved Location.

2. Renovation Schedule. Franchisee shall comply with: all development and construction obligations set forth in this Renovation Addendum, the renovation schedule in Schedule A attached hereto and incorporated by reference and the property improvement plan in Schedule B attached hereto and incorporated by reference.

3. Renovation Plans and Specifications. Franchisee shall renovate and equip the Hotel in strict accordance with Franchisor’s Standards and specifications and approved Renovation Plans. The “Renovation Plans” shall include, without limitation, architectural, mechanical, electrical, structural, civil engineering, and landscaping drawings, in such detail and containing such information (such as door locking systems and other safety features) as Franchisor may request.

3.1. Franchisee shall submit to Franchisor proposed renderings and Renovation Plans on or before the date specified in Schedule A to this Renovation Addendum. Franchisee acknowledges and agrees that all Renovation Plans must be submitted to and approved by Franchisor.

3.2. The Renovation Plans shall be prepared by a qualified architect, design firm, engineer and/or contractor (individually and collectively, a “Qualified Preparer”). Franchisee shall be required to submit to Franchisor such information concerning a Qualified Preparer’s qualifications as Franchisor may request. Franchisee acknowledges and agrees that Franchisor is not, and shall not be, liable for the performance of any Qualified Preparer retained by Franchisee.

3.3. Upon submission of the Renovation Plans to Franchisor, Franchisor shall approve or deny such Renovation Plans in its sole discretion. Renovation of the Hotel shall not commence until the Renovation Plans have been approved by Franchisor.

3.4. Franchisee acknowledges that Franchisor’s approval of the Renovation Plans is not, and should not be considered as, any assurance or guarantee that the Renovation Plans will satisfy federal, state and/or local construction and/or zoning requirements, including, without limitation,

compliance with the Americans with Disabilities Act. Franchisee shall be solely responsible for compliance with all federal, state and local laws. Franchisor shall not be responsible for architecture or engineering, code, zoning, or other requirements or laws, ordinances, or regulations of any state, local or federal governmental body, or for any errors, omissions, or discrepancies of any nature in any drawings or specifications used for renovation of the Hotel. Franchisee's architect or contractor must certify to Franchisor that the Renovation Plans satisfy all federal, state and local laws. Franchisee shall not reproduce, use or permit the use of any of the design concepts, drawings, or specifications of a Red Collection hotel without Franchisor's prior written approval.

4. Renovation. Franchisee shall commence renovation of the Hotel on or before the date specified in Schedule A ("Commencement of Renovation") and shall give Franchisor written notice of the actual commencement date within five (5) days thereafter. After Commencement of Renovation, Franchisee shall continue to renovate the Hotel (except for delays which may be caused by the occurrence of events constituting "Force Majeure") until renovation is completed in strict accordance with the approved Renovation Plans, which may not be changed or modified after Franchisor's approval without Franchisor's prior written consent.

4.1. Franchisee shall notify Franchisor in writing of any event of Force Majeure upon its occurrence. In the event Franchisee requests, in writing, an extension of any of the deadlines contained herein and Franchisor approves such request, Franchisor may condition any extension upon compliance with then-current System Standards.

4.2. During renovation, Franchisee shall, and shall cause its architect, engineer, contractors and subcontractors to, cooperate fully with Franchisor for the purpose of permitting Franchisor or approved or designated suppliers to inspect the Approved Location and the progress of the renovation to determine whether the work is proceeding in strict accordance with the Renovation Plans and the Standards and specifications contained in the Manuals. Franchisee acknowledges and agrees that inspections by Franchisor or its approved or designated suppliers shall be for the purpose of assuring Franchisee's compliance with the Standards required by Franchisor, and shall not be, nor be construed as, assurances or approvals that the renovation is in compliance with any federal, state or local law, or regulation, or zoning or building requirements.

4.3. Franchisee shall provide progress reports to Franchisor, in the form and manner, and at such times, that Franchisor may reasonably request.

5. Furniture, Fixtures and Supplies. Franchisee shall bear the entire cost of renovating and furnishing the Hotel. Franchisee shall order, purchase and/or lease and install all fixtures, equipment, furnishings, furniture, signs, supplies and other items necessary to complete and open the Hotel as specified in the Renovation Plans and the Manuals.

6. Opening. Franchisee shall not open for business at the Approved Location as a Red Collection Hotel ("Opening") without written authorization of Franchisor to open. Franchisor shall have no obligation to approve Opening until all of the conditions of this Section 6 are satisfied:

6.1. Renovation that is required to be completed prior to Opening has, in Franchisor's sole judgment, been completed in strict accordance with the approved Renovation Plans;

6.2. Franchisee has obtained a Certificate of Occupancy and has submitted to Franchisor a contractor's certification that the renovation of the Hotel has been completed in strict accordance with the approved Renovation Plans and all required laws;

6.3. Franchisee has installed at the Hotel all furnishings, furniture, equipment, signs, supplies and other items that are required to be installed prior to Opening and such items are in strict conformity with (in Franchisor's sole judgment): the Renovation Plans, the Manuals, the Franchise Agreement and this Renovation Addendum;

6.4. Franchisee has paid all amounts due Franchisor, its Affiliates and its approved or designated suppliers;

6.5. Franchisee has given Franchisor written notice that all terms and conditions of the Franchise Agreement and this Renovation Addendum have been satisfied and the Hotel is ready to open for business as a Red Collection Hotel; and

6.6. Franchisor has granted written approval to open and operate the Hotel as a Red Collection Hotel.

6.7. Franchisor shall use its best efforts to inspect the Hotel within fourteen (14) days after receiving the notice specified in Section 6.5 and to conduct any such other investigations that Franchisor deems necessary to determine whether Franchisee has satisfied all requirements for opening the Hotel as a Red Collection Hotel. Franchisor shall not be liable for delays or loss occasioned by the inability of Franchisor to complete its investigation and to make such determination for reasons beyond Franchisor's control.

6.8. If Franchisee notifies Franchisor that the Hotel is ready for Opening and upon inspection Franchisor determines, in its sole discretion, that Franchisee has not satisfied all requirements for Opening, Franchisor may re-visit the property to confirm readiness before opening and charge Franchisee a re-visit fee. Such fee ranges from Two Thousand Two Hundred And Fifty Dollars (\$2,250) to Five Thousand Dollars (\$5,000) but is subject to change by Franchisor.

## 7. Conditional Opening/Limited License to Advertise.

7.1 Franchisor may, in its sole discretion, conditionally authorize Franchisee to open and operate the Hotel as a Red Collection hotel prior to completing the requirements set out in Section 6, above, if in the sole judgment of Franchisor, Franchisee is making satisfactory progress toward completion of the Renovation Plan, the items remaining are minor, and Franchisee agrees to complete all remaining items by a date or dates specified in writing and agreed in writing by Franchisor. If Franchisee fails to comply with all such remaining terms on or before the completion date specified in the written agreement granting the conditional opening, such failure shall be a material breach of the Franchise Agreement, and Franchisor may terminate the Franchise Agreement pursuant to Section 13 thereof.

7.2. Franchisee shall not advertise or otherwise hold out the Hotel as being, or becoming, a Red Collection hotel until Franchisor has approved, in writing, the Opening, or conditional opening, of the Hotel as a Red Collection hotel pursuant to this Renovation Addendum.

## 8. Termination.

8.1. Franchisee acknowledges that failure to meet the deadlines set forth in this Renovation Addendum or Schedules A or B attached hereto shall constitute an event of default under the Franchise Agreement. Upon the occurrence of such default, Franchisor may terminate the Franchise Agreement, as provided therein, without prejudice to any other rights or remedies contained in the Franchise Agreement or provided by law or equity.

**8.2. If the Franchise Agreement is terminated as a result of Franchisee's default under this Renovation Addendum and at the time of such termination the Hotel has not opened as a Red Collection hotel conditionally or otherwise, Franchisee shall be required to pay, in addition to other sums owed pursuant to the Franchise Agreement, liquidated damages for premature termination, and not as a penalty, in the amount of One Hundred Thousand Dollars (\$100,000). If the Franchise Agreement is terminated as a result of Franchisee's default under this Renovation Addendum and at the time of such termination the Hotel has opened as a Red Collection Hotel, conditionally or otherwise, Franchisee shall be required to pay, in addition to other sums owed pursuant to the Franchise Agreement, liquidated damages for premature termination, and not as a penalty, as set forth in the Franchise Agreement.**

8.3. Upon any termination of the Franchise Agreement as a result of Franchisee's failure to comply with the terms of this Renovation Addendum, Franchisee shall comply with all post-termination obligations under Section 14 of the Franchise Agreement.

9. Miscellaneous.

9.1. The Recitals are hereby incorporated into this Renovation Addendum by this reference. The captions in this Renovation Addendum are for convenience only. Any capitalized term that is not defined in this Renovation Addendum shall have the meaning given to it in the Franchise Agreement.

9.2. The parties hereby confirm the Franchise Agreement, as amended by this Renovation Addendum, and reaffirm their respective obligations under such Franchise Agreement, as amended by this Renovation Addendum. The parties agree that except as specifically set forth herein, the provisions of the Franchise Agreement shall remain unchanged and this Renovation Addendum shall be in addition to, and not in lieu of, the provisions of the Franchise Agreement. In the event of any conflict between the terms of the Franchise Agreement and the terms of this Renovation Addendum, the terms of this Renovation Addendum shall control.

9.3. This Renovation Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Renovation Addendum by electronic transmission (including an electronic signature platform such as DocuSign or the transmission of a scanned PDF document) shall be effective as delivery of a manually executed counterpart of this Renovation Addendum.

[Signatures follow on next page.]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Renovation Addendum effective as of the date of the Franchise Agreement.

**FRANCHISOR:**  
**THE RED COLLECTION, LLC,**  
a Delaware limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE:**

,  
a

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SCHEDULE A  
TO RENOVATION ADDENDUM**

Requirements

Due Date

Submission of renovation plans to Franchisor for approval

Commencement of renovation in conformity with the requirements set forth in Schedule B \*

Completion of renovation deadline

Opening deadline

Initial: \_\_\_\_\_  
Franchisee

Initial: \_\_\_\_\_  
Franchisor

**SCHEDULE B  
TO RENOVATION ADDENDUM**

**PROPERTY IMPROVEMENT PLAN ATTACHED**

**EXHIBIT H**

**RESERVATION PLATFORM PROPERTY MANAGEMENT**  
**SOFTWARE SUBLICENSE AGREEMENT**

**RESERVATION PLATFORM / PMS**  
**SOFTWARE SUBLICENSE AGREEMENT**

THIS RESERVATION PLATFORM / PMS SOFTWARE SUBLICENSE AGREEMENT (the “Software Agreement”) is made and entered into on the \_\_\_ day of \_\_\_\_\_, 20\_\_ by and between The Red Collection, LLC (“Licensor”), a Delaware limited liability company and \_\_\_\_\_ (“Licensee”), as required by a Franchise Agreement between Licensee and Licensor dated \_\_\_\_\_, 20\_\_ (the “Franchise Agreement”) pursuant to which Licensee will operate a The Red Collection Hotel lodging facility located at \_\_\_\_\_ (the “Hotel”).

RECITALS:

Licensor is the licensee or sublicensee of certain computer software, including proprietary property management software and certain related interfaces and related documentation (collectively, the “Software”) and has obtained the right to sublicense the Software from its licensors.

The Software is designed to enhance the management of the Hotel in automation of multiple functions, including check-in and payment, messages, wake-up calls, reservations, rooms control and housekeeping scheduling.

The Franchise Agreement requires Licensee to use the Software in the operation of the Hotel unless and until Licensor designates different software and computer systems for Licensee’s use.

NOW, THEREFORE, for good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

**1 GRANT**

1.1 License Grant. Licensor hereby grants to Licensee, and Licensee hereby accepts, subject to the terms and conditions provided below, a non-exclusive, non-transferable (except as set forth in Section 9 herein) license to use the Software solely in conjunction with the operation of the Hotel, and solely on the computer hardware specified by Licensor from time to time pursuant to the Franchise Agreement or otherwise designated in writing (the “Hardware”).

1.2 Assignment of Use. The Software is furnished to Licensee under this Software Agreement solely for use as specified herein. Licensor shall retain all title in and to the Software provided to Licensee

1.3 Permitted Use. Licensee shall use the Software solely: (a) on the Hardware and (b) in conjunction with the data communications and network system(s) designated by Licensor from time to time pursuant to the Franchise Agreement or otherwise designated in writing.

1.4 No Modifications. Licensee shall not make any modifications or alterations to the Software.

1.5 Restrictions. Licensee shall not, and shall not allow any third party to: (a) adapt, translate or create derivative works based on the Software; (b) market, sell, distribute, lease, assign, or transfer the Software, in whole or in part, to any third party or permit any third party to use the Software without Licensor’s prior written consent; (c) rent or timeshare the Software, or use the Software in the operation of a service bureau, or on an application service provider basis; or (d) remove, obscure, or alter any patent, copyright, trademark or other proprietary rights notice or legends on the Software.

## 2 SOFTWARE LICENSE, SUPPORT, MAINTENANCE AND OTHER FEES

2.1 Software License Fee. Licensee agrees to pay Licensor a License Fee in the amount of Fifteen Thousand Dollars (\$15,000) for the use of the Software. This License Fee shall be due and payable as stated in the invoice. However, in the event of a transfer, Licensee shall pay to Licensor a transfer License Fee in the amount of One Thousand Dollars (\$1,000) ("Transfer License Fee").

2.2 Support and Maintenance Fee. Licensee agrees to pay Licensor or its designee a maintenance fee as designated by Licensor (the "Maintenance Fee"), which as of the date of this Software Agreement is \$490 per month plus \$3.85 per hotel room. Licensor may increase the Maintenance Fee annually by up to 5%.

2.3 Other Fees. Licensee agrees to obtain the other software, hardware, data circuits and communication line monitoring systems as specified by Licensor, and pay all associated charges and fees associated with their purchase, installation, support and maintenance.

## 3 INSTALLATION, SUPPORT AND MAINTENANCE

3.1 Installation. Licensor shall arrange for installation of the Software. Licensor shall provide training in the operation of the Software. Licensee shall pay Licensor, or its designee training fees as designated by Licensor plus expenses for such installation and on-site training.

3.2 Support and Maintenance. Provided that Licensee pays the Maintenance Fee, and Licensee is not in default under this Software Agreement or the Franchise Agreement, Licensor will provide to Licensee all corrective releases, enhancements and updates to the functions initially included in the Software which are made available to Licensor. Licensor shall provide and make available to Licensee a telephone number for assistance on problems or questions relating to the use and operation of the Software.

3.3 Replacement of the Software. Licensor shall replace the Software if it becomes inoperable due to no fault of the Licensee. THE FOREGOING STATES THE SOLE WARRANTY AND THE EXCLUSIVE REMEDY OF LICENSEE WITH RESPECT TO ANY ALLEGED DEFECT IN THE SOFTWARE.

## 4 TERM AND TERMINATION

4.1 Term. The term of this Software Agreement shall commence upon execution of this Software Agreement and shall remain in force until the earlier to occur of: (i) the termination of this Software Agreement as provided herein; (ii) the termination or expiration of the Franchise Agreement; or (iii) upon written notice from Licensor to Licensee that Licensor will implement substitute software.

4.2 Obligations upon Termination or Expiration; Remedies Upon Breach. Upon termination or expiration of this Software Agreement, Licensee shall immediately: (a) discontinue use of the Software; (b) erase or destroy any of the Software contained in the computers or data storage devices under the control of Licensee; (c) remove the Software from any other computer programs or software in Licensee's possession or control that incorporates or uses the Software in whole or in part; and (d) certify in writing to Licensor not later than five (5) business days after termination or expiration of this Software Agreement that all such actions have been taken by Licensee. In the event that Licensee breaches the terms of this Software Agreement, Licensor may, without terminating this Software Agreement, exercise all remedies available to it at law or in equity (including injunctive relief) to protect its intellectual property and other rights in the Software.

4.3 Survival. All provisions of this Software Agreement intended to survive the expiration or termination of this Software Agreement shall so survive, including, without limitation, the terms of Section 8 hereof.

## 5 DISCLAIMERS

5.1 NO WARRANTY. THE SOFTWARE IS PROVIDED BY LICENSOR “AS IS.” EXCEPT AS OTHERWISE PROVIDED IN SECTION 6.1, LICENSOR DISCLAIMS ALL WARRANTIES AND REPRESENTATIONS OF ANY KIND WITH RESPECT TO THE SOFTWARE, INCLUDING THE IMPLIED WARRANTIES OF PERFORMANCE, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

5.2 LIMITATION ON LIABILITY. IN NO EVENT SHALL LICENSOR BE LIABLE TO LICENSEE FOR ANY DIRECT, INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, LOST PROFITS OR LOST DATA ARISING OUT OF OR RELATED TO THIS SOFTWARE AGREEMENT, THE LICENSE GRANTED HEREUNDER, THE PERFORMANCE OR BREACH THEREOF, ANY FAILURE IN THE SOFTWARE, OR ANY CLAIM MADE AGAINST LICENSEE BY ANY OTHER PARTY, EVEN IF LICENSOR HAS BEEN MADE AWARE OF THE POSSIBILITY OF SUCH CLAIM. SOME STATES DO NOT ALLOW THE EXCLUSION OR LIMITATION OF INCIDENTAL OR CONSEQUENTIAL DAMAGES, SO THE ABOVE LIMITATION OR EXCLUSION MAY NOT APPLY TO LICENSEE.

