



## FRANCHISE DISCLOSURE DOCUMENT

**GRANDSTAY HOSPITALITY, LLC**  
a Minnesota limited liability company  
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We offer franchises for three different types of properties: GrandStay Residential Suites Hotels, GrandStay conference centers and GrandStay Hotel & Suites properties. GrandStay Residential Suites Hotels specialize in taking care of the needs of guests requiring extended-stay accommodations and offer studio and one and two bedroom suites featuring separate living and sleeping areas with fully equipped kitchens. GrandStay conference centers feature a full conference center attached to the property and a variety of room choices, including both short-term and extended-stay suites. GrandStay Hotel & Suites properties offer a wide variety of guest rooms including extended-stay suites with full kitchens.

The total investment necessary to begin operation of a new build GrandStay hotel, other than a GrandStay conference center property, is \$5,038,400 to ~~\$16,020,200~~ \$19,075,200 and \$124,900 to \$1,021,200 for a conversion property. The total investment necessary to begin operation of a new build GrandStay conference center is \$306,400 to \$2,500,200 and \$117,900 to \$541,200 for a conversion property. In all cases, this includes \$35,000 that must be paid to the Franchisor.

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, GrandStay Hospitality, LLC in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this Disclosure Document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact Jon Kennedy at the address and telephone number above.

The terms of your contract will govern your franchise relationship. Do not rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or 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 (“FTC”). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: March ~~24~~22, ~~2023~~2024.

## 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 Item 20.
<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 suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit B 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 GrandStay 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 in material litigation or bankruptcy proceedings.
<b>What's it like to be a GrandStay franchisee?</b>	Item 20 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.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a 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 F.

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 Risk(s) to Consider About *This Franchise*

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

**Out-of-State Dispute Resolution.** The Franchise Agreement requires you to resolve disputes with the franchisor by mediation (at a location chosen by the mediator) and litigation only in Minnesota. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate (at a location chosen by the mediator) or litigate with the franchisor in Minnesota than in your own state.

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” to see whether your state requires other risks to be highlighted.

## **NOTICE MANDATED BY SECTION 8 OF MICHIGAN'S FRANCHISE INVESTMENT ACT**

The following is applicable to you if you are a Michigan resident or your franchise will be located in 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.**

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

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

**The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

If the franchisee has any questions regarding this notice, those questions should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Attn.: Franchise [Section](#), [G. Mennen Williams Building, 1<sup>st</sup> Floor](#) 525 West Ottawa Street, Lansing, Michigan 48909, telephone: (517) 373-7117.

**GRANDSTAY HOSPITALITY, LLC**  
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**INDEX**

<u>ITEM</u>	<u>DESCRIPTION</u>	<u>Page</u>
ITEM 1	THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES	2
ITEM 2	BUSINESS EXPERIENCE	3
ITEM 3	LITIGATION	3
ITEM 4	BANKRUPTCY	3
ITEM 5	INITIAL FEES	4
ITEM 6	OTHER FEES	4
ITEM 7	ESTIMATED INITIAL INVESTMENT	8
ITEM 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	11
ITEM 9	FRANCHISEE'S OBLIGATIONS	13
ITEM 10	FINANCING	14
ITEM 11	FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	14
ITEM 12	TERRITORY	20
ITEM 13	TRADEMARKS	21
ITEM 14	PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	22
ITEM 15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	22
ITEM 16	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	23
ITEM 17	RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	23
ITEM 18	PUBLIC FIGURES	26
ITEM 19	FINANCIAL PERFORMANCE REPRESENTATIONS	26
ITEM 20	OUTLETS AND FRANCHISEE INFORMATION	27
ITEM 21	FINANCIAL STATEMENTS	32
ITEM 22	CONTRACTS	32
ITEM 23	RECEIPTS	32

**EXHIBITS**

STATE ADDENDA	
TABLE OF CONTENTS FOR MANUAL	A
FINANCIAL STATEMENTS	B
FRANCHISE AGREEMENT	C
SAMPLE RELEASE	D
FRANCHISEE QUESTIONNAIRE	E
STATE ADMINISTRATIVE AGENCIES AND AGENTS FOR SERVICE OF PROCESS	F
FRANCHISE APPLICATION	G

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

Franchisor

“GrandStay” means GrandStay Hospitality, LLC, the franchisor that does business under this name. To simplify the language in this Disclosure Document, GrandStay is also referred to as “we”, “us”, or “GrandStay”. “You” or “your” refers to the person or entity who buys the franchise from GrandStay. If you are a corporation, limited liability company, partnership or other entity your owners must sign a personal guaranty agreeing to comply with all provisions of the franchise documents, unless we otherwise agree.

We are a Minnesota limited liability company formed on September 5, 2000. Our principal business address is 1822 Buerkle Road, White Bear Lake, Minnesota 55110. We do not have a parent entity. We have not operated GrandStay properties. We began offering franchises in November 2000. As of December 31, ~~2022~~2023, we had 31 operational franchised GrandStay properties (see Item 20). We have not offered franchises in other lines of business. Our agents for service of process are listed in the State Agency Exhibit to this Franchise Disclosure Document (Exhibit F). We have no predecessors or affiliates required to be disclosed in Item 1.

Franchised Business

We offer franchises for three different types of properties: GrandStay Residential Suites Hotels, GrandStay properties operated as conference centers and GrandStay Hotel & Suites properties. GrandStay Residential Suites Hotels combine all the comforts of home with the services of a hotel. These hotels specialize in taking care of the needs of their guests requiring extended-stay accommodations, including those who are in town attending seminars, working on special projects, or relocating to the area. The goal of a GrandStay Residential Suites Hotel is to be a home away from home, whether for a day, a week, a month or longer. GrandStay properties operated as conference centers are built with extended-stay suites and king and double queen rooms that include a conference center attached to the property. Our most versatile brand of property is the GrandStay Hotel & Suites property. This hotel offers a wide variety of guest rooms, including extended-stay suites with full kitchens. We also offered a franchise for a Crossings by GrandStay property but discontinued that offering in 2018. Regardless of the type of property, you must operate your franchise in accordance with our systems, procedures, techniques, standards, building plans and specifications (the “Business System”).

Generally speaking, GrandStay properties offer a variety of room choices ranging from queen or king suites with microwaves and small refrigerators, to extended-stay suites containing fully-equipped kitchens with microwaves, full-size refrigerators, stove tops, dishwashers and utensils.

Hotels operated under the GrandStay brand operate in a developed market. You will compete with local, regional and national hotels, motels and extended stay lodging facilities.

Regulations Specific to Hotel Industry

You must comply with all federal, state and local laws that apply to the establishment, operation and licensing of extended stay hotel businesses, including the Americans with Disabilities Act. Your property must also meet applicable municipal, county, state and federal building codes

and handicap access codes. Your business is subject to state and federal regulations that allow the government to restrict travel and/or require businesses to close during state or national emergencies. Because your business is operated from a destination to which your customers must travel, your property can be affected by such orders more than others.

The applicability and scope of many of these laws will vary, depending upon the jurisdiction in which your property is located. You should consider all applicable laws and regulations when evaluating your purchase of this franchise.

## **ITEM 2 BUSINESS EXPERIENCE**

### Jon D. Kennedy: President

Mr. Kennedy has been our President since July 2011. He was our Senior Vice President of Franchise Development from October 2009 to July 2011.

### Julie Brown: Vice President Franchise Sales and Development

Ms. Brown has been our Vice President of Franchise Sales and Development since January 2020. ~~Before that she was~~ She has also been self-employed as a commercial real estate agent based out of Des Moines, Iowa since 1993.

### Peggi Monico: Vice President Sales and Marketing

Ms. Monico has been our Vice President of Sales and Marketing since January 2014.

### John P. Berdusco: Member of Board of Governors

Mr. Berdusco has been a member of our Board of Governors since September 2000. He retired in January 2000.

### Lee Matricaria: Member of Board of Governors

Mr. Matricaria has been a member of our Board of Governors since June 2022. Since 2008, Mr. Matricaria has been a Managing Partner at Lakeshore Capital Partners.

### Ronald A. Matricaria: Member of Board of Governors

Mr. Matricaria has been a member of our Board of Governors since November 2011. Since 1999, Mr. Matricaria has been retired but serves on the board of directors of various companies including LIFE Technology Corporation, Volcano Therapeutics Inc. and Phoenix Children's Hospital.

## **ITEM 3 LITIGATION**

No litigation is required to be disclosed in this Item.

## **ITEM 4 BANKRUPTCY**

No bankruptcies are required to be disclosed in this Item.

**ITEM 5  
INITIAL FEES**

You must pay us an Initial Fee of \$35,000 when you sign the Franchise Agreement to develop a GrandStay property. You can cancel the Franchise Agreement for any reason by providing written notice to us within 30 days after the date of the Franchise Agreement, and we will fully refund the Initial Fee.

We may terminate the Franchise Agreement within 120 days after the date of the Franchise Agreement if: (1) any financial, personal or other information you provide to us is false, misleading, incomplete or inaccurate; (2) you fail to purchase or lease a site for your Franchised Location or do so in a manner that is not in compliance with the Franchise Agreement; (3) you fail to obtain the required licenses for your GrandStay property; or (4) you and your General Manager fail to successfully complete the training program. If we terminate your Franchise Agreement for any of these reasons, we will refund half of the Initial Fee and retain half of the Initial Fee as payment for our administrative and out-of-pocket expenses, including salaries, training costs, salespersons' commissions, attorneys' fees, accountants' fees, travel expenses and long distance telephone call costs. Otherwise, we will not refund the Initial Fee.

**ITEM 6  
OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Date Due</b>	<b>Remarks <sup>(1)(2)</sup></b>
Continuing Fees	5% of Gross Room Revenues	By the 10th day of each month for the prior month	Gross Room Revenues are the total revenues generated by or through your property from the sale or rental of guest rooms, including suites, both transient and permanent, revenue derived from the redemption of points or rewards under loyalty programs in which your hotel participates, amounts attributable to meals (where the room rate includes meals) and no show revenue and credit transactions, whether collected, at the actual rates charged, but excluding taxes collected from guests and paid to taxing authorities.
Reservation System Fees and Costs	See Footnote 3	By the 15th day of each month for the prior month or as incurred	We may upgrade the reservation system during the term of the Franchise Agreement, which may result in additional or increased fees and costs.
Technology Fees <sup>4</sup>	Varies	Upon receipt of an invoice	Only payable if we implement new technology requirements.
Brand Fund Contribution	2% of Gross Room Revenues	By the 10th day of each month for the prior month	You must also spend at least 2% of your Monthly Gross Room Revenues on local advertising we approve. If you do not spend this

Type of Fee	Amount	Date Due	Remarks <sup>(1)(2)</sup>
			amount, you must pay us the difference between this amount and what you spend. This local advertising requirement is in addition to the Brand Fund Contribution.
Program Fee	Varies	Upon receipt of an invoice	Only payable if we implement new promotional programs.
Transfer Fee	\$5,000	On or before the date of the transfer	You must obtain our approval for a transfer.
Interest Charges	The lesser of 18% per annum or the maximum legal rate allowable by applicable law(s)	On demand	Applies to past due amounts payable to us.
Collection Costs / Indemnification <sup>5</sup>	Amount incurred to collect unpaid fees	On demand	Includes the amount of attorneys' fees, deposition costs, expert witness fees, investigation costs, accounting fees, filing fees and travel expenses.
Audit Charges	Will vary under circumstances	Within 10 days of receipt of the audit report	Payable only if you understate Gross Room Revenues by 2% or more.
Training Fee	Then-current training fee, currently \$300 per day, plus our costs and expenses, including lodging, transportation and meals	On demand after completion of the training.	Payable if your General Manager does not attend the initial training, you hire a new General Manager who we have not trained, or we agree to provide you with additional training.
Opening Assistance	Then-current assistance fee, currently \$300 per day, plus our costs and expenses, including lodging, transportation and meals	On demand after completion of opening assistance.	If we determine more than 4 days of opening assistance is necessary.
Operating Assistance	Then-current assistance fee, currently \$300 per day, plus our costs and expenses,	On demand after completion of assistance.	If we agree to provide you with management or operating assistance.

Type of Fee	Amount	Date Due	Remarks <sup>(1)(2)</sup>
	including lodging, transportation and meals		
Photo Distribution Fee	\$65 per year	Upon receipt of an invoice	We will pay the vendor the annual fee for this service and you will reimburse us for this fee.
Convention	You must pay the then-current registration fee, currently \$250 per attendee.	Before attending the convention.	You or your General Manager must attend each convention that we hold.
Reacquisition Fee	The greater of 25% of the then-current Initial Fee or \$10,000	If you reacquire the franchise for your property, payable when you sign a new Franchise Agreement.	Payable only if, after expiration of your Franchise Agreement, you meet all requirements and reacquire the franchise for your GrandStay property.
Grand Returns	5% of the room charge for the points awarded	When invoiced	Members are awarded points for each room rental dollar spent at your GrandStay property and you are charged 5% of the room charge. (see Item 16).
QAE Follow-up Inspection	Then-current re-inspection fee, currently \$1,500, plus our costs and expenses, including lodging, transportation and meals	On demand	Payable only if you fail a Quality Assurance Inspection and we perform a follow-up inspection.
Liquidated Damages	See Footnote 6	Within 5 days of termination of Franchise Agreement	See Footnote 6

**Footnotes:**

- (1) With the exception of certain reservation system fees, each fee is imposed by and payable to us. All fees are payable via the methods we specify including electronic funds transfer. If your state, or any governmental body in your state, charges a tax on the fees we receive from you, then you must pay an additional fee equal to the amount of this tax. This does not apply to any federal or Minnesota income taxes we have to pay.
- (2) All fees are nonrefundable. We intend to uniformly impose these fees but franchisees who entered our system prior to the issuance date of this Disclosure Document may pay less or different fees. For example, we have certain franchisees who pay a flat rate Continuing Fee per room. None of these fees are imposed by a cooperative. We may also negotiate some of these fees based on the location of the property or other factors.
- (3) Currently, the private label voice service provider charges 5% of booked gross room revenue plus \$0.46 per minute for each call answered (the per call charge may be higher for international toll calls) and \$0.46 per minute for outbound calls when required. You must also pay a \$127.00 monthly subscription fee for voice services. You must also pay a one-time initial setup fee for the private label voice service of \$400. Fees are billed to you directly by the provider. The costs for additional fees are discussed below.

Reservations for your property booked through the independent global reservation system we require you to use cost \$11.60 per reservation booked through the global distribution system (“GDS”). Reservations booked through alternate distribution systems (Internet travel sites or Pegasus on-line distribution database) cost \$9.00 per reservation booked. Reservations made directly through the booking engine (brand website) and mobile booking engine are \$2.93 per reservation. Additional merchant fees for reservations include \$2.12 per reservation for channel connect to travel websites to manage reservations and \$0.53 per reservation for facsimile notification of reservations (optional). The current monthly charge for the Internet GrandStay reservation system is \$26.75 per month plus \$53.50 per month as a subscription fee. In addition to the fees listed for private label voice service and independent global reservation system discussed above, you will pay certain annual fees, including \$60.00 per year for travel agent support, \$74.00 per year for Travelport (a GDS) listing, and \$100.00 per year for failure to complete annual required Sabre training (this fee is waived if required Sabre training is completed). These reservation fees are based on actual stayed reservations (net reservations). Fees for cancelled reservations are not payable. However, any applicable reservation or other third-party fees passed through to the provider are still payable by you. The cost for the travel agent commission (TACS) program you must participate in is \$10.40 per month plus \$0.50 per transaction in addition to the payable commission to the travel agent. You must also pay a one-time initial setup fee for reservation system setup of \$1,200.00.

Optional services available to you include RFP services for an annual fee of \$825-\$4,000, website development fees (\$3,000 for a standard template) and \$120 per hour for custom design services.

- (4) We may implement new technology requirements or promotional programs. You must comply with these technology requirements, including paying any costs for new technology we require. You must also participate in and pay all fees and other amount related to promotional programs we may implement.
- (5) If you do not give us the information we need to calculate what you owe us, we can charge you 120% of the amount you owe us for the last reporting period.
- (6) If your Franchise Agreement is terminated because of your default or if you terminate other than in accordance with the terms of the Franchise Agreement, within 5 days of the termination, you must pay us an amount equal to: (i) the total amount payable to us in Brand Fund Contributions for the immediately preceding 12 months, plus an amount determined by multiplying the average of the amount payable to us in Continuing Fees for the immediately preceding 12 months by the lesser of 36 or the number of months remaining in the term of the Franchise Agreement; or (ii) if your property opens as a GrandStay property but has not been operating as a GrandStay property for 12 months before the date of the termination, 36 multiplied by the average monthly Continuing Fee payable to us through the date of termination, plus an amount determined by multiplying 12 by the average monthly Brand Fund Contribution payable to us through the date of termination; or (iii) if the property fails to open as a GrandStay property, \$1,500 multiplied by the number of rentable rooms proposed for the property.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**  
**YOUR ESTIMATED INITIAL INVESTMENT**  
**GRANDSTAY PROPERTY (1)**

Type of Expenditure	Amount Low – High (New Build)		Amount Low – High (Conversion)		Method of Payment	When Due	To Whom Payment Is To Be Made (3)
Initial Fee	\$35,000	\$35,000	\$35,000	\$35,000	Lump Sum	When you sign the Franchise Agreement; see Item 5 for additional information	GrandStay
Purchase of Land (4)	\$500,000	\$1,050,000	\$0	\$0	As Arranged	As Arranged	Landowner
Construction Costs	\$3,500,000	<del>\$12,000,000</del> <u>\$15,000,000</u>	\$0	\$0	As Arranged	Before Opening	Contractor, Builder, Suppliers
Wages, Travel and Living Expenses for You and Your General Manager During Training (5)	\$12,000	\$15,000	\$12,000	\$15,000	As Incurred	During Training	Employees, Airlines, Hotels and Restaurants
Grand Opening Advertising	\$7,500	\$10,000	\$7,500	\$10,000	As Incurred	As Incurred within 90 Days of Opening	Suppliers
Furniture, Fixtures and Equipment (6)	\$750,000	\$2,400,000	\$50,000	\$800,000	As Incurred	As Incurred	Supplier or Leasing Company
Initial Supplies and Inventory	\$15,000	<del>\$15,000</del> <u>\$20,000</u>	\$5,000	\$20,000	As Incurred	As Incurred	Suppliers
Architectural and Engineering Fees	\$50,000	<del>\$100,000</del> <u>\$150,000</u>	\$0	\$0	As Arranged	Before Opening	Suppliers
Signs	\$12,000	\$100,000	\$12,000	\$60,000	Lump Sum	Before Opening	Suppliers
Security, Utility and License Deposits; Impact Fees (7)	\$1,000	\$5,000	\$0	\$5,000	As Incurred	Before Opening	Landlord, Utilities and Government Agencies
Insurance - 6 Months (8)	\$7,500	\$20,000	\$0	\$20,000	As Incurred	As Arranged	Insurance Companies
Employee	\$5,000	\$9,000	\$0	\$0	As	As Incurred	Employees

Type of Expenditure	Amount Low – High (New Build)		Amount Low – High (Conversion)		Method of Payment	When Due	To Whom Payment Is To Be Made (3)
Salaries - Before Opening (9)					Incurred		
Professional Services	\$2,500	\$10,000	\$2,500	\$5,000	As Incurred	As Arranged	Attorneys, Accountants and Other Professionals
Third Party Training Services	\$900	\$1,200	\$900	\$1,200	As Incurred	As Incurred	Suppliers
Additional Funds - 6 Months (10)	\$140,000	\$250,000	\$0	\$50,000	As Incurred	As Incurred	GrandStay, Employees, Suppliers and Utilities
<b>Total (11)</b>	<b>\$5,038,400</b>	<b>\$16,020,200</b> <b>\$19,075,200</b> <b>0</b>	<b>\$124,900</b>	<b>\$1,021,200</b>			

### YOUR ESTIMATED INITIAL INVESTMENT

### GRANDSTAY CONFERENCE CENTER (2)

Type of Expenditure	Amount Low – High (New Build)		Amount Low – High (Conversion)		Method of Payment	When Due	To Whom Payment Is To Be Made (3)
Initial Fee	\$35,000	\$35,000	\$35,000	\$35,000	Lump Sum	When you sign the Franchise Agreement; see Item 5 for additional information	GrandStay
Purchase of Land (4)	\$25,000	\$700,000	\$0	\$0	As Arranged	As Arranged	Landowner
Construction Costs	\$50,000	\$1,000,000	\$0	\$0	As Arranged	Before Opening	Contractor, Builder, Suppliers
Wages, Travel and Living Expenses for You and Your General Manager During Training (5)	\$12,000	\$15,000	\$12,000	\$15,000	As Incurred	During Training	Employees, Airlines, Hotels and Restaurants
Grand Opening Advertising	\$7,500	\$10,000	\$7,500	\$10,000	As Incurred	As Incurred within 90 Days of Opening	Suppliers

Type of Expenditure	Amount Low – High (New Build)		Amount Low – High (Conversion)		Method of Payment	When Due	To Whom Payment Is To Be Made (3)
Furniture, Fixtures and Equipment (6)	\$25,000	\$100,000	\$25,000	\$100,000	As Incurred	As Incurred	Supplier or Leasing Company
Initial Supplies and Inventory	\$60,000	\$250,000	\$10,000	\$100,000	As Incurred	As Incurred	Suppliers
Architectural and Engineering Fees	\$25,000	\$100,000	\$0	\$0	As Arranged	Before Opening	Suppliers
Signs	\$25,000	\$100,000	\$25,000	\$100,000	Lump Sum	Before Opening	Suppliers
Security, Utility and License Deposits; Impact Fees (7)	\$1,000	\$5,000	\$0	\$5,000	As Incurred	Before Opening	Landlord, Utilities and Government Agencies
Insurance - 6 Months (8)	\$7,500	\$20,000	\$0	\$20,000	As Incurred	As Arranged	Insurance Companies
Employee Salaries - Before Opening (9)	\$5,000	\$9,000	\$0	\$0	As Incurred	As Incurred	Employees
Professional Services	\$2,500	\$5,000	\$2,500	\$5,000	As Incurred	As Arranged	Attorneys, Accountants and Other Professionals
Third Party Training Services	\$900	\$1,200	\$900	\$1,200	As Incurred	As Incurred	Suppliers
Additional Funds - 6 Months (10)	\$25,000	\$150,000	\$0	\$150,000	As Incurred	As Incurred	GrandStay, Employees, Suppliers and Utilities
<b>Total (11)</b>	<b>\$306,400</b>	<b>\$2,500,200</b>	<b>\$117,900</b>	<b>\$541,200</b>			

Footnotes:

- (1) This chart is an estimate of your initial investment for a 53 to 80-room GrandStay property operated as a GrandStay Hotel or GrandStay Residential Suites Hotel from premises you own.
- (2) This chart is an estimate for your initial investment for a GrandStay conference center.
- (3) Payments are not refundable unless otherwise noted. We do not offer direct or indirect financing.
- (4) You will need approximately two acres of land (one-two acres for a conference center). The cost to purchase land on which to construct a GrandStay property varies widely depending upon the location of the land, the demand for the site, the zoning, the assessed value of the parcel, the attributes of the parcel and related area, such as parking availability, accessibility and traffic flow, and the general economic conditions. These estimates are based upon our experience in Minnesota. Depending upon the location of your property, your costs may be substantially higher. If you are converting a property to a GrandStay property you would not incur amounts for the purchase of the land as you would already be in possession of the land.

- (5) You must pay for salaries, fringe benefits, travel costs, lodging, food, automobile rental and other expenses while you and your General Manager attend the training program.
- (6) This includes estimated initial expenditures for your computer equipment (see Item 11). You may finance through a bank or other financial institution, lease or purchase outright your furniture, fixtures and equipment.
- (7) You should check with the local agency that issues building permits to determine what impact, connection, or other site development fees might apply for the specific site for your GrandStay property. Environmental impact fees vary significantly for each location. The low conversion estimate assumes you would have already incurred these amounts pre-conversion and would have no additional expenses of this nature in a conversion.
- (8) You must maintain general liability and commercial automobile liability insurance each with coverage of at least \$1,000,000 per occurrence, property insurance with replacement cost coverage, building insurance with coverage of at least replacement cost if you or any of your owners own the building or the business premises for the property, umbrella liability insurance with coverage of at least \$5,000,000 per occurrence, cyber liability insurance with coverage of at least \$1,000,000 and all insurance required by law, such as workers' compensation insurance. The low conversion estimate assumes your existing insurance pre-conversion would satisfy our standards and you would have no additional insurance expenses in a conversion. You must add us as an additional named insured on all insurance coverage.
- (9) This estimate does not include the salaries for you and your General Manager during training. We assumed that the employees working at the property pre-conversion would satisfy our standards and you would not incur additional expenses for employees based upon the conversion.
- (10) During the initial phase (the first 6 months of operation), you will need additional funds to cover your expenditures for supplies, inventories, reservation system fees and costs, local advertising, utilities, debt service, employee salaries, and other miscellaneous operating costs. This estimate has not been offset by any allowance for your operating revenues during this 6-month period. Your working capital requirements may increase or decrease depending upon your geographic area, number of employees, labor rates, minimum wage laws, operating revenues and other economic factors. The low conversion estimate assumes your property would be operating during the conversion and it would be generating the additional funds needed to operate during the first 6 months of the conversion.
- (11) These figures are estimates only, and it is possible that you may have additional or greater expenses during this period. Your costs will vary depending on the size of your property, your geographic area, economic and market conditions, competition, wage rates, sales levels attained, and other economic factors.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

### Obligation to Purchase or Lease Products or Services from GrandStay

You do not have to currently purchase or lease any products or services solely from us or any of our affiliates, but you may in the future.

### Obligation to Purchase or Lease Products or Services from Designated or Approved Suppliers

You must purchase or lease certain products and services for your GrandStay property from suppliers that we have approved. We will provide a written list of approved suppliers for these products and services. We will notify you of any additions to or deletions from this list. Requiring you to purchase or lease certain products and services only from approved suppliers is necessary to ensure that you adhere to the uniformity requirements and quality standards associated with all GrandStay properties.