## 6 COPYRIGHT

6.1 Claims. Licensor (or Licensor’s licensors, who have licensed the software to Licensor) shall have the sole right and obligation to defend any suit or proceeding brought against Licensee to the extent that it is based on a claim that the Software or a part thereof, used in the manner specified in this Software Agreement, constitutes an infringement of any U.S. patent or copyright, or misappropriation of a trade secret; and Licensee shall afford prompt written notification to Licensor of any such claim and shall provide to Licensor the authority, information and assistance from Licensee which, in Licensor’s judgment, is needed for defense of any such claim. Licensor (or Licensor’s licensors, who have licensed the software to Licensor) shall have the right, in its sole discretion and at its own expense, and without payment to Licensee, to (a) defend and/or settle any such claim; (b) procure for Licensee the right to continue using the Software or part thereof; (c) modify the Software so that it is non-infringing and require Licensee to use the Software as so modified; and (d) terminate this Software Agreement and the license granted hereunder. Licensor may assign its rights under this Section 7.1 to another Affiliate. THE FOREGOING STATES THE SOLE WARRANTY AND THE EXCLUSIVE REMEDY OF LICENSEE WITH RESPECT TO ANY ALLEGED PATENT OR COPYRIGHT INFRINGEMENT OR TRADE SECRET MISAPPROPRIATION.

6.2 Copyright Notice. Licensee shall not alter or delete the copyright notices, or any other proprietary legends as may be specified on the Software. The existence of a copyright notice shall not cause, or be construed as causing, the Software to be in the public domain or to be a published copyright work.

## 7 PROPRIETARY INFORMATION

7.1 Confidentiality. Licensee acknowledges that the Software constitutes proprietary and trade secret material. All copyright, patent, trade secret and other intellectual and proprietary rights in the Software, and any modification or alteration thereto, whether or not authorized by this Software Agreement or Licensor, are and shall remain the property of Licensor (or Licensor’s licensors, who have licensed the

software to Licensor). Licensee will protect the confidential nature of the Software by complying with written guidelines with respect to those permitted access to the Software and to prevent it from being acquired by unauthorized persons and employees. Licensee covenants and agrees: (a) to ensure that the Software is not disclosed, demonstrated, duplicated, misappropriated or used in any manner not expressly permitted by the terms of this Software Agreement by its employees or agents; (b) not to copy, reverse engineer or decompile, bypass, decrypt or otherwise disassemble the Software or any portion thereof; (c) to restrict access to the Software to only those employees of Licensee with a need to know; and (d) not to permit any person or entity to take any action prohibited under the forgoing (a), (b) and (c).

7.2 Individual Covenants. At Licensor's request, Licensee shall obtain and furnish to Licensor executed covenants similar in substance to those set forth in Section 7.1 hereof, from all employees, agents, officers, directors and/or partners of Licensee with access to the Software. All such covenants shall be in a form approved by Licensor and shall include, among other things, a provision designating Red Roof Inns, Inc. and Licensor and their successors and assigns as third-party beneficiaries of such covenants with an independent right to enforce them.

7.3 Injunctive Relief. If Licensee fails to comply with the terms of this Section 7, Licensee hereby acknowledges that such action or inaction will cause irreparable harm to Licensor, and that there will be no adequate remedy at law, thereby necessitating injunctive relief against Licensee. In such event, Licensor shall be entitled to recover from Licensee the expenses, including, without limitation, reasonable attorneys' fees and costs of obtaining such injunctive relief.

## **8 INDEMNIFICATION BY LICENSEE**

Licensee hereby expressly agrees to indemnify and hold harmless Licensor, its Affiliates and successors and assigns, and any of Licensor's licensors of the Software and their respective officers, directors, agents, employees, past and present, from and against any claims, losses, costs, expenses (including, without limitation, reasonable attorneys' fees), liabilities and damages, other than claims specified in Section 6.1 hereof, arising out of or related to this Software Agreement and/or Licensee's use of the Software.

## **9 ASSIGNMENT**

9.1 Limitation on Transfer by Licensee. Without the express prior written consent of Licensor, which may be arbitrarily withheld, Licensee shall not directly or indirectly sublicense; transfer; sell; donate; rent; lease; loan; convey; translate; demonstrate; convert to another programming, spoken or written language; encumber; distribute or otherwise assign this Software Agreement, the license granted hereunder, the Software or any interest therein. In the event of such transfer, Licensee (or its successor) shall pay to Licensor the Transfer License Fee.

9.2 Transfer to Transferee of Franchise Agreement. Notwithstanding the provisions of Section 9.1 above, Licensor shall approve the transfer of this Software Agreement in conjunction with a transfer of the Franchise Agreement, which has been approved by Licensor pursuant to the Franchise Agreement. Licensor may require transferee to execute a new Software Agreement.

9.3 Assignment by Licensor. Licensor may transfer or assign this Software Agreement or any part of its rights or obligations under this Software Agreement to any person or legal entity, provided that the transferee is an entity to which Software Licensor transfers all or substantially all of the Software Agreements for The Red Collection Hotel locations and the transferee or assignee accepts the transferor's assignment.

**10 GENERAL PROVISIONS**

10.1 Compliance with all Laws; Partial Invalidity. Each party hereto agrees that it will perform its obligations hereunder in accordance with all applicable laws, rules and regulations now or hereafter in effect. If any term or provision of this Agreement shall be found to be illegal or unenforceable, then such provision notwithstanding, this Agreement shall remain in full force and effect and such term or provision shall be deemed stricken.

10.2 Amendments. No amendment to this Agreement shall be effective unless it is in writing and signed by duly authorized representatives of both parties.

10.3 Waiver. No term or provision hereof shall be deemed waived and no breach excused unless such waiver or consent shall be in writing and signed by the party claimed to have waived or consented. Any consent by any party to, or waiver of, any breach by the other, whether express or implied, shall not constitute consent to, waiver of, or excuse for any other different or subsequent breach of any term or provision.

10.4 Authority. Each party represents and warrants to the other that it has full power and authority to enter into and perform this Agreement, and the person signing this Agreement on behalf of each has been properly authorized and empowered to enter into this Agreement.

10.5 Notices. All notices pursuant to this Software Agreement shall be in writing and shall be personally delivered; sent by facsimile (if confirmed by regular mail within three (3) days); mailed by registered or certified mail, return receipt requested; or dispatched by overnight delivery to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

Notices to Licensor: Chief Development Officer  
The Red Collection, LLC  
7815 Walton Parkway  
New Albany, Ohio 43054  
Facsimile Number (614) 225-5328

With a copy to: Franchise Legal Department  
The Red Collection, LLC  
7815 Walton Parkway  
New Albany, Ohio 43054  
Facsimile Number (614) 225-5328

Notices to Licensee: \_\_\_\_\_  
Attn: \_\_\_\_\_  
Facsimile Number \_\_\_\_\_

Notice shall be deemed to have been received as follows: by personal delivery - at the time of delivery; by facsimile (if confirmed by regular mail as set forth above) - at time of faxing; by overnight delivery service - on the next business day following the date on which the notice was given to the overnight delivery service; and by registered or certified mail, return receipt requested - three (3) days after the date of mailing.

10.6 Governing Law and Forum. This Software Agreement takes effect upon its acceptance and execution by Licensor in Ohio and shall be interpreted and construed under the laws of the State of

Ohio. In the event of any conflict of laws, the laws of Ohio shall prevail, without regard to, and without giving effect to, the application of Ohio conflict of law rules. With respect to any claims, controversies or disputes arising under this Software Agreement, Licensor, Licensee, and Owners of Licensee listed in the Franchise Agreement hereby irrevocably submit themselves to the jurisdiction of the state and federal courts located in Columbus, Ohio and hereby waive all objections to personal jurisdiction for the purpose of carrying out this provision. Licensee and Owners hereby agree that service of process may be made upon any of them in any proceeding relating to or arising out of this Software Agreement or the relationship created by this Software Agreement by any means allowed by the laws and applicable rules of procedure of the United States, the State of Ohio or the state in which the Hotel is located.

10.7 Statute of Limitation. No action, regardless of form, arising out of this Software Agreement, may be brought by either party more than three (3) years after the cause of action has accrued.

10.8 Entire Agreement. This Software Agreement constitutes the entire Agreement between Licensor and Licensee concerning the subject matter hereof, and supersedes all prior agreements concerning the same subject matter, no other representations having induced Licensee to execute this Agreement.

10.9 Terms of the Franchise Agreement. Except as otherwise expressly set forth herein, all terms and conditions of the Franchise Agreement shall fully apply to this Software Agreement as if set forth herein.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Software Agreement on the date first above written.

**LICENSOR:**  
**THE RED COLLECTION, LLC,**  
a Delaware limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**LICENSEE:**

\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT I**

**TABLE OF CONTENTS OF THE MANUALS**

TABLE OF CONTENTS

**Table of Contents**

**Section 1. General Guidelines** ..... 12

**Section 2. Intellectual Property** ..... 13

    2.01 Service Mark ..... 13

    2.02 Authorized Proprietary and Service Mark ..... 13

    2.03 Permanent Marks ..... 13

    2.04 Changes to Standards by The Red Collection ..... 14

**Section 3. Property Appearance – Exterior** ..... 15

    3.01 Building ..... 15

    3.02 Non-Smoking/Smoking Room Requirements ..... 15

    3.03 100% Smoke Free Inn Requirements ..... 15

    3.04 Parking ..... 16

    3.05 Sidewalks ..... 16

    3.06 Landscaping ..... 16

    3.07 Signage ..... 17

    3.08 Lighting ..... 17

    3.09 Emergency Lighting ..... 17

    3.10 HVAC ..... 17

    3.11 Maintenance and Mechanical/Electrical Rooms ..... 18

        3.11.1 Maintenance Room ..... 18

        3.11.2 Mechanical Rooms ..... 18

**Section 4. Property Appearance – Interior** ..... 19

    4.01 Guest Room ..... 19

    4.02 Bathroom ..... 19

    4.03 Common Areas ..... 19

        4.03.1 General ..... 19

        4.03.2 Lobby ..... 20

        4.03.3 Public Restrooms ..... 20

        4.03.4 Meeting Rooms ..... 20

## TABLE OF CONTENTS

4.03.5	Fitness Rooms .....	21
4.03.6	Pools .....	21
4.03.7	Guest Laundry.....	21
4.03.8	Other Areas.....	22
<b>Section 5.</b>	<b>General Operations .....</b>	<b>23</b>
5.01	Guest Amenities/Services .....	23
5.01.1	Lobby .....	23
5.01.2	Breakfast .....	23
5.01.3	Vending .....	23
5.01.4	Standards of Marketplace .....	24
5.02	Corridors .....	25
5.03	Elevators .....	25
5.04	Guestroom .....	25
5.04.1	Guest Room Minimum Requirements .....	25
5.04.2	Locks.....	25
5.04.3	Connecting Rooms .....	26
5.04.4	Fixtures, Furniture & Finishes .....	26
5.04.5	Television.....	26
5.04.6	Infotainment .....	26
5.04.7	Telephones .....	26
5.04.8	In Room Coffee .....	26
5.04.9	Mattress/Top of Bed Package.....	27
5.04.10	Linens .....	27
5.04.11	Top of Bed .....	28
5.04.12	Bathroom/Vanity Minimum Requirements .....	28
5.05	Room Type Requirements .....	29
5.05.1	Minimum Room Furnishings.....	29
5.05.2	<i>Intentionally Left Blank; Not Applicable to The Red Collection .....</i>	<i>29</i>
5.05.3	<i>Intentionally Left Blank; Not Applicable to The Red Collection .....</i>	<i>29</i>
5.05.4	<i>Intentionally Left Blank; Not Applicable to The Red Collection .....</i>	<i>29</i>
5.05.5	Suite Room Requirements .....	29

## TABLE OF CONTENTS

5.05.6	Requirements for Kitchenette, Kitchen, Full Kitchen .....	29
5.05.7	General Guest Room Amenities.....	30
5.06	Greeting the Guest .....	30
5.07	Risk.....	32
5.07.1	Safety.....	32
5.07.2	Insurance.....	32
5.08	Compliance with Laws.....	32
5.09	Policy Against Human Trafficking.....	32
5.10	Diversity, Equality and Inclusion .....	33
5.11	Training Requirements .....	33
5.12	Dress Code Standards .....	33
5.13	Check-In / Check-Out Times / Age Requirements .....	33
5.14	Front Desk .....	34
5.15	Housekeeping.....	35
5.16	Other Operations .....	36
5.17	Smoke Detectors and Carbon Monoxide Dectector Requirements.....	37
<b>Section 6.</b>	<b>Pet Policy</b> .....	<b>38</b>
6.01	Pet Policy.....	38
6.02	Service Animals and Emotional Support Animals Policy.....	39
<b>Section 7.</b>	<b>Reservations</b> .....	<b>42</b>
7.01	General .....	42
7.02	Children Under 18 .....	42
7.03	Walk Policy .....	42
7.04	RediRewards™.....	42
7.05	RediCall – Optional.....	42
7.06	Referring Business When a Property is Sold Out.....	42
7.07	Guaranteed Reservation .....	42
7.08	Cancellations .....	43
7.09	Rates.....	43
7.09.1	Required Rates.....	44
7.09.2	VIP Passes .....	44

## TABLE OF CONTENTS

7.09.3	Employee and Related Rates .....	45
7.10	RediPromise™ - Best Price Always at Redroof.com .....	45
<b>Section 8.</b>	<b>Quality Assurance</b> .....	<b>46</b>
8.01	Quality Inspections .....	46
8.02	The Red Collection Hassle-Free Guarantee .....	46
8.03	Guest Experience Platform.....	46
8.04	Guest Complaints .....	47
8.05	Q Score .....	49
<b>Section 9.</b>	<b>Sales and Marketing</b> .....	<b>50</b>
9.01	Sales & Marketing and Programs Generally.....	50
9.02	Advertising.....	50
9.03	Brand Wide Marketing Promotions .....	50
9.04	Volume Plan Plus® Program.....	50
9.05	RediBill® .....	50
9.06	Travel Agent Commissions .....	50
9.07	Global Distribution System (GDS) .....	51
9.08	Group Sales .....	51
9.09	Crisis Communication and Public Relations.....	51
9.10	The Red Collection Hotel Micro Sites .....	51
9.10.1	Reservation Functionality.....	52
9.10.2	Property Web Sites .....	52
9.10.3	Privacy Policy .....	53
9.10.4	Data Capture .....	53
9.10.5	Mobile Apps .....	53
9.10.6	Online Imagery .....	53
9.10.7	Image Requirements.....	53
9.11	Property Digital Advertising .....	54
9.11.1	Search Engine Advertising.....	54
9.11.2	<i>Intentionally Left Blank</i> .....	55
9.12	<i>Intentionally Left Blank / Property Digital Listings</i> .....	55
9.13	Property Photography .....	55

## TABLE OF CONTENTS

9.13.1	Introduction .....	55
9.13.2	Inn Photo Specifications .....	55
9.13.3	Options .....	56
9.13.4	Guest Rooms .....	57
9.13.5	Breakfast Area.....	57
9.13.6	Pool Area .....	57
9.13.7	Exterior .....	57
9.13.8	Lobby .....	58
9.13.9	Bathroom.....	58
9.13.10	Approval and Use of Photos .....	58
9.14	New Red Collection Hotels: Scheduling Your Shoot .....	58
9.15	Existing Hotels with Renovations or Upgrades: Scheduling Your Shoot .....	59
9.16	Approved The Red Collection by Red Roof® Photographers.....	59
9.17	Social Media Policy.....	60
9.18	Property Collateral .....	60
9.18.1	Introduction .....	60
9.18.2	Operating Procedures .....	61
9.18.3	Mandatory Lobby Items – All Properties.....	61
9.18.4	Mandatory Guest Room Items – All Properties .....	61
9.18.5	Property Names .....	62
9.18.6	Branding and Image Library .....	62
9.18.7	Signage.....	62
9.19	Email Marketing .....	62
9.19.1	Introduction .....	62
9.19.2	Regulations for Commercial Email Marketing .....	63
9.19.3	Email Campaigns for Properties .....	63
<b>Section 10.</b>	<b>Information Technology .....</b>	<b>65</b>
10.01	General.....	65
10.02	Network Access.....	65
10.03	High-Speed Internet Access (HSIA) Requirements.....	65
10.04	Telephone System Requirements .....	68

TABLE OF CONTENTS

10.05 Property Management System Requirements..... 69

10.06 Verified Wi-Fi ..... 69

10.07 Other Information Technology Requirements ..... 70

10.08 Desktop Protection & Maintenance Program ..... 70

**Section 11. Post Termination Procedures ..... 71**

**Section 12. Exhibit A – Standards Manual Revisions ..... 73**

**Section 13. Exhibit B – Insurance..... 75**

**EXHIBIT J**

**TRANSFER ADDENDUM TO FRANCHISE AGREEMENT**

## ADDENDUM TO FRANCHISE AGREEMENT FOR TRANSFER LOCATIONS

This Transfer Addendum (“Transfer Addendum”) to The Red Collection Franchise Agreement (the “Franchise Agreement”) dated \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between The Red Collection, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) with respect to the Red Collection hotel (the “Hotel”) located at \_\_\_\_\_ (the “Approved Location”) is made effective as of the Effective Date.

### RECITALS

Franchisee acquired the Hotel through a transfer of an existing Red Collection hotel at the Approved Location from \_\_\_\_\_ (“Prior Franchisee”) under a Franchise Agreement with Franchisor dated \_\_\_\_\_ (the “Prior Agreement”).

Franchisor and Franchisee wish to enter into this Transfer Addendum to modify certain terms and conditions of the Franchise Agreement.

Now, therefore, in consideration of the mutual promises and covenants set forth herein and in the Franchise Agreement, the parties agree as follows:

#### **1. TRANSFER FEE.**

Franchisee will pay a Transfer Application Fee in the amount of \$ \_\_\_\_\_ and a Transfer Fee in the amount of \$ \_\_\_\_\_ which shall be due and payable when Franchisee signs the Franchise Agreement.

#### **2. TRANSFER AND ASSUMPTION.**

Franchisee assumes and obligates itself to perform any and all of the obligations (financials and otherwise) of the Prior Franchisee under the Prior Agreement that is not paid or performed as of the Effective Date, including without limitation, the obligation to pay any unpaid Royalty Fees, Marketing and Reservation Fees, Preferred Members Program Fees or other amounts due to Franchisor and to correct any uncured defaults other than as expressly superseded by this Transfer Addendum. Franchisee acknowledges that Franchisor may require Franchisee or its staff to complete training on the use of the property management or similar computer system for accessing the Reservation System and pay Franchisor’s retraining fee.

#### **3. PROPERTY IMPROVEMENT OBLIGATION.**

3.1 Franchisor has approved the application Franchisee submitted to Franchisor and has entered into the Franchise Agreement in reliance upon Franchisee’s promise and undertaking to improve, equip and supply the Approved Location in accordance with System Standards. Franchisee must provide Franchisor with proof that Franchisee owns or leases the Approved Location before or within thirty (30) days of the Effective Date. Franchisor has performed an inspection of the Approved Location and reviewed its quality assurance records and generated a Property Improvement Plan (the “PIP”) of renovations, operational changes, repairs, refurbishments, replacements, and capital improvements to conform the Approved Location to System Standards that is attached to this Transfer Addendum. The PIP specifies those renovations and improvements and the specified timeframes for completion. Franchisee shall erect a barrier or place signage acceptable to Franchisor to exclude guests from accessing any areas under renovation or construction. Franchisor may require Franchisee to remove, cease display or use, or completely obscure all signage and other items bearing any Proprietary Marks until the Hotel meets System Standards in

Franchisor's sole discretion. All renovations will comply with System Standards, any approved plans and any PIP attached to this Transfer Addendum. Franchisor may, in its sole discretion, require Franchisee to place funds in escrow, at Franchisee's expense, in order to complete all necessary improvements. Franchisor may, in its sole discretion, terminate the Franchise Agreement by giving written notice to Franchisee (subject to applicable law) if: (1) Franchisee does not commence or complete the renovations to the Approved Location by the dates specified in this Section or the PIP; or (2) Franchisee continues to display the Proprietary Marks and identify the Approved Location as a Red Collection hotel if Franchisor sends notice to Franchisee that Franchisee has failed to complete the renovations by the date specified in the PIP, as provided in this Section. TIME IS OF THE ESSENCE FOR THE RENOVATIONS.

3.2 Franchisee must also pay Franchisor any travel expenses set forth in Section 5.13 of the Franchise Agreement if Franchisee fails to complete any renovations by the deadline established in the PIP and Franchisor's representatives must return to the Approved Location to inspect it. Franchisor may, however, grant Franchisee one or more extension of time to complete any phase or item on the PIP in Franchisor's sole discretion. The grant of an extension to perform the renovations will not waive any other default existing at the time the extension is granted.

#### **4. APPROVED PLANS.**

Franchisee will create plans and specifications for the work described in the PIP (based upon the System Standards and the Franchise Agreement) if Franchisor so requests and submit them for Franchisor's approval before starting renovation of the Hotel (the "Approved Plans"). Franchisor will not unreasonably withhold or delay its approval, which is intended only to test compliance with System Standards, and not to detect errors or omissions in the work of Franchisee's architects, engineers, contractors or the like. Franchisor's review does not cover technical, architectural or engineering factors, or compliance with federal, state or local laws, regulations or code requirements. Franchisor will not be liable to Franchisee's lenders, contractors, employees, guests, or others or Franchisee on account of Franchisor's review or approval of Franchisee's plans, drawings or specifications, or Franchisor's inspection of the Approved Location before, during or after renovation or construction. Any material variation from the Approved Plans requires Franchisor's prior written approval. Franchisor may offer to provide Franchisee or its architect with interior design or other prototypes. If Franchisee declines to utilize such prototype(s) in developing the Hotel, Franchisor may charge Franchisee a fee for reviewing Franchisee's custom plans and designs. Franchisor may offer other optional architectural and design services for a separate fee. Franchisee will promptly provide Franchisee with copies of permits, job progress reports, and other information as Franchisor may reasonably request. Franchisor may inspect the work while in progress without prior notice.

#### **5. OPENING.**

Franchisee may continue to identify and operate the Hotel under the System while Franchisee renovates the Hotel.

#### **6. DEFINITIONS.**

6.1 The Effective Date means the date that Franchisee first take possession of the Approved Location, even if Franchisee signs this Agreement after the date Franchisee first take possession of the Approved Location.

6.2 The Opening Date means the date as of which Franchisor authorizes Franchisee to open the Hotel at the Approved Location for business identified by the Marks and using the System, even if Franchisee signs this Agreement after that date. Unless Franchisor requires Franchisee to close the Hotel at the Approved Location to perform any pre-opening Improvement Obligation, the Opening Date is the

Effective Date.

7. **ADD ANY SPECIAL STIPULATIONS**

8. **ADD ANY SPECIAL STIPULATIONS**

9. **ADD ANY SPECIAL STIPULATIONS**

10. **EFFECT OF DEFAULT**

Unless and until Franchisee defaults under the terms of the Franchise Agreement, the modification(s) referred to in Sections and of this Transfer Addendum will remain in effect. The term “default” shall mean those violations of the Franchise Agreement that are not cured within any applicable cure periods outlined in Sections 13.2 and 13.3 of the Franchise Agreement. The referenced modification(s) are exclusive to Franchisee and not transferable to any other party. From and after the date of any such default, the modification(s) set forth in Sections and shall be null and void and of no further force and effect, and the original terms set forth in the Franchise Agreement shall thereafter be reinstated.

11. **EFFECT OF TRANSFER**

Unless and until there is a Transfer as defined by the terms of the Franchise Agreement, outlined in Section 12, the modification(s) referenced in this Addendum will remain in effect. The referenced modification(s) are exclusive to Franchisee and not transferable to any other party. From and after the date of any such Transfer, the modification(s) set forth in this Transfer Addendum shall be null and void and of no further force and effect, and the terms set forth in a new Franchise Agreement to be executed by a transferee shall thereafter be effective.

12. **CONFIDENTIALITY**

Franchisee agrees to keep the grant of the modification(s) contained in this Transfer Addendum in strict confidence and will not disclose them to any persons other than its directors, officers, partners, employees, agents and advisors who have a need to know for the purpose of operating the Hotel. Any unauthorized disclosure is default under the Addendum, and Franchisor may, at its option, immediately terminate the Franchise Agreement on notice to Franchisee or may revoke the modification(s) contained in this Transfer Addendum upon any unauthorized disclosure by Franchisee. The modification(s) outlined in this Transfer Addendum are for the Hotel specified in Exhibit A of the Franchise Agreement and do not indicate that any other hotels owned by Franchisee or by others will receive similar modification(s).

13. **MISCELLANEOUS.**

13.1 The Recitals are hereby incorporated into this Transfer Addendum by this reference. The captions in this Transfer Addendum are for convenience only. Any capitalized term that is not defined in this Transfer Addendum shall have the meaning given to it in the Franchise Agreement.

13.2 The parties hereby confirm the Franchise Agreement, as amended by this Transfer Addendum, and reaffirm their respective obligations under such Franchise Agreement, as amended by this Transfer Addendum. The parties agree that except as specifically set forth herein, the provisions of the Franchise Agreement shall remain unchanged and this Transfer Addendum shall be in addition to, and not in lieu of, the provisions of the Franchise Agreement. In the event of any conflict between the terms of the

Franchise Agreement and the terms of this Transfer Addendum, the terms of this Transfer Addendum shall control.

13.3 This Transfer Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Transfer Addendum by electronic transmission (including an electronic signature platform such as DocuSign or the transmission of a scanned PDF document) shall be effective as delivery of a manually executed counterpart of this Transfer Addendum.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Transfer Addendum effective as of the date of the Franchise Agreement.

**FRANCHISOR:**  
**THE RED COLLECTION, LLC,**  
a Delaware limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE:**

,  
a  
By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM FOR TRANSFER LOCATIONS  
(PROPERTY IMPROVEMENT PLAN ATTACHED)**

**EXHIBIT K**

**DEVELOPMENT INCENTIVE PROGRAM FOR WOMEN AND VETERANS**

**DEVELOPMENT INCENTIVE PROGRAM ADDENDUM  
TO THE RED COLLECTION FRANCHISE AGREEMENT**

**FOR WOMEN AND VETERANS**

This Development Incentive Program Addendum (this “Addendum”) to the Red Collection Franchise Agreement (the “Franchise Agreement”) dated as of \_\_\_\_\_ (the “Effective Date”) by and between THE RED COLLECTION, LLC (“Franchisor”), and \_\_\_\_\_, (“Franchisee”) is made effective as of the Effective Date.

RECITALS

In order to encourage the development and operation of franchised The Red Collection Hotels (“Hotels”) by women and veterans of the United States military, Franchisor has implemented a development incentive program (the “Program”) for qualified Women-Owned and Veteran-Owned Businesses (as defined below).

Franchisor and Franchisee are entering into this Addendum to modify the Franchise Agreement because Franchisee’s development of the Hotel located at the Approved Location meets the criteria for the Program.

NOW, THEREFORE, in consideration of the mutual covenants, agreements and obligations set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1 Defined Terms. As used in this Addendum, the following terms shall have the applicable meanings:

1.1 “Women-Owned Business” shall mean a business entity that is at least fifty-one percent (51%) owned, operated and controlled on a daily basis by one or more females.

1.2 “Veteran-Owned Business” shall mean a business entity that is at least fifty-one percent (51%) owned, operated and controlled on a daily basis by one or more Veterans.

1.3 “Veteran” shall mean a person who has provided Franchisor with a DD Form 214 or other adequate documentation, as determined by Franchisor, demonstrating honorable discharge from the United States military.

2 Eligibility. Franchisee has satisfied the following requirements and is eligible to participate in the Program:

2.1 Franchisee is a [Women-Owned Business] [Veteran-Owned Business]; and

2.2 Franchisee and/or its affiliates are in full compliance with the terms of the Franchise Agreement and any other agreement with Franchisor and/or its affiliates.

3 Initial Franchise Fee Reduction. Franchisor shall provide Franchisee with a Ten Thousand Dollar (\$10,000) reduction in the Initial Franchise Fee due under the Franchise Agreement. Therefore, notwithstanding the provisions of Section 4.1 of the Franchise Agreement, Franchisee shall pay a reduced Initial Franchise Fee to Franchisor in the amount of Twenty Thousand Dollars (\$20,000) on or before the Effective Date.

4 Repayment of Reduced Initial Franchise Fee on Transfer. Franchisee acknowledges and agrees that the Program benefits are specific to Franchisee and its owners. Therefore, if, prior to the first anniversary of the opening date of the Hotel, Franchisee transfers the Hotel or any equity or ownership interests in Franchisee, then Franchisee must pay to Franchisor the portion of the Initial Franchise Fee that was reduced by Franchisor in the amount of Ten Thousand Dollars (\$10,000).

5 Miscellaneous.

5.1 The Recitals are hereby incorporated into this Addendum by this reference. The captions in this Addendum are for convenience only. Any capitalized term that is not defined in this Addendum shall have the meaning given to it in the Franchise Agreement.

5.2 The parties hereby confirm the Franchise Agreement, as amended by this Addendum, and reaffirm their respective obligations under such Franchise Agreement, as amended by this Addendum. The parties agree that except as specifically set forth herein, the provisions of the Franchise Agreement shall remain unchanged and this Addendum shall be in addition to, and not in lieu of, the provisions of the Franchise Agreement. In the event of any conflict between the terms of the Franchise Agreement and the terms of this Addendum, the terms of this Addendum shall control.

5.3 This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed to be an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Addendum by electronic transmission (including an electronic signature platform such as DocuSign or the transmission of a scanned PDF document) shall be effective as delivery of a manually executed counterpart of this Addendum.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Addendum effective as of the Effective Date.

**FRANCHISOR:**  
**THE RED COLLECTION, LLC,**  
a Delaware limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE:**

,  
a

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT L**

**STATE REQUIRED AGREEMENT ADDENDA**

**California  
Illinois  
Maryland  
Minnesota  
New York  
North Dakota  
Rhode Island  
Washington**

**ADDENDUM TO THE RED COLLECTION FRANCHISE AGREEMENT  
FOR THE STATE OF CALIFORNIA**

This Addendum (“Addendum”) to The Red Collection Franchise Agreement (the “Franchise Agreement”) dated \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between THE RED COLLECTION, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) with respect to The Red Collection hotel (the “Hotel”) located at \_\_\_\_\_ (the “Approved Location”) is made effective as of the Effective Date.

1. Section 16.1 of the Franchise Agreement, together with its subsections, is hereby deleted in its entirety.

2. Initially capitalized terms used but not otherwise defined herein have the same meanings as set forth in the Franchise Agreement. In the event of a conflict between the Franchise Agreement and this Addendum, this Addendum controls. All other rights, obligations, and provisions of the Franchise Agreement shall remain in full force and effect. This Addendum is incorporated in and made a part of the Franchise Agreement for the State of California.

IN WITNESS WHEREOF, each of the parties hereto has caused this Addendum to be executed by its duly authorized representative as of the Effective Date.

**FRANCHISOR:**  
**THE RED COLLECTION, LLC,**  
a Delaware limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE:**

,  
a  
By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO THE RED COLLECTION FRANCHISE AGREEMENT  
FOR THE STATE OF ILLINOIS**

This Addendum (“Addendum”) to The Red Collection Franchise Agreement (the “Franchise Agreement”) dated \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between THE RED COLLECTION, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) with respect to The Red Collection hotel (the “Hotel”) located at \_\_\_\_\_ (the “Approved Location”) is made effective as of the Effective Date.

1. Illinois law shall govern the franchise agreements.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Franchisee’s right upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
6. Initially capitalized terms used but not otherwise defined herein have the same meanings as set forth in the Franchise Agreement. In the event of a conflict between the Franchise Agreement and this Addendum, this Addendum controls. All other rights, obligations, and provisions of the Franchise Agreement shall remain in full force and effect. This Addendum is incorporated in and made a part of the Franchise Agreement for the State of Illinois.

[Signatures follow on next page.]

IN WITNESS WHEREOF, each of the parties hereto has caused this Addendum to be executed by its duly authorized representative as of the Effective Date.

**FRANCHISOR:**  
**THE RED COLLECTION, LLC,**  
a Delaware limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE:**

,  
a

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO THE RED COLLECTION FRANCHISE AGREEMENT  
FOR THE STATE OF MARYLAND**

This Addendum (“Addendum”) to The Red Collection Franchise Agreement (the “Franchise Agreement”) dated \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between THE RED COLLECTION, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) with respect to The Red Collection hotel (the “Hotel”) located at \_\_\_\_\_ (the “Approved Location”) is made effective as of the Effective Date.

1. Notwithstanding anything to the contrary in Section 17.7 of the Franchise Agreement, Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
2. Franchisor’s right to terminate pursuant to Section 13.2.1 of the Franchise Agreement if Franchisee commences bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C.A. 101 et seq.).
3. Section 16.1 of the Franchise Agreement, together with its subsections, is hereby deleted in its entirety.
4. Notwithstanding anything to the contrary in the Franchise Agreement, no release language in the Franchise Agreement shall relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Maryland. Pursuant to the Maryland Franchise Registration and Disclosure Law, any claim by Franchisee under such law must be brought within three (3) years of the grant of the franchise.
5. No disclaimers contained within the Franchise Agreement shall, nor are they intended to, serve as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
7. The fourth and fifth paragraphs in the Recitals to the Franchise Agreement are deleted and replaced with the following:

Franchisee shall operate the Hotel in conformity with the System and with such product, service and operational standards, specifications, policies and procedures for constructing or renovating the Hotel, equipping the Hotel, and operating the Hotel (the “Standards”), as may be published by Franchisor in hard copy and/or electronic form, as amended or supplemented by Franchisor in its sole discretion from time to time (the “Manuals”).
8. Initially capitalized terms used but not otherwise defined herein have the same meanings as set forth in the Franchise Agreement. In the event of a conflict between the Franchise Agreement and this Addendum, this Addendum controls. All other rights, obligations, and provisions of the Franchise Agreement shall remain in full force and effect. This Addendum is incorporated in and made a part of the Franchise Agreement for the State of Maryland.

[Signatures follow on next page.]