We may designate a single source of supply for certain items. Currently, we only have a single source of supply for signage, photo distribution services, your customer satisfaction surveys and social media review reporting, online reputation services, the property management and reservation system you must use, the travel agent commission payment program you must participate in, certain call center services, certain guest amenities, including coffee and bath amenities, and the box springs and mattresses for the beds in the guestrooms of your hotel. If you are a new build property, you must also use the vendor we specify for reservation training. We do not contemplate approving other sources of supply for any of these items but we may in the future.

You can purchase items for which we do not have a single source of supply from any supplier, so long as we have approved the supplier. To do so you must, at your expense, send to us representative samples or specifications of that supplier's goods or services, and certain information about the supplier's products and business. We can also inspect the supplier's facilities. Within 45 days after receiving the necessary samples and information, we will notify you in writing whether the products or services of the supplier comply with our uniformity requirements, quality standards and specifications, and whether the supplier's business reputation, delivery performance, credit rating and other relevant information are satisfactory. Our criteria for supplier approval is not available to franchisees. We can revoke approval of a supplier at any time for any reason upon notice to you.

We and our affiliates may be approved suppliers for certain items you purchase for use in your business. We and our affiliates may also be the sole supplier for some items. We and our affiliates expect to earn a profit on any products or services we or our affiliates sell to you. We also may receive income in the form of rebates, discounts, allowances or other payments or credits from designated or approved suppliers that sell products or services to franchisees. In some cases, prices charged by suppliers to company-owned properties may be less than prices charged to franchised properties based on volume, credits, administrative costs or other factors. Payments we and our affiliates receive from you or a supplier as a result of your purchases from the supplier, will be our exclusive property. You will not have any right to receive any of these payments.

In our fiscal year ended December 31, ~~2022~~2023, we received no revenues from sales of goods and services to our franchisees. We have not negotiated purchasing arrangements with suppliers of products and equipment, and we have not established purchasing or distribution cooperatives. We do not provide any material benefits to you based upon your use of approved suppliers or your purchase of particular products or services. No officer of ours has any ownership interest in any of our approved suppliers.

#### Obligation to Purchase or Lease Products or Services that Meet the Standards and Specifications of GrandStay

You must purchase or lease certain products and services that satisfy our written standards and specifications. For example, the insurance, signage, advertising, computer equipment, including software, telecommunications equipment, guest amenities and the reservation, property management and customer relations systems you use must meet our standards. We formulate our standards and specifications at our discretion. We may modify our written standards and specifications upon notice to you and you must comply with any modifications.

We estimate that required purchases of products and services that must meet our specifications will be approximately 90% of your initial investment and approximately 80% of the ongoing expenses of operating your GrandStay property.

We do not require that our franchisees buy or use any particular brand or type of point-of-sale or computer system or purchase their computer equipment from any particular supplier other than certain software. However, we must approve the computer equipment that you use in your GrandStay property (see Item 11). Your point-of-sale system must be compatible with our central reservation system and our guest survey program.

## 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.**

Obligation	Article in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Article 10 of Franchise Agreement	Item 11
b. Pre-opening purchases/leases	Articles 8, 11 and 12 of Franchise Agreement	Items 7 and 8
c. Site development and other pre-opening requirements	Article 10 of Franchise Agreement	Items 7 and 11
d. Initial and ongoing training	Article 15 of Franchise Agreement	Item 11
e. Opening	Article 15 of Franchise Agreement	Item 11
f. Fees	Articles 3, 4 and 5 of Franchise Agreement	Items 5 and 6
g. Compliance with standards and policies/ Operating Manual	Articles 7, 8 and 9 of Franchise Agreement	Items 8 and 11
h. Trademarks and proprietary information	Articles 9 and 14 of Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	Article 8 of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Articles 7 and 8 of Franchise Agreement	Item 16
k. Territorial development and sales quotas	Not applicable	Item 12
l. Ongoing product/service purchases	Article 8 of Franchise Agreement	Item 8
m. Maintenance, appearance and remodeling requirements	Articles 7, 10 and 11 of Franchise Agreement	Item 6
n. Insurance	Article 13 of Franchise Agreement	Item 7
o. Advertising	Articles 5 and 7 of Franchise Agreement	Items 6 and 11
p. Indemnification	Article 22 of Franchise Agreement	Item 6

Obligation	Article in Agreement	Disclosure Document Item
q. Owner's participation/management/staffing	Articles 7 and 15 of Franchise Agreement	Item 15
r. Records and reports	Article 6 of Franchise Agreement	Item 6
s. Inspections and audits	Articles 6, 7 and 8 of Franchise Agreement	Item 8
t. Transfer	Article 17 of Franchise Agreement	Items 6 and 17
u. Renewal	Article 2 of Franchise Agreement	Item 17
v. Post-termination obligations	Article 20 of Franchise Agreement	Item 17
w. Non-competition covenants	Not applicable	Item 17
x. Dispute resolution	Article 23 of Franchise Agreement	Item 17
y. Other: Guarantee of Franchisee Obligations (Note 1)	Article 17 of Franchise Agreement	Item 22

- (1) If you are a corporation, limited liability company, partnership or other entity, or you transfer your Franchise Agreement to a corporation, limited liability company, partnership or other entity, you and any other owners (but not their spouses) must sign a personal guarantee of all obligations under the Franchise Agreement and under any other agreement between us and you or between you and any of our affiliates, and agree to be bound personally by all provisions of these agreements. Attached to the Franchise Agreement is a personal guarantee.

## ITEM 10 FINANCING

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

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

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

Before you begin operating your business, we will:

- (a) Approve or disapprove the proposed site for your proposed GrandStay property (see Article 10 of the Franchise Agreement) as discussed below.
- (b) Provide you with a floor plan and layout (see Article 10.4 of the Franchise Agreement) and our standard sign plans and specifications (see Article 11.1 of the Franchise Agreement). But we do not conform your site to local ordinances or building codes or obtain any permits for you. Nor do we construct, remodel or decorate the site's premises.

(c) Provide our Initial Training Program to you and your General Manager (see Article 15.1 of the Franchise Agreement) as discussed below.

(d) Loan you a copy of our manuals and any supplements applicable to your property (see Articles 9.1 and 16 of the Franchise Agreement). A copy of the Table of Contents of the GrandStay Hotels Brand Standards and Operating Manual (~~170~~171 pages) as of ~~December 31, 2022~~the issuance date of this Franchise Disclosure Document is attached as Exhibit A to this Franchise Disclosure Document.

(e) Provide a ~~written~~ schedule of various products, services, furniture, fixtures, supplies and equipment we require for GrandStay properties (see Article 16 of the Franchise Agreement).

(f) Provide a list of the approved suppliers for the products and services you must purchase from a supplier we approve for use in your GrandStay property (see Articles 8.3 and 16 of the Franchise Agreement).

(g) Provide an Opening Supervisor and such other GrandStay operating staff members as we determine, to assist you for up to 4 days with opening your GrandStay property (see Article 15.5 of the Franchise Agreement) as discussed below.

During the operation of your business we will:

(a) Provide a reservation system for the benefit of all GrandStay properties (see Articles 7.29 and 16 of the Franchise Agreement).

(b) Maintain and administer the GrandStay System Brand Fund (see Article 5 of Franchise Agreement) as discussed below.

(c) Periodically visit and review your property and provide written reports if deemed appropriate (see Article 16 of the Franchise Agreement).

(d) Provide advisory services by telephone or in writing (see Article 16 of the Franchise Agreement).

(e) Furnish all supplements and modifications to our manuals (see Articles 9.1 and 16 of the Franchise Agreement).

(f) Provide the names and addresses of newly approved suppliers for the products and services that you use in your GrandStay property (see Articles 8.3, 8.5 and 16 of the Franchise Agreement).

(g) Provide you with access to and use of the GrandStay website (Website Use Agreement).

(h) Provide you with marketing and advertising recommendations (see Article 16 of Franchise Agreement).

#### Site Selection

Although we do not locate a site or negotiate the purchase or lease of a site, we will review and either approve or disapprove your proposed site for your proposed GrandStay property (see Article 10 of the Franchise Agreement). When reviewing a proposed site, we consider

accessibility, visibility, potential traffic flow, population trends, number of businesses in the area, household income and financial statistics, lease terms and other demographic information. We will inform you of our conclusions as to the site review within 30 days after the completion of the site review. We can terminate your Franchise Agreement if you do not purchase or lease a site that we have approved for your GrandStay property within 120 days after you sign the Franchise Agreement (see Article 3.2 of the Franchise Agreement). If your property is a new-build we can terminate your Franchise Agreement if you fail to open your property as a GrandStay property within 1 year after the date of your Franchise Agreement, or when the property is ready for your occupancy, whichever comes first. If you are converting to a GrandStay property this time period is shortened to 60 days from the date of your Franchise Agreement (see Article 18.3 of the Franchise Agreement).

Generally, the opening of a new-build GrandStay property will take place between nine months and one year after you sign the Franchise Agreement. If you are converting your property to a GrandStay property, the opening will take place between 30 and 60 days after you sign the Franchise Agreement. Factors affecting your opening date include selecting the location for your property, whether your property will operate out of a converted premises or newly constructed building, obtaining the required licenses, the delivery of your furniture, fixtures and equipment, acquiring inventory and supplies, obtaining financing (if applicable), hiring and training your employees, and completing the GrandStay training program. You must obtain our approval before you open your property under the GrandStay brand.

Training

After you sign the Franchise Agreement and pay the Initial Fee, we will train you for approximately 3 days and your General Manager for approximately 14 days (see Article 15.1 of the Franchise Agreement). Based upon your experience and that of your General Manager, we may decrease these time periods or modify the subjects as we see fit. You and your General Manager must successfully complete the required training to our satisfaction at least 60 days before you open your property under one of our brands. This training is provided to protect the brands and our marks, not to control your property’s day-to-day operations. We will determine how often all courses will be taught, and will hold the training program in White Bear Lake, Minnesota or at another designated location. The training program will include classroom and on-the-job instruction on topics that we select.

The following chart summarizes our current training program as of December 31, ~~2022~~[2023](#):

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location(1)</b>
GrandStay Orientation - Review Training Program	2-4 hours	0	GrandStay Corporate Headquarters or designated location
Certified Pool/Spa Operator Training	0	16 hours	Designated location
Housekeeping Training	12 hours	0	GrandStay

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location(1)</b>
<ul style="list-style-type: none"> <li>- Bedroom Cleanliness/Set-up</li> <li>- Bathroom Cleanliness/Set-up</li> <li>- Guest Room Inspection</li> <li>- Do Not Disturb Rooms</li> <li>- Guest Room Supply Standards</li> <li>- Public Restrooms</li> <li>- Equipment</li> <li>- Safety/Security Manual</li> </ul>			Corporate Headquarters or designated location
Front Desk Training <ul style="list-style-type: none"> <li>- Reservations</li> <li>- Walk-ins</li> <li>- Check-In/Check-Out</li> <li>- Room Assignment and Rates</li> <li>- Method of Payment</li> <li>- Telephone - Laundry Operations</li> <li>- Equipment</li> <li>- Call Back Program</li> <li>- Safety/Security</li> <li>- Reservation System</li> <li>- Networking/Customer Service</li> <li>- Grand Returns Reward Training</li> </ul>	0	40 hours	GrandStay Corporate Headquarters or designated GrandStay property
Operations Training <ul style="list-style-type: none"> <li>- Basic Business Procedures</li> <li>- Basic Accounting/Bookkeeping</li> <li>- Daily Responsibilities</li> <li>- Franchise Requirements</li> <li>- Daily/Monthly Reports</li> <li>- Insurance/Payroll Procedures</li> <li>- Hiring Process</li> <li>- Sales/Marketing/Advertising</li> <li>- Maintenance</li> <li>- Scheduling</li> <li>- Computer Operations</li> <li>- Purchasing Procedures</li> <li>- Customer Service</li> <li>- Inventory and Cost Control</li> </ul>	0	40 hours	GrandStay Corporate Headquarters or designated GrandStay property
<b>Totals</b>	16 hours	96 hours	

(1) Some of this training may be conducted on-line.

If you are opening a new-build property, you must also obtain reservation training from our approved vendor. This is 2 hours of training and will occur at your property. The cost for the initial training session conducted at [our](#) around the opening date of your property is \$400.

Our corporate officer in charge of our training program is Jon Kennedy. Mr. Kennedy has been with us since 2009 and has been involved in the hotel industry for over 40 years. Each member of our training staff who participates in this training will have some experience with the subject they are teaching. Certain subjects will be taught by third parties we approve. Training materials will include the GrandStay Hotels Brand Standards and Operating Manual and other written materials, as applicable.

You and your initial General Manager receive the initial training at no additional cost to you. However, if we were to provide you or any of your personnel with additional training or if any person who needs training does not complete the training program at the designated training location, and we conduct the uncompleted training at another location, then you must pay us our then-current on-site training fee and reimburse us for our expenses. You are responsible for the salaries, fringe benefits, and all other expenses for all persons who attend training on your behalf. We do not hire your employees nor do we train them, other than [providing our training program as discussed above to your General Manager or any replacement General Manager](#).

After you and your General Manager have successfully completed the GrandStay training program, we will arrange for an Opening Manager and such other GrandStay operating staff members as we determine, to assist you with opening your GrandStay property (see Article 15.5 of the Franchise Agreement). For up to 4 days, the opening team will provide opening support at your property with purchasing, accounting procedures, implementing the Business System and evaluating your initial business operations.

We will provide additional training if, during the Franchise Agreement, you hire a new General Manager who has not attended and successfully completed the GrandStay training program. Your new General Manager must attend a 2-day orientation before commencing participation in the operation of the property and successfully complete the initial training program within 90 days after being hired. The training program will take place in White Bear Lake, Minnesota or another location we specify. If the training program is held at a location other than our offices, you are responsible for our then-current per day on-site training fee and must reimburse us for expenses we incur in providing the training, including travel, lodging, food and car rental expenses. You are responsible for the salaries, fringe benefits and all other expenses for each new General Manager who attends the training program on your behalf (see Article 15 of the Franchise Agreement).

We may hold webinars or other training sessions on topics we determine, including training provided by the third party provider of our global reservation system. We can charge fees for attendance at these events. Your General Manager must attend these events. You must also attend any convention we hold and pay any registration fee for that convention (see Article 15.7 of the Franchise Agreement).

### Computers and Computer Software

We do not require that you buy or use any particular brand or type of point-of-sale or computer system. However, the computer equipment that you use in your GrandStay property must meet our specifications (see Article 12 of the Franchise Agreement). Depending upon the size of your property, typical computer equipment will include 2 to 3 PCs (3.2 GHz, 4 GB memory), 2 to 3 flat panel monitors, 1 to 2 laser printers, 1 to 3 Ethernet switches (8 Ethernet ports) and 1 to 2 USB credit card swipe readers/EMV chip readers. You must license certain property management software we specify. Your computer equipment, including software, will maintain guest information for reservations and provide and manage guest accounting for your GrandStay property. We will have independent access to the information in your computer equipment without your permission. We estimate that your initial expenditures for your computer equipment and software will range from \$3,100 to \$6,000 depending upon the size of your property. You must also pay a monthly subscription fee for the software of approximately \$200 per month plus \$4.50 per room and a one-time initial setup fee that ranges from \$1,000 to \$2,200 for 3-day installation (if additional training is needed, the cost is \$475 per day). Also,

you will need to obtain credit card processing services. The credit card processing fees will vary based on the merchant processor that you choose and based on your hotel size and credit card transaction volume, but we estimate these fees to be 2%-6% of the credit card transaction amount. We have no obligation to provide ongoing maintenance, repairs, upgrades or updates to this equipment. But the software supplier will provide you with updates. Other than the monthly subscription fee, there are no additional costs to maintain, update, upgrade or support your computer equipment, including software. There is no limitation on the cost and frequency of the obligation to update or upgrade your computer equipment.

### Advertising

We will maintain and administer the GrandStay System Brand Fund (see Article 5 of Franchise Agreement). You must contribute 2% of your Gross Room Revenues to this Fund. We currently intend that all franchisees will contribute at this amount to the Fund. However, franchisees who came into the GrandStay system before 2012 may not contribute at all to this Fund or contribute a different amount. We will account for contributions to this Fund separate from our other funds. The GrandStay hotels we or our affiliates own will not contribute to the Fund. We will not use contributions to the Fund to pay any of our general operating expenses, except for the reasonable salaries, administrative costs, direct expenses, and overhead we incur in activities related to the administration of the Fund.

The purpose of the Fund is to promote the GrandStay brand. This means we may use money from the Fund for any purpose that promotes the brand including creating advertising materials or public relations campaigns, or to implement advertising, including advertising that may be Internet-based. We can allocate funds among some or all of our brands as we see fit. The media we use may be print media, billboards, electronic, or television or radio. The media coverage may be national, local or regional. It is our responsibility to determine how funds are spent. Although we may use outside agencies to help us create advertising, we currently create materials in-house. We do not currently have any advertising council that advises us on the use of the monies in the Fund. We will not use any of these monies primarily to help us sell franchises, although we may use contributions to update our website, which may also advertise for franchises. We are not required to spend monies from this Fund in proportion to contributions made by businesses in any particular geographic area, nor must we spend a certain amount in any given year. The Fund is not audited. We will provide you an annual statement of collections and expenditures upon your request. Contributions to the Fund not spent in one year carry forward to the next year. We have no obligation to conduct any advertising.

During the fiscal year ended December 31, ~~2022~~2023, 8% of these monies were spent on the production of marketing materials, 80% on media placement of advertising and 12% on administration expenses.

Although we will provide you with marketing and advertising recommendations (see Article 16.1 of Franchise Agreement), we expect you to conduct your own local advertising to promote your business. We must approve all local advertising before you implement or use it. You must spend at least 2% of your Monthly Gross Room Revenues on local advertising to promote your business. If you do not, you must pay us the balance of the amount required to be expended. We will then deposit those funds into the System Brand Fund to use as we see fit. (see Article 5 of Franchise Agreement).

We do not currently require you to participate in any local or regional advertising cooperative, but we can. Other than the GrandStay System Brand Fund and any future cooperative, you do not have to participate in any other advertising fund.

## **ITEM 12 TERRITORY**

You will operate your GrandStay property from a single location we refer to as the “Franchised Location”. You cannot relocate your GrandStay property.

You can advertise your property using a variety of marketing and distribution methods, such as the Internet, print advertising, telemarketing, billboards and direct mail, as long as all concepts, content, materials and media have been approved by us before distribution. The Franchise Agreement does not grant any options, rights of first refusal or similar rights to you for the acquisition of additional franchises.

In the past we granted “Protected Areas” in which we agreed not to take certain actions. These areas were generally a radius of 5-miles around the hotel we were dealing with at the time. Currently, we do not generally grant protected areas, designated areas, territories or any other type of exclusivity. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we may own, or from other channels of distribution or competitive brands that we control. There will be no restriction on us in this situation.

However, in limited circumstances, we may agree not to franchise, license, develop, own or operate a GrandStay property that would be physically located within an area that we negotiate with a franchisee so long as that franchisee is in compliance with their agreements with us and any of our affiliates. In considering whether to grant the protections in the prior sentence, we would review various factors including the prospect’s experience in the lodging industry, the number of other lodging facilities in the market, the population of the market and the prospect’s creditworthiness. The minimum size of this area would be a one-half mile radius around the hotel. If we granted a “Protected Area,” we would not have the right to unilaterally alter this area and there would be no minimum sales volume, market penetration or other contingencies a franchisee would need to meet to retain the rights described above.

The above would be the only restriction on us and our affiliates in this area. For example, we and our affiliates would have the right to: (1) develop other hotel and extended stay business concepts under marks other than “GrandStay” even if the locations for the concept are within the area we grant to the franchisee; (2) develop GrandStay properties in that area if they are located at or within an international airport, a major theme or entertainment park; (3) market, distribute and sell, on a wholesale or retail basis, products, services or other goods under any of the marks, by direct sale, the Internet, mail order, infomercials, telemarketing or by any other marketing or distribution method, even if sales are made in this area; (4) acquire businesses with one or more locations in this area, regardless of whether the locations are owned, franchised, or otherwise, and even if the business or location(s) are similar to or competitive with the Franchised Location; and (5) sell our equity or assets to any third party regardless of whether the third party operates or franchises the operation of businesses in the area similar to or competitive with the Franchised Location. We do not compensate you if we exercise any of the rights specified above in this area.

**ITEM 13  
TRADEMARKS**

Under the Franchise Agreement, depending upon the type of property you will be operating, we license you to the right to operate your property under the name “GrandStay Residential Suites”, “GrandStay” or “GrandStay Hotel & Suites” and to use certain other of our marks. You may only use the marks in the manner that we authorize in writing. You may not use any of the marks as part of your corporate or other name. You must also follow our instructions for identifying yourself and for filing and maintaining the requisite trade name or fictitious name registrations.

The following principal marks have been registered on the Principal Register of the United States Patent and Trademark Office (the “PTO”) and all required affidavits have been filed and applicable renewals completed:

Mark	Registration Number	Registration Date
GRANDSTAY RESIDENTIAL SUITES	2,483,414	8/28/01
	2,566,846	5/7/02
GRANDSTAY	3,463,061	7/8/08

There are no currently effective material determinations of the PTO, the Trademark Trial and Appeal Board, the trademark administrator in any state or any court, no pending infringement or opposition proceeding, and no pending material litigation involving the principal marks. There are no agreements currently in effect which significantly limit our rights to use or license the use of the principal marks in any manner material to you. To our knowledge, there are no infringing uses that could materially affect your use of the principal marks or other related rights in any state.

Although we have the federally registered trademarks identified above, we do not have a federal registration for the service mark “GrandStay Hotel & Suites”. Therefore, this service mark does not have many of the legal benefits and rights as federally registered trademarks. If our right to use this service mark is challenged, you may have to change to an alternative mark, which may increase your expenses.

You must provide us with written notice of any claims made against or associated with the marks. We will protect your right to use the marks and other related rights and protect you against claims of infringement and unfair competition with respect to the marks, subject to your compliance with the Franchise Agreement. We can control any administrative proceedings or litigation involving any of the marks. If you are made a party to a proceeding involving one of our marks, you must immediately tell us. We can defend you but have no obligation to indemnify you. If anyone establishes to our satisfaction that its rights are, for any legal reason, superior to our rights as to any of the marks, then you must use the variances or other service marks, trademarks or trade names that we require to avoid a conflict with the superior rights.

**ITEM 14**  
**PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

There are no patents or pending patent applications that are material to the purchase of a GrandStay franchise. We claim copyright protection in our advertising copy and design, the manuals, and other written materials and items we provide to you. We have not applied to the United States Copyright Office to register these copyrights.

There are no currently effective determinations of the Copyright Office, the Library of Congress or any court regarding any of our copyrighted materials. There are no agreements in effect that significantly limit our right to use or license the copyrighted materials. We are not aware of any infringing uses of these materials that could materially affect your use of these materials. We are not required by any agreement to protect or defend our copyrights. We are not required to take affirmative action when notified of infringement.

You must keep confidential any manuals we provide to you, any supplements to these manuals, and any other written materials used in your GrandStay property. The manuals contain information about our Business System. We consider this information a trade secret and extremely confidential. You must prevent any unauthorized duplication or reproduction of this information.

You must immediately inform us if you learn of any unauthorized use or infringement of, or challenge to, the copyrighted materials or any of the proprietary or confidential information. We will take the action we deem appropriate. If anyone establishes to our satisfaction that its rights to the materials are superior, then you must modify or discontinue your use of the materials.

**ITEM 15**  
**OBLIGATION TO PARTICIPATE IN THE ACTUAL  
OPERATION OF THE FRANCHISE BUSINESS**

We recommend that you participate, preferably on a full-time basis, in the operation of your GrandStay property. If you do not operate the property, a management company approved by us must operate the property. You or the management company must employ a General Manager to manage the property. You and each General Manager must successfully complete the GrandStay training program. Your employees do not have to own an equity interest in your GrandStay property.

If you are a corporation, limited liability company, partnership or other entity or you transfer your Franchise Agreement to a corporation, limited liability company, partnership or other entity, you and each of your owners (but not their spouses) must sign a personal guarantee of all obligations under the Franchise Agreement and any other documents.

**ITEM 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may only sell the products and services that we specify or approve in writing. You must sell the products and services we require. We can change the products and services that you must offer. There is no limitation on our right to change the products and services you must offer. You are not limited to whom you may sell your products and services, but you may not sell any of the products or services offered by your GrandStay property on a wholesale basis, at any location other than your GrandStay property, or through Internet, catalogue, mail order,

telemarketing, or any other method of sales or distribution, unless we approve the method and content.

You must participate in our Grand Returns program. Grand Returns is a customer rewards program. We will award a member of the program 10 points for each dollar spent by the member in room rentals at a GrandStay property. These points can be redeemed at that property or another GrandStay property or for other rewards as GrandStay may designate in accordance with the program terms. We then charge the GrandStay property 5% of the room charge for the points awarded. For example, if a customer who is a member of the program pays you \$100 for a room, the customer will be awarded 1,000 points and we will bill \$5.00 to you for those points.

You must participate in our Owners Club. All franchisees receive equal benefits in the Owners Club. If another franchisee stays at your GrandStay property, you must provide a 50% discount on the applicable room rate. You will receive the 50% discount when you stay in any other GrandStay property. We can modify or terminate these programs and any others at any time.