IN WITNESS WHEREOF, each of the parties hereto has caused this Addendum to be executed by its duly authorized representative as of the Effective Date.

**FRANCHISOR:**  
**THE RED COLLECTION, LLC,**  
a Delaware limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE:**

,  
a

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO THE RED COLLECTION FRANCHISE AGREEMENT  
FOR THE STATE OF MINNESOTA**

This Addendum (“Addendum”) to the HomeTowne Studios by Red Roof Franchise Agreement (the “Franchise Agreement”) dated \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between HOMETOWNE STUDIOS, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) with respect to the HomeTowne Studios hotel (the “Hotel”) located at \_\_\_\_\_ (the “Approved Location”) is made effective as of the Effective Date.

1. Liquidated damages are prohibited by law in the State of Minnesota and, therefore, Section 13.1 of the Franchise Agreement is deleted in its entirety and replaced with the following:

“If this Franchise Agreement terminates prior to the Expiration Date, such termination will cause substantial damages to Franchisor. Franchisee therefore agrees that if the Franchise Agreement is terminated, Franchisee will be liable to Franchisor for damages and losses Franchisor suffers from such early termination. Franchisee agrees to remain liable for all obligations and claims under the Franchise Agreement, including obligations surviving termination of the Franchise Agreement, and other damages suffered by Franchisor arising out of Franchisee’s breach or default. At the time of such termination of the Franchise Agreement, Franchisee agrees to pay to Franchisor upon demand compensation for all damages, losses, costs and expenses (including reasonable attorney’s fees) incurred by Franchisor and/or amounts which would have otherwise been payable for and during the remainder of the unexpired term of the Franchise Agreement but for such termination.”

2. Section 16.1 of the Franchise Agreement, together with its subsections, is hereby deleted in its entirety.

3. The following language is added to the end of Section 17.7 of the Franchise Agreement:

“Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota. Nothing in the Franchise Agreement or Franchise Disclosure Document can abrogate or reduce any of Franchisee’s rights as provided for in Minnesota Statutes, 2087, Chapter 80C, or Franchisee’s rights to any procedure, forum or remedies provided for by the laws of Minnesota.”

4. The first sentence of Section 17.8.2 of the Franchise Agreement (relating to waiver or a jury trial) is hereby deleted.

5. Notwithstanding anything to the contrary in the Franchise Agreement, no release language in the Franchise Agreement shall relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws imposed by Minnesota Statute §§ 80C.01 - 80C.22.

6. Nothing in the Franchise Agreement shall in any way abrogate or reduce any rights of Franchisee as provided for in the Minnesota Statutes, Chapter 80C. Minnesota statutes §80C.14, subdivisions 3, 4 and 5 require that Franchisee be given at least ninety (90) days written notice in advance of termination (with sixty (60) days to cure) and one hundred eighty (180) days written notice for non-renewal of the Franchise Agreement, except that the notice shall be effective immediately for certain grounds.

7. Franchisee cannot consent to Franchisor obtaining injunctive relief. Franchisee may seek injunctive relief. See Minn. Rule 2860.4400J. A court will determine if a bond is required.

8. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

9. Initially capitalized terms used but not otherwise defined herein have the same meanings as set forth in the Franchise Agreement. In the event of a conflict between the Franchise Agreement and this Addendum, this Addendum controls. All other rights, obligations, and provisions of the Franchise Agreement shall remain in full force and effect. This Addendum is incorporated in and made a part of the Franchise Agreement for the State of Minnesota.

IN WITNESS WHEREOF, each of the parties hereto has caused this Addendum to be executed by its duly authorized representative as of the Effective Date.

**FRANCHISOR:**  
**THE RED COLLECTION, LLC,**  
a Delaware limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE:**

,  
a

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO THE RED COLLECTION FRANCHISE AGREEMENT  
FOR THE STATE OF NEW YORK**

This Addendum (“Addendum”) to The Red Collection Franchise Agreement (the “Franchise Agreement”) dated \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between THE RED COLLECTION, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) with respect to The Red Collection hotel (the “Hotel”) located at \_\_\_\_\_ (the “Approved Location”) is made effective as of the Effective Date.

1. Section 12.3.3 of the Franchise Agreement is amended by adding the following sentence at the end of the Section:

“However, that all rights 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 this proviso that the non-waiver provisions of General Business Law, Sections 687.4 and 687.5, be satisfied.”

2. Section 17.5.1 of the Franchise Agreement is amended by adding the following sentence at the end of the Section:

“The foregoing choice of law should not be considered a waiver of any right conferred upon Franchisee by the General Business Law of the State of New York, Article 33.”

3. Notwithstanding anything to the contrary in the Franchise Agreement, Franchisee shall be permitted to terminate the Franchise Agreement upon any grounds available by law.

4. Initially capitalized terms used but not otherwise defined herein have the same meanings as set forth in the Franchise Agreement. In the event of a conflict between the Franchise Agreement and this Addendum, this Addendum controls. All other rights, obligations, and provisions of the Franchise Agreement shall remain in full force and effect. This Addendum is incorporated in and made a part of the Franchise Agreement for the State of New York.

[Signatures follow on next page.]

IN WITNESS WHEREOF, each of the parties hereto has caused this Addendum to be executed by its duly authorized representative as of the Effective Date.

**FRANCHISOR:**  
**THE RED COLLECTION, LLC,**  
a Delaware limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE:**

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a

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO THE RED COLLECTION FRANCHISE AGREEMENT  
FOR THE STATE OF NORTH DAKOTA**

This Addendum (“Addendum”) to The Red Collection Franchise Agreement (the “Franchise Agreement”) dated \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between THE RED COLLECTION, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) with respect to The Red Collection hotel (the “Hotel”) located at \_\_\_\_\_ (the “Approved Location”) is made effective as of the Effective Date.

1. Any provision of the Franchise Agreement which designates jurisdiction or venue or requires Franchisee to agree to jurisdiction or venue in a forum outside of North Dakota is deleted from the Franchise Agreement.
2. The first sentence of Section 17.8.2 of the Franchise Agreement (relating to waiver or a jury trial) is hereby deleted.
3. The laws of the State of North Dakota supersede any provisions of the Franchise Agreement, the other agreements, or Ohio law if such provisions are in conflict with North Dakota law.
4. Notwithstanding anything to the contrary in the Franchise Agreement, no release language in the Franchise Agreement shall relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of North Dakota.
5. Section 13.1 of the Franchise Agreement contains a liquidated damages clause. Under North Dakota law, liquidated damages clauses are unenforceable.
6. Initially capitalized terms used but not otherwise defined herein have the same meanings as set forth in the Franchise Agreement. In the event of a conflict between the Franchise Agreement and this Addendum, this Addendum controls. All other rights, obligations, and provisions of the Franchise Agreement shall remain in full force and effect. This Addendum is incorporated in and made a part of the Franchise Agreement for the State of North Dakota.

[Signatures follow on next page.]

IN WITNESS WHEREOF, each of the parties hereto has caused this Addendum to be executed by its duly authorized representative as of the date of the Franchise Agreement.

**FRANCHISOR:**  
**THE RED COLLECTION, LLC,**  
a Delaware limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE:**

,  
a

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO THE RED COLLECTION FRANCHISE AGREEMENT  
FOR THE STATE OF RHODE ISLAND**

This Addendum (“Addendum”) to The Red Collection Franchise Agreement (the “Franchise Agreement”) dated \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between THE RED COLLECTION, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) with respect to The Red Collection hotel (the “Hotel”) located at \_\_\_\_\_ (the “Approved Location”) is made effective as of the Effective Date.

1. Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

2. Initially capitalized terms used but not otherwise defined herein have the same meanings as set forth in the Franchise Agreement. In the event of a conflict between the Franchise Agreement and this Addendum, this Addendum controls. All other rights, obligations, and provisions of the Franchise Agreement shall remain in full force and effect. This Addendum is incorporated in and made a part of the Franchise Agreement for the State of Rhode Island.

IN WITNESS WHEREOF, each of the parties hereto has caused this Addendum to be executed by its duly authorized representative as of the Effective Date.

**FRANCHISOR:**  
**THE RED COLLECTION, LLC,**  
a Delaware limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE:**

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a  
By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO THE RED COLLECTION FRANCHISE AGREEMENT  
FOR THE STATE OF WASHINGTON**

This Addendum (“Addendum”) to The Red Collection Franchise Agreement (the “Franchise Agreement”) dated \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between THE RED COLLECTION, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee” “you” or “your”) with respect to The Red Collection hotel (the “Hotel”) located at \_\_\_\_\_ (the “Approved Location”) is made effective as of the Effective Date.

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
2. RCW 19.100.180 may supersede the Franchise Agreement in your relationship with us 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 us including the areas of termination and renewal of your franchise.
3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder 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, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer.
6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of yours, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of yours under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
7. RCW 49.62.060 prohibits us from restricting, restraining, or prohibiting you from (i) soliciting or hiring any employee of a franchisee of ours or (ii) soliciting or hiring any employee of ours. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington
8. You may terminate the Franchise Agreement upon any grounds permitted by law.

9. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
10. Initially capitalized terms used but not otherwise defined herein have the same meanings as set forth in the Franchise Agreement. In the event of a conflict between the Franchise Agreement and this Addendum, this Addendum controls. All other rights, obligations, and provisions of the Franchise Agreement shall remain in full force and effect. This Addendum is incorporated in and made a part of the Franchise Agreement for the State of Washington.

IN WITNESS WHEREOF, each of the parties hereto has caused this Addendum to be executed by its duly authorized representative as of the Effective Date.

**FRANCHISOR:**  
**THE RED COLLECTION, LLC,**  
a Delaware limited liability company

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE:**

,  
a

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT M**  
**REDICALL AGREEMENT**

## REDICALL AGREEMENT

**THIS REDICALL AGREEMENT** (“Agreement”) is made effective as of \_\_\_\_\_ (the “Effective Date”) by and between \_\_\_\_\_ (“Client”) and Red Roof Franchising, LLC (“RRF”).

### Background

- A. Client is the owner of a hotel known as \_\_\_\_\_ hotel # \_\_\_\_\_ located at \_\_\_\_\_ (the “Hotel”) and has the authority to enter into this Agreement.
- B. Client operates the Hotel as a Red Roof brand hotel pursuant to the terms and conditions of a Franchise Agreement with RRF (the “Franchise Agreement”).
- B. **[Alternates: Pick one, delete the other B. language and this bracket]** Client operates the Hotel as a HomeTowne Studios brand hotel pursuant to the terms and conditions of a Franchise Agreement with RRF’s affiliate, HomeTowne Studios, LLC (the “Franchise Agreement”).
- B. Client operates the Hotel as a The Red Collection brand hotel pursuant to the terms and conditions of a Franchise Agreement with RRF’s affiliate, The Red Collection, LLC (the “Franchise Agreement”).
- C. RRF manages the Red Roof Contact Center (“Contact Center”) and offers services under which various online websites and search engines will feature a unique Contact Center phone number for the Hotel, which transfers callers to the Contact Center (“Services”), and Client wishes to purchase the Services as set forth in this Agreement.

### Agreement

- 1. **Services.** In performing the Services, RRF shall:
  - a. Provide a standardized menu for callers to choose from, including an option to Make a Reservation, Speak to the Hotel Front Desk, Cancel a Reservation, and Receive the Hotel Address. Additional options, such as ‘Reach the Sales Office,’ will be available at Client’s request.
  - b. Assign a unique phone number to the Hotel and post that unique call center number on search engines, local business listings, and other internet websites or applications. These phone numbers will include a centralized auto attendant, customized for the Hotel.
  - c. Handle all ‘Make a Reservation’ calls that originate from the unique Contact Center phone number assigned to the Hotel between the hours of 7:00 am and 2:00 AM Eastern Standard Time. These calls will be handled by RRF’s trained reservation agents. Callers who select the “Speak to the Hotel Front Desk” option during these hours, and all calls received outside of these hours, will be transferred to the Hotel’s front desk.
  - d. Answer calls in a manner that uses the Hotel’s name, respond to questions about the Hotel, and attempt to book reservations.
  - e. Give applicable calls the highest priority service in the Contact Center.
- 2. **Client Responsibilities.** RRF’s obligations to provide the Services are conditioned upon Client:
  - a. Adjusting the Hotel’s telephone settings to ensure calls forwarded to the Hotel from the Contact Center auto attendant are properly delivered to the Front Desk staff.
  - b. Providing RRF with complete/accurate information in order to assist Contact Center agents in handling applicable calls and update such information as necessary or as required by RRF.
  - c. Providing RRF a valid and operational front desk phone number for calls to be properly transferred.

3. **Fee.** Client agrees to pay RRF the following fees for providing the Services as follows: (Please check the applicable fee):

- A. \$        For an Initial Term of twelve (12) months, \$1.55 minimum for each call answered by the Contact Center in connection with the Services, ~~with a minimum fee of \$75 per month~~; OR
- B. \$
- B. For an Initial Term of five (5) or six (6) months, \$1.75 minimum for each call answered by the Contact Center in connection with the Services; OR
- C. For an Initial Term of five (5) or six (6) months, \$6.00 minimum for each reservation made in connection with the Services, with a minimum fee of \$75 per month.

If no box is checked, the default option will be Section ~~3A3.A.~~

If the Hotel transfers reservation calls to the Contact Center outside of the RediCall program, RRF may bill Client a minimum of \$5.00 per call.

RRF reserves the right to modify the applicable fees for providing the Services at its sole discretion upon the renewal or auto-renewal of this Agreement.

4. **Invoicing.** Client shall pay the fees due under this Agreement upon receipt of invoice from RRF and Client shall pay the amount of such invoices to RRF. Any fees or other amounts due under this Agreement not received by RRF within thirty (30) days of the date of such invoice shall bear interest at the rate of one and a half percent (1.5%) per month, calculated on a daily basis, until paid in full.

5. **Term.**

- a. The term of this Agreement shall commence as of the Effective Date and shall continue for a period of ~~twelve (12)~~        ( ) months (the “Initial Term”).
- b. At the expiration of the Initial Term, this Agreement shall automatically renew for additional ~~twelve (12)~~        ( ) month terms, provided that this Agreement is not earlier terminated as more particularly described below (each a “Term”).
- c. Client may terminate this Agreement at any time following the Initial Term, by providing RRF at least ninety (90) days prior written notice.
- d. RRF may terminate this Agreement at any time following the Initial Term, by providing Client at least thirty (30) days prior written notice.
- e. This Agreement shall automatically terminate upon termination/expiration of the Franchise Agreement.

6. **Staff.** RRF is an independent contractor and neither RRF nor RRF’s staff or independent contractors shall be deemed to be employed by Client. RRF reserves the right to determine the method, manner and means by which the Services will be performed. The Services shall be performed by RRF or a third party designated and contracted by RRF.

7. **Default and Termination.** Either party to this Agreement shall be deemed to be in default hereunder if such party fails to perform any obligation hereunder on or before the thirtieth (30<sup>th</sup>) day following delivery of written notice of such failure by the other party (five (5) days for monetary defaults); provided, however, that if the non-monetary default at issue is not reasonably susceptible of being cured within thirty (30) days, such thirty (30) day period shall be extended as

reasonably necessary to allow the defaulting party to effect a cure, but in no event longer than a grace period of an additional thirty (30) days. A default by Client under the Franchise Agreement, or any other agreement between Client and RRF, shall be considered a default of this Agreement. If the defaulting party fails to cure its default within any applicable cure or grace period, the non-defaulting party may terminate this Agreement. This Agreement shall automatically terminate upon expiration or termination of the Franchise Agreement.

8. **No Warranty and Limitation of Liability.** RRF MAKES NO REPRESENTATION OR WARRANTY REGARDING THE VOLUME OR RESERVATIONS OR AMOUNT OF REVENUES THAT CLIENT WILL ATTAIN AS A RESULT OF THE SERVICES OR THAT CLIENT'S RESERVATIONS OR REVENUE WILL INCREASE. RRF MAKES NO OTHER WARRANTIES, WHETHER WRITTEN, ORAL OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. IN NO EVENT SHALL RRF BE LIABLE FOR SPECIAL OR CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR INDIRECT DAMAGES INCLUDING, BUT NOT LIMITED TO, LOST PROFITS OR LOST REVENUE ARISING FROM, RELATING TO, OR IN CONNECTION WITH THE SERVICES, WHETHER OR NOT THE POSSIBILITY OF SUCH DAMAGES HAS BEEN DISCLOSED IN ADVANCE OR COULD HAVE BEEN REASONABLY FORESEEN, AND IN THE EVENT THIS LIMITATION OF DAMAGES IS HELD UNENFORCEABLE THEN THE PARTIES AGREE THAT BY REASON OF THE DIFFICULTY IN FORESEEING POSSIBLE DAMAGES ALL LIABILITY TO CLIENT SHALL BE LIMITED TO ONE HUNDRED DOLLARS (\$100.00) AS LIQUIDATED DAMAGES AND NOT AS A PENALTY.
9. **Complete Agreement.** This Agreement contains the entire agreement between the parties hereto with respect to the matters covered herein. No other agreements, representations, warranties or other matters, oral or written, purportedly agreed to or represented by or on behalf of RRF by any of its employees or agents, or contained in any sales materials or brochures, shall be deemed to bind the parties hereto with respect to the subject matter hereof. Client acknowledges that it is entering into this Agreement solely on the basis of the representations contained herein.
10. **Applicable Law & Venue.** The parties shall each comply with all applicable federal, state and local employment and other laws, government regulations and orders. This Agreement shall be construed in accordance with the laws of the State of Ohio. Venue for any claim, suit, or action for enforcement of any provision of this Agreement shall lie in the state or federal courts located in the State of Ohio, Franklin County, to the exclusion of all others.
11. **Scope of Agreement.** If the scope of any of the provisions of the Agreement is too broad in any respect whatsoever to permit enforcement to its full extent, then such provisions shall be enforced to the maximum extent permitted by law, and the parties hereto consent and agree that such scope may be judicially modified accordingly and that the whole of such provisions of this Agreement shall not thereby fail, but that the scope of such provisions shall be curtailed only to the extent necessary to conform to law.
12. **Notices.** All notices pursuant to this Agreement shall be in writing and shall be personally delivered; mailed by registered or certified mail, return receipt requested; or dispatched by overnight delivery to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

**Notices to Client:**

Notices to RRF: Red Roof Franchising, LLC  
7815 Walton Parkway  
New Albany, OH 43054  
Attention: Vice President, Distribution Services

With copy to: Franchise Legal Department  
Red Roof Franchising, LLC  
7815 Walton Parkway  
New Albany, OH 43054

Notice shall be deemed to have been received as follows: by personal delivery – at the time of delivery; by overnight delivery service - on the next business day following the date on which the notice was given to the overnight delivery service; and by registered or certified mail, return receipt requested - three (3) days after the date of mailing.

13. **Assignment.** Client shall not assign or otherwise transfer this Agreement or any of its interest in this Agreement. Except for the prohibition on assignment contained in the preceding sentence, this Agreement shall be binding upon and inure to the benefits of the heirs, successors and assigns of the parties hereto. RRF is able to, with no restrictions, transfer and/or assign this agreement without notice to Client.
14. **Exclusivity.** RRF may provide similar services to other hotel owners. Client does not have an exclusive right to receive the Services from RRF.

IN WITNESS WHEREOF, each party hereto has caused this Agreement to be executed by an authorized person as of the date first above written.

RRF:

CLIENT:

**Red Roof Franchising, LLC**

**FRANCHISEE ENTITY**

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

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

Name: Shanna Wright

Name:

Title: Vice President, Distribution Services

Title:

**EXHIBIT N**

**REVENUE MANAGEMENT AGREEMENTS**

## Exhibit N.1 Bi-Weekly Revenue Management Agreement

## REVENUE MANAGEMENT FOR HIRE AGREEMENT

**THIS AGREEMENT** is made effective as of Date (the “Effective Date”) between Entity Name (“Client”) with a principal place of business at Entity Address and The Red Collection, LLC (“TRC”), a Delaware Limited Liability Company with a principal place of business at 7815 Walton Parkway, New Albany, OH 43054.

### Background

- A. Client is the owner of a hotel known as Property Number, Property Address (the “Hotel”), and has the authority to enter into this Agreement. The following individual Name shall represent the Client during the performance of this Agreement with respect to the services and deliverables as defined herein.
- B. Client operates the Hotel as a The Red Collection hotel pursuant to the terms and conditions of a franchise agreement with TRC.
- C. TRC operates a Revenue Management Department located at 7815 Walton Parkway, New Albany, OH 43054 (“Department”) and has offered to have the Department provide certain revenue management services with respect to the Hotel subject to the terms and conditions of this Agreement. Client wishes to accept and participate in such Services with respect to the Hotel.

### Agreement.

1. **Services:** TRC agrees to perform for Client the **REDvenue Bi-Weekly Service** and provide the items all listed below (collectively, the “Services”).

REDvenue Optimizer Program			
Program version		REDvenue (Bi-Weekly)	
Monthly cost		\$750	
Strategic Consulting		Tactical Revenue Management	
Dedicated portfolio Revenue Manager	X	Perform inventory management in Redistay	X
Revenue strategy call w/ report packet and recap	Bi-Weekly*	Price optimization management	X
Review of Day STR Report	Weekly	Review packages	X
Evaluation of retail pricing	Bi-Weekly	Review promotions	X
Mix of business analysis	Bi-Weekly	Implement packages	X
Review of future pace and pick-up	2x Week/As needed	Implement promotions	X
Online rate shop analysis	Bi-Weekly/As needed	Special event management	X
Opaque demand & pricing analysis and management	Bi-Weekly/As needed	Loading and managing LNR rates	X
Channel production review and strategy	Bi-Weekly	Sales and Marketing	
Review of inventory and make recommendations	X	Support for Sales and Marketing	X
Implementation of rate recommendations	X	Liaison for Sales and Marketing	X
Perform and review comprehensive virtual SWOT analysis	Semi-Annually	Representative from Sales or Marketing Attending Calls	Not included
Perform group displacement analysis	As needed	Support for Brand Promotions	X
Correct parity notices on OTA channels	X	RFP /Negotiated Pricing Guidance	X
Review of OTA Market Reports	X	Negotiated Account Analysis	X
Manage FIT	Bi-Weekly	Content Management	
Manage CLC	Bi-Weekly	Maintain Relationships with OTA Market Managers	X
Daily recap and recommendations	Not included	Reiew Content and Page Scores on OTA's	Bi-Weekly
Property audit	Not included	Review OTA reviews including scores and responses	Bi-Weekly
*Up to two Bi-Weekly calls may be missed per calendar year to allow RRF Staff to take PTO		Review Trip Advisor and make recommendations	Bi-Weekly

2. **Client Responsibilities:** TRC’s obligations to provide the Services are conditioned upon Client:
  - a. Providing ready access to Client’s staff and resources as necessary to allow Client to perform the Services;

- b. Being familiar with the area in which the Hotel is located and providing TRC with a list of events in the area during the term of this Agreement;
  - c. Providing TRC with a list of local demand generators in the area of the Hotel;
  - d. Sending a monthly list of all of the Hotel's sales activities and efforts during the term to TRC;
  - e. Maintaining a relationship with local Online Travel Agency ("OTA") market managers;
  - f. Making all rate changes for the Hotel; and
  - g. While in the program the Client must go through TRC to establish any on-line promotions.
3. **Fee:** Client agrees to pay TRC **\$750.00** a month (the "Fee") for the Services provided by this Agreement. After the Initial Term, TRC shall have the right to increase the Fee at any time by providing email notice to the Client or notice in accordance with Section 19, below.
4. **Bonus:** In addition to the Fee, Client agrees to pay to TRC a quarterly bonus in the event the Hotel achieves certain goals set forth below based on data from the Monthly STAR Report provided by Smith Travel Research ("STR"). Client shall pay to TRC each quarter of the term \$100.00 for each such goal achieved subject to a maximum bonus of \$300 each quarter. The comp set must be based on competitors that have an impact on the Hotel results. The comp set must be approved by a brand representative from TRC, Client, and STR.
- a. If the Hotel has year-over-year The Red Collection data, the bonus will be calculated on the below metrics:
    - i. The Hotel achieves a positive RevPAR percentage change in comparison to the same quarter of the previous year.
    - ii. The Hotel improves its Revenue Generating Index (RGI) in comparison to the same quarter of the previous year.
    - iii. The Hotel achieves higher RevPAR percentage change compared to the Hotel's assigned Submarket Scale in comparison to the same quarter of the previous year.
  - b. If the Hotel does not have year-over-year The Red Collection data, the bonus will be calculated on the below metrics. Once the Hotel has year-over-year The Red Collection data, then the bonus metrics will change to those detailed in section 4.a above:
    - i. The Hotel achieves a Market Penetration Index (MPI) of 100 or higher during the previous quarter.
    - ii. The Hotel achieves a Revenue Generating Index (RGI) of 100 or higher during the previous quarter.
5. **Invoicing:** Client shall pay the amounts agreed to herein upon receipt of invoice and Client shall pay the amount of such invoices to TRC. Any fees or other amounts due under this Agreement not received by TRC within thirty (30) days of the date of such invoice shall bear interest at the rate of one and a half percent (1.5%) per month, calculated on a daily basis, until paid in full, or whatever the maximum rate is allowed by law.
6. **Confidential Information:** Neither party hereto shall disclose to any non-party to the Agreement, any confidential information of such other party. Confidential information is information which relates to the other party's research, development, trade secrets, marketing plans, or business affairs, but does not include information which is generally known or easily ascertainable by non- parties.

TRC hereby acknowledges that during the performance of this Agreement, TRC may learn or receive confidential Client information and therefore TRC hereby confirms that all such information relating to the Client's business will be kept confidential by TRC, except to the extent that such information is required to be divulged to TRC's clerical or support staff or associates in order to enable TRC to perform the Services under this Agreement.

7. **Staff:** TRC is an independent contractor and neither TRC nor TRC's staff is or shall be deemed to be employed by Client. Client is hereby contracting with TRC for the Services described in Section 1 and TRC reserves the right to determine the method, manner and means by which the Services will be performed. The Services shall be performed by TRC or TRC's staff, and Client shall not be required to hire, supervise or pay any assistants to help TRC perform the Services under this agreement.

TRC shall not be required to devote TRC's full time nor the full time of TRC's staff to the performance of the Services required hereunder, and it is acknowledged that TRC has other Clients. The order or sequence in which the Services are to be performed shall be under the sole control of TRC. Except to the extent that TRC's Services must be performed on or with Client's computers or Client's existing software, and except to the extent specified in Section 1, all materials used in providing the Services shall be provided by TRC.

Each of the parties hereto agrees that, while performing Services under this Agreement, and for a period of three (3) months following the termination of this Agreement, neither party will, except with the other party's written approval, solicit or offer employment to the other party's employees or staff engaged in any efforts under this Agreement.

8. **Use and Hours of Operation:** TRC shall keep the Department staffed and open for business during normal business hours in the U.S. Eastern time zone, excluding holidays.
9. **Term of Agreement:**
  - a. The term of this Agreement shall commence as of the Effective Date and shall continue for a period of twelve (12) months ("Initial Term").
  - b. Either party may terminate this Agreement upon providing ninety (90) days prior written notice to the other party. However, Client agrees to not terminate this Agreement within the first (90) days of the Initial Term.
  - c. After the Initial Term, this Agreement shall automatically renew for additional one-year renewal terms, unless a party provides notice of non-renewal to the other party at least (ninety) 90 days prior to the end of the then-current term.
10. **Default:** Either party to this Agreement shall be deemed to be in default hereunder if such party fails to perform any obligation hereunder on or before the thirtieth (30th) day following delivery of written notice of such failure by the other party (5 days for monetary defaults); provide, however, that if the non-monetary default at issue is not reasonably susceptible of being cured within thirty (30) days, such thirty (30) day period shall be extended as reasonably necessary to allow the defaulting party to effect a cure, but in no event longer than a grace period of an additional thirty (30) days. If the defaulting party fails to cure its default within any applicable cure or grace period, the non-defaulting party may terminate this Agreement.
11. **Use of Work Product:** Except as specifically set forth in writing and signed by both Client and TRC, all work product, whether or not copyrightable or patentable, developed for Client by TRC or utilized solely for Client while performing Services for Client pursuant to this Agreement, shall be the sole and exclusive property of TRC. Client is hereby granted a limited, revocable, nonexclusive license to use and employ such work product within the Client's business during the term of this Agreement.
12. **Taxes:** Any and all taxes, except income taxes of TRC, imposed or assessed by reason of this Agreement or its performance, including but not limited to sales or use taxes, shall be paid by Client.

Client and TRC specifically agree that TRC is not an employee of Client. In the event foreign, federal, state or local taxes are assessed on the Services and TRC has paid for such taxes, Client shall promptly reimburse TRC for all such taxes except for those taxes based on the income of TRC, TRC employees, or personnel provided by TRC pursuant to this Agreement.

13. **Indemnification:** Client shall defend, indemnify, and hold harmless TRC, its affiliates and subsidiaries, and their respective officers, directors, shareholders, members, managers, employees, independent contractors, agents, and representatives, from and against any and all liabilities, damages, losses, fines, penalties, claims, costs or expenses (including costs of investigation, reasonable legal and accounting fees and expenses) (collectively "Claims") resulting from any claim or suit brought by any third party arising from or related to: (i) Client's material breach of any term, representation, warranty or obligation contained in this Agreement; (ii) any acts or omissions of Client, or its permitted assignees, owners, affiliates, subsidiaries, and their respective officers, directors, managers, employees, independent contractors, agents and their respective employees, representatives or subcontractors in the performance of any obligation under this Agreement; and (iii) Client's acts of fraud or negligence.
14. **Complete Agreement:** TRC warrants to Client that the analysis, data, and services to be delivered or rendered hereunder, will be of the kind and quality described in Section 1 and will be performed by qualified personnel.

**TRC MAKES NO OTHER WARRANTIES, WHETHER WRITTEN, ORAL OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTY OF FITNESS FOR PURPOSE OR MERCHANTABILITY. IN NO EVENT SHALL TRC BE LIABLE FOR SPECIAL OR CONSEQUENTIAL DAMAGES INCLUDING, BUT NOT LIMITED TO, ANY DAMAGES RELATED TO THE AMOUNTS OF THE CLIENT'S REVENUE OR PROFITS, EITHER IN CONTRACT OR TORT, WHETHER OR NOT THE POSSIBILITY OF SUCH DAMAGES HAS BEEN DISCLOSED TO TRC IN ADVANCE OR COULD HAVE BEEN REASONABLY FORESEEN BY TRC, AND IN THE EVENT THIS LIMITATION OF DAMAGES IS HELD UNENFORCEABLE THEN THE PARTIES AGREE THAT BY REASON OF THE DIFFICULTY IN FORESEEING POSSIBLE DAMAGES ALL LIABILITY TO CLIENT SHALL BE LIMITED TO ONE HUNDRED DOLLARS (\$100.00) AS LIQUIDATED DAMAGES AND NOT AS A PENALTY.**

15. **Complete Agreement:** This agreement contains the entire agreement between the parties hereto with respect to the matters covered herein. No other agreements, representations, warranties or other matters, oral or written, purportedly agreed to or represented by or on behalf of TRC by any of its employees or agents, or contained in any sales materials or brochures, shall be deemed to bind the parties hereto with respect to the subject matter hereof. Client acknowledges that it is entering into this Agreement solely on the basis of the representations contained herein.
16. **Applicable Law:** The parties shall each comply with all applicable federal, state and local employment and other laws, government regulations and orders. This Agreement shall be construed in accordance with the laws of the State of Ohio. Venue for any claim, suit, or action for enforcement of any provision of this Agreement shall lie in the state or federal courts located in the State of Ohio, Franklin County, to the exclusion of all others.
17. **Scope of Agreement:** If the scope of any of the provisions of the Agreement is too broad in any respect whatsoever to permit enforcement to its full extent, then such provisions shall be enforced to the maximum extent permitted by law, and the parties hereto consent and agree that such scope may

be judicially modified accordingly and that the whole of such provisions of this Agreement shall not thereby fail, but that the scope of such provisions shall be curtailed only to the extent necessary to conform to law.

18. **Additional Work:** If the parties agree upon additional services to be performed for Client by TRC and upon the additional compensation to be paid to TRC for such additional services, the parties shall both execute a document confirming such terms and such document shall become an amendment to this Agreement.
19. **Notices:** All notices pursuant to this Agreement shall be in writing and shall be personally delivered; sent by facsimile (if confirmed by regular mail within three (3) days); mailed by registered or certified mail, return receipt requested; or dispatched by overnight delivery to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

Notices to Client: Entity Name  
Entity Address

Notices to TRC: The Red Collection, LLC  
Revenue Management Department  
7815 Walton Parkway  
New Albany, OH 43054  
Attn: SVP Revenue Generation

With copy to: Legal Department

Notice shall be deemed received as follows: by personal delivery – at the time of delivery; by facsimile (if confirmed by regular mail as set forth above) – at time of faxing; by overnight delivery service – on the next business day following the date on which the notice was given to the overnight delivery service; and by registered or certified mail, return receipt requested – three (3) days after the date of mailing.

20. **Assignment:** Client shall not assign or otherwise transfer this Agreement or any of its interest in this Agreement without prior written consent of TRC. Except for the prohibition on assignment contained in the preceding sentence, this Agreement shall be binding upon and inure to the benefits of the heirs, successors and assigns of the parties hereto.
21. **Illegality of Agreement:** If any provision of this Agreement is declared to be illegal or unenforceable, the remainder of the Agreement shall not be affected by such illegality or unenforceability.
22. **Exclusivity:** TRC may provide similar services to other hotel owners. Client does not have an exclusive right to receive the Services from TRC.
23. **Litigation Costs:** In the event of any action, suit or proceeding related to this Agreement, the prevailing party, in addition to its rights and remedies otherwise available shall be entitled to receive reimbursement of reasonable attorney's fees and costs and court costs.

[Signatures follow on next page.]

IN WITNESS WHEREOF, each party hereto has caused this Agreement to be executed by an authorized person as of the date first above written.

THE RED COLLECTION, LLC

By (signature): \_\_\_\_\_

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Entity Name

By (Signature): \_\_\_\_\_

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## Exhibit N.2 90 Day Revenue Management Agreement

## REVENUE MANAGEMENT FOR HIRE AGREEMENT

**THIS AGREEMENT** is made effective as of Date (the “Effective Date”) between Entity Name (“Client”) with a principal place of business at Entity Address and The Red Collection, LLC (“TRC”), a Delaware Limited Liability Company with a principal place of business at 7815 Walton Parkway, New Albany, OH 43054.