**ITEM 17  
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION  
THE FRANCHISE RELATIONSHIP**

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

Provision	Article in Franchise Agreement	Summary
a. Length of franchise term	2.1	The term of the Franchise Agreement starts when the Franchise Agreement is signed and continues until the 20th anniversary of the opening of your GrandStay property.
b. Renewal or extension of the term	2.2	20 years
c. Requirements for franchisee to renew or extend	2.2, 2.3	You must give 180 days' written notice; have complied with all material terms and conditions of your current Franchise Agreement; paid all monetary obligations owed to us, timely met your obligations to us during the term of the Franchise Agreement; agreed in writing to remodel, modernize and redecorate your Franchised Location; have the right to continue to occupy the Franchised Location; you and your General Manager have been retrained; pay the reacquisition fee, and sign a new franchise agreement with materially different terms than your original Franchise Agreement, and any other agreements we require.
d. Termination by franchisee	19.1	You can terminate the Franchise Agreement upon 10 days' written notice to us if we violate any material term of the Franchise Agreement or fail to timely pay any material uncontested obligation due or owing to you, and we fail to cure within 30 days of written notice.
e.	Not applicable	

<b>Provision</b>	<b>Article in Franchise Agreement</b>	<b>Summary</b>
Termination by franchisor without cause		None
f. Termination by franchisor with cause	18	If you breach the Franchise Agreement.
g. "Cause" defined – curable defaults	18	You will have 30 days to cure if you: fail to open your GrandStay property within 1 year after signing the Franchise Agreement or when the Franchised Location is ready for occupancy, whichever is earlier; violate any material provision of the Franchise Agreement; fail to timely pay any monetary obligations or liabilities other than those owed to us; lose any required licenses for any reason; fail to timely file and/or pay any federal or state income or sales tax return. You have 10 days to cure a failure to pay any amounts due to us.
h. "Cause" defined – non-curable defaults	3.2, 18.6	We can immediately terminate the Franchise Agreement within 120-days after you sign the Franchise Agreement if: any information you have provided to us is false or inaccurate; you have not purchased or leased a site for the Franchised Location or have done so in a manner which violates the Franchise Agreement; you fail to obtain valid licenses for your property; or, you or your General Manager fail to complete our training program. We also can terminate the Franchise Agreement immediately upon notice to you if you: are convicted of or plead guilty or no contest to any law relating to your GrandStay property or a felony; are deemed insolvent; make an assignment for the benefit of creditors; abandon the Franchised Location; fail to provide, or permit us to audit, your financial records; materially impair the marks or the Business System; violate any material provision three or more times during any 12-month period.
i. Franchisee's obligations on termination/nonrenewal	20	You must pay what you owe under the Franchise Agreement, including liquidated damages, within 5 days of termination; immediately return to us all materials relating to the GrandStay property provided to you; cease using the reservation system, the marks and the Business System; alter the appearance of your Franchised Location; transfer your telephone directory listings to us.
j. Assignment of the contract by franchisor	17.1	No restrictions on our right to assign the Franchise Agreement.
k. "Transfer" by franchisee - definition	17.2, 17.3, 17.4	Includes assignment to owned or controlled corporation, assignment in the event of death or disability, sale of ownership interests, and transfer of rights under the Franchise Agreement.
l.	17.5	

<b>Provision</b>	<b>Article in Franchise Agreement</b>	<b>Summary</b>
Franchisor approval of transfer by franchisee		We must approve any transfer made by you.
m. Conditions for franchisor approval of transfer by franchisee	17.4	You must provide us with 90-days written notice of the transfer; pay all money owed to us; sign a transfer agreement between you and us; sign a joint and mutual release between you and us; and pay the transfer fee. The transferee must meet our standards for franchisees; sign all agreements we require including our then-current franchise agreement; acquire the right to occupy the Franchised Location; acquire valid licenses; agree to modernize and refurbish the Franchised Location to meet our then-current standards; and successfully complete training.
n. Franchisor's right of first refusal to acquire franchisee's business	17.8	We can match any offer for your property. Not applicable upon death or disability.
o. Franchisor's option to purchase franchisee's business	Not applicable	None
p. Death or disability of franchisee	17.3	If you are an individual, you may transfer the Franchise Agreement to your beneficiary without paying a transfer fee to us, subject to the requirements described in "m" above.
q. Noncompetition covenants during the term of the franchise	Not applicable	None
r. Noncompetition covenants after the franchise is terminated or expires	Not applicable	None
s. Modification of the agreement	23.11	Only by written agreement between you and us (but the manuals are subject to change).
t. Integration/merger clause	23.12	The Franchise Agreement constitutes the entire agreement between you and us (subject to state law). No other representations or promises will be binding unless mutually agreed to by the parties. Nothing in the Franchise Agreement is intended to disclaim any representations made in this Franchise Disclosure Document.
u. Dispute resolution by mediation	23.2	Except for certain claims, all disputes are subject to non-binding mediation.
v. Choice of forum	23.14	Litigation must generally be in Minnesota, subject to state law.
w. Choice of law	27	Minnesota law generally applies, subject to state law.

**ITEM 18  
PUBLIC FIGURES**

We do not use any public figure to promote our franchises.

**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 this 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 its employees or representatives to make 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 our management by contacting Mr. Jon D. Kennedy, President, GrandStay Hospitality, LLC, 1822 Buerkle Road, White Bear Lake, Minnesota 55110; telephone (320) 202-7744, Ext. 40, the Federal Trade Commission and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1

**Systemwide Outlet Summary <sup>(1)</sup>**  
For Fiscal Years ~~2020-2022~~2021-2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	<del>2020</del>	<del>34</del>	<del>33</del>	<del>-1</del>
	2021	33	34	+1
	2022	34	31	-3
	<u>2023</u>	<u>31</u>	<u>31</u>	<u>0</u>
Company-Owned	<del>2020</del>	<del>0</del>	<del>0</del>	<del>0</del>
	2021	0	0	0
	2022	0	0	0
	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Outlets</b>	<del>2020</del>	<del>34</del>	<del>33</del>	<del>-1</del>
	2021	33	34	+1
	2022	34	31	-3
	<u>2023</u>	<u>31</u>	<u>31</u>	<u>0</u>

(1) All numbers are as of December 31 of the applicable year.

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners**  
**(Other than the Franchisor or an Affiliate) <sup>(1)(2)</sup>**  
**For Fiscal Years ~~2020-2022~~2021-2023**

State	Year	Number of Transfers
Minnesota	<del>2020</del>	<del>0</del>
	2021	1
	2022	3
	<u>2023</u>	<u>0</u>
Totals	<del>2020</del>	<del>0</del>
	2021	1
	2022	3
	<u>2023</u>	<u>0</u>

(1) All numbers are as of December 31 of the applicable year.

(2) Does not include transfers where beneficial ownership of less than 50% of the franchise did not change, circumstances where and individual transfers to an entity the individual owns or transfers to heirs.

**Table No. 3**  
**Status of Franchised Outlets <sup>(1)</sup>**  
**For Fiscal Years ~~2020-2022~~2021-2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Illinois	<del>2020</del>	<del>4</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>4</del>
	2021	1	0	0	0	0	0	1
	2022	1	0	0	1	0	0	0
	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<del>Iowa</del>	<del>2020</del>	<del>2</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>2</del>
<u>Iowa</u>	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	<u>2023</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>2</u>
Michigan	<del>2020</del>	<del>4</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>4</del>
	2021	1	0	0	0	0	0	1
	2022	1	0	0	1	0	0	0
	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Minnesota	<del>2020</del>	<del>18</del>	<del>4</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>19</del>
	2021	19	0	0	0	0	0	19
	2022	19	0	0	0	0	0	19
	<u>2023</u>	<u>19</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>19</u>
North Dakota	<del>2020</del>	<del>4</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>4</del>
	2021	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
	2022	1	0	0	0	0	0	1
	<a href="#">2023</a>	<a href="#">1</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">1</a>
Oregon	<del>2020</del>	<del>4</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>4</del>
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	<a href="#">2023</a>	<a href="#">1</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">1</a>
South Dakota	<del>2020</del>	<del>3</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>3</del>
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	<a href="#">2023</a>	<a href="#">3</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">3</a>
Wisconsin	<del>2020</del>	<del>7</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>2</del>	<del>5</del>
	2021	5	0	0	0	0	0	5
	2022	5	0	1	0	0	0	4
	<a href="#">2023</a>	<a href="#">4</a>	<a href="#">1</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">5</a>
<b>Totals</b>	<del>2020</del>	<del>34</del>	<del>4</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>2</del>	<del>33</del>
	2021	33	1	0	0	0	0	34
	2022	34	0	1	2	0	0	31
	<a href="#">2023</a>	<a href="#">31</a>	<a href="#">2</a>	<a href="#">0</a>	<a href="#">2</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">31</a>

(1) All numbers are as of December 31 of the applicable year.

Table No. 4

Status of Company-Owned Outlets  
For Fiscal Years ~~2020-2022~~[2021-2023](#) <sup>(1)</sup>

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
<a href="#">All</a>	<a href="#">2021</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>
<del>All</del> States	<del>2020</del> <a href="#">2022</a>	0	0	0	0	0	0
	<a href="#">2023</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>	<a href="#">0</a>
	<del>2024</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
	<del>2022</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
<b>Totals</b>	<del>2020</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

	<a href="#">2023</a>	<a href="#">0</a>					
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(1) All numbers are as of December 31 of the applicable year.

**Table No. 5**

**Projected Openings as of December 31, ~~2022~~[2023](#)**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected Company-Owned Outlets in the Next Fiscal Year
Illinois	0	0-1	0
Iowa	<a href="#">42</a>	0-2	0
Michigan	0	0-1	0
Minnesota	0	2-3	0
North Dakota	0	0-1	0
Oregon	0	0-1	0
South Dakota	0	0-1	0
Wisconsin	<a href="#">40</a>	0-4	0
<b>Totals</b>	2	2-14	0

We are looking for prospective franchisees throughout the United States, and cannot know in advance where we might find prospects. Therefore, any projection of this nature is very speculative. We will add GrandStay properties wherever we find qualified prospects. In total, we expect to open 2 to 14 new franchised properties in the fiscal year ending December 31, ~~2023~~[2024](#).

The following are the addresses and telephone numbers of the franchised GrandStay properties as of December 31, ~~2022~~[2023](#):

IOWA					
Pharmacists Mutual Insurance Company, Inc.*	<a href="#">808840</a> Highway 18 W, PO Box 370 West	Algona	IA	50511	(515) <a href="#">295-2461</a> <a href="#">395-7829</a>
Greater Ames Hospitality, LLC	1606 South Kellogg Avenue	Ames	IA	50010	(515) 232-8363
<a href="#">PellaJohnston</a> Hospitality, LLC*	<a href="#">2508 Bos Landen Drive</a> <a href="#">6215 Merle Hay Road</a>	<a href="#">PellaJohnston</a>	IA	<a href="#">50249</a> <a href="#">50131</a>	<del>(641) 628-4853</del> <a href="#">(320) 292-5277</a>
Rock River Lodging, LLC	2679 Rockridge Drive	Rock Valley	IA	51247	(712) 476-9200
MINNESOTA					
Apple Valley GSRS,	7083 153rd	Apple Valley	MN	55124	(952) 953-6111

LLC	Street West				
Amkris Corporation Anhil Patel	14435 Bank Street	Becker	MN	55308	(763) 262-7700
Cambridge Hospitality Group, Inc.	300 South Garfield Street	Cambridge	MN	55008	(763) 689-0542
IronBridge Lodging, LLC Nathan Sieve	32027 Alexander Court	Cannon Falls	MN	55009	(507) 757-1100
<del>Aces Hotel, LLC Taro Ito</del>	<del>15215 Running Aces Blvd</del>	<del>Columbus</del>	<del>MN</del>	<del>55125</del>	<del>(651) 925-4600</del>
Delano Hotel Partners, LLC Rob Berg	395 13th Street South	Delano	MN	55328	(763) 972-4303
V&B Properties of Faribault, LLC	1500 20th Street NW	Faribault	MN	55021	(507) 334-2888
Glenwood CI&S, LLC	114 West Minnesota Avenue	Glenwood	MN	56334	(320) 334-3700
Luverne Hotel Partners, LLC	908 South Kniss Avenue	Luverne	MN	56156	(507) 449-4949
Gibson Hospitality, LLC	1805 East Highway 7	Montevideo	MN	56265	(320) 269-8000
Prime Hospitality	5 East State Highway 28	Morris	MN	56267	(320) 585-4000
Mohan Chaudhari	211 West Main Street	Parkers Prairie	MN	56361	(218) 338-3380
Perham Hotel Group, LLC	231 Market Drive	Perham	MN	56573	(218) 346-2033
Pipestone Crossings, LLC	915 7th Street SE	Pipestone	MN	56164	(507) 562-1100
Suite Ventures, LLC	213 Sixth Avenue South	Saint Cloud	MN	56301	(320) 251-5400
<u>Superior View Properties, LLC</u>	<u>150 Mensing Drive</u>	<u>Silver Bay</u>	<u>MN</u>	<u>55614</u>	<u>(218) 226-4300</u>
Glacial Ridge Hospitality, LLC Doug Dietz/David Harchanko	15980 Highway 23 Northeast	Spicer	MN	56288	(320) 347-1450
SZ Hospitality LLC	2200 West Frontage Road	Stillwater	MN	55082	(651) 430-2699
HK Management Corp.	1031 Wendt Drive	Thief River Falls	MN	56701	(218) 681-9988
Waseca Lodging, Inc.	2201 State Street North	Waseca	MN	56093	(507) 835-0022
<b>NORTH DAKOTA</b>					
VC Lodging, LLC c/o Marie Casper,	271 Wintershow Road SW	Valley City	ND	58072	(701) 490-3500

Discover Lodging Management, Inc.					
<b>OREGON</b>					
Trout Creek Lodging, LLC	1026 W. Rail Way	Sisters	OR	97759	(541) 904-0967
<b>SOUTH DAKOTA</b>					
15 Hotel Group, Inc.	1005 South Dakota Street	Milbank	SD	57252	(605) 438-5000
Rapid City Hospitality, LLC	660 Disk Drive	Rapid City	SD	57701	(605) 341-5100
Tea Hospitality, LLC Olsen Commercial Holdings	830 Gateway Lane	Tea	SD	57064	(605) 213-1500
<b>WISCONSIN</b>					
Eau Claire GSRS, LLC	5310 Prill Road	Eau Claire	WI	54701	(715) 834-1700
La Crosse GSRS, LLC	525 Front Street North	La Crosse	WI	54601	(608) 796-1615
Mount Horeb Hotel Partners, LLC	175 Lillehammer Lane	Mount Horeb	WI	53572	(608) 437-5200
Sheboygan GSRS, LLC	708 Niagara Avenue	Sheboygan	WI	53081	(920) 208-8000
<a href="#">Mian Asghar*Luxcom Hotels, LLC</a>	<del>975 Frank</del> <del>H904 East</del> <a href="#">Main Street</a>	Waunakee	WI	53597	<del>(518)</del> <del>229-3982</del> <a href="#">(608)</a> <a href="#">849-6900</a>

\* Franchise Agreement signed but outlet not opened as of December 31, ~~2022~~[2023](#) but opened before the issuance date of this disclosure document.

Set forth below is the name and last known business address and telephone number of each GrandStay franchisee who, during our fiscal year ended December 31, ~~2022~~[2023](#), had been terminated, canceled, not renewed, or had otherwise voluntarily or involuntarily ceased to do business pursuant to the Franchise Agreement, or who had not communicated with us during the last 10 weeks prior to the effective date of this Disclosure Document:

<u>Name</u>	<u>City/State</u>	<u>Telephone Number</u>
<a href="#">Pella Hospitality, LLC</a>	<a href="#">Pella, IA</a>	<a href="#">(605) 480-2277</a>
<del>PMO, Inc.</del>	<del>Peoria, IL</del>	<del>(309) 692-9200</del>
<del>TJB Operations, Inc.</del> <del>Tom Borisch</del>	<del>Traverse City, MI</del>	<del>(213) 938-0288</del>
<del>S. I. Hotels</del>	<del>Morris, MN</del>	<del>(320) 589-7575</del>
<del>Prairie Inn &amp; Suites, LLC</del>	<del>Parkers Prairie, MN</del>	<del>(320) 290-0688</del>

<u>Name</u>	<u>City/State</u>	<u>Telephone Number</u>
<del>Thief River</del> <u>Aces</u> Hotel <del>Partners,</del> LLC	<del>Thief — River — Falls,</del> <u>MN Columbus, MN</u>	<del>(218) 681-9988</del> <u>(651)</u> <u>925-4450</u>
<del>10 High Crossing, LLC</del>	<del>Madison, WI</del>	<del>(608) 241-2500</del>

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

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses which restrict them from discussing with you their experiences as a franchisee in the franchise system.

There are no trademark-specific franchisee associations either created, sponsored or endorsed by us, or independent franchisee associations associated with our system.

### **ITEM 21 FINANCIAL STATEMENTS**

Attached as Exhibit B are the audited financial statements of GrandStay for the periods ended December 31, 2023, December 31, 2022, ~~December 31, 2021,~~ and December 31, ~~2020~~ 2021.

### **ITEM 22 CONTRACTS**

Attached as Exhibit C, Exhibit D, Exhibit E and Exhibit G are the GrandStay Franchise Agreement, a sample Release, the Franchisee Questionnaire and the Franchise Application, respectively.

### **ITEM 23 RECEIPTS**

The last two pages of this Franchise Disclosure Document are detachable Receipts.

**STATE SPECIFIC ADDENDA  
TO GRANDSTAY HOSPITALITY, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**STATE SPECIFIC ADDENDUM  
AS REQUIRED BY  
THE ILLINOIS FRANCHISE DISCLOSURE ACT OF 1987**

Notwithstanding anything to the contrary in the GrandStay Hospitality, LLC Franchise Disclosure Document, the following provisions shall supersede any inconsistent provisions and apply to all GrandStay franchises offered and sold in the state of Illinois:

Illinois law governs the franchise agreements.

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' rights 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 acknowledgement 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 a 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.

**STATE SPECIFIC ADDENDUM  
AS REQUIRED BY  
THE MINNESOTA FRANCHISE LAW**

Notwithstanding anything to the contrary in the GrandStay Hospitality, LLC Franchise Disclosure Document, the following provisions shall supersede any inconsistent provisions and apply to all GrandStay franchises offered and sold in the state of Minnesota:

This Minnesota Addendum is only applicable if you are a resident of Minnesota or if your business will be located in Minnesota.

1. Minn. Stat. Section 80C.21 and Minn. Rule Part 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the FDD can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, form or remedies provided for by the laws of the jurisdiction.

2. We will comply with Minn. Stat. Section 80C.14, subds. 3, 4 and 5, which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Agreement.

3. Item 13 is revised to include the following language:

“To the extent required by the Minnesota Franchise Act, we will protect your rights to use the trademarks, service marks, trade names, logo types or other commercial symbols related to the trademarks or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the trademarks, provided you are using the names and marks in accordance with the Franchise Agreement.”

4. Item 17(c) and 17(m) are revised to provide that we cannot require you to sign a release of claims under the Minnesota Franchise Act as a condition to renewal or assignment.

5. We are prohibited from requiring you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.

6. No statement, questionnaire, or acknowledgement 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 a 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. Each provision of this Addendum shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of Minnesota Statutes, Chapter 80C are met independently without reference to this Addendum.

**STATE SPECIFIC ADDENDUM  
AS REQUIRED BY  
THE NORTH DAKOTA FRANCHISE INVESTMENT LAW**

Notwithstanding anything to the contrary in the GrandStay Hospitality, LLC Franchise Disclosure Document, the following provisions shall supersede any inconsistent provisions and apply to all GrandStay franchises offered and sold in the state of North Dakota:

This North Dakota Addendum is only applicable if you are a resident of North Dakota or if your business will be located in North Dakota.

1. The North Dakota Securities Commissioner has determined that it is unfair and inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to sign a general release upon renewal of the Franchise Agreement. Therefore, the requirement that the franchisee signs a release upon renewal of the Franchise Agreement is deleted from Item 17c. and from any other place it appears in the Disclosure Document.
2. The North Dakota Securities Commissioner has determined that it is unfair and inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to consent to the jurisdiction of courts located outside of North Dakota. Therefore, any contrary references in the Disclosure Document are deleted.
3. Any references in the Disclosure Document to any requirement to consent to a waiver of exemplary and punitive damages are deleted.
4. Any references in the Disclosure Document to any requirement to consent to a waiver of trial by jury are deleted.
5. Any claims arising under the North Dakota franchise law will be governed by the laws of the State of North Dakota.
6. Any references in the Disclosure Document to the recovery of attorneys' fees are hereby deleted.
7. Any references in the Disclosure Document requiring franchisee to consent to termination penalties or liquidated damages are deleted.
8. No statement, questionnaire, or acknowledgement 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 a 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.

**STATE SPECIFIC ADDENDUM  
AS REQUIRED BY  
THE WISCONSIN FAIR DEALERSHIP LAW**

Notwithstanding anything to the contrary in the GrandStay Hospitality, LLC Franchise Disclosure Document or Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all GrandStay franchises offered and sold in the state of Wisconsin:

“The Wisconsin Fair Dealership Law applies to most franchise agreements in the state and prohibits termination, cancellation, non-renewal or substantial change in competitive circumstances of a dealership agreement without good cause. The law further provides that 90 days prior written notice of the proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is so cured the notice is void. The Disclosure Document and Franchise Agreement are hereby modified to state that the Wisconsin Fair Dealership Law, to the extent applicable, supersedes any provision of the Franchise Agreement that is inconsistent with Wis.Stat.Ch.135, the Wisconsin Fair Dealership Law, § 32.06(3), Wis.Code.”

**GRANDSTAY HOSPITALITY, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**EXHIBIT A**  
**TABLE OF CONTENTS FOR MANUAL**

# TABLE OF CONTENTS

<b>OVERVIEW</b> .....	5
100 INTRODUCTION.....	5
200 PURPOSE.....	5
300 COMPLIANCE.....	5
400 GUIDANCE.....	5
500 PROFESSIONAL SERVICES.....	6
<b>SECTION 1: OPERATIONS</b> .....	7
1000 GENERAL POLICIES AND BRAND PROGRAMS.....	7
1001 MANAGEMENT.....	14
1002 PERSONNEL.....	15
1003 UNIFORMS.....	17
1004 TRAINING.....	18
1005 FRONT DESK.....	20
1006 HOUSEKEEPING AND LAUNDRY.....	26
1007 PROPERTY MAINTENANCE.....	34
1008 PUBLIC AREA CLEANING.....	35
1009 SECURITY AND SAFETY.....	36
1010 GRAND START@ BREAKFAST.....	40
1011 BUSINESS SYSTEMS AND ACCOUNTING.....	40
1012 GUEST SATISFACTION AND GUEST RELATIONS.....	44
1013 QUALITY ASSURANCE EVALUATIONS (QAE).....	45
<b>SECTION 2: FF&amp;E MINIMUM STANDARDS</b> .....	47
2000 EXTERIOR, PARKING AND GROUNDS.....	47
2001 LOBBY.....	49
2002 FRONT DESK.....	52
2003 BREAKFAST AREA.....	54
2004 TV LOUNGE.....	56
2005 GRANDSTAY PANTRY.....	57
2006 POOL ROOM, GAME ROOM AND POOL BALCONY.....	59
2007 EXERCISE ROOM.....	60
2008 PUBLIC/LOBBY RESTROOMS.....	61
2009 MEETING ROOM.....	62
2010 HALLWAYS, ELEVATORS AND STAIRWELLS.....	63
2011 GUEST LAUNDRY.....	65
2012 MANAGER OFFICE.....	66
2013 HOTEL LAUNDRY.....	67
2014 STORE ROOMS.....	68
2015 BUILDING AND SAFETY SYSTEMS.....	68
2016 BUILDING AND INTERIOR SIGNAGE.....	69
2017 GUEST ROOMS.....	70
<b>SECTION 3: CONSTRUCTION MINIMUM STANDARDS</b> .....	90
3000 ARCHITECTURAL AND BUILDING PLANS.....	90
3001 PLAN REVIEW AND APPROVAL.....	90
<b>SECTION 4: TECHNOLOGY SYSTEMS</b> .....	91
4000 HIGH SPEED INTERNET ACCESS (HSIA).....	91

4001	TELEPHONE SYSTEM .....	91
4002	CENTRAL RESERVATION SYSTEM (CRS).....	92
4003	PROPERTY MANAGEMENT SYSTEM (PMS) .....	96
4004	GUEST DATA SECURITY .....	96
<b>SECTION 5: SALES &amp; MARKETING .....</b>		<b>97</b>
5000	SALES & MARKETING RESOURCES .....	97
5001	SALES & MARKETING BUSINESS PLAN .....	97
5002	TRADEMARK IDENTITY STANDARDS.....	97
	PROPERTY DESCRIPTION PROTOCOL.....	98
	UNIVERSAL LOGO GUIDELINES.....	98
	LOGOS.....	98
	Grand Returns Logo.....	99
	TAGLINES.....	100
	TYPEFACES.....	100
	EXTERIOR SIGNAGE.....	101
5003	PROPERTY BROCHURES.....	102
5004	OUTDOOR ADVERTISING .....	102
5005	WEBSITE AND TOLL FREE NUMBERS .....	103
5006	SHOWROOMS .....	104
5007	GIFT CERTIFICATES .....	104
5008	CORPORATE PROMOTIONS.....	105
5009	MARKETING MESSAGES AND MUSIC ON HOLD .....	105
5010	GRAND RETURNS .....	105
5011	PHOTOGRAPHY.....	106
5012	SOCIAL MEDIA/NETWORKING.....	108
5013	BEST ONLINE RATE GUARANTEE.....	108
5014	RATE PARITY .....	110

Appendix	
A	Waiver Request Form
B	Owners Club Card Memo
C	Employee Rate Form
D	Mattress Standard
E	Every Guest - Every Time Trainee/Trainer Guide
F	Sample Wake-Up Calls
G	Emergency Contact list
H	Employee Incident Fact Sheet Form
I	Witness Incident Fact Sheet Form
J	Grand START Breakfast Guide
K	Quality Assurance Evaluation (QAE) Blank Form
L	Credit Card Authorization Form
M	Uniform System of Account (Lodging Industry)
N	GrandStay Logo Guide (2018)

**GRANDSTAY HOSPITALITY, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**EXHIBIT B**  
**FINANCIAL STATEMENTS**

**GRANDSTAY HOSPITALITY, LLC**

**REPORT ON AUDIT**

**DECEMBER 31, 2023**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
GrandStay Hospitality, LLC

### Opinion

We have audited the accompanying financial statements of **GrandStay Hospitality, LLC**, which comprise the balance sheets as of **December 31, 2023** and 2022, and the related statements of income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **GrandStay Hospitality, LLC** as of **December 31, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **GrandStay Hospitality, LLC** and to meet our other 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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## Auditor's Responsibilities for the Audit of the Financial Statements

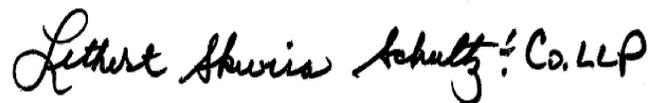
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **GrandStay Hospitality, LLC'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **GrandStay Hospitality, LLC'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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**February 29, 2024**



**LETHERT, SKWIRA, SCHULTZ & CO. LLP**

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# GRANDSTAY HOSPITALITY, LLC

<u>INDEX</u>	<u>PAGE NO.</u>
Balance Sheets.....	1
Statements of Income.....	2
Statements of Members' Equity.....	3
Statements of Cash Flows.....	4
Notes to Financial Statements.....	5 - 10

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**GRANDSTAY HOSPITALITY, LLC**  
Balance Sheets  
December 31, 2023 and 2022

<b><u>ASSETS</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>
<b><u>Current Assets</u></b>		
Cash	\$ 488,102	\$ 1,350,525
Accounts receivable	178,831	192,625
Prepaid expenses	<u>19,496</u>	<u>12,274</u>
<b>Total Current Assets</b>	<b>686,429</b>	<b>1,555,424</b>
<b><u>Property and Equipment (Note 2)</u></b>		
Equipment	22,783	20,307
Less: Accumulated depreciation	<u>19,520</u>	<u>18,278</u>
<b>Net Property and Equipment</b>	<b>3,263</b>	<b>2,029</b>
<b><u>Other Assets</u></b>		
Operating lease right-of-use asset	<u>2,352</u>	<u>9,393</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>692,044</u></b>	<b>\$ <u>1,566,846</u></b>
<b><u>LIABILITIES AND MEMBERS' EQUITY</u></b>		
<b><u>Current Liabilities</u></b>		
Current portion of deferred franchise fees	\$ 25,050	\$ 26,050
Accounts payable	73,542	47,778
Accrued payroll	13,907	13,291
Accrued expenses	390	390
Current portion of operating lease liability	2,352	7,063
Loyalty program payable	160,301	145,536
Deferred marketing revenue	<u>49,868</u>	<u>365,226</u>
<b>Total Current Liabilities</b>	<b>325,410</b>	<b>605,334</b>
<b><u>Long-Term Liabilities</u></b>		
Deferred franchise fees, net of current portion	151,000	121,050
Operating lease liability, net of current portion	<u>-</u>	<u>2,330</u>
<b>Total Long-Term Debt</b>	<b>151,000</b>	<b>123,380</b>
<b><u>Members' Equity</u></b>		
	<u>215,634</u>	<u>838,132</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ <u>692,044</u></b>	<b>\$ <u>1,566,846</u></b>

The accompanying notes are an integral part of this financial statement.

**GRANDSTAY HOSPITALITY, LLC**  
 Statements of Income  
 Years Ended **December 31, 2023** and 2022

	<u>2023</u>		<u>2022</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b><u>Revenue</u></b>				
Marketing fees	\$ 1,121,635	43.0 %	\$ 1,002,695	38.4 %
Royalty fees	1,454,431	55.8	1,574,091	60.4
Franchise fees (Note 6)	31,050	1.2	30,550	1.2
Less: Discounts	89	-	-	-
<b>Total Revenue</b>	<b>2,607,027</b>	<b>100.0</b>	<b>2,607,336</b>	<b>100.0</b>
<b><u>Operating Expenses</u></b>				
Salaries and wages	286,374	11.0	243,748	9.3
Payroll taxes	32,987	1.3	32,251	1.2
Employee benefits	20,843	0.8	19,075	0.7
Insurance	6,633	0.3	6,577	0.3
Office	4,707	0.2	4,259	0.2
Licenses	359	-	401	-
Advertising	1,121,635	43.0	1,002,695	38.5
Legal and accounting	48,713	1.9	164,232	6.3
Rent	19,809	0.8	19,277	0.7
Depreciation	1,242	-	1,160	-
Contract labor	124,138	4.8	4,215	0.2
Vehicle	2,560	0.1	1,131	-
Utilities	3,065	0.1	2,916	0.1
Telephone	4,105	0.2	4,314	0.2
Business promotion and entertainment	13,847	0.5	9,123	0.3
Bank charges	1,451	0.1	1,441	0.1
Miscellaneous	46,426	1.8	31,648	1.2
MN state filing fee	690	-	650	-
<b>Total Operating Expenses</b>	<b>1,739,584</b>	<b>66.9</b>	<b>1,549,113</b>	<b>59.3</b>
<b>Net Operating Income</b>	<b>867,443</b>	<b>33.1</b>	<b>1,058,223</b>	<b>40.7</b>
<b><u>Other Income</u></b>				
Interest	18,950	0.7	8,777	0.3
Other income	37	-	1,055,005	40.5
<b>Total Other Income</b>	<b>18,987</b>	<b>0.7</b>	<b>1,063,782</b>	<b>40.8</b>
<b>Net Income</b>	<b>\$ 886,430</b>	<b>33.8 %</b>	<b>\$ 2,122,005</b>	<b>81.5 %</b>

The accompanying notes are an integral part of this financial statement.

**GRANDSTAY HOSPITALITY, LLC**  
Statements of Members' Equity  
Years Ended **December 31, 2023** and 2022

	<u>2023</u>	<u>2022</u>
Members' Equity, Beginning of Year	\$ 838,132	\$ 225,055
Net income for the year	886,430	2,122,005
Distributions	<u>(1,508,928)</u>	<u>(1,508,928)</u>
<b>Members' Equity, End of Year</b>	<b>\$ <u>215,634</u></b>	<b>\$ <u>838,132</u></b>

The accompanying notes are an integral part of this financial statement.

**GRANDSTAY HOSPITALITY, LLC**  
 Statements of Cash Flows  
 Years Ended **December 31, 2023** and 2022

<b><u>Cash Flows From Operating Activities</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>
Net income	\$ 886,430	\$ 2,122,005
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	1,242	1,160
<b>Increase (decrease) in cash flows from:</b>		
Accounts receivable	13,794	7,133
Prepaid expenses	(7,222)	(774)
Accounts payable	25,764	(5,176)
Accrued payroll	616	2,238
Loyalty program payable	14,765	26,735
Deferred marketing revenue	(315,358)	(161,907)
Deferred franchise fees	<u>28,950</u>	<u>(25,550)</u>
<b>Net Cash Provided by Operating Activities</b>	<b>648,981</b>	<b>1,965,864</b>
<b><u>Cash Flows Used by Investing Activities</u></b>		
Purchase of property and equipment	(2,476)	-
<b><u>Cash Flows From Financing Activities</u></b>		
Distributions	<u>(1,508,928)</u>	<u>(1,508,928)</u>
<b>Net Increase (Decrease) in Cash</b>	<b>(862,423)</b>	<b>456,936</b>
<b>Cash, Beginning of Year</b>	<b><u>1,350,525</u></b>	<b><u>893,589</u></b>
<b>Cash, End of Year</b>	<b><u>\$ 488,102</u></b>	<b><u>\$ 1,350,525</u></b>

The accompanying notes are an integral part of this financial statement.

**GRANDSTAY HOSPITALITY, LLC**  
Notes to Financial Statements  
**December 31, 2023 and 2022**

**NOTE 1    NATURE OF BUSINESS**

**GrandStay Hospitality, LLC** (the Company) was formed September 5, 2000, as a franchisor of extended stay hotels. The period of existence of the limited liability company shall be until December 31, 2030.

**NOTE 2    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
AND USE OF ACCOUNTING ESTIMATES**

**Basis of Presentation**

The Company uses the accrual basis of accounting for financial statements and income tax purposes.

**Limited Liability**

Except as otherwise provided, the debts, obligations and liabilities of the Company, whether arising in contract, tort, or otherwise, shall be solely the debts, obligations, and liabilities of the Company and the members shall not be obligated personally for any such debt, obligation, or liability of the Company solely by reason of being a member of the Company.

**Accounting Estimates**

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Company considers all deposit accounts and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Accounts Receivable**

Accounts receivable consist of franchise and marketing fees. Accounts receivable are due within 30 days. Management considers any receivable that is more than 60 days past due to be delinquent. Management accrues interest on past due receivables at a rate of 16.00 percent.

The Company utilizes the allowance method to account for credit losses based upon a percentage of the aged receivables. Accounts are written off at the discretion of management based on individual customer evaluation and the best estimation of management. At **December 31, 2023** and 2022, accounts receivable are presented net of an allowance for credit losses of **\$0** for both years. For years ended **December 31, 2023** and 2022, bad debt expense was **\$0** and \$0, respectively.

**GRANDSTAY HOSPITALITY, LLC**  
Notes to Financial Statements  
**December 31, 2023 and 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND  
USE OF ACCOUNTING ESTIMATES (CONTINUED)**

**Property and Equipment**

Property and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets of five years.

Maintenance and repairs of property and equipment are charged to operations, and major repairs are capitalized. Upon retirement, sale, or other disposition of property and equipment, the costs and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

**Revenue Recognition**

The Company recognizes revenue when control of a good or service promised in a contract (i.e., a performance obligation) is transferred to the customer (franchisee). Control is obtained when a franchisee has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. A performance obligation is a distinct good, service, or a bundle of goods and services promised in a contract. The Company identifies performance obligations at the inception of a contract and allocates the transaction price to individual performance obligations to faithfully depict the Company's performance in transferring control of the promised goods or services to the customer.

The Company's revenue is generated substantially from three main sources: initial franchise fees when a new franchise opens; monthly royalty fees from existing franchises; and, monthly ad fund fees paid to the Company to promote the hotels. The initial franchise fees are collected upon the signing of the agreement, and are recognized evenly over the term of the initial franchise agreement as it is payment for the initial use of the license and continual training provided by the Company. The monthly royalty fees are payment for continued use of the license and are based on a percentage of the monthly sales of the franchisee or on a set dollar amount per day for each room rented by the franchisee. These are recognized at a point in time as those sales are incurred. The ad fund fees are payments to the Company to advertise and promote the hotels. These predominantly contain a single delivery element of incurring the advertising expense and the revenue is deferred as a contract liability until the point in time when the funds are expended and this performance obligation is met.

Various economic factors affect revenues and cash flows. Because hotel franchises are common, the market is highly competitive and franchisee sales, and therefore royalty fees, are subject to fluctuation. The Company does not disclose the amount of variable consideration that it expects to recognize in future periods in the following circumstances; 1) if the Company recognizes the revenue based on the amount invoiced or services performed; and, 2) for sales-based or usage based royalty promised in exchange for a license of intellectual property.

**GRANDSTAY HOSPITALITY, LLC**  
Notes to Financial Statements  
**December 31, 2023 and 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND  
USE OF ACCOUNTING ESTIMATES (CONTINUED)**

**Revenue Recognition (Continued)**

The beginning and ending receivable and deferred revenue balances were as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Receivables	\$ <u>178,831</u>	\$ <u>192,625</u>	\$ <u>199,758</u>
Liability - Accrued Marketing	\$ <u>49,868</u>	\$ <u>365,226</u>	\$ <u>323,646</u>
Liability - Deferred Franchise Fee	\$ <u>176,050</u>	\$ <u>147,100</u>	\$ <u>172,650</u>
Liability - Grand Return Loyalty Program	\$ <u>160,301</u>	\$ <u>145,536</u>	\$ <u>223,954</u>

**Loyalty Program**

The Company records a liability from its Grand Returns loyalty program when a member stays at a participating franchised hotel. This liability is derived from a fee the Company charges a franchised hotel based upon a percentage of room revenues generated from a Grand Returns member's stay. These fees are to reimburse the Company for expenses associated with member redemptions and activities that are related to the administering and marketing of the program.

**Leases**

In 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02 *Lease (Topic 842)*. The Company adopted this standard as of January 1, 2022 using the effective date approach resulting in no change to income or retained earnings. The Company is a lessee in two operating leases for their office facilities and on a vehicle. Office lease is a month-to-month short-term lease. The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Company recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. There are no variable payments in relation to this lease. The discount rate is the implicit rate if it is readily determinable or otherwise the Company uses its incremental borrowing rate. The implicit rate of this lease is not readily determinable and accordingly, the Company elected to use the risk-free rate. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

**Advertising**

Advertising costs are expensed as incurred. Advertising expense totaled **\$1,121,635** and \$1,002,695 for the years ended **December 31, 2023** and 2022, respectively.

**GRANDSTAY HOSPITALITY, LLC**  
Notes to Financial Statements  
**December 31, 2023 and 2022**

**NOTE 2    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND  
USE OF ACCOUNTING ESTIMATES (CONTINUED)**

**Income Taxes**

The Company has elected to be taxed as a partnership under the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is reflected in the financial statements. The members must include their respective share of the Company income and losses on their individual income tax returns. A provision has been made, however, for a Minnesota minimum fee which is applicable to all entities. The current tax years open are 2021 through 2023.

**Incentive Compensation**

The Company has incentive compensation plans (Note 5). Incentive compensation expense is recognized in equal annual installments over the related vesting period at an amount equal to the value as defined in the plan agreements.

**NOTE 3    CONCENTRATIONS OF CREDIT RISK ARISING FROM  
CASH DEPOSITED IN EXCESS OF INSURED LIMITS**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. The Company has short-term marketable securities and maintains its cash in a bank deposit. Cash balances are at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

At **December 31, 2023** and 2022, amounts not insured by the FDIC were approximately **\$239,000** and \$1,101,000, respectively.

**NOTE 4    OPERATING LEASES**

As of **December 31, 2023**, the Company leases office space under a month-to-month agreement. Rent expense charged under this lease for the years ended **December 31, 2023** and 2022 was **\$12,000** and \$12,000, respectively.

The lease on the Company's vehicle expires March, 2024. Lease expense for the years ended **December 31, 2023** and 2022 was **\$7,061** and \$7,061, respectively.

The following is a schedule of future lease payments for a vehicle under operating lease:

<b>Year Ended December 31,</b>	<b><u>Amount</u></b>
2024	\$ 2,354
Less: Imputed Interest	<u>(2)</u>
Amounts recognized in the balance sheet	<b><u><u>\$ 2,352</u></u></b>

**GRANDSTAY HOSPITALITY, LLC**  
Notes to Financial Statements  
**December 31, 2023 and 2022**

**NOTE 4 OPERATING LEASES (CONTINUED)**

Lease cost supplemental cash flow information related to leases were as follows:

	<u>2023</u>	<u>2022</u>
<b>Lease cost:</b>		
Operating lease cost	\$ 7,061	\$ 7,061
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows from operating leases	7,041	7,018
<b>Right-of-use assets obtained in exchange for lease obligations:</b>		
Operating leases	-	16,411
Weighted-average remaining lease term (months)	4	
Weighted-average discount rate	0.33%	

**NOTE 5 INCENTIVE COMPENSATION**

**Unit Appreciation Rights Plan**

Effective January 1, 2014, the Company implemented a unit appreciation rights plan (the "Plan"). Under the Plan, the Board of Directors has the sole discretion to determine employee eligibility, timing of awards, number of units granted, and all other terms relating to the unit grant. Each unit appreciation right entitles the holder to receive an amount in cash equal to the increase in value over the fair market value of the units on each grant date. The unit appreciation rights vest over four years, becoming 25 percent vested one year from the grant date. An employee's unit appreciation rights (vested or nonvested) are forfeited if the employee is not employed by the Company on the Payment date, or is terminated prior to the Payment date, as defined in the Plan agreement.

The unit appreciation rights are accounted for using the intrinsic value method. Compensation cost and related liabilities equal to the increase in the fair value of the Company's unit appreciation rights over the fair market value of the units on each grant date per share are recognized over the four-year service period and, subsequently through the date of settlement, if later. The unit appreciation rights are remeasured at each financial reporting date through the date of settlement.

At both **December 31, 2023** and 2022, 10,000 unit appreciation right grants were outstanding and fully vested. At both **December 31, 2023** and 2022, there was **\$0** recorded for the unit appreciation rights liability on the Balance Sheets. For both of the years ended **December 31, 2023** and 2022, there was no compensation expense included in the Statements of Income.

**GRANDSTAY HOSPITALITY, LLC**  
Notes to Financial Statements  
**December 31, 2023 and 2022**

**NOTE 6    FRANCHISING**

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. The franchise agreements require the franchisee to pay an initial, non-refundable fee ranging from \$0 to \$35,000 and continuing fees based upon a percentage of sales. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon its expiration.

Franchise fee revenue for the years ended **December 31, 2023** and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Initial franchise fees	\$ <u><u>31,050</u></u>	\$ <u><u>30,550</u></u>

**NOTE 7    SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through **February 29, 2024**, the date the financial statements were available to be issued.

**GRANDSTAY HOSPITALITY, LLC**

**REPORT ON AUDIT**

**DECEMBER 31, 2022**



**LETHERT, SKWIRA, SCHULTZ & Co. LLP**  
*CERTIFIED PUBLIC ACCOUNTANTS ♦ BUSINESS CONSULTANTS*

*Helping Business Conduct Business Since 1918*

## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors  
GrandStay Hospitality, LLC**

### **Opinion**

We have audited the accompanying financial statements of **GrandStay Hospitality, LLC**, which comprise the balance sheets as of **December 31, 2022** and 2021, and the related statements of income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **GrandStay Hospitality, LLC** as of **December 31, 2022** and 2021, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **GrandStay Hospitality, LLC** and to meet our other 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 Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's Responsibilities for the Audit of the Financial Statements

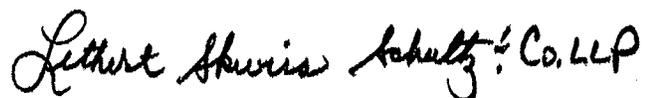
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **GrandStay Hospitality, LLC'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **GrandStay Hospitality, LLC'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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**March 10, 2023**



**LETHERT, SKWIRA, SCHULTZ & CO. LLP**

GRANDSTAY HOSPITALITY, LLC

<u>INDEX</u>	<u>PAGE NO.</u>
Balance Sheets.....	1
Statements of Income.....	2
Statements of Members' Equity.....	3
Statements of Cash Flows.....	4
Notes to Financial Statements.....	5 - 10

**GRANDSTAY HOSPITALITY, LLC**  
Balance Sheets  
December 31, 2022 and 2021

<b><u>ASSETS</u></b>	<u>2022</u>	<u>2021</u>
<b><u>Current Assets</u></b>		
Cash	\$ 1,350,525	\$ 893,589
Accounts receivable	192,625	199,758
Prepaid expenses	<u>12,274</u>	<u>11,500</u>
<b>Total Current Assets</b>	<b>1,555,424</b>	<b>1,104,847</b>
 <b><u>Property and Equipment (Note 2)</u></b>		
Equipment	20,307	20,307
Less: Accumulated depreciation	<u>18,278</u>	<u>17,118</u>
<b>Net Property and Equipment</b>	<b>2,029</b>	<b>3,189</b>
 <b><u>Other Assets</u></b>		
Operating lease right-of-use asset	<u>9,393</u>	<u>-</u>
 <b>TOTAL ASSETS</b>	<b>\$ <u>1,566,846</u></b>	<b>\$ <u>1,108,036</u></b>
 <b><u>LIABILITIES AND MEMBERS' EQUITY</u></b>		
<b><u>Current Liabilities</u></b>		
Current portion of deferred franchise fees	\$ 26,050	\$ 29,550
Accounts payable	47,778	52,954
Accrued payroll	13,291	11,053
Accrued expenses	390	390
Current portion of operating lease liability	7,063	-
Loyalty program payable	145,536	118,801
Deferred marketing revenue	<u>365,226</u>	<u>527,133</u>
<b>Total Current Liabilities</b>	<b>605,334</b>	<b>739,881</b>
 <b><u>Long-Term Liabilities</u></b>		
Deferred franchise fees, net of current portion	121,050	143,100
Operating lease liability, net of current portion	<u>2,330</u>	<u>-</u>
<b>Total Long-Term Debt</b>	<b>123,380</b>	<b>143,100</b>
 <b><u>Members' Equity</u></b>	<u>838,132</u>	<u>225,055</u>
 <b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ <u>1,566,846</u></b>	<b>\$ <u>1,108,036</u></b>

The accompanying notes are an integral part of this financial statement.

**GRANDSTAY HOSPITALITY, LLC**  
 Statements of Income  
 Years Ended **December 31, 2022** and 2021

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b><u>Revenue</u></b>				
Marketing fees	\$ 1,002,695	38.4 %	\$ 568,643	28.7 %
Royalty fees	1,574,091	60.4	1,374,977	69.6
Franchise fees (Note 6)	<u>30,550</u>	<u>1.2</u>	<u>33,250</u>	<u>1.7</u>
<b>Total Revenue</b>	<u>2,607,336</u>	<u>100.0</u>	<u>1,976,870</u>	<u>100.0</u>
<b><u>Operating Expenses</u></b>				
Salaries and wages	243,748	9.3	208,592	10.6
Payroll taxes	32,251	1.2	28,288	1.4
Employee benefits	19,075	0.7	17,984	0.9
Insurance	6,577	0.3	6,400	0.3
Office	4,259	0.2	4,883	0.2
Licenses	401	-	-	-
Advertising	1,002,695	38.5	637,339	32.2
Legal and accounting	164,232	6.3	39,155	2.0
Rent	19,277	0.7	20,969	1.1
Depreciation	1,160	-	1,160	0.1
Contract labor	4,215	0.2	2,600	0.1
Vehicle	1,131	-	1,398	0.1
Utilities	2,916	0.1	2,918	0.1
Telephone	4,314	0.2	2,823	0.1
Business promotion and entertainment	9,123	0.3	9,251	0.5
Bank charges	1,441	0.1	1,336	0.1
Miscellaneous	31,648	1.2	33,245	1.7
MN state filing fee	<u>650</u>	<u>-</u>	<u>220</u>	<u>-</u>
<b>Total Operating Expenses</b>	<u>1,549,113</u>	<u>59.3</u>	<u>1,018,561</u>	<u>51.5</u>
<b>Net Operating Income</b>	<u>1,058,223</u>	<u>40.7</u>	<u>958,309</u>	<u>48.5</u>
<b><u>Other Income</u></b>				
Interest	8,777	0.3	87	-
Other income	<u>1,055,005</u>	<u>40.5</u>	<u>125,679</u>	<u>6.4</u>
<b>Total Other Income</b>	<u>1,063,782</u>	<u>40.7</u>	<u>125,766</u>	<u>6.4</u>
<b>Net Income</b>	<u>\$ 2,122,005</u>	<u>81.4 %</u>	<u>\$ 1,084,075</u>	<u>54.9 %</u>

The accompanying notes are an integral part of this financial statement.

**GRANDSTAY HOSPITALITY, LLC**  
Statements of Members' Equity  
Years Ended **December 31, 2022** and 2021

	<u>2022</u>	<u>2021</u>
Members' Equity, Beginning of Year	\$ 225,055	\$ 641,236
Net income for the year	2,122,005	1,084,075
Distributions	<u>(1,508,928)</u>	<u>(1,500,256)</u>
<b>Members' Equity, End of Year</b>	<b>\$ <u>838,132</u></b>	<b>\$ <u>225,055</u></b>

The accompanying notes are an integral part of this financial statement.

**GRANDSTAY HOSPITALITY, LLC**  
 Statements of Cash Flows  
 Years Ended December 31, 2022 and 2021

<b><u>Cash Flows From Operating Activities</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Net income	\$ 2,122,005	\$ 1,084,075
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	1,160	1,160
PPP loan forgiveness	-	(125,679)
<b>Increase (decrease) in cash flows from:</b>		
Accounts receivable	7,133	(22,887)
Prepaid expenses	(774)	(1,751)
Accounts payable	(5,176)	(4,488)
Accrued payroll	2,238	3,743
Loyalty program payable	26,735	(105,153)
Deferred marketing revenue	(161,907)	272,183
Deferred franchise fees	(25,550)	(30,750)
<b>Net Cash Provided by Operating Activities</b>	<b>1,965,864</b>	<b>1,070,453</b>
<b><u>Cash Flows From Financing Activities</u></b>		
Proceeds from PPP loan	-	125,679
Distributions	(1,508,928)	(1,500,256)
<b>Net Cash Used by Financing Activities</b>	<b>(1,508,928)</b>	<b>(1,374,577)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>456,936</b>	<b>(304,124)</b>
<b>Cash, Beginning of Year</b>	<b>893,589</b>	<b>1,197,713</b>
<b>Cash, End of Year</b>	<b>\$ 1,350,525</b>	<b>\$ 893,589</b>

The accompanying notes are an integral part of this financial statement.

**GRANDSTAY HOSPITALITY, LLC**  
Notes to Financial Statements  
**December 31, 2022 and 2021**

**NOTE 1**    **NATURE OF BUSINESS**

**GrandStay Hospitality, LLC** (the Company) was formed September 5, 2000, as a franchisor of extended stay hotels. The period of existence of the limited liability company shall be until December 31, 2030.

**NOTE 2**    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
AND USE OF ACCOUNTING ESTIMATES**

**Basis of Presentation**

The Company uses the accrual basis of accounting for financial statements and income tax purposes.

**Limited Liability**

Except as otherwise provided, the debts, obligations and liabilities of the Company, whether arising in contract, tort, or otherwise, shall be solely the debts, obligations, and liabilities of the Company and the members shall not be obligated personally for any such debt, obligation, or liability of the Company solely by reason of being a member of the Company.