### Background

- A. Client is the owner of a hotel known as Property Number, Property Address (the “Hotel”), and has the authority to enter into this Agreement. The following individual Name shall represent the Client during the performance of this Agreement with respect to the services and deliverables as defined herein.
- B. Client operates the Hotel as a The Red Collection hotel pursuant to the terms and conditions of a franchise agreement with TRC.
- C. TRC operates a Revenue Management Department located at 7815 Walton Parkway, New Albany, OH 43054 (“Department”) and has offered to have the Department provide certain revenue management services with respect to the Hotel subject to the terms and conditions of this Agreement. Client wishes to accept and participate in such Services with respect to the Hotel.

### Agreement.

1. **Services:** TRC agrees to perform for Client the **REDvenue 90-Day Service** and provide the items all listed below (collectively, the “Services”).

General			
Dedicated portfolio Revenue Manager	X	Participation	X
Bi-Weekly Revenue strategy call w/ report packet and recap	Bi-Weekly	Rate Review and stop sells	X
Review of Day STR Report	Weekly	Ensure proper rate setup in PMS	X
Evaluation of retail pricing	Bi-Weekly	Corp Rate Review	X
Mix of business analysis	Bi-Weekly	Weekly Rate	X
Review of future pace and pick-up	2x Week/As needed	Participation	X
Online rate shop analysis	Bi-Weekly/As needed	Rate Review	X
Opaque demand & pricing analysis and management	Bi-Weekly/As needed	Channel Activation	X
Channel production review and strategy	Bi-Weekly	Local Negotiated Rate Plan	X
Review of inventory and make recommendations	X	Review and Setup	X
Implementation of rate recommendations	X	<b>Marketing</b>	
Perform and review comprehensive virtual SWOT analysis	Semi-Annually	Redroof.com	X
Perform group displacement analysis	As needed	Content	X
Correct parity notices on OTA channels	X	Amenities	X
Review of OTA Market Reports	X	Flyers	X
<b>Pricing and Promotions</b>		Brand Promotions	X
BAR Rate Setup	X	Participation	X
Global, Seasonal, Event, Customs	X	Production	X
GTD/CXL policy setup and verification	X	LC's	X
Tiers	X	Room Types	X
Room Types Differentials	X	Limit LC's to 2 for events	X
Extra Person charges	X	<b>Online Curb Appeal</b>	
Opaque	X	Review OTA's	X
Rate Review	X	Content	X
Channel Setup	X	Page/Content Scores	X
OTA Setup	X	Reviews	X
Participating on all available channels	X	TripAdvisor	X
Room types loaded	X	<b>Miscellaneous</b>	
Extra person charges	X	Review STR Comp Set for potential change	X
<b>Sales</b>		Ensure proper competitors listed	X
CLC	X	Verify inventory count is correct	X
Participation	X	Perform Virtual SWOT analysis and share results with property	X
Market Production	X	Review property's DBA name for potential opportunity to change	X
Rate Review and Blackouts	X	Inventory/Out of Order Rooms	X
Ensure proper rate setup in PMS	X		
FIT	X		

- a. Providing ready access to Client's staff and resources as necessary to allow Client to perform the Services;
  - b. Being familiar with the area in which the Hotel is located and providing TRC with a list of events in the area during the term of this Agreement;
  - c. Providing TRC with a list of local demand generators in the area of the Hotel;
  - d. Sending a monthly list of all of the Hotel's sales activities and efforts during the term to TRC;
  - e. Maintaining a relationship with local Online Travel Agency ("OTA") market managers;
  - f. Making all rate changes for the Hotel; and
  - g. While in the program the Client must go through TRC to establish any on-line promotions.
3. **Fee:** Client agrees to pay TRC *\$895.00 a month for 3 months* (the "Fee") for the Services provided by this Agreement. After the Initial Term, TRC shall have the right to increase the Fee at any time by providing email notice to the Client or notice in accordance with Section 19, below.
4. **Bonus:** In addition to the Fee, Client agrees to pay to TRC a quarterly bonus in the event the Hotel achieves certain goals set forth below based on data from the Monthly STAR Report provided by Smith Travel Research ("STR"). Client shall pay to TRC each quarter of the term \$100.00 for each such goal achieved subject to a maximum bonus of \$300 each quarter. The comp set must be based on competitors that have an impact on the Hotel results. The comp set must be approved by a brand representative from TRC, Client, and STR.
- a. If the Hotel has year-over-year The Red Collection data, the bonus will be calculated on the below metrics:
    - i. The Hotel achieves a positive RevPAR percentage change in comparison to the same quarter of the previous year.
    - ii. The Hotel improves its Revenue Generating Index (RGI) in comparison to the same quarter of the previous year.
    - iii. The Hotel achieves higher RevPAR percentage change compared to the Hotel's assigned Submarket Scale in comparison to the same quarter of the previous year.
  - b. If the Hotel does not have year-over-year The Red Collection data, the bonus will be calculated on the below metrics. Once the Hotel has year-over-year The Red Collection data, then the bonus metrics will change to those detailed in section 4.a above:
    - i. The Hotel achieves a Market Penetration Index (MPI) of 100 or higher during the previous quarter.
    - ii. The Hotel achieves a Revenue Generating Index (RGI) of 100 or higher during the previous quarter.
5. **Invoicing:** Client shall pay the amounts agreed to herein upon receipt of invoice and Client shall pay the amount of such invoices to TRC. Any fees or other amounts due under this Agreement not received by TRC within thirty (30) days of the date of such invoice shall bear interest at the rate of one and a half percent (1.5%) per month, calculated on a daily basis, until paid in full, or whatever the maximum rate is allowed by law.
6. **Confidential Information:** Neither party hereto shall disclose to any non-party to the Agreement, any confidential information of such other party. Confidential information is information which relates to the other party's research, development, trade secrets, marketing plans, or business affairs, but does not include information which is generally known or easily ascertainable by non- parties.

TRC hereby acknowledges that during the performance of this Agreement, TRC may learn or receive confidential Client information and therefore TRC hereby confirms that all such information relating to the Client's business will be kept confidential by TRC, except to the extent that such

information is required to be divulged to TRC's clerical or support staff or associates in order to enable TRC to perform the Services under this Agreement.

7. **Staff:** TRC is an independent contractor and neither TRC nor TRC's staff is or shall be deemed to be employed by Client. Client is hereby contracting with TRC for the Services described in Section 1 and TRC reserves the right to determine the method, manner and means by which the Services will be performed. The Services shall be performed by TRC or TRC's staff, and Client shall not be required to hire, supervise or pay any assistants to help TRC perform the Services under this agreement.

TRC shall not be required to devote TRC's full time nor the full time of TRC's staff to the performance of the Services required hereunder, and it is acknowledged that TRC has other Clients. The order or sequence in which the Services are to be performed shall be under the sole control of TRC. Except to the extent that TRC's Services must be performed on or with Client's computers or Client's existing software, and except to the extent specified in Section 1, all materials used in providing the Services shall be provided by TRC.

Each of the parties hereto agrees that, while performing Services under this Agreement, and for a period of three (3) months following the termination of this Agreement, neither party will, except with the other party's written approval, solicit or offer employment to the other party's employees or staff engaged in any efforts under this Agreement.

8. **Use and Hours of Operation:** TRC shall keep the Department staffed and open for business during normal business hours in the U.S. Eastern time zone, excluding holidays.
9. **Term of Agreement:**
  - a. The term of this Agreement shall commence as of the Effective Date and shall continue for a period of three (3) months ("Term").
  - b. After the Initial Term, all services will be complete. At that time, if the hotel wishes to extend on an additional program, a new contract will be supplied.
10. **Default:** Either party to this Agreement shall be deemed to be in default hereunder if such party fails to perform any obligation hereunder on or before the thirtieth (30th) day following delivery of written notice of such failure by the other party (5 days for monetary defaults); provide, however, that if the non-monetary default at issue is not reasonably susceptible of being cured within thirty (30) days, such thirty (30) day period shall be extended as reasonably necessary to allow the defaulting party to effect a cure, but in no event longer than a grace period of an additional thirty (30) days. If the defaulting party fails to cure its default within any applicable cure or grace period, the non-defaulting party may terminate this Agreement.
11. **Use of Work Product:** Except as specifically set forth in writing and signed by both Client and TRC, all work product, whether or not copyrightable or patentable, developed for Client by TRC or utilized solely for Client while performing Services for Client pursuant to this Agreement, shall be the sole and exclusive property of TRC. Client is hereby granted a limited, revocable, nonexclusive license to use and employ such work product within the Client's business during the term of this Agreement.
12. **Taxes:** Any and all taxes, except income taxes of TRC, imposed or assessed by reason of this Agreement or its performance, including but not limited to sales or use taxes, shall be paid by Client. Client and TRC specifically agree that TRC is not an employee of Client. In the event foreign, federal, state or local taxes are assessed on the Services and TRC has paid for such taxes, Client shall

promptly reimburse TRC for all such taxes except for those taxes based on the income of TRC, TRC employees, or personnel provided by TRC pursuant to this Agreement.

13. **Indemnification:** Client shall defend, indemnify, and hold harmless TRC, its affiliates and subsidiaries, and their respective officers, directors, shareholders, members, managers, employees, independent contractors, agents, and representatives, from and against any and all liabilities, damages, losses, fines, penalties, claims, costs or expenses (including costs of investigation, reasonable legal and accounting fees and expenses) (collectively "Claims") resulting from any claim or suit brought by any third party arising from or related to: (i) Client's material breach of any term, representation, warranty or obligation contained in this Agreement; (ii) any acts or omissions of Client, or its permitted assignees, owners, affiliates, subsidiaries, and their respective officers, directors, managers, employees, independent contractors, agents and their respective employees, representatives or subcontractors in the performance of any obligation under this Agreement; and (iii) Client's acts of fraud or negligence.
14. **Complete Agreement:** TRC warrants to Client that the analysis, data, and services to be delivered or rendered hereunder, will be of the kind and quality described in Section 1 and will be performed by qualified personnel.

**TRC MAKES NO OTHER WARRANTIES, WHETHER WRITTEN, ORAL OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTY OF FITNESS FOR PURPOSE OR MERCHANTABILITY. IN NO EVENT SHALL TRC BE LIABLE FOR SPECIAL OR CONSEQUENTIAL DAMAGES INCLUDING, BUT NOT LIMITED TO, ANY DAMAGES RELATED TO THE AMOUNTS OF THE CLIENT'S REVENUE OR PROFITS, EITHER IN CONTRACT OR TORT, WHETHER OR NOT THE POSSIBILITY OF SUCH DAMAGES HAS BEEN DISCLOSED TO TRC IN ADVANCE OR COULD HAVE BEEN REASONABLY FORESEEN BY TRC, AND IN THE EVENT THIS LIMITATION OF DAMAGES IS HELD UNENFORCEABLE THEN THE PARTIES AGREE THAT BY REASON OF THE DIFFICULTY IN FORESEEING POSSIBLE DAMAGES ALL LIABILITY TO CLIENT SHALL BE LIMITED TO ONE HUNDRED DOLLARS (\$100.00) AS LIQUIDATED DAMAGES AND NOT AS A PENALTY.**

15. **Complete Agreement:** This agreement contains the entire agreement between the parties hereto with respect to the matters covered herein. No other agreements, representations, warranties or other matters, oral or written, purportedly agreed to or represented by or on behalf of TRC by any of its employees or agents, or contained in any sales materials or brochures, shall be deemed to bind the parties hereto with respect to the subject matter hereof. Client acknowledges that it is entering into this Agreement solely on the basis of the representations contained herein.
16. **Applicable Law:** The parties shall each comply with all applicable federal, state and local employment and other laws, government regulations and orders. This Agreement shall be construed in accordance with the laws of the State of Ohio. Venue for any claim, suit, or action for enforcement of any provision of this Agreement shall lie in the state or federal courts located in the State of Ohio, Franklin County, to the exclusion of all others.
17. **Scope of Agreement:** If the scope of any of the provisions of the Agreement is too broad in any respect whatsoever to permit enforcement to its full extent, then such provisions shall be enforced to the maximum extent permitted by law, and the parties hereto consent and agree that such scope may be judicially modified accordingly and that the whole of such provisions of this Agreement shall not

thereby fail, but that the scope of such provisions shall be curtailed only to the extent necessary to conform to law.

18. **Additional Work:** If the parties agree upon additional services to be performed for Client by TRC and upon the additional compensation to be paid to TRC for such additional services, the parties shall both execute a document confirming such terms and such document shall become an amendment to this Agreement.

19. **Notices:** All notices pursuant to this Agreement shall be in writing and shall be personally delivered; sent by facsimile (if confirmed by regular mail within three (3) days); mailed by registered or certified mail, return receipt requested; or dispatched by overnight delivery to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

Notices to Client:	<u>Entity Name</u> <u>Entity Address</u>
Notices to TRC:	The Red Collection, LLC Revenue Management Department 7815 Walton Parkway New Albany, OH 43054 Attn: SVP Revenue Generation
With copy to:	Legal Department

Notice shall be deemed received as follows: by personal delivery – at the time of delivery; by facsimile (if confirmed by regular mail as set forth above) – at time of faxing; by overnight delivery service – on the next business day following the date on which the notice was given to the overnight delivery service; and by registered or certified mail, return receipt requested – three (3) days after the date of mailing.

20. **Assignment:** Client shall not assign or otherwise transfer this Agreement or any of its interest in this Agreement without prior written consent of TRC. Except for the prohibition on assignment contained in the preceding sentence, this Agreement shall be binding upon and inure to the benefits of the heirs, successors and assigns of the parties hereto.

21. **Illegality of Agreement:** If any provision of this Agreement is declared to be illegal or unenforceable, the remainder of the Agreement shall not be affected by such illegality or unenforceability.

22. **Exclusivity:** TRC may provide similar services to other hotel owners. Client does not have an exclusive right to receive the Services from TRC.

23. **Litigation Costs:** In the event of any action, suit or proceeding related to this Agreement, the prevailing party, in addition to its rights and remedies otherwise available shall be entitled to receive reimbursement of reasonable attorney’s fees and costs and court costs.

[Signatures follow on next page.]

IN WITNESS WHEREOF, each party hereto has caused this Agreement to be executed by an authorized person as of the date first above written.

THE RED COLLECTION, LLC

By (signature): \_\_\_\_\_

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Entity Name

By (Signature): \_\_\_\_\_

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## Exhibit N.3 Blank Premium Revenue Management Agreement

## REVENUE MANAGEMENT FOR HIRE AGREEMENT

**THIS AGREEMENT** is made effective as of Date (the “Effective Date”) between Entity Name (“Client”) with a principal place of business at Entity Address and The Red Collection, LLC (“TRC”), a Delaware Limited Liability Company with a principal place of business at 7815 Walton Parkway, New Albany, OH 43054.

### Background

- A. Client is the owner of a hotel known as Property Number, Property Address (the “Hotel”), and has the authority to enter into this Agreement. The following individual Name shall represent the Client during the performance of this Agreement with respect to the services and deliverables as defined herein.
- B. Client operates the Hotel as a The Red Collection hotel pursuant to the terms and conditions of a franchise agreement with TRC.
- C. TRC operates a Revenue Management Department located at 7815 Walton Parkway, New Albany, OH 43054 (“Department”) and has offered to have the Department provide certain revenue management services with respect to the Hotel subject to the terms and conditions of this Agreement. Client wishes to accept and participate in such Services with respect to the Hotel.

### Agreement.

- 1. **Services:** TRC agrees to perform for Client the REDvenue Premium services and provide the items all listed below (collectively, the “Services”).