**Accounting Estimates**

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Company considers all deposit accounts and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Accounts Receivable**

Accounts receivable consist of franchise and marketing fees. Accounts receivable are due within 30 days. Management considers any receivable that is more than 60 days past due to be delinquent. Management accrues interest on past due receivables at a rate of 16.00 percent.

The Company utilizes the allowance method to account for bad debts based upon a percentage of the aged receivables. Accounts are written off at the discretion of management based on individual customer evaluation and the best estimation of management. At **December 31, 2022** and 2021, accounts receivable are presented net of an allowance for bad debts of **\$0** for both years. For years ended **December 31, 2022** and 2021, bad debt expense was **\$0** and **\$0**, respectively.

**GRANDSTAY HOSPITALITY, LLC**  
Notes to Financial Statements  
December 31, 2022 and 2021

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND  
USE OF ACCOUNTING ESTIMATES (CONTINUED)**

**Property and Equipment**

Property and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets of five years.

Maintenance and repairs of property and equipment are charged to operations, and major repairs are capitalized. Upon retirement, sale, or other disposition of property and equipment, the costs and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

**Revenue Recognition**

The Company recognizes revenue when control of a good or service promised in a contract (i.e., a performance obligation) is transferred to the customer (franchisee). Control is obtained when a franchisee has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. A performance obligation is a distinct good, service, or a bundle of goods and services promised in a contract. The Company identifies performance obligations at the inception of a contract and allocates the transaction price to individual performance obligations to faithfully depict the Company's performance in transferring control of the promised goods or services to the customer.

The Company's revenue is generated substantially from three main sources: initial franchise fees when a new franchise opens; monthly royalty fees from existing franchises; and, monthly ad fund fees paid to the Company to promote the hotels. The initial franchise fees are collected upon the signing of the agreement, and are recognized evenly over the term of the initial franchise agreement as it is payment for the initial use of the license and continual training provided by the Company. The monthly royalty fees are payment for continued use of the license and are based on a percentage of the monthly sales of the franchisee or on a set dollar amount per day for each room rented by the franchisee. These are recognized at a point in time as those sales are incurred. The ad fund fees are payments to the Company to advertise and promote the hotels. These predominantly contain a single delivery element of incurring the advertising expense and the revenue is deferred as a contract liability until the point in time when the funds are expended and this performance obligation is met.

Various economic factors affect revenues and cash flows. Because hotel franchises are common, the market is highly competitive and franchisee sales, and therefore royalty fees, are subject to fluctuation. The Company does not disclose the amount of variable consideration that it expects to recognize in future periods in the following circumstances; 1) if the Company recognizes the revenue based on the amount invoiced or services performed; and, 2) for sales-based or usage based royalty promised in exchange for a license of intellectual property.

**GRANDSTAY HOSPITALITY, LLC**  
Notes to Financial Statements  
December 31, 2022 and 2021

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND  
USE OF ACCOUNTING ESTIMATES (CONTINUED)**

**Revenue Recognition (Continued)**

The beginning and ending receivable and deferred revenue balances were as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Receivables	\$ <u>192,625</u>	\$ <u>199,758</u>	\$ <u>176,871</u>
Liability - Accrued Marketing	\$ <u>365,226</u>	\$ <u>527,133</u>	\$ <u>323,646</u>
Liability - Deferred Franchise Fee	\$ <u>147,100</u>	\$ <u>172,650</u>	\$ <u>203,400</u>
Liability - Grand Return Loyalty Program	\$ <u>145,536</u>	\$ <u>118,801</u>	\$ <u>223,954</u>

**Loyalty Program**

The Company records a liability from its Grand Returns loyalty program when a member stays at a participating franchised hotel. This liability is derived from a fee the Company charges a franchised hotel based upon a percentage of room revenues generated from a Grand Returns member's stay. These fees are to reimburse the Company for expenses associated with member redemptions and activities that are related to the administering and marketing of the program.

**Leases**

In 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02 *Lease (Topic 842)*. The Company adopted this standard as of January 1, 2022 using the effective date approach resulting in no change to income or retained earnings. The Company is a lessee in two operating leases for their office facilities and on a vehicle. Office lease is a month-to-month short-term lease. The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Company recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. There are no variable payments in relation to this lease. The discount rate is the implicit rate if it is readily determinable or otherwise the Company uses its incremental borrowing rate. The implicit rate of this lease is not readily determinable and accordingly, the Company elected to use the risk-free rate. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

**Advertising**

Advertising costs are expensed as incurred. Advertising expense totaled **\$1,002,695** and \$637,339 for the years ended **December 31, 2022** and 2021, respectively.

**GRANDSTAY HOSPITALITY, LLC**  
Notes to Financial Statements  
December 31, 2022 and 2021

**NOTE 2    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND  
USE OF ACCOUNTING ESTIMATES (CONTINUED)**

**Income Taxes**

The Company has elected to be taxed as a partnership under the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is reflected in the financial statements. The members must include their respective share of the Company income and losses on their individual income tax returns. A provision has been made, however, for a Minnesota minimum fee which is applicable to all entities. The current tax years open are 2019 through 2022.

**Incentive Compensation**

The Company has incentive compensation plans (Note 5). Incentive compensation expense is recognized in equal annual installments over the related vesting period at an amount equal to the value as defined in the plan agreements.

**NOTE 3    CONCENTRATIONS OF CREDIT RISK ARISING FROM  
CASH DEPOSITED IN EXCESS OF INSURED LIMITS**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. The Company maintains its cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

At **December 31, 2022** and 2021, amounts not insured by the FDIC were approximately **\$1,101,000** and \$644,000, respectively.

**NOTE 4    OPERATING LEASES**

As of **December 31, 2022**, the Company leases office space under a month-to-month agreement. Rent expense charged under this lease for the years ended **December 31, 2022** and 2021 was **\$12,000** and \$13,850, respectively.

The lease on the Company's vehicle expires March, 2024. Lease expense for the years ended **December 31, 2022** and 2021 was **\$7,061** and \$6,968, respectively.

The following is a schedule of future lease payments for a vehicle under operating lease:

<b>Year Ended December 31,</b>	<b>Amount</b>
2023	\$ 7,061
2024	2,354
Total	9,415
Less: Imputed Interest	(22)
Amounts recognized in the balance sheet	<u><u>\$ 9,393</u></u>

**GRANDSTAY HOSPITALITY, LLC**  
Notes to Financial Statements  
**December 31, 2022 and 2021**

**NOTE 4 OPERATING LEASES (CONTINUED)**

Lease cost supplemental cash flow information related to leases were as follows:

	<b>2022</b>
<b>Lease cost:</b>	
Operating lease cost	\$ 7,061
 <b>Cash paid for amounts included in the measurement of lease liabilities:</b>	
Operating cash flows from operating leases	7,018
 <b>Right-of-use assets obtained in exchange for lease obligations:</b>	
Operating leases	16,411

**NOTE 5 INCENTIVE COMPENSATION**

**Unit Appreciation Rights Plan**

Effective January 1, 2014, the Company implemented a unit appreciation rights plan (the "Plan"). Under the Plan, the Board of Directors has the sole discretion to determine employee eligibility, timing of awards, number of units granted, and all other terms relating to the unit grant. Each unit appreciation right entitles the holder to receive an amount in cash equal to the increase in value over the fair market value of the units on each grant date. The unit appreciation rights vest over four years, becoming 25 percent vested one year from the grant date. An employee's unit appreciation rights (vested or nonvested) are forfeited if the employee is not employed by the Company on the Payment date, or is terminated prior to the Payment date, as defined in the Plan agreement.

The unit appreciation rights are accounted for using the intrinsic value method. Compensation cost and related liabilities equal to the increase in the fair value of the Company's unit appreciation rights over the fair market value of the units on each grant date per share are recognized over the four-year service period and, subsequently through the date of settlement, if later. The unit appreciation rights are remeasured at each financial reporting date through the date of settlement.

At both **December 31, 2022** and 2021, 10,000 unit appreciation right grants were outstanding and fully vested. At both **December 31, 2022** and 2021, there was \$0 recorded for the unit appreciation rights liability on the Balance Sheets. For both of the years ended **December 31, 2022** and 2021, there was no compensation expense included in the Statements of Income.

**GRANDSTAY HOSPITALITY, LLC**  
Notes to Financial Statements  
**December 31, 2022 and 2021**

**NOTE 6 FRANCHISING**

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. The franchise agreements require the franchisee to pay an initial, non-refundable fee ranging from \$0 to \$35,000 and continuing fees based upon a percentage of sales. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew its agreement upon its expiration.

Franchise fee revenue for the years ended **December 31, 2022** and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Initial franchise fees	\$ <u><u>30,550</u></u>	\$ <u><u>33,250</u></u>

**NOTE 7 RISKS AND UNCERTAINTIES**

The Company continues to evaluate the risk of COVID-19 and its impact on the Company's revenues. The virus presents certain risks and uncertainties on the Company's future operations, but the specific impact is not readily determinable as of the date of the financial statements.

**NOTE 8 SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through **March 10, 2023**, the date the financial statements were available to be issued.

**GRANDSTAY HOSPITALITY, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**EXHIBIT C**  
**FRANCHISE AGREEMENT**

**FRANCHISE AGREEMENT**

**GRANDSTAY HOSPITALITY, LLC**  
1822 Buerkle Road  
White Bear Lake, Minnesota 55110  
Telephone: (320) 202-7744  
Fax: 888-864-2523

**Franchisee**

\_\_\_\_\_  
Name

\_\_\_\_\_  
Name

\_\_\_\_\_  
Street

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

(\_\_\_\_\_) \_\_\_\_\_  
Area Code Telephone

\_\_\_\_\_  
E-Mail Address

**Franchised Location**

\_\_\_\_\_  
Street

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

(\_\_\_\_\_) \_\_\_\_\_  
Area Code Telephone

(\_\_\_\_\_) \_\_\_\_\_  
Area Code Fax

\_\_\_\_\_  
E-Mail Address

\_\_\_\_\_  
Hotel No.

\_\_\_\_\_  
Number of Guest Rooms in Hotel

\_\_\_\_\_, 20\_\_\_\_  
**Date of Franchise Agreement**

**GRANDSTAY HOSPITALITY, LLC  
FRANCHISE AGREEMENT INDEX**

ARTICLE 1 GRANT OF FRANCHISE.....	2
1.1 Franchised Location.....	2
1.2 Protected Area.....	2
1.3 Undetermined Franchised Location.....	3
1.4 Lease of Franchised Location.....	3
1.5 Relocation.....	3
1.6 Conditions.....	3
ARTICLE 2 TERM OF AGREEMENT.....	3
2.1 Term.....	3
2.2 Franchisee’s Option to Reacquire Franchise.....	3
2.3 Terms of Option.....	4
2.4 Operation After Expiration.....	4
ARTICLE 3 INITIAL FEE.....	4
3.1 Initial Fee.....	4
3.2 Termination by GrandStay.....	4
3.3 Payment of Costs.....	4
ARTICLE 4 CONTINUING FEES.....	5
4.1 Amount of Continuing Fee; Date Payable.....	5
4.2 Interest.....	5
4.3 Monthly Reports.....	5
4.4 Franchisee’s Obligation to Pay.....	5
4.5 Payments.....	5
4.6 Access; Usage.....	6
ARTICLE 5 ADVERTISING.....	6
5.1 Brand Fund Contribution.....	6
5.2 Use of System Brand Fund.....	6
5.3 Minimum Local Advertising Expenditures.....	7
5.4 Reports of Advertising Expenditures.....	7
5.5 Telephone Directory Listings.....	7
5.6 Third Party Advertising.....	7
5.7 Program Fees.....	7
ARTICLE 6 FINANCIAL STATEMENTS.....	8
6.1 Reports and Financial Statements.....	8
6.2 Audit Rights.....	8
6.3 Deduction for Amounts Owed.....	8
ARTICLE 7 QUALITY CONTROL, UNIFORMITY AND STANDARDS REQUIRED OF FRANCHISEE.....	9
7.1 Quality and Service Standards.....	9
7.2 Identification of Property.....	9
7.3 Compliance with Standards.....	9
7.4 Participation in Operations.....	9
7.5 Franchisee Notification.....	9
7.6 Default Notices and Significant Correspondence.....	9
7.7 Catastrophes.....	10
7.8 Television; Vending and Gaming Machines; Tickets.....	10

7.9	Prohibited Sales.....	10
7.10	Operation of GrandStay Property.....	10
7.11	Compliance with Applicable Law.....	10
7.12	Payment of Taxes.....	11
7.13	“Franchise” and Other Taxes.....	11
7.14	Standard Attire or Uniforms.....	11
7.15	Business Hours; Personnel.....	11
7.16	Inspection Rights.....	11
7.17	Security Interest in Franchise Agreement.....	12
7.18	Credit Cards.....	12
7.19	Gift Certificates; Coupons; Programs.....	12
7.20	Music.....	12
7.21	Maintenance.....	12
7.22	Remodeling of Business Premises.....	13
7.23	Alterations to Property.....	13
7.24	Other Businesses.....	13
7.25	Standards of Service.....	13
7.26	Payments to Creditors.....	13
7.27	Revenue Maximization.....	13
7.28	Reservation System.....	14
7.29	Photos, Videos and Electronic Records.....	14
ARTICLE 8 PRODUCTS AND SERVICES.....		14
8.1	Limitations on Products and Services.....	14
8.2	Limitation on Sales.....	14
8.3	Approved Suppliers.....	14
8.4	Approval of Other Suppliers.....	15
8.5	Branding of Products.....	15
8.6	Payments to GrandStay.....	15
ARTICLE 9 CONFIDENTIAL MANUALS AND OTHER CONFIDENTIAL INFORMATION.....		16
9.1	Compliance with Manuals.....	16
9.2	Confidentiality of Manuals.....	16
9.3	Revisions to Manuals.....	16
9.4	Confidentiality of Other Information.....	16
9.5	Improvements.....	17
9.6	Ownership of Information.....	17
ARTICLE 10 SITE SELECTION; CONSTRUCTION COSTS; BUSINESS PREMISES SPECIFICATIONS.....		17
10.1	Site Selection.....	17
10.2	Site Selection Criteria.....	17
10.3	Site Release.....	18
10.4	Floor Plans and Layout.....	18
10.5	Construction and Remodeling Costs.....	18
10.6	Compliance with Specifications.....	18
10.7	Inspection During Construction or Renovation.....	18
ARTICLE 11 SIGNS.....		19
11.1	Approved Signs.....	19
11.2	Payment of Costs and Expenses.....	19
11.3	Modifications; Inspection.....	19
11.4	Interior Signs.....	19

ARTICLE 12 TELECOMMUNICATIONS EQUIPMENT; COMPUTER HARDWARE AND SOFTWARE.....	19
12.1 Telecommunications Equipment; Telephone Lines.....	19
12.2 Satellite and Cable Television.....	19
12.3 Computer Equipment.....	20
12.4 Software.....	20
12.5 Internet Provider.....	20
12.6 E-Mail Address.....	20
12.7 Internet Website.....	20
12.8 Social Networking.....	21
ARTICLE 13 INSURANCE.....	21
13.1 General Liability Insurance.....	21
13.2 Automobile Insurance.....	21
13.3 Property Insurance.....	21
13.4 Building Insurance.....	21
13.5 Cyber liability and Umbrella Insurance.....	21
13.6 Additional Insurance.....	22
13.7 Insurance Companies; Evidence of Coverage; Additional insured.....	22
13.8 Defense of Claims.....	22
13.9 Rights of GrandStay.....	22
ARTICLE 14 LICENSING OF MARKS AND BUSINESS SYSTEM.....	22
14.1 Benefit.....	22
14.2 Conditions to License of Marks.....	22
14.3 Franchisee’s Authorized Use.....	22
14.4 Changes to Marks.....	23
14.5 Defense or Enforcement of Rights to Marks.....	23
14.6 Tender of Defense.....	23
ARTICLE 15 TRAINING PROGRAM; OPENING ASSISTANCE.....	23
15.1 Training.....	23
15.2 Changes in Personnel.....	24
15.3 Initial Training of New Personnel.....	24
15.4 Payment of Salaries and Expenses.....	24
15.5 Opening Assistance.....	24
15.6 Hiring and Training of Employees by Franchisee.....	24
15.7 Conventions.....	25
ARTICLE 16 OTHER OBLIGATIONS OF GRANDSTAY.....	25
16.1 GrandStay’s Obligations.....	25
16.2 Other Assistance.....	25
ARTICLE 17 ASSIGNMENT.....	25
17.1 Assignment by GrandStay.....	25
17.2 Assignment by Franchisee to Owned or Controlled Corporation.....	25
17.3 Assignment by Individual Franchisee in Event of Death or Permanent Disability.....	26
17.4 Assignment by Franchisee.....	26
17.5 Acknowledgment of Restrictions.....	27
17.6 Transfer Fee.....	27
17.7 Transfer to Competitor Prohibited.....	27
17.8 Right of First Refusal.....	27

ARTICLE 18 PRE-TERMINATION AND TERMINATION RIGHTS OF GRANDSTAY .....	28
18.1 Rights in Addition to Termination.....	28
18.2 Continuation of GrandStay Actions.....	28
18.3 Conditions of Breach.....	28
18.4 Notice of Breach.....	29
18.5 Notice of Termination.....	29
18.6 Immediate Termination Rights of GrandStay.....	29
18.7 Other Remedies.....	29
ARTICLE 19 FRANCHISEE’S TERMINATION RIGHTS .....	29
19.1 GrandStay Breach.....	29
19.2 Injunctive Relief Available to GrandStay.....	30
ARTICLE 20 FRANCHISEE’S OBLIGATIONS UPON TERMINATION OR EXPIRATION .....	30
20.1 Termination of Use of Marks; Other Obligations.....	30
20.2 Alterations.....	30
20.3 Cancellation of Listings.....	31
20.4 Liquidated Damages.....	31
20.5 Other Damages.....	31
20.6 Continuation of Obligations.....	31
ARTICLE 21 INDEPENDENT CONTRACTORS/PATRIOT ACT .....	32
21.1 Independent Contractors.....	32
21.2 Patriot Act.....	32
ARTICLE 22 INDEMNIFICATION .....	32
22.1 Indemnification.....	32
ARTICLE 23 ENFORCEMENT .....	33
23.1 Injunctive Relief; Attorneys’ Fees.....	33
23.2 Mediation.....	33
23.3 Severability.....	34
23.4 No Collateral Estoppel or Class Actions.....	34
23.5 Waiver.....	34
23.6 Payments to GrandStay.....	34
23.7 Effect of Wrongful Termination.....	35
23.8 Cumulative Rights.....	35
23.9 Binding Agreement.....	35
23.10 Joint and Several Liability; Expenses.....	35
23.11 No Modification.....	35
23.12 Entire Agreement.....	35
23.13 Headings; Terms.....	35
23.14 Venue.....	36
23.15 Notification.....	36
23.16 Waiver of Damages; Limitation of Liability.....	36
23.17 Waiver of Jury Trial.....	36
ARTICLE 24 NOTICES .....	36
ARTICLE 25 ACKNOWLEDGMENTS; DISCLAIMER .....	37
25.1 Disclaimer.....	37
25.2 Acknowledgments by Franchisee.....	37
25.3 Other Franchisees; Variances.....	37
25.4 Receipt of Agreement and Franchise Disclosure Document.....	38

ARTICLE 26 FRANCHISEE’S LEGAL COUNSEL.....	38
ARTICLE 27 GOVERNING LAW; STATE MODIFICATIONS.....	38
27.1 Governing Law; Severability.....	38
27.2 State Law Modifications.....	38
ARTICLE 28 DEFINITIONS.....	40
28.1 Abandon.....	40
28.2 Affiliate.....	40
28.3 Business System.....	40
28.4 Claims.....	40
28.5 Damages.....	40
28.6 Franchise.....	<del>40</del> 41
28.7 General Manager.....	<del>40</del> 41
28.8 Gross Room Revenues.....	41
28.9 Manuals.....	41
28.10 Marks.....	41
28.11 Month.....	41
28.12 Owner.....	41
28.13 Ownership Interests.....	41

The following information will have to be completed by GrandStay and the Franchisee prior to the time that this Agreement is signed by the parties:

<u>ARTICLE</u>	<u>Page</u>	<u>Information Required</u>	<u>Completed</u>	<u>Person Completing Information</u>
1.1	2	Franchised Location	_____	_____
26	38	Name, address and telephone number of Franchisee's attorney or advisor	_____	_____
N/A	<del>41</del> <u>42</u>	Signature of GrandStay	_____	_____
N/A	<del>41</del> <u>42</u>	Signature(s) of Franchisee	_____	_____
N/A	43	Signature(s) of Owners and percentage of ownership (if applicable)	_____	_____
N/A	45	Signature(s) of personal guarantor(s)	_____	_____
N/A	WUA-4	Signatures of Website Use Agreement	_____	_____
N/A	TLA-2	Signatures of Telephone Listing Agreement	_____	_____

**GRANDSTAY HOSPITALITY, LLC**  
**FRANCHISE AGREEMENT**

**THIS FRANCHISE AGREEMENT** (this “Agreement”) is made effective this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between GrandStay Hospitality, LLC, a Minnesota limited liability company with its principal offices at 1822 Buerkle Road, White Bear Lake, Minnesota 55110 (“GrandStay”), and \_\_\_\_\_ a(n) \_\_\_\_\_ (the “Franchisee”);

**INTRODUCTION**

**GrandStay System.** GrandStay has developed a Business System for operating and franchising hotels that offer accommodations to the public under the names “GrandStay Residential Suites,” “GrandStay Hotel & Suites” and “GrandStay” with a conference center identifier (each, a “GrandStay Property”).

**GrandStay Concepts.** The Business System contains various concepts which include, without limitation, distinctive building design, decor and furnishings; standards, specifications and procedures for operation; consistency and uniformity requirements for the products and services offered to the public; procedures for quality and inventory control, training assistance, and advertising and promotional programs.

**Licensing and Development of Marks.** GrandStay has the right and authority to license the use of the names “GrandStay,” “GrandStay Residential Suites” and “GrandStay Hotel & Suites,” and other trademarks, trade names, service marks, logos and commercial symbols, and phrases, slogans and tag lines now owned or that may be developed by GrandStay for use in connection with the Business System.

**Operation of GrandStay Property.** The Franchisee desires to develop, own and operate a hotel property under the Marks at the location set forth in Article 1.1 in conformity with the Business System and the uniformity requirements and GrandStay Standards.

**GrandStay Standards.** The Franchisee understands and acknowledges the importance of the high standards of quality, appearance, procedures, controls, cleanliness and service established by GrandStay, and the necessity of operating the Franchisee’s GrandStay Property in strict conformity with the standards and specifications established by GrandStay, (collectively, the “GrandStay Standards”).

**Business and Operating Information Developed by GrandStay.** GrandStay is willing to provide the Franchisee with building plans and specifications, décor packages, operational, marketing, advertising, promotional and business information, experience and “know how” about the type of GrandStay Property Franchisee is developing, all of which has been developed over time by GrandStay at a significant cost and investment.

**Right to Use Marks and Business System.** The Franchisee acknowledges that it would take substantial capital and human resources to develop a business similar to a GrandStay Property and, for those reasons, the Franchisee desires to acquire the right to use the Marks and the Business System and to own and operate Franchisee’s GrandStay Property pursuant to the terms and conditions set forth in this Agreement.

**Compliance with Agreement.** The Franchisee acknowledges that GrandStay would not grant the Franchise to the Franchisee or provide the Franchisee with the business information and “know how” about the Business System unless the Franchisee agreed to comply with all of the terms and conditions of this Agreement and agreed to pay all amounts specified in this Agreement.

**Review of Agreement.** The Franchisee has had a full and adequate opportunity to read and review this Agreement and to be thoroughly advised of the terms and conditions of this Agreement by an attorney or other personal representative, and has had sufficient time to evaluate and investigate the hotel business, the financial requirements and the risks associated with owning and operating a GrandStay Property under the Business System.

Pursuant to the above Introduction and the mutual promises and covenants set forth herein, GrandStay and the Franchisee agree as follows:

## ARTICLE 1 GRANT OF FRANCHISE

### 1.1 **FRANCHISED LOCATION.**

GrandStay hereby grants the Franchisee the personal right to own and operate one hotel property in conformity with the Business System using the name (check one):

- GrandStay Residential Suites                       GrandStay Hotel & Suites
- GrandStay \_\_\_\_\_ [for conference center]

and other specified Marks at the following single location: \_\_\_\_\_, which is referred to in this Agreement as the “Franchised Location.”

### 1.2 **PROTECTED AREA.**

Except as provided to the contrary in this Article, GrandStay hereby grants the Franchisee a “Protected Area,” consisting of the area set forth on Exhibit A. For purpose of this Agreement, “Protected Area” will mean that GrandStay will not, without the express written permission of the Franchisee, franchise, license, develop, own, manage or operate (collectively, “develop”) a GrandStay Property that is physically located in the Protected Area. Notwithstanding the foregoing, GrandStay will have the absolute right to: (a) develop other hotel and extended stay business concepts under other brand names and marks even if the locations for the concepts are within the Protected Area; (b) develop GrandStay Properties in the Protected Area if they are located at or within an international airport or a major theme or entertainment park; (c) market, distribute and sell, on a wholesale or retail basis products, services or other goods under any of the Marks and other marks, by direct sale, the Internet, mail order, infomercials, telemarketing or by any other marketing or distribution method, even if such sales are made to customers or by distributors or retailers who are located in the Protected Area; (d) acquire businesses with one or more locations in the Protected Area, regardless of whether such location(s) are owned, franchised or otherwise, even if such business location(s) are similar to or competitive with Franchisee’s GrandStay Property; and (e) sell GrandStay’s equity or assets to any third party regardless of whether the third party operates, or franchises the operation of, businesses in the Protected Area that are similar to or competitive with Franchisee’s GrandStay Property.

If there is no geographic area set forth on Exhibit A, Franchisee will not receive any designated, protected or exclusive territory, and this Agreement will not limit the rights of GrandStay, and any Affiliate or designee of GrandStay, to develop any business of any nature, including a hotel, whether under the Marks, as a competitive brand, or otherwise, wherever located. GrandStay may

engage in any other business even if it competes with Franchisee or Franchisee's GrandStay Property and whether GrandStay commences those businesses or acquires them. GrandStay may also use, and license others to use, all or part of the Business System. Franchisee acknowledges and agrees that it is not acquiring rights other than the non-exclusive right to use the Business System to operate Franchisee's GrandStay Property under the Marks in accordance with the terms of this Agreement. Franchisee acknowledges and agrees that it has no rights and will not make any Claims arising from or related to any of the foregoing activities.

**1.3 UNDETERMINED FRANCHISED LOCATION.**

If the Franchised Location has not yet been determined as of the date of this Agreement, then the geographic area in which the Franchisee's GrandStay Property is to be located will be described or otherwise defined in an exhibit signed by the parties and attached to this Agreement. At such time as the address of the Franchised Location is determined, then the address will be inserted into this Agreement and initialed by the parties.

**1.4 LEASE OF FRANCHISED LOCATION.**

If the Franchisee leases the Franchised Location, the Franchisee will negotiate a lease term that is at least as long as the term of this Agreement.

**1.5 RELOCATION.**

The Franchisee will not have the right to relocate the Franchisee's GrandStay Property from the Franchised Location to another location and will not have the right to transfer this Agreement to another location.

**1.6 CONDITIONS.**

The Franchisee will construct, market and operate the GrandStay Property using the Business System at the Franchised Location in strict compliance with the terms and conditions of this Agreement for the entire term of this Agreement. The rights and privileges granted to the Franchisee by GrandStay under this Agreement are applicable only to the Franchised Location, are personal in nature, and may not be used elsewhere, at any other location, or through any channel of distribution, other than at the Franchised Location.

**ARTICLE 2  
TERM OF AGREEMENT**

**2.1 TERM.**

The term of this Agreement shall commence on the date of this Agreement and expire on the 20th anniversary of the opening of the Franchisee's GrandStay Property, unless earlier terminated in accordance with the terms and conditions of this Agreement. This Agreement will not be deemed to be a contract or enforceable until it has been signed by both the Franchisee and GrandStay.

**2.2 FRANCHISEE'S OPTION TO REACQUIRE FRANCHISE.**

At the end of the term of this Agreement, the Franchisee will have the option to reacquire a Franchise for the Franchised Location for one additional 20-year term, provided that the Franchisee has complied with all material terms and conditions of this Agreement throughout the term, and provided that the Franchisee has complied in all respects with the following conditions: (a) the Franchisee has given GrandStay written notice at least 180 days before the end of the term of this Agreement of its intention to reacquire the Franchise for the Franchised Location; (b) all monetary obligations owed by the Franchisee to GrandStay and its Affiliates have been paid or satisfied before the end of the term of this Agreement, and have been timely met throughout the term of this Agreement; (c) the Franchisee has agreed, in writing, to make reasonable capital expenditures necessary to remodel, modernize and redecorate the Franchised Location, and to replace and

modernize the signs, furniture, fixtures, supplies and equipment used in the Franchisee's GrandStay Property so that the Franchisee's GrandStay Property will reflect the image portrayed by GrandStay's then-current image, decor and specifications; (d) as of the date the Franchisee exercises its option to reacquire the Franchise for the Franchised Location, the Franchisee either owns the Franchised Location or the Franchisee has the right to lease the Franchised Location for a 20-year term; (e) the Franchisee and the Franchisee's General Manager have completed the required training designated by GrandStay to ensure that the Franchisee is in conformity with the then-current qualifications and operational requirements established by GrandStay; and (f) the Franchisee has executed the then-current standard franchise agreement and any other agreements being offered to new franchisees by GrandStay, subject further to the provisions of Article 2.3 of this Agreement.

### **2.3 TERMS OF OPTION.**

The Franchisee will upon execution of the new franchise agreement pay GrandStay a Reacquisition Fee equal to the greater of: (a) 25% of the initial fee specified in the then-current standard franchise agreement, or (b) \$10,000, which in either event will be payable in full on the date the Franchisee signs the then-current standard franchise agreement executed pursuant to this option. The Franchisee will be required to pay the fees at the rates specified in the then-current standard franchise agreement, and any additional amounts specified or provided for by the terms of the then-current standard franchise agreement. The Franchisee acknowledges that the terms, conditions and economics of future GrandStay franchise agreements may, at that time, vary in substance and form from the terms, conditions and economics of this Agreement.

### **2.4 OPERATION AFTER EXPIRATION.**

If the Franchisee does not sign a new franchise agreement before expiration of the term of this Agreement, and Franchisee continues to accept the benefits of this Agreement after the expiration of this Agreement, then at the option of GrandStay this Agreement shall be deemed to: (i) have expired as of the date of its stated expiration, with Franchisee then operating without a Franchise to do so and in violation of GrandStay's rights; or (ii) be continuing on a month-to-month basis (the "Interim Period") until one party provides the other with written notice of such party's intention to terminate the Interim Period, in which case the Interim Period shall terminate (with no right to renew) thirty (30) days after receipt of the notice to terminate the Interim Period. Notwithstanding anything set forth herein to the contrary: (a) all obligations of Franchisee shall remain in full force and effect during the Interim Period as if the term of the Franchise had not expired; and (b) all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Period.

## **ARTICLE 3 INITIAL FEE**

### **3.1 INITIAL FEE.**

The Franchisee will pay GrandStay an Initial Fee of \$35,000, which is payable in full to GrandStay on the date the Franchisee signs this Agreement.

### **3.2 TERMINATION BY GRANDSTAY.**

GrandStay may terminate this Agreement at any time within 120 days after the date of this Agreement if: (a) any required or other financial, personal or other information provided by the Franchisee to GrandStay is false, misleading, incomplete or inaccurate; (b) the Franchisee has not purchased or leased a site for the Franchised Location in compliance with Article 10 of this Agreement; (c) the Franchisee fails to apply for and obtain the licenses required for the operation of its GrandStay Property from the appropriate governmental agencies; or (d) the Franchisee and the Franchisee's General Manager fail to complete the training program described in Article 15.1 of this Agreement.

### **3.3 PAYMENT OF COSTS.**

If this Agreement is terminated by GrandStay pursuant to Article 3.2, then GrandStay will retain 50% of the Initial Fee paid by the Franchisee as payment for the administrative and out-of-pocket expenses incurred by GrandStay. The remaining balance of the Initial Fee paid by the Franchisee will be refunded to the Franchisee by GrandStay upon execution by the Franchisee of a general release in a form acceptable to GrandStay releasing GrandStay of all Claims arising out of the franchise relationship, including the termination of the relationship.

## **ARTICLE 4 CONTINUING FEES**

### **4.1 AMOUNT OF CONTINUING FEE; DATE PAYABLE.**

The Franchisee will pay GrandStay a monthly continuing fee equal to 5% of the Gross Room Revenues for the Franchisee's GrandStay Property for the prior month (the "Continuing Fee"). The monthly Continuing Fee will be paid to GrandStay by the Franchisee by the 10th day of each month for the immediately preceding month.

### **4.2 INTEREST.**

If the Franchisee fails to remit in a timely manner any amounts due to GrandStay, then the amount of the unpaid and past due amount will bear interest at the lesser of the maximum legal rate allowable by applicable law or 18% per annum. The Franchisee will also reimburse GrandStay for any and all costs incurred by GrandStay in the collection of any unpaid and past due payments.

### **4.3 MONTHLY REPORTS.**

The Franchisee will maintain an accurate written record of the room occupancy rates, the Gross Room Revenues for the Franchisee's GrandStay Property and such other information as may be required by GrandStay, and will submit monthly reports for the Franchisee's GrandStay Property using the forms and formats set forth in the GrandStay Manuals or otherwise in writing by GrandStay. The monthly reports will be mailed, e-mailed or faxed to GrandStay for receipt by the 5th day of each month for the immediately preceding month. The monthly reports will include the Franchisee's daily and monthly Gross Room Revenues, daily and monthly room occupancy rates and such other information as may be required by GrandStay.

### **4.4 FRANCHISEE'S OBLIGATION TO PAY.**

The Continuing Fee payable to GrandStay under this Article will be calculated and paid to GrandStay by the Franchisee each month during the term of this Agreement, and the Franchisee's failure to pay the monthly Continuing Fee to GrandStay at the time provided in this Agreement will be deemed to be a material breach of this Agreement. The Franchisee's obligation to pay GrandStay the monthly Continuing Fee pursuant to the terms of this Agreement will be absolute and unconditional, and will remain in full force and effect during the term of this Agreement. The Franchisee will not have the "right of offset" and, as a consequence, the Franchisee will timely pay all amounts due to GrandStay under this Agreement regardless of any Claims the Franchisee may allege against GrandStay.

### **4.5 PAYMENTS.**

Franchisee shall remit all amounts due to GrandStay or its Affiliates via electronic-funds transfer or other similar means specified by GrandStay. Franchisee shall comply with all procedures specified by GrandStay in this Section and the Manuals, and deliver and execute such documents as may be necessary to facilitate or accomplish payment by the method required by GrandStay.

Franchisee shall give GrandStay authorization, in the form prescribed by GrandStay, for direct debits from Franchisee's business bank operating account for amounts owing to GrandStay.

Franchisee shall authorize GrandStay to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of amounts payable to GrandStay and its Affiliates. Franchisee shall make the funds available to GrandStay for withdrawal by electronic transfer no later than 10:00 a.m. central time on the date due, or if such day is not a banking business day, then by 10:00 a.m. central time on the next banking business day, within the time period in which such amounts are due.

If Franchisee has not provided GrandStay with the information necessary to calculate the amounts owed to GrandStay, then GrandStay shall be authorized to debit Franchisee's account for amounts owed equal to one hundred twenty percent (120%) of the amount owed by Franchisee for such items for the last reporting period. At GrandStay's option, Franchisee agrees that GrandStay may base the amount of such debit on information retrieved from Franchisee's computer system.

If, at any time, GrandStay determines that Franchisee has under-reported its Gross Room Revenues, or occupied rooms or underpaid amounts due hereunder, GrandStay shall be authorized to initiate immediately a debit to Franchisee's account in the appropriate amount in accordance with the foregoing procedure, plus late payment charges as provided for in this Agreement. Any overpayment shall be credited to Franchisee's account through a credit effective as of the first reporting date after Franchisee and GrandStay determine that such credit is due. If the amount debited is less than the actual amount owed, Franchisee shall pay the remaining amount owing, plus a late payment charge thereon as set forth in this Agreement. If GrandStay is unable for any reason to debit the full amount permitted under this Agreement, Franchisee shall remit the remaining amount owing within five (5) business days from notice by GrandStay, plus a late payment charge thereon as set forth in this Agreement.

#### **4.6 ACCESS; USAGE.**

GrandStay shall have the right to independently access Franchisee's computer system, including any point-of-sale system, reservation system, customer relations or property management system and software for any purpose including, but not limited to, determining any amounts owed GrandStay for any period of time. Franchisee understands and acknowledges that GrandStay may use any and all financial and other information provided to Franchisee by GrandStay and obtained by GrandStay related to Franchisee and the operations of the Franchised Location in any manner and for any purpose GrandStay, in its sole judgment, deems appropriate, including, but not limited to, sharing with other GrandStay franchisees such information and Franchisee's identity and the identity of the Franchised Location from which the information was generated. Franchisee shall fully cooperate with GrandStay, including, but not limited to, providing GrandStay with online access to all electronic systems used by Franchisee and all then current passwords for such systems.

## **ARTICLE 5 ADVERTISING**

#### **5.1 BRAND FUND CONTRIBUTION.**

On or before the 10th day of each month for the immediately prior month, the Franchisee shall pay to GrandStay a monthly "Brand Fund Contribution" equal to 2% of the Gross Room Revenues for the Franchisee's GrandStay Property for the immediately prior month. Brand Fund Contributions shall be deposited by GrandStay into a System Brand Fund.

#### **5.2 USE OF SYSTEM BRAND FUND.**

Reasonable disbursements from the System Brand Fund shall be made solely for the payment of expenses incurred by GrandStay in connection with the general promotion of the Marks, including: (i) development and production of advertising and promotional materials; (ii) the cost of formulating,

developing and implementing advertising campaigns, including Internet advertising and Internet search engine campaigns; (iii) the cost of formulating, developing and implementing promotional and public relations programs; (iv) market research; and (v) the reasonable cost of administering the System Brand Fund, including accounting expenses, the cost of salaries and fringe benefits paid to GrandStay's employees engaged in administration of the System Brand Fund, including creative activities and overhead allocated to advertising activities. GrandStay reserves the right to allocate System Brand Fund contributions among some or all the names denoted in Section 1.1 and some or all of the Marks, all in its sole discretion. Methods, media employed, content of advertising, and terms and conditions of advertising campaigns and promotional programs shall be within the sole discretion of GrandStay. GrandStay reserves the right to engage the professional services of an advertising agency owned by, or affiliated with, GrandStay or any of its principals, to assist in developing and/or placing advertising, and to compensate that agency based on standard industry fees and charges. GrandStay reserves the right to dissolve the System Brand Fund but will not do so until all the monies in the System Brand Fund have been expended or until monies have been rebated to the then-existing GrandStay unit franchisees operating locations under the Marks on a pro-rata basis based upon their contributions to the System Brand Fund.

### **5.3 MINIMUM LOCAL ADVERTISING EXPENDITURES.**

Each month for the term of this Agreement, the Franchisee will spend at least 2% of the monthly Gross Room Revenues of the Franchisee's GrandStay Property on local advertising approved by GrandStay (the "Advertising Expenditures"). For the purposes of this Article, approved advertising will include television, radio, newspaper, billboards, magazine, direct mail and other print advertising, which has been approved by GrandStay prior to broadcast, publication or distribution. The Franchisee must participate in any local or regional advertising campaigns required by GrandStay, at GrandStay's sole discretion.

### **5.4 REPORTS OF ADVERTISING EXPENDITURES.**

Within 5 days after the end of each month, the Franchisee will, in a form prescribed by GrandStay, furnish GrandStay with an accurate accounting of the Franchisee's monthly Gross Room Revenues and the amount required to be paid for Brand Fund Contributions and Advertising Expenditures for the applicable month. If the full amount of Advertising Expenditures have not been incurred by Franchisee in any month, then the Franchisee will remit with the report to GrandStay the difference between the amount that should have been spent by the Franchisee for the Advertising Expenditures and the amount actually spent, and this amount will be deposited in the System Brand Fund.

### **5.5 TELEPHONE DIRECTORY LISTINGS.**

The Franchisee will continually list and advertise in the electronic, on-line and printed book versions of the "Yellow Pages" in the Franchisee's market area under the heading "Hotels" and/or other listings designated by GrandStay in writing. The format, size and content of the listings and advertising will conform in all respects to the standards established by GrandStay and specified in the Manuals. The Franchisee will also take all steps necessary to be listed in the electronic, on-line and printed book versions of the "White Pages" for the Franchisee's market area.

### **5.6 THIRD PARTY ADVERTISING.**

The Franchisee will not permit any third party to directly advertise its business, services or products on the premises of or in connection with the Franchisee's GrandStay Property. The Franchisee will comply with GrandStay's then-current advertising and marketing requirements as set forth in this Agreement or otherwise in writing.

### **5.7 PROGRAM FEES.**

The Franchisee must pay GrandStay any fees assessed for promotional programs and initiatives whether now existing or implemented in the future and that are implemented generally for GrandStay Properties or groups of GrandStay Properties.

## **ARTICLE 6 FINANCIAL STATEMENTS**

### **6.1 REPORTS AND FINANCIAL STATEMENTS.**

The Franchisee will prepare a monthly and year-to-date profit and loss statement, a room occupancy report and such other reports and information as may be required by GrandStay for the Franchisee's GrandStay Property (the "Reports"). The Franchisee will also prepare annual financial statements, consisting of a balance sheet, profit and loss statement, and statement of cash flows, for the Franchisee's GrandStay Property (the "Financial Statements"). All Reports and Financial Statements provided to GrandStay pursuant to this Article will be in substantially the form prescribed by GrandStay, will contain the information required by GrandStay, will conform to the standard chart of accounts prescribed by GrandStay and will be prepared in accordance with generally accepted accounting principles applied on a consistent basis. The monthly Reports for the Franchisee's GrandStay Property will be delivered to GrandStay within 5 days after the end of each calendar month. The Franchisee's Financial Statements will be delivered to GrandStay within 90 days after the Franchisee's fiscal year end. The Franchisee's Reports and Financial Statements must be verified by the Franchisee or the Franchisee's Chief Financial Officer.

### **6.2 AUDIT RIGHTS.**

Within 3 business days after receiving written notice from GrandStay, the Franchisee will make all of its records and ledgers, work papers, books, bank statements, federal and state income tax returns, including those of the Franchisee's owners, federal and state sales tax returns, daily cash reports, and other financial information relating to the Franchisee's GrandStay Property, but excluding employee records of the Franchisee's GrandStay Property (the "Financial Records") available to GrandStay during business hours for review and audit by GrandStay or its designee. If the Financial Records are computerized, then the Franchisee will grant GrandStay or its designees the absolute right to access the Franchisee's computer and software programs containing the Financial Records and the absolute right to copy the Financial Records. The Financial Records for each fiscal year will be kept available by the Franchisee for audit by GrandStay for at least 5 years. The Franchisee will provide GrandStay with adequate facilities to conduct the audit.

If any audit discloses an understatement of Gross Room Revenues of the Franchisee's GrandStay Property for any period or periods, Franchisee, within 10 days of receipt of the audit report, shall pay to GrandStay the Continuing Fee and Brand Fund Contributions due on the previously unreported Gross Room Revenues, plus interest from the due date at the maximum rate permitted by law, not to exceed eighteen percent (18%) per annum. In addition, if there is an understatement of two percent (2%) or more of Gross Room Revenues of Franchisee's GrandStay Property for any period, Franchisee shall reimburse GrandStay for the cost of the audit, including, without limitation, the charges of any independent accountant and the travel expenses, room and board, and compensation of persons employed by GrandStay to make the audit.

### **6.3 DEDUCTION FOR AMOUNTS OWED.**

GrandStay may set off or deduct any fees or other amounts owed by the Franchisee to GrandStay, an Affiliate or any third party from any amount that may be payable to the Franchisee by GrandStay. GrandStay may also apply the fees and other payments made by the Franchisee to GrandStay or an Affiliate in such order as GrandStay may designate.

**ARTICLE 7**  
**QUALITY CONTROL, UNIFORMITY AND**  
**STANDARDS REQUIRED OF FRANCHISEE**

**7.1 QUALITY AND SERVICE STANDARDS.**

GrandStay's standards of quality, cleanliness and service regarding the business operations of the GrandStay Properties are intended to protect and maintain (for the benefit of GrandStay and all of its franchisees) the goodwill of the Marks and the Business System. The Franchisee will maintain the GrandStay Standards required by GrandStay for all products and services associated with the Marks and the Business System.

**7.2 IDENTIFICATION OF PROPERTY.**

The Franchisee will operate its GrandStay Property so that it is clearly identified and advertised as a GrandStay Property. The style and form of the Marks used by the Franchisee in any advertising, marketing, public relations or promotional materials must be pre-approved by GrandStay. The Franchisee will use the Marks, the approved logos and all graphics commonly associated with the Business System, on all paper supplies, furnishings, advertising, soaps, shampoos, public relations and promotional materials, signs, stationery, business cards, linens, towels, napkins, uniforms, clothing and other materials and items in the combination and manner as may be required by GrandStay. The Franchisee will comply with all legal notices of registration required by GrandStay including all trademark, trade name, service mark, copyright, patent or other notices that are required by GrandStay or by applicable law.

**7.3 COMPLIANCE WITH STANDARDS.**

The Franchisee will use the Marks and the Business System in strict compliance with the quality standards, health standards, operating procedures, specifications, requirements and instructions required by GrandStay, which may be amended and supplemented by GrandStay.

**7.4 PARTICIPATION IN OPERATIONS.**

GrandStay strongly recommends that the Franchisee or, if the Franchisee is an entity, the Franchisee's President (or an equivalent position) actively participate in the operation of the Franchisee's GrandStay Property, either as General Manager or in another capacity. If Franchisee does not operate the Franchisee's GrandStay Property it must be managed by a management company approved by GrandStay.

**7.5 FRANCHISEE NOTIFICATION.**

The Franchisee will not use any of the Marks or any derivative thereof in its corporate, partnership or sole proprietorship name. The Franchisee will hold itself out to the public as an independent contractor operating its GrandStay Property pursuant to a Franchise from GrandStay. The Franchisee will file for a certificate of assumed name in the manner required by applicable state law to notify the public that the Franchisee is operating its GrandStay Property as an independent contractor pursuant to this Agreement. The Franchisee will also post a notice at its GrandStay Property notifying all of its employees that they are employees of Franchisee not GrandStay. The content and location of the notice shall be approved by GrandStay.

**7.6 DEFAULT NOTICES AND SIGNIFICANT CORRESPONDENCE.**

The Franchisee will deliver to GrandStay, immediately upon receipt by the Franchisee or delivery at the Franchised Location, an exact copy of all: (a) notices of default received from the landlord of the Franchised Location or any mortgagee, trustee under any deed of trust, contract for deed holder, lessor, or any other party with respect to the Franchised Location; (b) notifications or other correspondence relating to any legal proceeding or lawsuit relating in any way to the Franchised Location; (c) third party Claims; and (d) inspection reports or any other notices, reports, warnings or

citations from or by any governmental authority, including any health or safety authority. Upon a written request from GrandStay, the Franchisee will provide such additional information as may be required by GrandStay regarding the subject matter of the correspondence or other writings received by the Franchisee or delivered at the Franchised Location.

#### **7.7 CATASTROPHES.**

If the Franchised Location is damaged or destroyed by fire or other casualty, then the Franchisee will, within 30 days thereafter, initiate the repairs and reconstruction necessary to restore the Franchised Location to its condition prior to such casualty. If in the reasonable judgment of GrandStay, the damage or destruction is of such a nature or extent that it is feasible for the Franchisee to repair or reconstruct the premises of the Franchised Location in conformance with the then-current standard decor specifications of GrandStay without incurring substantial additional costs, then GrandStay may require the Franchisee to do so by giving written notice to the Franchisee.

#### **7.8 TELEVISION; VENDING AND GAMING MACHINES; TICKETS.**

The Franchisee will not permit any television, jukebox, video and electronic games, vending machines (including cigarette, soda, gum and candy machines), newspaper racks, rides or other mechanical or electronic entertainment devices, coin or token operated machines (including pinball), or gambling machines or other gambling devices to be used on the premises of the Franchised Location, except with the prior written approval of GrandStay which may be withheld in its sole and absolute discretion. The Franchisee will not keep or offer for sale at or near the Franchised Location any tickets, subscriptions, pools, chances, raffles, lottery tickets or pull tabs, except with the prior written approval of GrandStay.

#### **7.9 PROHIBITED SALES.**

The Franchisee will offer for sale at the Franchised Location only those products and services approved in writing by GrandStay and will not permit the sale at or near the Franchised Location of: (a) any tobacco products; (b) any alcoholic beverages; and (c) any food products not specifically authorized by GrandStay.

#### **7.10 OPERATION OF GRANDSTAY PROPERTY.**

The Franchisee will be solely responsible for the operation of its GrandStay Property, and will control, supervise and manage all employees, agents and independent contractors who work for or with the Franchisee. The Franchisee will be responsible for the acts of its employees, agents and independent contractors, and will take all actions necessary to ensure that its employees, agents and independent contractors comply with all applicable laws.

GrandStay will not have any right, obligation or responsibility to control, supervise or manage the Franchisee's employees, agents or independent contractors.

#### **7.11 COMPLIANCE WITH APPLICABLE LAW.**

The Franchisee will comply with all applicable laws pertaining to the construction or remodeling of the Franchised Location and/or the operation of the Franchisee's GrandStay Property including, but not limited to, all: (a) health and food service licensing laws; (b) health and safety regulations and laws; (c) environmental laws; (d) employment laws (including all wage and hour laws, employment laws, workers' compensation laws, discrimination laws, sexual harassment laws, disability and discrimination laws); (e) credit card and debit card laws applicable to consumers, including all privacy laws, and (f) tax laws (including those relating to individual and corporate income taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, F.I.C.A. taxes, inventory taxes, personal property taxes, real estate taxes and federal, state and local income tax laws). The Franchisee will be solely and exclusively responsible for determining the

licenses and permits required by law for the Franchisee's GrandStay Property, for obtaining and qualifying for all such licenses and permits, and for complying with all applicable laws by its employees, agents and independent contractors.

#### **7.12 PAYMENT OF TAXES.**

The Franchisee will be solely responsible and liable for filing all tax returns and for the prompt payment of all federal, state, city and local taxes including, but not limited to, individual and corporate income taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, F.I.C.A. taxes, inventory taxes, personal property taxes, real estate taxes and federal, state and local income taxes (collectively, "taxes") payable in connection with the Franchisee's GrandStay Property. GrandStay will have no liability for these or any other taxes arising or resulting from the Franchisee's GrandStay Property and the Franchisee will indemnify GrandStay for any such taxes that may be assessed or levied against GrandStay arising out of or resulting from the operation or ownership of the Franchisee's GrandStay Property.

#### **7.13 "FRANCHISE" AND OTHER TAXES.**

If any "franchise" or other tax based upon the Gross Room Revenues, receipts, sales, business activities or operation of the Franchisee's GrandStay Property is imposed upon GrandStay by any taxing authority, then the Franchisee will reimburse GrandStay in an amount equal to the amount of such taxes and related costs imposed upon and paid by GrandStay. GrandStay will notify the Franchisee if it is required to pay any of these taxes and, in that event, the Franchisee will pay GrandStay the amount specified in the written notice within 10 days after receipt of the written notice.

#### **7.14 STANDARD ATTIRE OR UNIFORMS.**

The Franchisee will require its employees to wear the ~~standard~~ attire or uniforms described in the Manuals. ~~All employees of the Franchisee will wear clean and neat, which~~ attire or uniforms must be neat and clean.