REDvenue Optimizer Program	
Program version	REDvenue Premium (Weekly)
Monthly cost	\$1,195

Strategic Consulting		Tactical Revenue Management	
Dedicated portfolio Revenue Manager	X	Perform inventory management in Redistay	X
Revenue strategy call w/ report packet and recap	Weekly	Price optimization management	X
Review of Day STR Report	Weekly	Review packages	X
Evaluation of retail pricing	Weekly	Review promotions	X
Mix of business analysis	Weekly	Implement packages	X
Review of future pace and pick-up	Daily/As needed	Implement promotions	X
Online rate shop analysis	Daily/As needed	Special event management	X
Opaque demand & pricing analysis and management	Weekly/As needed	Loading and managing LNR rates	X
		Sales and Marketing	
Channel production review and strategy	Weekly	Support for Sales and Marketing	X
Review of inventory and make recommendations	X	Liaison for Sales and Marketing	X
Implementation of rate recommendations	X	Representative from Sales or Marketing Attending Calls	Monthly
Perform and review comprehensive virtual SWOT analysis	Quarterly	Support for Brand Promotions	X
Perform group displacement analysis	As needed	RFP /Negotiated Pricing Guidance	X
Correct parity notices on OTA channels	X	Negotiated Account Analysis	X
Review of OTA Market Reports	X		
		Content Management	
Manage FIT	Weekly	Maintain Relationships with OTA Market Managers	X
Manage CLC	Weekly	Reiew Content and Page Scores on OTA's	Weekly
Daily recap and recommendations	X	Review OTA reviews including scores and responses	Weekly
Property audit	Quarterly	Review Trip Advisor and make recommendations	Weekly

Inn Spotlight	
Spotlight in VP+ Newsletter	Yearly
Social Media Spotlight	Semi-annually
Contact Center Spotlight	Yearly
RRI.com Deals Page Spotlight	On-going*
*If offering a deal	

2. **Client Responsibilities:** TRC's obligations to provide the Services are conditioned upon Client:
  - a. Providing ready access to Client's staff and resources as necessary to allow Client to perform the Services;
  - b. Being familiar with the area in which the Hotel is located and providing TRC with a list of events in the area during the term of this Agreement;
  - c. Providing TRC with a list of local demand generators in the area of the Hotel;
  - d. Sending a monthly list of all of the Hotel's sales activities and efforts during the term to TRC;
  - e. Maintaining a relationship with local Online Travel Agency ("OTA") market managers;
  - f. Making all rate changes for the Hotel; and
  - g. While in the program the Client must go through TRC to establish any on-line promotions.
3. **Fee:** Client agrees to pay TRC **\$1,195.00** a month (the "Fee") for the Services provided by this Agreement. After the Initial Term, TRC shall have the right to increase the Fee at any time by providing email notice to the Client or notice in accordance with Section 19, below.
4. **Bonus:** In addition to the Fee, Client agrees to pay to TRC a quarterly bonus in the event the Hotel achieves certain goals set forth below based on data from the Monthly STAR Report provided by Smith Travel Research ("STR"). Client shall pay to TRC each quarter of the term \$100.00 for each such goal achieved subject to a maximum bonus of \$300 each quarter. The comp set must be based on competitors that have an impact on the Hotel results. The comp set must be approved by a brand representative from TRC, Client, and STR.
  - a. If the Hotel has year-over-year The Red Collection data, the bonus will be calculated on the below metrics:
    - i. The Hotel achieves a positive RevPAR percentage change in comparison to the same quarter of the previous year.
    - ii. The Hotel improves its Revenue Generating Index (RGI) in comparison to the same quarter of the previous year.
    - iii. The Hotel achieves higher RevPAR percentage change compared to the Hotel's assigned Submarket Scale in comparison to the same quarter of the previous year.
  - b. If the Hotel does not have year-over-year The Red Collection data, the bonus will be calculated on the below metrics. Once the Hotel has year-over-year The Red Collection data, then the bonus metrics will change to those detailed in section 4.a above:
    - i. The Hotel achieves a Market Penetration Index (MPI) of 100 or higher during the previous quarter.
    - ii. The Hotel achieves a Revenue Generating Index (RGI) of 100 or higher during the previous quarter.
5. **Invoicing:** Client shall pay the amounts agreed to herein upon receipt of invoice and Client shall pay the amount of such invoices to TRC. Any fees or other amounts due under this Agreement not received by TRC within thirty (30) days of the date of such invoice shall bear interest at the rate of one and a half percent (1.5%) per month, calculated on a daily basis, until paid in full, or whatever the maximum rate is allowed by law.
6. **Confidential Information:** Neither party hereto shall disclose to any non-party to the Agreement, any confidential information of such other party. Confidential information is information which relates to the other party's research, development, trade secrets, marketing plans, or business affairs, but does not include information which is generally known or easily ascertainable by non- parties.

TRC hereby acknowledges that during the performance of this Agreement, TRC may learn or receive confidential Client information and therefore TRC hereby confirms that all such information

relating to the Client's business will be kept confidential by TRC, except to the extent that such information is required to be divulged to TRC's clerical or support staff or associates in order to enable TRC to perform the Services under this Agreement.

7. **Staff:** TRC is an independent contractor and neither TRC nor TRC's staff is or shall be deemed to be employed by Client. Client is hereby contracting with TRC for the Services described in Section 1 and TRC reserves the right to determine the method, manner and means by which the Services will be performed. The Services shall be performed by TRC or TRC's staff, and Client shall not be required to hire, supervise or pay any assistants to help TRC perform the Services under this agreement.

TRC shall not be required to devote TRC's full time nor the full time of TRC's staff to the performance of the Services required hereunder, and it is acknowledged that TRC has other Clients. The order or sequence in which the Services are to be performed shall be under the sole control of TRC. Except to the extent that TRC's Services must be performed on or with Client's computers or Client's existing software, and except to the extent specified in Section 1, all materials used in providing the Services shall be provided by TRC.

Each of the parties hereto agrees that, while performing Services under this Agreement, and for a period of three (3) months following the termination of this Agreement, neither party will, except with the other party's written approval, solicit or offer employment to the other party's employees or staff engaged in any efforts under this Agreement.

8. **Use and Hours of Operation:** TRC shall keep the Department staffed and open for business during normal business hours in the U.S. Eastern time zone, excluding holidays.

9. **Term of Agreement:**

- a. The term of this Agreement shall commence as of the Effective Date and shall continue for a period of twelve (12) months ("Initial Term").
- b. Either party may terminate this Agreement upon providing ninety (90) days prior written notice to the other party. However, Client agrees to not terminate this Agreement within the first (90) days of the Initial Term.
- c. After the Initial Term, this Agreement shall automatically renew for additional one- year renewal terms, unless a party provides notice of non-renewal to the other party at least (ninety) 90 days prior to the end of the then-current term.

10. **Default:** Either party to this Agreement shall be deemed to be in default hereunder if such party fails to perform any obligation hereunder on or before the thirtieth (30th) day following delivery of written notice of such failure by the other party (5 days for monetary defaults); provide, however, that if the non-monetary default at issue is not reasonably susceptible of being cured within thirty (30) days, such thirty (30) day period shall be extended as reasonably necessary to allow the defaulting party to effect a cure, but in no event longer than a grace period of an additional thirty (30) days. If the defaulting party fails to cure its default within any applicable cure or grace period, the non-defaulting party may terminate this Agreement.

11. **Use of Work Product:** Except as specifically set forth in writing and signed by both Client and TRC, all work product, whether or not copyrightable or patentable, developed for Client by TRC or utilized solely for Client while performing Services for Client pursuant to this Agreement, shall be the sole and exclusive property of TRC. Client is hereby granted a limited, revocable, nonexclusive license to use and employ such work product within the Client's business during the term of this Agreement.

12. **Taxes:** Any and all taxes, except income taxes of TRC, imposed or assessed by reason of this Agreement or its performance, including but not limited to sales or use taxes, shall be paid by Client. Client and TRC specifically agree that TRC is not an employee of Client. In the event foreign, federal, state or local taxes are assessed on the Services and TRC has paid for such taxes, Client shall promptly reimburse TRC for all such taxes except for those taxes based on the income of TRC, TRC employees, or personnel provided by TRC pursuant to this Agreement.
13. **Indemnification:** Client shall defend, indemnify, and hold harmless TRC, its affiliates and subsidiaries, and their respective officers, directors, shareholders, members, managers, employees, independent contractors, agents, and representatives, from and against any and all liabilities, damages, losses, fines, penalties, claims, costs or expenses (including costs of investigation, reasonable legal and accounting fees and expenses) (collectively “Claims”) resulting from any claim or suit brought by any third party arising from or related to: (i) Client’s material breach of any term, representation, warranty or obligation contained in this Agreement; (ii) any acts or omissions of Client, or its permitted assignees, owners, affiliates, subsidiaries, and their respective officers, directors, managers, employees, independent contractors, agents and their respective employees, representatives or subcontractors in the performance of any obligation under this Agreement; and (iii) Client’s acts of fraud or negligence.
14. **Complete Agreement:** TRC warrants to Client that the analysis, data, and services to be delivered or rendered hereunder, will be of the kind and quality described in Section 1 and will be performed by qualified personnel.

**TRC MAKES NO OTHER WARRANTIES, WHETHER WRITTEN, ORAL OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTY OF FITNESS FOR PURPOSE OR MERCHANTABILITY. IN NO EVENT SHALL TRC BE LIABLE FOR SPECIAL OR CONSEQUENTIAL DAMAGES INCLUDING, BUT NOT LIMITED TO, ANY DAMAGES RELATED TO THE AMOUNTS OF THE CLIENT’S REVENUE OR PROFITS, EITHER IN CONTRACT OR TORT, WHETHER OR NOT THE POSSIBILITY OF SUCH DAMAGES HAS BEEN DISCLOSED TO TRC IN ADVANCE OR COULD HAVE BEEN REASONABLY FORESEEN BY TRC, AND IN THE EVENT THIS LIMITATION OF DAMAGES IS HELD UNENFORCEABLE THEN THE PARTIES AGREE THAT BY REASON OF THE DIFFICULTY IN FORESEEING POSSIBLE DAMAGES ALL LIABILITY TO CLIENT SHALL BE LIMITED TO ONE HUNDRED DOLLARS (\$100.00) AS LIQUIDATED DAMAGES AND NOT AS A PENALTY.**

15. **Complete Agreement:** This agreement contains the entire agreement between the parties hereto with respect to the matters covered herein. No other agreements, representations, warranties or other matters, oral or written, purportedly agreed to or represented by or on behalf of TRC by any of its employees or agents, or contained in any sales materials or brochures, shall be deemed to bind the parties hereto with respect to the subject matter hereof. Client acknowledges that it is entering into this Agreement solely on the basis of the representations contained herein.
16. **Applicable Law:** The parties shall each comply with all applicable federal, state and local employment and other laws, government regulations and orders. This Agreement shall be construed in accordance with the laws of the State of Ohio. Venue for any claim, suit, or action for enforcement of any provision of this Agreement shall lie in the state or federal courts located in the State of Ohio, Franklin County, to the exclusion of all others.

17. **Scope of Agreement:** If the scope of any of the provisions of the Agreement is too broad in any respect whatsoever to permit enforcement to its full extent, then such provisions shall be enforced to the maximum extent permitted by law, and the parties hereto consent and agree that such scope may be judicially modified accordingly and that the whole of such provisions of this Agreement shall not thereby fail, but that the scope of such provisions shall be curtailed only to the extent necessary to conform to law.
18. **Additional Work:** If the parties agree upon additional services to be performed for Client by TRC and upon the additional compensation to be paid to TRC for such additional services, the parties shall both execute a document confirming such terms and such document shall become an amendment to this Agreement.
19. **Notices:** All notices pursuant to this Agreement shall be in writing and shall be personally delivered; sent by facsimile (if confirmed by regular mail within three (3) days); mailed by registered or certified mail, return receipt requested; or dispatched by overnight delivery to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

Notices to Client:    Entity Name  
                               Entity Address

Notices to TRC:        The Red Collection, LLC  
                               Revenue Management Department  
                               7815 Walton Parkway  
                               New Albany, OH 43054  
                               Attn: SVP Revenue Generation

With copy to:         Legal Department

Notice shall be deemed received as follows: by personal delivery – at the time of delivery; by facsimile (if confirmed by regular mail as set forth above) – at time of faxing; by overnight delivery service – on the next business day following the date on which the notice was given to the overnight delivery service; and by registered or certified mail, return receipt requested – three (3) days after the date of mailing.

20. **Assignment:** Client shall not assign or otherwise transfer this Agreement or any of its interest in this Agreement without prior written consent of TRC. Except for the prohibition on assignment contained in the preceding sentence, this Agreement shall be binding upon and inure to the benefits of the heirs, successors and assigns of the parties hereto.
21. **Illegality of Agreement:** If any provision of this Agreement is declared to be illegal or unenforceable, the remainder of the Agreement shall not be affected by such illegality or unenforceability.
22. **Exclusivity:** TRC may provide similar services to other hotel owners. Client does not have an exclusive right to receive the Services from TRC.
23. **Litigation Costs:** In the event of any action, suit or proceeding related to this Agreement, the prevailing party, in addition to its rights and remedies otherwise available shall be entitled to receive reimbursement of reasonable attorney’s fees and costs and court costs.

[Signatures follow on next page.]

IN WITNESS WHEREOF, each party hereto has caused this Agreement to be executed by an authorized person as of the date first above written.

THE RED COLLECTION, LLC

By (signature): \_\_\_\_\_

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Entity Name

By (Signature): \_\_\_\_\_

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## Exhibit N.4. Lite Revenue Management Agreement

## REVENUE MANAGEMENT FOR HIRE AGREEMENT

**THIS AGREEMENT** is made effective as of Date (the “Effective Date”) between Entity Name (“Client”) with a principal place of business at Entity Address and The Red Collection, LLC (“TRC”), a Delaware Limited Liability Company with a principal place of business at 7815 Walton Parkway, New Albany, OH 43054.

### Background

- A. Client is the owner of a hotel known as Property Number, Property Address (the “Hotel”), and has the authority to enter into this Agreement. The following individual Name shall represent the Client during the performance of this Agreement with respect to the services and deliverables as defined herein.
- B. Client operates the Hotel as a The Red Collection hotel pursuant to the terms and conditions of a franchise agreement with TRC.
- C. TRC operates a Revenue Management Department located at 7815 Walton Parkway, New Albany, OH 43054 (“Department”) and has offered to have the Department provide certain revenue management services with respect to the Hotel subject to the terms and conditions of this Agreement. Client wishes to accept and participate in such Services with respect to the Hotel.

### Agreement.

1. **Services:** TRC agrees to perform for Client the REDvenue Lite services and provide the items all listed below (collectively, the “Services”).

REDvenue Optimizer Program	
Program version	REDvenue Lite
Monthly cost	\$525

Tactical Revenue Management		Strategic Consulting	
Perform inventory management in Redistay	X	Dedicated portfolio Revenue Manager	X
Price optimization management	X	Revenue strategy call w/ report packet and recap	Monthly
Review packages	Not included	Review of Day STR Report	Monthly
Review promotions	X	Evaluation of retail pricing	Monthly
Implement packages	Not included	Mix of business analysis	Monthly
Implement promotions	X	Review of future pace and pick-up	Weekly
Special event management	X	Online rate shop analysis	Monthly/As needed
Loading and managing LNR rates	Not included	Opaque demand & pricing analysis and management	Monthly
Sales and Marketing		Channel production review and strategy	Monthly
Support for Sales and Marketing	X	Review of inventory and make recommendations	X
Liaison for Sales and Marketing	Not included	Implementation of rate recommendations	X
Representative from Sales or Marketing Attending Calls	Not included	Perform/review comprehensive virtual SWOT analysis	Annually
Support for Brand Promotions	X	Perform group displacement analysis	As needed
RFP /Negotiated Pricing Guidance	X	Correct parity notices on OTA channels	Not included
Negotiated Account Analysis	Not included	Review of OTA Market Reports	Not included
Content Management		Manage FIT	Monthly
Maintain Relationships with OTA Market Managers	Not included	Manage CLC	Monthly
Reiew Content and Page Scores on OTA's	Monthly	Daily recap and recommendations	Not included
Review OTA reviews including scores and responses	Not included	Property audit	Not included
Review Trip Advisor and make recommendations	Not included		

2. **Client Responsibilities:** TRC’s obligations to provide the Services are conditioned upon Client:
  - a. Providing ready access to Client’s staff and resources as necessary to allow Client to perform the Services;
  - b. Being familiar with the area in which the Hotel is located and providing TRC with a list of events in the area during the term of this Agreement;
  - c. Providing TRC with a list of local demand generators in the area of the Hotel;
  - d. Sending a monthly list of all of the Hotel’s sales activities and efforts during the term to TRC;
  - e. Maintaining a relationship with local Online Travel Agency (“OTA”) market managers;

- f. Making all rate changes for the Hotel; and
  - g. While in the program the Client must go through TRC to establish any on-line promotions.
3. **Fee:** Client agrees to pay TRC **\$525.00** a month (the “Fee”) for the Services provided by this Agreement. After the Initial Term, TRC shall have the right to increase the Fee at any time by providing email notice to the Client or notice in accordance with Section 19, below.
4. **Bonus:** In addition to the Fee, Client agrees to pay to TRC a quarterly bonus in the event the Hotel achieves certain goals set forth below based on data from the Monthly STAR Report provided by Smith Travel Research (“STR”). Client shall pay to TRC each quarter of the term \$100.00 for each such goal achieved subject to a maximum bonus of \$300 each quarter. The comp set must be based on competitors that have an impact on the Hotel results. The comp set must be approved by a brand representative from TRC, Client, and STR.
- a. If the Hotel has year-over-year The Red Collection data, the bonus will be calculated on the below metrics:
    - i. The Hotel achieves a positive RevPAR percentage change in comparison to the same quarter of the previous year.
    - ii. The Hotel improves its Revenue Generating Index (RGI) in comparison to the same quarter of the previous year.
    - iii. The Hotel achieves higher RevPAR percentage change compared to the Hotel’s assigned Submarket Scale in comparison to the same quarter of the previous year.
  - b. If the Hotel does not have year-over-year The Red Collection data, the bonus will be calculated on the below metrics. Once the Hotel has year-over-year The Red Collection data, then the bonus metrics will change to those detailed in section 4.a above:
    - i. The Hotel achieves a Market Penetration Index (MPI) of 100 or higher during the previous quarter.
    - ii. The Hotel achieves a Revenue Generating Index (RGI) of 100 or higher during the previous quarter.
5. **Invoicing:** Client shall pay the amounts agreed to herein upon receipt of invoice and Client shall pay the amount of such invoices to TRC. Any fees or other amounts due under this Agreement not received by TRC within thirty (30) days of the date of such invoice shall bear interest at the rate of one and a half percent (1.5%) per month, calculated on a daily basis, until paid in full, or whatever the maximum rate is allowed by law.
6. **Confidential Information:** Neither party hereto shall disclose to any non-party to the Agreement, any confidential information of such other party. Confidential information is information which relates to the other party’s research, development, trade secrets, marketing plans, or business affairs, but does not include information which is generally known or easily ascertainable by non- parties.