#### **7.15 BUSINESS HOURS; PERSONNEL.**

The Franchisee's GrandStay Property will be open 24 hours a day, 7 days a week, or during such other business hours as may be specified by GrandStay in the Manuals. The Franchisee will have management personnel on duty who are responsible for supervising the business operations of the Franchisee's GrandStay Property. The Franchisee will maintain a sufficient, conscientious and trained staff to operate the GrandStay Property. The Franchisee will take such steps as are necessary to ensure that its personnel develop and preserve good customer relations, render competent, prompt, courteous and knowledgeable service and meet the quality and service standards established by GrandStay.

~~Notwithstanding the foregoing,~~ Franchisee will be solely responsible for determining who to hire, how to compensate those individuals, how much to compensate those individuals, the terms of their employment and working conditions, the supervision of the individuals, the setting of work schedules, the maintenance of employment records, when and how to discipline those individuals, and when and how to terminate the employment of those individuals. These individuals are not GrandStay's agents or employees and GrandStay is not a joint employer of these individuals. If required by GrandStay, the Franchisee will obtain a written acknowledgement from each of its employees acknowledging that the employee is an employee of Franchisee not GrandStay. Franchisee is solely responsible for performing all administrative functions at its GrandStay Property, including payroll, and providing workers' compensation insurance. Franchisee acknowledges that GrandStay does not provide facilities, equipment or house or transport the Franchisee's employees or provide tools or materials required for the Franchisee's employees to perform services for ~~the~~ Franchisee.

#### **7.16 INSPECTION RIGHTS.**

The Franchisee will permit GrandStay or its representatives to enter, remain on, and inspect the Franchised Location, whenever GrandStay reasonably deems it appropriate and without prior notice, to interview the Franchisee's employees and customers, to take photographs, videotapes and other electronic records of, and to examine the interior and exterior of, the Franchised Location, to examine representative samples of the products sold or used at the Franchisee's GrandStay Property and to evaluate the quality of the products and services provided by the Franchisee to its customers. Without limiting the foregoing, GrandStay will have the right to conduct Quality Assurance Evaluation ("QAE") inspections of the Franchisee's GrandStay Property. If the Franchisee fails to obtain a passing score on any QAE inspection, GrandStay may, in addition to its other rights hereunder, require the Franchisee to pay its then-current re-inspection fee, plus reimburse GrandStay for its costs and expenses incurred in connection with any follow up QAE inspections required to determine correction of deficiencies. GrandStay may use all interviews, QAE inspection reports, photographs, videotapes and other electronic records of the Franchisee's GrandStay Property for such purposes as GrandStay deems appropriate including, but not limited to, use in advertising, marketing and promotional materials. The Franchisee will not be entitled to, and hereby expressly waives, any right that it may have to be compensated by GrandStay, its advertising agencies, and other franchisees for the use of such photographs, videos and other electronic records.

#### **7.17 SECURITY INTEREST IN FRANCHISE AGREEMENT.**

This Agreement and the Franchise granted to the Franchisee hereunder may not be used as collateral or be the subject of a security interest, lien, levy, attachment or execution by the Franchisee's creditors or any financial institution, except with the prior written approval of GrandStay.

#### **7.18 CREDIT CARDS.**

The Franchisee will honor all credit, charge, courtesy or cash cards or other credit devices required by GrandStay. The Franchisee must obtain the written approval of GrandStay before honoring any unapproved credit, charge, courtesy or cash cards or other credit devices. If the Franchisee will store, process, transmit or otherwise access or possess cardholder data in connection with the sale of the products and services provided under this Agreement, the Franchisee will maintain the security of cardholder data and adhere to the then-current Payment Card Industry Data Security Standards ("PCI DSS"), for the protection of cardholder data throughout the term of this Agreement. The Franchisee further understands it is responsible for the security of cardholder data in the possession or control of any subcontractors it engages to perform under this Agreement. Such subcontractors must be identified to and approved by GrandStay in writing prior to sharing cardholder data with the subcontractor. The Franchisee will, if requested to do so by GrandStay, provide appropriate documentation to GrandStay to demonstrate compliance with applicable PCI DSS requirements by the Franchisee and all identified subcontractors.

#### **7.19 GIFT CERTIFICATES; COUPONS; PROGRAMS.**

The Franchisee will not sell or issue gift certificates. The Franchisee will not issue coupons or discounts of any type except as may be approved in advance in writing by GrandStay. The Franchisee will participate in any customer appreciation, customer loyalty, frequent guest or owners club programs promoted by GrandStay, and will pay to GrandStay any charges for such programs.

#### **7.20 Music.**

In order to maintain the image and ambiance associated with the Business System, the Franchisee will play music customary to hotel lobbies, as selected and procured by Franchisee, in the lobby or such other location(s) of the Franchised Location instructed by GrandStay as set forth in the Manuals or otherwise in writing.

#### **7.21 MAINTENANCE.**

The Franchisee will repair, paint and keep in a clean and sanitary condition the interior, exterior, parking lot, signage, exterior lighting, and the grounds of the Franchised Location, and will replace all floor coverings, wall coverings, television sets, radios, refrigerators, light fixtures, curtains, blinds, shades, furniture, room furnishings, wall hangings, signs, fixtures and other decor items as they become worn-out, soiled or in disrepair. All equipment, including ventilation, heating and air conditioning, must be kept in good working order by the Franchisee at all times. All replacement equipment, decor items, furniture, fixtures, signs, supplies and other items used in the Franchised Location by the Franchisee must comply with GrandStay's then-current standards and specifications.

#### **7.22 REMODELING OF BUSINESS PREMISES.**

The Franchisee will make the capital expenditures necessary to extensively remodel, modernize, redecorate and renovate ("remodel" or "remodeling") the Franchisee's GrandStay Property and to replace and modernize the furniture, fixtures, supplies and equipment ("FF&E") so that the Franchisee's GrandStay Property will reflect the then-current image of GrandStay Properties. All remodeling and all replacement FF&E must conform to GrandStay's then-current specifications. The Franchisee acknowledges and agrees that the remodeling and modernization requirements of this provision are necessary to maintain the uniform standards and image of all GrandStay Properties. The Franchisee will commence remodeling the Franchised Location within 120 days after the date the Franchisee receives written notice from GrandStay specifying the required remodeling, and will diligently complete such remodeling within a reasonable time after its commencement. Except as provided for in Article 7.21 of this Agreement, the Franchisee will not be required to remodel the Property more than once every 5 years during the term of this Agreement. The foregoing shall not include required equipment replacements or updates.

#### **7.23 ALTERATIONS TO PROPERTY.**

The Franchisee will not install or permit to be installed on or at the Franchisee's GrandStay Property, without the prior written consent of GrandStay, any fixtures, furnishings, equipment, decor, signs or other items not previously approved by GrandStay.

#### **7.24 OTHER BUSINESSES.**

The Franchisee will use the Franchised Location solely for the operation of the GrandStay Property and will not directly or indirectly operate or engage in or allow a third party to operate or engage in any other business or activity from the Franchised Location without the prior written consent of GrandStay. The Franchisee will not participate in any dual branding program, or in any other program, promotion or business pursuant to which a trademark, service mark, trade name, logo, slogan, or commercial symbol owned by any person or entity other than GrandStay is displayed, featured or used in connection with the Franchisee's GrandStay Property, without the prior written consent of GrandStay.

#### **7.25 STANDARDS OF SERVICE.**

The Franchisee will at all times give prompt, courteous and efficient service to its customers and guests. The Franchisee will, in all dealings with its customers, suppliers and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct.

#### **7.26 PAYMENTS TO CREDITORS.**

The Franchisee will timely pay all of its obligations and liabilities to GrandStay and to all other creditors.

**7.27 REVENUE MAXIMIZATION.**

Franchisee shall operate the Franchised Location so as to maximize Gross Room Revenues, which shall include maintaining each room and suite in the Franchised Location available for rental. Franchisee shall not remove any room or suite of the Franchised Location from the Franchised Location's available room inventory without the prior written approval of GrandStay. Franchisee shall not engage in any conduct that is likely to reduce Gross Room Revenues.

**7.28 RESERVATION SYSTEM.**

The Franchisee will comply with GrandStay's requirements as set forth in the Manuals for the participation of the Franchisee's GrandStay Property in the reservation system made available to the Franchisee by GrandStay during the term of this Agreement. The Franchisee will update the equipment, methods, systems and procedures as may be required by GrandStay for the reservation system for GrandStay Properties. The Franchisee will pay the expenses, costs and fees associated with the participation of the Franchisee's GrandStay Property in the reservation system. The Franchisee acknowledges that the requirements and economics of its participation in the reservation system may change during the term of this Agreement, and that the Franchisee will comply with all modifications to the reservation system implemented by GrandStay, including the payment of new or increased fees, the acquisition of replacement or update of equipment, and the completion of additional training.

**7.29 PHOTOS, VIDEOS AND ELECTRONIC RECORDS.**

For the avoidance of any doubt, GrandStay shall have the right to take photographs, videos and electronic records of the Franchisee's GrandStay Property, including the Franchised Location, and any associated vehicles and signage and to use such photographs, videos and electronic records in any advertising or promotional material, in any form or medium now existing or later developed. GrandStay may use the foregoing without providing notice to Franchisee or receiving Franchisee's consent, and GrandStay shall not be obligated to make attribution or to compensate Franchisee for use of the foregoing. Upon the request of GrandStay, Franchisee shall cooperate with GrandStay in taking and arranging for such photographs, videos and electronic records and for obtaining the necessary consents of or assignments from individuals depicted in or involved in such photographs, videos and electronic records. Franchisee irrevocably assigns to GrandStay all of its right, title, and interest, if any, in and to all such photographs, videos and electronic records, together with all related intellectual property rights.

**ARTICLE 8  
PRODUCTS AND SERVICES**

**8.1 LIMITATIONS ON PRODUCTS AND SERVICES.**

The Franchisee will sell only those products, merchandise, and services (sometimes referred to in this Agreement as "products and services") approved by GrandStay in writing and will offer for sale all products and services prescribed or approved by GrandStay. The Franchisee will maintain sufficient inventories of the required products and services specified by GrandStay. The Franchisee will conform to all customer service standards prescribed by GrandStay.

**8.2 LIMITATION ON SALES.**

The Franchisee will not offer for sale or sell on a wholesale or retail basis at any other location or in any other premises, or by means of the Internet, catalogue or mail order sales, telemarketing, or by any other method of sales or distribution, any of the products and services offered for sale or sold in connection with the Franchisee's GrandStay Property or which are sold under any of the Marks, unless approved by GrandStay in writing.

### **8.3 APPROVED SUPPLIERS.**

All equipment, supplies, computers, insurance, advertising and marketing materials, including signage and other printed items, used at the Franchised Location or to market the Franchised Location and all products and services offered in connection therewith must meet GrandStay's specifications as they may be provided to Franchisee. From time to time, GrandStay may provide Franchisee a list of approved suppliers of equipment, software, including customer relationship, reservation and property management systems, hardware, insurance, signage and other items or services. The approved source of supply for any individual item may be GrandStay, an Affiliate of GrandStay, or an independent third-party. GrandStay may only approve a single source of supply for an item, which source may be GrandStay, an Affiliate or an individual third-party. Except where GrandStay, an Affiliate or third party is the sole source of supply, Franchisee shall not be restricted from using sources of supply other than those previously approved by GrandStay, if the other sources supply items or services of the same quality and specifications as those supplied by the approved suppliers. However, GrandStay reserves the right to require Franchisee to obtain the written approval of GrandStay pursuant to Article 8.4 prior to the use of any supplier not previously approved by GrandStay. If GrandStay or an Affiliate no longer chooses to provide some or all of the items it has provided, Franchisee may only substitute items meeting GrandStay's specifications from a supplier GrandStay approves.

### **8.4 APPROVAL OF OTHER SUPPLIERS.**

The Franchisee may purchase certain products and services specified by GrandStay from suppliers that have not been approved by GrandStay provided that such products and services conform in quality to GrandStay's standards and specifications and provided that GrandStay determines that the supplier's business reputation, quality standards, delivery performance, credit rating, and other factors specified by GrandStay are satisfactory. If the Franchisee desires to purchase any products or services from such other suppliers, then the Franchisee must submit to GrandStay samples and specifications, and other business and product information as requested by GrandStay, for review and/or product testing to determine whether the supplier or distributor and its products and services are satisfactory to GrandStay and comply with GrandStay's Standards. GrandStay will also have the right to inspect the facilities of the proposed supplier. GrandStay will complete all product and service testing within 30 days, and will notify the Franchisee of its determination within 45 days, after GrandStay receives the samples and other requested information from the Franchisee. The written approval of GrandStay must be obtained by the Franchisee before any previously unapproved products and services are purchased by, sold by or otherwise used by the Franchisee or any previously unapproved supplier is used by the Franchisee.

### **8.5 BRANDING OF PRODUCTS.**

The Franchisee will not under any circumstances have the right to: (a) use or display the Marks on or in connection with any product or service other than those products and services prescribed or approved by GrandStay; (b) acquire, develop or manufacture any product which was or is labeled with the names "GrandStay," "GrandStay Residential Suites," or "GrandStay Hotel & Suites" or any of the other Marks, or direct any other person or entity to do so; (c) acquire, develop or manufacture any product or service that has been developed or manufactured by or for GrandStay for use in conjunction with the Business System and which is sold under any of the Marks, or direct any other person or entity to do so; or (d) use, have access to, or have any rights to any proprietary product created by or at the direction of GrandStay and sold under the names "GrandStay," "GrandStay Residential Suites," "GrandStay Hotel & Suites," or any of the other Marks.

### **8.6 PAYMENTS TO GRANDSTAY.**

The Franchisee acknowledges that GrandStay may receive commissions, volume discounts, purchase discounts, performance payments, bonuses, rebates, marketing and advertising allowances, co-op advertising, administrative fees, enhancements, price discounts, economic

benefits and other payments (collectively, "Payments") from third parties based upon purchases of products and services by franchisees. Any Payments received by GrandStay will be the exclusive property of GrandStay to be used in the manner determined by GrandStay, in its sole discretion, and the Franchisee will not have any right to receive any Payments made to GrandStay. If GrandStay is a supplier for any products and services and if the Franchisee purchases products and services from GrandStay, then any Payments made to GrandStay based on the Franchisee's purchases of any products and services from GrandStay will be the exclusive property of GrandStay.

## **ARTICLE 9 CONFIDENTIAL MANUALS AND OTHER CONFIDENTIAL INFORMATION**

### **9.1 COMPLIANCE WITH MANUALS.**

GrandStay will loan the Franchisee one copy of its Manuals. The Manuals may be provided to the Franchisee or made accessible to the Franchisee on the World Wide Web. The Franchisee will conform to the common image and identity created by the foods, beverages, products, music, cleanliness, sanitation and services associated with GrandStay Properties described by the Manuals. The Franchisee will modify the operations of the GrandStay Property to implement all changes, additions and supplements made by GrandStay to the Business System which are reflected by the Manuals in the timeframe required by GrandStay. The Franchisee will implement all mandatory operational changes to the Business System specified by GrandStay. The Franchisee will not use the Manuals or any information contained therein in connection with the operation of any other business or for any purpose other than in conjunction with the operation of the Franchisee's GrandStay Property. The Franchisee acknowledges having received one copy of the Manuals on loan from GrandStay for the term of this Agreement. Franchisee acknowledges that the Manuals are designed to protect the Business System and the Marks and not to control the day-to-day operation of the Franchisee's GrandStay Property.

### **9.2 CONFIDENTIALITY OF MANUALS.**

The Franchisee will at all times during the term of this Agreement and thereafter treat the Manuals, and any modifications thereto created for or approved for use in the operation of the Franchisee's GrandStay Property as secret and confidential, and the Franchisee will keep such information secret and confidential. The foregoing shall remain the sole and exclusive property of GrandStay. ~~Neither the Franchisee nor any~~ will not, and will take all steps necessary to ensure that its employees of the Franchisee will do not, make any copy, duplication, record or reproduction of the Manuals, or any portion thereof, available to any unauthorized person.

### **9.3 REVISIONS TO MANUALS.**

GrandStay may from time to time revise the Manuals, and the Franchisee expressly agrees to operate its GrandStay Property in accordance with all such revisions. The Franchisee will at all times keep its copy of the Manuals current and up-to-date, and in the event of any dispute regarding the Manuals, the terms of the master copy of the Manuals maintained by GrandStay will be controlling in all respects.

### **9.4 CONFIDENTIALITY OF OTHER INFORMATION.**

GrandStay and the Franchisee expressly understand and agree that GrandStay will be disclosing and providing to the Franchisee certain confidential and proprietary information concerning the Business System and the procedures, operations, technology and data used in the Business System including, but not limited to, building and floor plans and layout of a typical GrandStay Property, specifications, operating, marketing, advertising, promotional and business information. The Franchisee will not, during the term of this Agreement or thereafter, communicate, divulge or

use for the benefit of any other party any such confidential and proprietary information, knowledge or know-how concerning the methods of operation of GrandStay Properties communicated to the Franchisee, or of which the Franchisee may be apprised by virtue of this Agreement. The Franchisee will divulge such confidential and proprietary information only to its employees who must have access to it in order to operate the Franchisee's GrandStay Property. Any and all information, knowledge and know-how including, without limitation, drawings, customer lists, materials, equipment, technology, methods, procedures, techniques, recipes, specifications, computer programs, systems and other data which GrandStay designates as confidential or proprietary will be deemed confidential and proprietary for the purposes of this Agreement and shall be owned exclusively by GrandStay.

#### **9.5 IMPROVEMENTS.**

If the Franchisee or the Owners develop any new or revised concept, product, trademark, service mark, branding concept, process or improvement in or related to the operation or promotion of a GrandStay Property, the Marks or the Business System, including any design or prototype (collectively, "Improvements"), then the Franchisee will promptly provide GrandStay with a detailed summary of the Improvements. The Franchisee and the Owners acknowledge and agree that: (a) all Improvements made by the Franchisee and the Owners are the property of GrandStay; (b) the Franchisee will execute and deliver any documents or instruments required by GrandStay to memorialize or evidence GrandStay's ownership of the Improvements; (c) GrandStay will have the right to incorporate any or all of the Improvements into the Business System and/or the Marks; and (d) GrandStay will have the right to use and authorize its Affiliates and franchisees to use any or all Improvements in the operations of any or all GrandStay Properties owned, operated, licensed or franchised by GrandStay or its Affiliates, without any compensation to the Franchisee.

#### **9.6 OWNERSHIP OF INFORMATION.**

All information GrandStay obtains from the Franchisee or about the Franchisee's GrandStay Property or its guests and customers, or otherwise related to the Franchisee's GrandStay Property (collectively, the "Information"), and all revenues GrandStay derives from such Information, shall be GrandStay's property. The Franchisee may use information that it acquires from third parties in operating the Franchisee's GrandStay Property, such as guest and customer data, at any time during the term of this Agreement to the extent lawful and at its sole risk and responsibility, but only in operating the Franchisee's GrandStay Property. The Information (except for corporate information the Franchisee provides to GrandStay with respect to it and its Affiliates) shall become the confidential information of GrandStay, which GrandStay may use for any reason it deems necessary or appropriate. The Franchisee shall comply with all applicable laws pertaining to the privacy and security of personally identifiable information ("Privacy Laws"). In addition, Franchisee shall comply with the GrandStay Standards pertaining to the privacy and security of personally identifiable information, and guest and customer relationships.

### **ARTICLE 10 SITE SELECTION; CONSTRUCTION COSTS; BUSINESS PREMISES SPECIFICATIONS**

#### **10.1 SITE SELECTION.**

The Franchisee will be solely responsible for selecting the Franchised Location site for the Franchisee's GrandStay Property. No provision in this Agreement will be construed or interpreted to impose any obligation on GrandStay to locate a site for the Franchised Location, to assist the Franchisee in the selection of a suitable site for the Franchised Location, or to provide any assistance to the Franchisee in the purchase or lease of the Franchised Location.

## **10.2 SITE SELECTION CRITERIA.**

The Franchisee will not lease, purchase or otherwise acquire a site for the Franchised Location until such information as GrandStay may require regarding the proposed site has been provided to GrandStay by the Franchisee, and GrandStay has issued a notice of no objection for the proposed site. GrandStay may require the Franchisee to provide site information relating to, among other things, accessibility, visibility, potential traffic flows, population trends, number of businesses in area, household income and financial statistics, lease terms and other demographic information. The review of the site conducted by GrandStay will not be deemed to be a warranty, representation or guaranty by GrandStay that if the Franchisee's GrandStay Property is opened and operated at that site, it will be a financial success. GrandStay will have the right to require that the Franchisee obtain an economic feasibility and demographics study for the proposed site of the Franchised Location. Any feasibility and demographics study required by GrandStay will be completed by a real estate or marketing expert mutually agreed upon in writing by GrandStay and the Franchisee.

## **10.3 SITE RELEASE.**

Within 30 days after completion of its review of a proposed site for the Franchised Location, GrandStay will provide written notice to the Franchisee stating that GrandStay has no objections to the proposed site, or listing the objections GrandStay has to the proposed site. The Franchisee will not sign any lease, purchase agreement or obtain any related rights to possession, occupancy or ownership to any site, or premises located on any site, to which GrandStay has objected.

## **10.4 FLOOR PLANS AND LAYOUT.**

GrandStay will, at its expense, provide the Franchisee with a floor plan and a layout of a GrandStay Property. GrandStay owns and will retain all rights, title and interest in and to such floor plans, building plans, layouts and related specifications, including without limitation all rights of copyright, trade dress and all other proprietary rights. The Franchisee will, at its cost, retain a licensed architect and will be responsible for the preparation of working drawings and construction plans and architectural plans and specifications for the Franchisee's GrandStay Property and the Franchisee will be responsible for the accuracy of such drawings, plans and specifications.

## **10.5 CONSTRUCTION AND REMODELING COSTS.**

The Franchisee will be responsible for all costs and expenses incurred for the construction, renovation and remodeling of the Franchisee's GrandStay Property including, but not limited to, all costs for architectural plans and specifications, all modifications to the floor plans and layouts necessitated by the structure, construction or layout of the Franchised Location, building permits, site preparation, demolition, parking lots, landscaping, heating, ventilation and air conditioning, interior decorations, furniture, fixtures, equipment, leasehold improvements, labor, architectural and engineering fees, electricians, plumbers, general contractors and subcontractors.

## **10.6 COMPLIANCE WITH SPECIFICATIONS.**

The Franchisee's GrandStay Property will conform to all specifications for decor, color schemes, furniture, fixtures, equipment and exterior and interior designs established by GrandStay. The Franchisee will obtain and pay for the furniture, fixtures, supplies and equipment required by GrandStay and used by the Franchisee for the operation of its GrandStay Property. The furniture, fixtures and equipment used in the Franchisee's GrandStay Property must be installed and located in accordance with the floor plans approved by GrandStay, and must conform to the quality GrandStay Standards and uniformity requirements established by GrandStay.

## **10.7 INSPECTION DURING CONSTRUCTION OR RENOVATION.**

Although GrandStay has the right to inspect Franchisee's GrandStay Property at any time, the Franchisee will be solely responsible for inspecting the Franchisee's GrandStay Property during construction or renovation to confirm that it is being constructed or renovated in a workmanlike

manner and according to the specifications established by GrandStay. The Franchisee will be solely responsible for complying with all applicable laws, and for acquiring all licenses and building and other permits required by all laws in connection with the construction or renovation of the Franchisee's GrandStay Property. GrandStay will have no responsibility to the Franchisee or any other party if the Franchisee's GrandStay Property is not constructed or renovated by the Franchisee or its architect or contractor: (a) according to the standard specifications established by GrandStay; (b) in compliance with all applicable laws; or (c) in a workmanlike manner. Upon request by GrandStay, the Franchisee must provide GrandStay with a written certification, reasonably acceptable to GrandStay, signed by the Franchisee's architect that the Franchisee's GrandStay Property satisfies the Americans with Disabilities Act and all regulations and standards promulgated thereunder, as well as any applicable state statutory counterpart to the Americans with Disabilities Act. The Franchisee will not open the GrandStay Property for business without the prior written approval of GrandStay.

## **ARTICLE 11 SIGNS**

### **11.1 APPROVED SIGNS.**

All exterior signs at the Franchised Location (the "Signs") must comply with the sign plans and specifications established by GrandStay. GrandStay will provide the Franchisee with a copy of the standard sign plans and specifications and the Franchisee will prepare or cause the preparation of complete and detailed plans and specifications for the Signs and will submit such plans and specifications to GrandStay for its written approval. GrandStay will have the absolute right to inspect, examine, videotape, photograph and take other electronic records of the Signs for any reason at any time during the term of this Agreement.

### **11.2 PAYMENT OF COSTS AND EXPENSES.**

The Franchisee will be responsible for any and all costs, permits, licenses, repairs, maintenance, utilities, insurance, taxes, assessments and levies in connection with the construction, erection, maintenance or use of the Signs including, if applicable, all electrical work, construction of the base and foundation, relocation of power lines and all required soil preparation work. The Franchisee will comply with all laws, relating to the construction, erection, maintenance and use of the Signs.

### **11.3 MODIFICATIONS; INSPECTION.**

The Franchisee may not alter, remove, change, modify, or redesign the Signs unless approved by GrandStay in writing. GrandStay will have the right to redesign the plans and specifications for the Signs during the term of this Agreement without the approval or consent of the Franchisee. Within 30 days after receipt of written notice from GrandStay, the Franchisee must either modify or replace the Signs so that the Signs displayed at the Franchised Location comply with the redesigned plans and specifications as issued by GrandStay. The Franchisee will not be required to modify or replace the Signs more than once every 5 years.

### **11.4 INTERIOR SIGNS.**

The Franchisee will purchase and install in accordance with GrandStay's written specifications all interior signs specified from time to time by GrandStay for use in the Franchisee's GrandStay Property. The Franchisee will not, without the prior written consent of GrandStay, install or display any sign, poster, display or advertisement, whether functional or decorative, other than as specified in writing by GrandStay.