TRC hereby acknowledges that during the performance of this Agreement, TRC may learn or receive confidential Client information and therefore TRC hereby confirms that all such information relating to the Client’s business will be kept confidential by TRC, except to the extent that such information is required to be divulged to TRC’s clerical or support staff or associates in order to enable TRC to perform the Services under this Agreement.

7. **Staff:** TRC is an independent contractor and neither TRC nor TRC’s staff is or shall be deemed to be employed by Client. Client is hereby contracting with TRC for the Services described in Section 1 and TRC reserves the right to determine the method, manner and means by which the Services will be performed. The Services shall be performed by TRC or TRC’s staff, and Client shall not be

required to hire, supervise or pay any assistants to help TRC perform the Services under this agreement.

TRC shall not be required to devote TRC's full time nor the full time of TRC's staff to the performance of the Services required hereunder, and it is acknowledged that TRC has other Clients. The order or sequence in which the Services are to be performed shall be under the sole control of TRC. Except to the extent that TRC's Services must be performed on or with Client's computers or Client's existing software, and except to the extent specified in Section 1, all materials used in providing the Services shall be provided by TRC.

Each of the parties hereto agrees that, while performing Services under this Agreement, and for a period of three (3) months following the termination of this Agreement, neither party will, except with the other party's written approval, solicit or offer employment to the other party's employees or staff engaged in any efforts under this Agreement.

8. **Use and Hours of Operation:** TRC shall keep the Department staffed and open for business during normal business hours in the U.S. Eastern time zone, excluding holidays.
9. **Term of Agreement:**
  - a. The term of this Agreement shall commence as of the Effective Date and shall continue for a period of twelve (12) months ("Initial Term").
  - b. Either party may terminate this Agreement upon providing ninety (90) days prior written notice to the other party. However, Client agrees to not terminate this Agreement within the first (90) days of the Initial Term.
  - c. After the Initial Term, this Agreement shall automatically renew for additional one-year renewal terms, unless a party provides notice of non-renewal to the other party at least (ninety) 90 days prior to the end of the then-current term.
10. **Default:** Either party to this Agreement shall be deemed to be in default hereunder if such party fails to perform any obligation hereunder on or before the thirtieth (30th) day following delivery of written notice of such failure by the other party (5 days for monetary defaults); provide, however, that if the non-monetary default at issue is not reasonably susceptible of being cured within thirty (30) days, such thirty (30) day period shall be extended as reasonably necessary to allow the defaulting party to effect a cure, but in no event longer than a grace period of an additional thirty (30) days. If the defaulting party fails to cure its default within any applicable cure or grace period, the non-defaulting party may terminate this Agreement.
11. **Use of Work Product:** Except as specifically set forth in writing and signed by both Client and TRC, all work product, whether or not copyrightable or patentable, developed for Client by TRC or utilized solely for Client while performing Services for Client pursuant to this Agreement, shall be the sole and exclusive property of TRC. Client is hereby granted a limited, revocable, nonexclusive license to use and employ such work product within the Client's business during the term of this Agreement.
12. **Taxes:** Any and all taxes, except income taxes of TRC, imposed or assessed by reason of this Agreement or its performance, including but not limited to sales or use taxes, shall be paid by Client. Client and TRC specifically agree that TRC is not an employee of Client. In the event foreign, federal, state or local taxes are assessed on the Services and TRC has paid for such taxes, Client shall promptly reimburse TRC for all such taxes except for those taxes based on the income of TRC, TRC employees, or personnel provided by TRC pursuant to this Agreement.

13. **Indemnification:** Client shall defend, indemnify, and hold harmless TRC, its affiliates and subsidiaries, and their respective officers, directors, shareholders, members, managers, employees, independent contractors, agents, and representatives, from and against any and all liabilities, damages, losses, fines, penalties, claims, costs or expenses (including costs of investigation, reasonable legal and accounting fees and expenses) (collectively “Claims”) resulting from any claim or suit brought by any third party arising from or related to: (i) Client’s material breach of any term, representation, warranty or obligation contained in this Agreement; (ii) any acts or omissions of Client, or its permitted assignees, owners, affiliates, subsidiaries, and their respective officers, directors, managers, employees, independent contractors, agents and their respective employees, representatives or subcontractors in the performance of any obligation under this Agreement; and (iii) Client’s acts of fraud or negligence.
14. **Complete Agreement:** TRC warrants to Client that the analysis, data, and services to be delivered or rendered hereunder, will be of the kind and quality described in Section 1 and will be performed by qualified personnel.

**TRC MAKES NO OTHER WARRANTIES, WHETHER WRITTEN, ORAL OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTY OF FITNESS FOR PURPOSE OR MERCHANTABILITY. IN NO EVENT SHALL TRC BE LIABLE FOR SPECIAL OR CONSEQUENTIAL DAMAGES INCLUDING, BUT NOT LIMITED TO, ANY DAMAGES RELATED TO THE AMOUNTS OF THE CLIENT’S REVENUE OR PROFITS, EITHER IN CONTRACT OR TORT, WHETHER OR NOT THE POSSIBILITY OF SUCH DAMAGES HAS BEEN DISCLOSED TO TRC IN ADVANCE OR COULD HAVE BEEN REASONABLY FORESEEN BY TRC, AND IN THE EVENT THIS LIMITATION OF DAMAGES IS HELD UNENFORCEABLE THEN THE PARTIES AGREE THAT BY REASON OF THE DIFFICULTY IN FORESEEING POSSIBLE DAMAGES ALL LIABILITY TO CLIENT SHALL BE LIMITED TO ONE HUNDRED DOLLARS (\$100.00) AS LIQUIDATED DAMAGES AND NOT AS A PENALTY.**

15. **Complete Agreement:** This agreement contains the entire agreement between the parties hereto with respect to the matters covered herein. No other agreements, representations, warranties or other matters, oral or written, purportedly agreed to or represented by or on behalf of TRC by any of its employees or agents, or contained in any sales materials or brochures, shall be deemed to bind the parties hereto with respect to the subject matter hereof. Client acknowledges that it is entering into this Agreement solely on the basis of the representations contained herein.
16. **Applicable Law:** The parties shall each comply with all applicable federal, state and local employment and other laws, government regulations and orders. This Agreement shall be construed in accordance with the laws of the State of Ohio. Venue for any claim, suit, or action for enforcement of any provision of this Agreement shall lie in the state or federal courts located in the State of Ohio, Franklin County, to the exclusion of all others.
17. **Scope of Agreement:** If the scope of any of the provisions of the Agreement is too broad in any respect whatsoever to permit enforcement to its full extent, then such provisions shall be enforced to the maximum extent permitted by law, and the parties hereto consent and agree that such scope may be judicially modified accordingly and that the whole of such provisions of this Agreement shall not thereby fail, but that the scope of such provisions shall be curtailed only to the extent necessary to conform to law.
18. **Additional Work:** If the parties agree upon additional services to be performed for Client by TRC

and upon the additional compensation to be paid to TRC for such additional services, the parties shall both execute a document confirming such terms and such document shall become an amendment to this Agreement.

19. **Notices:** All notices pursuant to this Agreement shall be in writing and shall be personally delivered; sent by facsimile (if confirmed by regular mail within three (3) days); mailed by registered or certified mail, return receipt requested; or dispatched by overnight delivery to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

Notices to Client: Entity Name  
Entity Address

Notices to TRC: The Red Collection, LLC  
Revenue Management Department  
7815 Walton Parkway  
New Albany, OH 43054  
Attn: SVP Revenue Generation

With copy to: Legal Department

Notice shall be deemed received as follows: by personal delivery – at the time of delivery; by facsimile (if confirmed by regular mail as set forth above) – at time of faxing; by overnight delivery service – on the next business day following the date on which the notice was given to the overnight delivery service; and by registered or certified mail, return receipt requested – three (3) days after the date of mailing.

20. **Assignment:** Client shall not assign or otherwise transfer this Agreement or any of its interest in this Agreement without prior written consent of TRC. Except for the prohibition on assignment contained in the preceding sentence, this Agreement shall be binding upon and inure to the benefits of the heirs, successors and assigns of the parties hereto.
21. **Illegality of Agreement:** If any provision of this Agreement is declared to be illegal or unenforceable, the remainder of the Agreement shall not be affected by such illegality or unenforceability.
22. **Exclusivity:** TRC may provide similar services to other hotel owners. Client does not have an exclusive right to receive the Services from TRC.
23. **Litigation Costs:** In the event of any action, suit or proceeding related to this Agreement, the prevailing party, in addition to its rights and remedies otherwise available shall be entitled to receive reimbursement of reasonable attorney’s fees and costs and court costs.

[Signatures follow on next page.]

IN WITNESS WHEREOF, each party hereto has caused this Agreement to be executed by an authorized person as of the date first above written.

THE RED COLLECTION, LLC

By (signature): \_\_\_\_\_

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Entity Name

By (Signature): \_\_\_\_\_

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## STATE EFFECTIVE DATES

The following states have franchise laws that require that the Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin. We do not offer franchises in Hawaii.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
CALIFORNIA	April <del>10, 2024</del> <a href="#">14, 2025</a>
ILLINOIS	April <del>10, 2024</del> <a href="#">14, 2025</a>
INDIANA	April <del>10, 2024</del> <a href="#">14, 2025</a>
MARYLAND	<del>June 6, 2024</del> <a href="#">PENDING</a>
MICHIGAN	<del>April 12, 2024</del> <a href="#">PENDING</a>
MINNESOTA	<del>May 7, 2024</del> <a href="#">PENDING</a>
NEW YORK	April <del>10, 2024</del> <a href="#">14, 2025</a>
NORTH DAKOTA	<del>April 16, 2024</del> <a href="#">PENDING</a>
RHODE ISLAND	<del>April 8, 2024</del> <a href="#">PENDING</a>
SOUTH DAKOTA	<del>April 10, 2024</del> <a href="#">PENDING</a>
VIRGINIA	<del>April 14, 2024</del> <a href="#">PENDING</a>
WASHINGTON	<del>April 28, 2024</del> <a href="#">PENDING</a>
WISCONSIN	<del>April 10, 2024</del> <a href="#">PENDING</a>

Other states may require registration, filing or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**RECEIPT**

**Copy 1**

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all the agreements carefully.

If The Red Collection, LLC offers you a franchise, The Red Collection, LLC must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by state law. New York requires that The Red Collection, LLC give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires that The Red Collection, LLC give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Michigan requires that The Red Collection, LLC give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If The Red Collection, 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the applicable state agency listed in Exhibit B of this disclosure document.

The name, principle business address and telephone number of the franchise seller offering the franchise is: Ziad Gharib - President, Ray Ruyak – Franchise Development Director, Stephen Burik – Franchise Development Director, Russell Stinnett – Franchise Development Director, Saj Saiyed – Franchise Development Director, Terrence Hall – Franchise Sales Specialist, Stephanie Pina – Manager, Franchise Sales and Development, Richard Schaeffer – Vice President, Franchise Development, Sandhya Patel – Director, Strategic Franchise Initiatives, Vinay Sharma – Franchise Development Director, Red Roof Franchising, LLC, 7815 Walton Parkway, New Albany, Ohio 43054, (614) 744-2600.

Issuance Date: April 14, 2025

The Red Collection, LLC authorizes the agents listed in Exhibit C to receive service of process for it in the particular state.

I have received a Disclosure Document dated April 14, 2025 that includes the following Exhibits:

- |   |   |
|---|---|
| <u>A Financial Statements</u>   | <u>I Table of Contents of the Manuals</u>                     |
| <u>B List of State Administrators</u>   | <u>J Transfer Addendum to Franchise Agreement</u>             |
| <u>C List of Agents for Service of Process</u>                                  | <u>K Development Incentive Program for Women and Veterans</u> |
| <u>D List of Franchisees</u>  | <u>L State Required Agreement Addenda</u>                     |
| <u>E Franchise Application</u>  | <u>M RediCall Agreement</u>                                   |
| <u>F Franchise Agreement</u>  | <u>N Revenue Management Agreements</u>                        |
| <u>G Renovation Addendum</u>  |   |
| <u>H Reservation Platform Property Management Software Sublicense Agreement</u> |   |

Date: \_\_\_\_\_

Proposed Location: \_\_\_\_\_

Type of Business Entity: \_\_\_\_\_

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

Print Your Name: \_\_\_\_\_ Print Your Title: \_\_\_\_\_

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all the agreements carefully.

If The Red Collection, LLC offers you a franchise, The Red Collection, LLC must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by state law. New York requires that The Red Collection, LLC give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires that The Red Collection, LLC give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Michigan requires that The Red Collection, LLC give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If The Red Collection, 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the applicable state agency listed in Exhibit B of this disclosure document.

The name, principle business address and telephone number of the franchise seller offering the franchise is: Ziad Gharib - President, Ray Ruyak – Franchise Development Director, ~~Jennifer Burcham – Franchise Development Director, Timothy Means – Franchise Development Director~~, Stephen Burik – Franchise Development Director, Russell Stinnett – Franchise Development Director, Saj Saiyed – Franchise Development Director, Terrence Hall – Franchise Sales Specialist, Stephanie Pina – Manager, Franchise Sales and Development, ~~Alex Shamsuddin – Regional Vice President, Franchise Sales and Development~~, Richard Schaeffer – Vice President, Franchise Development, Sandhya Patel – Director, Strategic Franchise Initiatives, Vinay Sharma – Franchise Development Director, ~~Devyn Morrison – Franchise Development Director, Joshua Parant – Franchise Development Director~~, Red Roof Franchising, LLC, 7815 Walton Parkway, New Albany, Ohio 43054, (614) 744-2600.

~~Issuance Date: April 10, 2024~~

~~The Red Collection, LLC authorizes the agents listed in Exhibit C to receive service of process for it in the particular state.~~

~~I have received a Disclosure Document dated April 10, 2024 that includes the following Exhibits:~~

- ~~A – Financial Statements~~
- ~~B – List of State Administrators~~
- ~~C – List of Agents for Service of Process~~
- ~~D – List of Franchisees~~
- ~~E – Franchise Application~~
- ~~F – Franchise Agreement~~
- ~~G – Renovation Addendum~~
- ~~H – Reservation Platform Property Management Software Sublicense Agreement~~
- ~~I – Table of Contents of the Manuals~~
- ~~J – Transfer Addendum to Franchise Agreement~~
- ~~K – Development Incentive Program for Women and Veterans~~
- ~~L – State Required Agreement Addenda~~
- ~~M – RediCall Agreement~~
- ~~N – Revenue Management Agreements~~

~~Date: \_\_\_\_\_~~

~~Proposed Location: \_\_\_\_\_~~

~~Type of Business Entity: \_\_\_\_\_~~

~~Your Signature: \_\_\_\_\_~~

| Print Your Name: \_\_\_\_\_ Print Your Title: \_\_\_\_\_

~~RECEIPT~~

~~Copy 2~~

~~This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all the agreements carefully.~~

~~If The Red Collection, LLC offers you a franchise, The Red Collection, LLC must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by state law. New York requires that The Red Collection, LLC give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires that The Red Collection, LLC give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Michigan requires that The Red Collection, LLC give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.~~

~~If The Red Collection, 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the applicable state agency listed in Exhibit B of this disclosure document.~~

~~The name, principle business address and telephone number of the franchise seller offering the franchise is: Ray Ruyak — Franchise Development Director, Jennifer Burcham — Franchise Development Director, Timothy Means — Franchise Development Director, Stephen Burik — Franchise Development Director, Russell Stinnett — Franchise Development Director, Terrence Hall — Franchise Sales Specialist, Stephanie Pina — Manager, Franchise Sales and Development, Alex Shamsuddin — Regional Vice President, Franchise Sales and Development, Richard Schaeffer — Vice President, Franchise Development, Sandhya Patel — Director, Strategic Franchise Initiatives, Vinay Sharma — Franchise Development Director, Devyn Morrison — Franchise Development Director, Joshua Parant — Franchise Development Director, Red Roof Franchising, LLC, 7815 Walton Parkway, New Albany, Ohio 43054, (614) 744-2600.~~

Issuance Date: April ~~10, 2024~~ 14, 2025

The Red Collection, LLC authorizes the agents listed in Exhibit C to receive service of process for it in the particular state.

I have received a Disclosure Document dated April ~~10, 2024~~ 14, 2025 that includes the following Exhibits:

- |  |  |
|--|--|
| A Financial Statements   | I Table of Contents of the Manuals                     |
| B List of State Administrators   | J Transfer Addendum to Franchise Agreement             |
| C List of Agents for Service of Process                                  | K Development Incentive Program for Women and Veterans |
| D List of Franchisees  | L State Required Agreement Addenda                     |
| E Franchise Application  | M RediCall Agreement                                   |
| F Franchise Agreement  | N. Revenue Management Agreements                       |
| G Renovation Addendum  |  |
| H Reservation Platform Property Management Software Sublicense Agreement |  |

Date: \_\_\_\_\_

Proposed Location: \_\_\_\_\_

Type of Business Entity: \_\_\_\_\_

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

Print Your Name: \_\_\_\_\_ Print Your Title: \_\_\_\_\_