**ARTICLE 12**  
**TELECOMMUNICATIONS EQUIPMENT;**  
**COMPUTER HARDWARE AND SOFTWARE**

**12.1 TELECOMMUNICATIONS EQUIPMENT; TELEPHONE LINES.**

The Franchisee will, obtain and maintain in working order during the term of this Agreement, the telephone answering equipment, toll-free 800 telephone number(s) and other telecommunications equipment as may be required by GrandStay for use in the operation of the Franchisee's GrandStay Property. The Franchisee will update the telecommunications equipment as may from time to time be required by GrandStay. GrandStay may implement technology requirements, including new Computer Equipment and software or other technology and the Franchisee must comply with all requirements including paying the costs for any new technology GrandStay requires.

**12.2 SATELLITE AND CABLE TELEVISION.**

The Franchisee will, obtain, maintain and provide for viewing by the customers and guests of the Franchisee's GrandStay Property, those cable and satellite television stations, networks and/or systems as may be specified in writing from time to time by GrandStay. The Franchisee will, obtain and maintain all services and equipment necessary to receive and display such cable and satellite television stations in accordance with the Manuals.

**12.3 COMPUTER EQUIPMENT.**

The Franchisee will, purchase computer hardware and peripherals, including printers, monitors, modems and networking equipment (collectively, the "Computer Equipment") for use in the operation of the Franchisee's GrandStay Property. All Computer Equipment must be approved by GrandStay. The Franchisee will update the Computer Equipment as may from time to time be required by GrandStay for the efficient operation of the Franchisee's GrandStay Property.

**12.4 SOFTWARE.**

The Franchisee will purchase the computer software and operating system, including software for accounting and cost control, for its GrandStay Property, as specified by GrandStay. The Franchisee will update the computer software as may from time to time be required by GrandStay for the efficient operation of the GrandStay Property.

**12.5 INTERNET PROVIDER.**

The Franchisee will, during the term of this Agreement have access to the Internet through an Internet access service provider. The Franchisee must meet GrandStay's requirements regarding Internet access capabilities and bandwidth.

**12.6 E-MAIL ADDRESS.**

The Franchisee will, during the term of this Agreement, maintain an e-mail address on the Internet. The Franchisee's e-mail address will be provided to GrandStay and will be used as a method for the Franchisee and GrandStay to communicate with each other and to transmit documents and other information. The Franchisee will not use the words "GrandStay," "GrandStay Residential Suites", "GrandStay Hotel & Conference," "GrandStay Hotel & Suites," or any of the other Marks, or any derivative of any of the foregoing, as any part of an e-mail address, Internet domain name, account name, profile, user name, or URL without GrandStay's prior written consent. The Franchisee will review its e-mail at least once a day and will respond to all e-mails within 24 hours. If GrandStay develops an Intranet network through which GrandStay and its franchisees can communicate by e-mail or similar electronic means, then the Franchisee will use the GrandStay Intranet in strict compliance with the standards, protocols and restrictions that are set forth in this Agreement, the Manuals or otherwise by GrandStay. The Franchisee will not transmit any

confidential information, documents or data on the Internet or otherwise without complying with the security measures specified by GrandStay. The Franchisee will not make any derogatory, defamatory or libelous statements in any transmission made via the Internet, through an Intranet network or by any other means.

#### **12.7 INTERNET WEBSITE.**

Unless otherwise approved by GrandStay, the Franchisee's sole Internet presence shall be through the GrandStay Website, as defined in the Website Use Agreement executed by Franchisee in connection with this Agreement. The Franchisee will not establish another website, home page, social networking, social media website, profile, account or user name (each, a "Home Page") to advertise or promote its GrandStay Property without the prior written consent of GrandStay. All features of any proposed Home Page, including its domain name, content, format, and links to other websites, must be approved by GrandStay prior to the publication of the Home Page. If the Franchisee is approved by GrandStay to maintain a Home Page, the Franchisee's Home Page must advertise only the Franchisee's GrandStay Property, and all content and information maintained by the Franchisee on the Home Page will at all times be subject to the provisions of this Agreement including, without limitation, the provisions of this Agreement relating to trademark usage, and advertising approval. Without GrandStay's prior written approval, the Franchisee will not link its Home Page to any Internet site other than the GrandStay Website, as defined in the Website Use Agreement.

#### **12.8 SOCIAL NETWORKING.**

For the avoidance of any doubt, the Franchisee, ~~its employees and agents~~ will not have the right to use any of the Marks or other intellectual property of GrandStay on any social network, social media or online community including, but not limited to, any "blog," YouTube, Facebook, My Space, Twitter or Wikipedia, except with the prior written consent of GrandStay.

### **ARTICLE 13 INSURANCE**

#### **13.1 GENERAL LIABILITY INSURANCE.**

The Franchisee will procure and maintain in full force and effect, a general liability insurance policy with coverage in minimum amounts as required by GrandStay from time to time, insuring the Franchisee from and against any and all loss, liability, Claim or expense of any kind whatsoever, including bodily injury, personal injury, food poisoning or other sickness, death, property damage, products liability and all other occurrences resulting from the condition, operation, use, business or occupancy of the Franchisee's GrandStay Property, including the surrounding premises or area, the parking area and the sidewalks of the Franchised Location.

#### **13.2 AUTOMOBILE INSURANCE.**

The Franchisee will procure and maintain in full force and effect, commercial automobile liability insurance in minimum amounts as required by GrandStay from time to time, insuring the Franchisee, from any and all loss, liability, Claim or expense of any kind whatsoever resulting from the use, operation or maintenance of all automobiles or vehicles owned or leased by the Franchisee or used by the Franchisee or any of the Franchisee's employees (including automobiles owned or leased by any employee of the Franchisee).

#### **13.3 PROPERTY INSURANCE.**

The Franchisee will procure and maintain in full force and effect, "all risks" property insurance coverage, which will include fire and extended coverage, for the inventory, machinery, equipment, fixtures and furnishings owned or leased by the Franchisee and used by the Franchisee in connection with the Franchisee's GrandStay Property. The Franchisee's property insurance policy

(including fire and extended coverage) must have minimum coverage limits equal to at least actual “replacement” cost.

#### **13.4 BUILDING INSURANCE.**

If the Franchisee, or any of the Franchisee’s Owners, owns, either directly or indirectly, the building or the business premises upon which the Franchisee’s GrandStay Property is located, then the Franchisee will insure the building or the business premises for and against all risk, loss and damage in an amount equal to at least actual “replacement” cost. If the Franchisee’s GrandStay Property is either partially or completely destroyed by fire or any other catastrophe, then the Franchisee will use the insurance proceeds to repair or reconstruct the Franchisee’s GrandStay Property and recommence business as soon as reasonably possible.

#### **13.5 CYBER LIABILITY AND UMBRELLA INSURANCE.**

The Franchisee will procure and maintain cyber liability insurance and umbrella insurance in minimum amounts as required by GrandStay from time to time, insuring the Franchisee. The cyber liability insurance shall insure against cyber-related security breaches and data losses. The umbrella policy shall provide liability coverage for any liability incurred by the Franchisee in excess of the primary liability insurance coverage carried by the Franchisee. The cyber liability insurance and the umbrella insurance, shall each be in minimum amounts as required by GrandStay from time to time.

#### **13.6 ADDITIONAL INSURANCE.**

The Franchisee will procure and maintain all other insurance required by GrandStay or state or federal law, including workers’ compensation insurance for its employees.

#### **13.7 INSURANCE COMPANIES; EVIDENCE OF COVERAGE; ADDITIONAL INSURED.**

All insurance companies providing coverage to the Franchisee must meet GrandStay’s Standards. The Franchisee will provide GrandStay with certificates of insurance evidencing the insurance coverage required of the Franchisee pursuant to this Article no later than the date the Franchisee begins construction or renovation of the Franchisee’s GrandStay Property, and the Franchisee will immediately provide, upon expiration, change or cancellation, a new certificate of insurance to GrandStay. All insurance policies (other than workers compensation) shall name GrandStay and its Affiliates as additional insureds.

#### **13.8 DEFENSE OF CLAIMS.**

All liability insurance policies procured and maintained by the Franchisee in connection with the Franchisee’s GrandStay Property will require the insurance company to provide and pay for attorneys to defend any Claims brought against the Franchisee, GrandStay, and their respective officers, directors, agents and employees.

#### **13.9 RIGHTS OF GRANDSTAY.**

All insurance policies procured and maintained by the Franchisee pursuant to this Article will name GrandStay as an additional insured, will contain endorsements by the insurance companies waiving all rights of subrogation against GrandStay, and will stipulate that GrandStay will receive copies of all notices of cancellation, nonrenewal, or coverage reduction or elimination at least 30 days before the effective date of such cancellation, nonrenewal or coverage change.

**ARTICLE 14**  
**LICENSING OF MARKS AND BUSINESS SYSTEM**

**14.1 BENEFIT.**

The Franchisee's right to use and identify with the Marks and the Business System will exist concurrently with the term of this Agreement and such use by the Franchisee will inure exclusively to the benefit of GrandStay.

**14.2 CONDITIONS TO LICENSE OF MARKS.**

GrandStay hereby grants to the Franchisee the nonexclusive personal right to use the Marks and the Business System in accordance with the provisions of this Agreement. The Franchisee's nonexclusive personal right to use the name specified in Article 1.1 as the name of the Franchisee's GrandStay Property and its right to use the other Marks and the Business System applies only to the Franchisee's GrandStay Property at the Franchised Location and such rights will exist only so long as the Franchisee fully performs and complies with this Agreement. "Nonexclusive," for the purposes of this Article, will mean that GrandStay has or will grant franchises to other franchisees authorizing such franchisees to operate GrandStay Properties using the names "GrandStay Residential Suites," "GrandStay Hotel & Suites," or "GrandStay" with a conference center identifier, and the other Marks, and that GrandStay or its Affiliates have operated and will operate GrandStay Properties.

**14.3 FRANCHISEE'S AUTHORIZED USE.**

The Franchisee will only use the Marks designated by GrandStay and only in the manner authorized and permitted by GrandStay. The Franchisee's right to use the Marks is limited to the uses set forth in this Agreement. The Franchisee will not have or acquire any rights in any of the Marks or the Business System other than the right of use as provided herein. The Franchisee will not have the right to use the Marks in connection with the sale of any products or services other than those approved by GrandStay for sale by the Franchisee. If in the sole discretion of GrandStay, the acts of the Franchisee are contrary to the limitations set forth in this Agreement or infringe upon or demean the goodwill, uniformity, quality or business standing associated with the Marks or the Business System, then the Franchisee will, upon written notice from GrandStay, immediately modify its use of the Marks or the Business System in the manner required by GrandStay.

**14.4 CHANGES TO MARKS.**

GrandStay reserves the right, in its sole discretion, to modify, add to, or discontinue use of any of the Marks, or to substitute different Marks, for use in identifying the Business System and the businesses operating thereunder. Franchisee will immediately adopt and use the changes and amendments to the Marks that are specified by GrandStay. If so specified, the Franchisee will immediately cease using the Marks specified by GrandStay, and will, as soon as reasonably possible, commence using the new trademarks, trade names, service marks, logos, designs and commercial symbols designated by GrandStay in writing at the Franchised Location, and in connection with all advertising, marketing and promotion of the Franchisee's GrandStay Property. The Franchisee will not make any changes or amendments whatsoever to the Marks or the Business System unless specified or approved in advance by GrandStay in writing.

**14.5 DEFENSE OR ENFORCEMENT OF RIGHTS TO MARKS.**

The Franchisee will have no right to and will not defend or enforce any rights associated with the Marks or the Business System in any court or other proceedings for or against imitation, infringement, prior use or for any other Claim or allegation. The Franchisee will give GrandStay immediate written notice of any and all Claims made against or associated with the Marks and the Business System and will, without compensation for its time and at its expense, cooperate in all

respects with GrandStay in any lawsuits or other proceedings involving the Marks and the Business System. GrandStay will have the sole and absolute right to determine whether it will commence or defend any litigation involving the Marks and/or the Business System, and the cost and expense of all litigation incurred by GrandStay, including attorneys' fees, specifically relating to the Marks or the Business System will be paid by GrandStay.

#### **14.6 TENDER OF DEFENSE.**

If the Franchisee is named as a defendant or party in any action alleging that the Marks infringe on the rights of a third party, then the Franchisee must tender the defense of the action to GrandStay and GrandStay will, at its expense, defend the Franchisee in the action provided that the Franchisee has tendered defense of the action to GrandStay within 7 days after receiving notice of the action and the Franchisee has been using the Marks as specified by GrandStay. GrandStay will have no liability to the Franchisee for any costs that the Franchisee may incur in any litigation involving the Marks or the Business System, and the Franchisee will pay for all costs, including attorneys' fees, that it may incur in any litigation or proceeding arising as a result of matters referred to under this Article, unless it tenders the defense to GrandStay in a timely manner pursuant to and in accordance with this Article.

### **ARTICLE 15 TRAINING PROGRAM; OPENING ASSISTANCE**

#### **15.1 TRAINING.**

GrandStay will provide a training program for the Franchisee (or if the Franchisee is an entity, the Franchisee's President or an equivalent position) and the Franchisee's General Manager at a training site designated by GrandStay, to educate, familiarize and acquaint them with the Business System. The General Manager must attend and successfully complete the GrandStay training program and be certified in writing by GrandStay before commencing the business operations of the Franchisee's GrandStay Property, except as provided in this Agreement. The training program will be scheduled by GrandStay in its sole discretion and will be for approximately 3 days for the Franchisee (or if the Franchisee is an entity, for the Franchisee's President or an equivalent position), and for approximately 14 days for the Franchisee's General Manager. However, GrandStay may in its sole discretion decrease these time periods or modify subjects, based upon the experience of the Franchisee and its General Manager. If the General Manager does not attend each training session at the site designated by GrandStay, as required by GrandStay, then GrandStay will have the right to conduct the uncompleted training at another location, including the Franchised Location, in accordance with a schedule to be determined by GrandStay. In such event, the Franchisee will pay GrandStay its then-current per day on-site training fee and reimburse GrandStay for all expenses it incurs in connection with providing the training, including travel, lodging, food, and automobile rental costs. The Franchisee and its General Manager must successfully complete the required training program at least 60 days before the scheduled opening of the Franchisee's GrandStay Property.

#### **15.2 CHANGES IN PERSONNEL.**

The Franchisee must at all times employ a General Manager who has successfully completed the prescribed training program and, has been certified in writing by GrandStay as qualified to participate in the operation of the Franchisee's GrandStay Property. The Franchisee will immediately notify GrandStay in writing of any personnel change in the General Manager's position. If the Franchisee hires a new General Manager, then that person must attend a 2-day orientation training program before participating in the operation of the Franchisee's GrandStay Property and, within 90 days after the date of hire by the Franchisee, must attend and successfully complete the training program. If, in the judgment of GrandStay, the new General Manager has not successfully completed the required GrandStay training program, then the Franchisee will not permit that person to continue to participate in the operation of the Franchisee's GrandStay Property.

### **15.3 INITIAL TRAINING OF NEW PERSONNEL.**

The initial training program for new General Managers required pursuant to Article 15.2 of this Agreement will be conducted by GrandStay at a site designated by GrandStay, at the sole discretion of GrandStay. The Franchisee will pay GrandStay the then-current per day on-site training fee and reimburse GrandStay for all expenses it incurs in connection with providing the training, including travel, lodging, food, and automobile rental costs. If the initial training program is provided at GrandStay's headquarters, then the Franchisee will not be required to pay any per day training fee.

### **15.4 PAYMENT OF SALARIES AND EXPENSES.**

The Franchisee is responsible for the salaries, fringe benefits, payroll taxes, unemployment compensation, workers' compensation insurance, lodging, food, entertainment, automobile rental, travel costs and all other expenses for all persons who attend any GrandStay training programs on behalf of the Franchisee.

### **15.5 OPENING ASSISTANCE.**

GrandStay will, at no expense to the Franchisee, provide for an Opening Supervisor (and such other operating staff members as GrandStay determines in its sole discretion) for a period of up to 4 days to assist Franchisee in opening the Franchisee's GrandStay Property. If additional opening assistance is required, then the Franchisee will pay GrandStay's then-current per day on-site Assistance Fee and reimburse GrandStay for the expenses it incurs in providing the additional assistance. The opening assistance will include assistance with ~~training employees~~, purchasing, accounting procedures, implementing the Business System and evaluating the Franchisee's initial business operations. The Franchisee will not open and commence initial business operations until GrandStay has given the Franchisee written approval to open the Franchisee's GrandStay Property.

### **15.6 HIRING AND TRAINING OF EMPLOYEES BY FRANCHISEE.**

The Franchisee will hire all employees of the GrandStay Property, will be exclusively responsible for the terms of their employment and compensation, and will implement a training program for employees of their GrandStay Property. The Franchisee will at all times maintain a staff of trained employees sufficient to efficiently operate the GrandStay Property in compliance with the GrandStay Standards.

### **15.7 CONVENTIONS.**

The Franchisee (or if the Franchisee is an entity, the Franchisee's President or an equivalent position) will attend each convention held by GrandStay for franchisees of GrandStay Properties. The date and location of all conventions will be at the sole discretion of GrandStay. The Franchisee will pay, upon registering for a convention, the then-current fee charged by GrandStay to attend the convention. The Franchisee will be responsible for all costs and all other expenses related to convention attendance of the Franchisee and all other individuals attending the convention on the Franchisee's behalf.

## **ARTICLE 16 OTHER OBLIGATIONS OF GRANDSTAY**

### **16.1 GRANDSTAY'S OBLIGATIONS.**

Consistent with GrandStay's uniformity requirements and quality standards, GrandStay or its authorized representative will: (a) provide the Franchisee with a schedule of various products, services, furniture, fixtures, supplies and equipment GrandStay requires GrandStay Properties to sell or use, as applicable; (b) provide the Franchisee with a list of approved suppliers for the products and services necessary and required for the Franchisee's GrandStay Property; (c) make

advertising and marketing recommendations to the Franchisee; (d) provide a reservation system for the benefit of all GrandStay Properties; (e) visit and review the Franchisee's GrandStay Property as often as GrandStay deems necessary and render written reports to Franchisee as deemed appropriate by GrandStay; (f) upon the reasonable written request of the Franchisee, render reasonable advisory services by telephone pertaining to the operation of the Franchisee's GrandStay Property; and (g) loan the Franchisee a copy of the Manuals, and any supplements to the Manuals that may be published by GrandStay either in print or on the World Wide Web.

#### **16.2 OTHER ASSISTANCE.**

If the Franchisee requests that GrandStay provide management or operations assistance to the Franchisee at the Franchisee's GrandStay Property, then the Franchisee will pay GrandStay per diem fees and out-of-pocket expenses at the then-current rates charged by GrandStay.

### **ARTICLE 17 ASSIGNMENT**

#### **17.1 ASSIGNMENT BY GRANDSTAY.**

This Agreement may be assigned by GrandStay without the approval of the Franchisee and will inure to the benefit of the successors and assigns of GrandStay.

#### **17.2 ASSIGNMENT BY FRANCHISEE TO OWNED OR CONTROLLED CORPORATION.**

If the Franchisee is an individual, this Agreement may be transferred by the Franchisee to a partnership, corporation or a limited liability company that is wholly owned by the Franchisee without paying any Transfer Fee, provided that: (a) the Franchisee signs a personal guaranty in the form contained in this Agreement; and (b) the Franchisee furnishes prior written proof to GrandStay substantiating that the assignee partnership, corporation or limited liability company will be financially able to perform all of the terms and conditions of this Agreement. The Franchisee will give GrandStay 15 days prior written notice of the assignment of this Agreement to a partnership, corporation or limited liability company wholly owned by the Franchisee; however, the assignment of this Agreement will not be valid or effective until GrandStay has received the documents it deems necessary to properly and legally document the assignment of this Agreement to the partnership, corporation or limited liability company as provided herein.

#### **17.3 ASSIGNMENT BY INDIVIDUAL FRANCHISEE IN EVENT OF DEATH OR PERMANENT DISABILITY.**

If the Franchisee is an individual, then in the event of the death or permanent disability of the Franchisee, this Agreement may be assigned, transferred or bequeathed by the Franchisee to any designated person or beneficiary without the payment of any Transfer Fee. However, the assignment of this Agreement to the transferee, assignee or beneficiary of the Franchisee will be subject to the applicable provisions of Article 17.4, and will not be valid or effective until GrandStay has received the properly executed legal documents necessary to properly and legally document the transfer, assignment or bequest of this Agreement. The transferee, assignee or beneficiary must agree to be unconditionally bound by the terms and conditions of this Agreement and to personally guarantee the performance of the Franchisee's obligations under this Agreement. Furthermore, the transferee, assignee or beneficiary must successfully complete the initial training program as set forth in Article 15 of this Agreement. There will be no charge by GrandStay to the transferee, assignee or beneficiary for the initial training program.

#### **17.4 ASSIGNMENT BY FRANCHISEE.**

Neither Franchisee, nor any partner (if Franchisee is or assigns this Agreement to a partnership), shareholder (if Franchisee is or assigns this Agreement to a corporation), or member (if Franchisee is or assigns this Agreement to a limited liability company), without the prior written consent of GrandStay, by operation of law or otherwise, may sell, assign, transfer, convey, give away, lease or

encumber to any person, firm, corporation or company, its interest in the Franchisee, this Agreement or its interest in the Franchise granted hereby or its interest in any proprietorship, partnership, corporation, or limited liability company which owns any interest in the Franchise, or its interest in the Franchised Location or the assets of the Franchised Location, which shall include the granting of a security interest in any such assets. Any purported transfer not having the necessary consent shall be null and void and shall constitute a material default hereunder.

GrandStay will not unreasonably withhold its written consent to any sale, assignment or transfer of this Agreement, if the sale, assignment or transfer complies with Article 17.7 of this Agreement and if the Franchisee and/or the transferee franchisee comply with GrandStay's requirements including the following conditions: (a) the Franchisee has provided written notice to GrandStay of the proposed sale, assignment, or transfer at least 90 days prior to the transaction; (b) all of the Franchisee's monetary obligations due to GrandStay have been paid in full, and the Franchisee is not otherwise in default under this Agreement; (c) the Franchisee has executed a written agreement, in a form satisfactory to GrandStay, in which the Franchisee agrees to observe all applicable provisions of this Agreement, including the provisions with obligations and covenants that continue beyond the expiration or termination of this Agreement, such as the confidentiality covenant contained in Article 9 of this Agreement; (d) Franchisee has executed a release, in a form satisfactory to GrandStay, of any and all Claims against GrandStay and its officers, directors, shareholders, agents and employees, in their corporate and individual capacities, arising from, in connection with, or as a result of this Agreement or the Franchisee's purchase of the Franchise including, without limitation, all Claims arising under any laws; (e) the transferee franchisee has demonstrated to the satisfaction of GrandStay that he, she or it meets the managerial, financial and business standards required by GrandStay for new franchisees, possesses a good business reputation and credit rating, and possesses the aptitude and ability to operate the GrandStay Property in an economic and businesslike manner (as may be evidenced by prior related business experience or otherwise); (f) the transferee franchisee and all parties having a legal or beneficial interest in the transferee franchisee including, if applicable, its Owners, execute the transfer and assignment agreement between GrandStay, the Franchisee and the transferee franchisee and such other ancillary agreements as GrandStay or its legal counsel may require, including execution of GrandStay's then-current franchise agreement; (g) the transferee franchisee has purchased the Franchised Location, acquired the lease for the Franchised Location or otherwise acquired possession of and access to the Franchised Location for a term consistent with the remaining term of this Agreement; (h) the transferee franchisee has purchased or otherwise acquired a valid food service license for the GrandStay Property at the Franchised Location; and (i) the transferee franchisee has successfully completed the initial training program as set forth in Article 15 of this Agreement and has agreed to update and modernize the Franchised Location to meet GrandStay's then-current standards within the time period GrandStay requires.

#### **17.5 ACKNOWLEDGMENT OF RESTRICTIONS.**

The Franchisee acknowledges and agrees that the restrictions on transfer imposed herein are reasonable and necessary to protect the Business System and the Marks, as well as the reputation and image of GrandStay, and are for the protection of GrandStay, the Franchisee and all other franchisees who own and operate GrandStay Properties. Any assignment or transfer permitted by this Article will not be effective until GrandStay receives a completely executed copy of all transfer documents and GrandStay consents to the transfer in writing. Any attempted assignment or transfer made without complying with the requirements of this Article will be absolutely void in all respects.

#### **17.6 TRANSFER FEE.**

If this Agreement is assigned, transferred or bequeathed to another person or entity, or if the Owners transfer in the aggregate a controlling Ownership Interest in the Franchisee to a third party,

then except as provided for in Article 17.2 and Article 17.3, the Franchisee will pay GrandStay, on or before the date of transfer, a Transfer Fee of \$5,000. In all events, the salary and expenses incurred by the transferee and the transferee's General Manager while attending the initial training program will be the responsibility of the transferee franchisee in accordance with Article 15.4 of this Agreement.

**17.7 TRANSFER TO COMPETITOR PROHIBITED.**

The Franchisee and the Owners will not, directly or indirectly, sell, assign or transfer this Agreement or their Ownership Interests in the Franchisee or the Franchise to any person, partnership, corporation or entity that owns, operates, franchises, develops, consults with, manages, is involved in, or controls any extended stay or other hotel concept that is in any way similar to or competitive with a GrandStay Property.

**17.8 RIGHT OF FIRST REFUSAL.**

If, at any time during the Franchise relationship, Franchisee receives a bona fide offer to purchase or lease the Franchised Location, which offer Franchisee is willing to accept, Franchisee shall communicate in writing to GrandStay the full terms of the offer and the name of the offeror. GrandStay may elect to purchase or lease the Franchised Location on the terms set forth in the offer. If GrandStay elects to purchase or lease the Franchised Location, it shall give Franchisee written notice of the election within 30 days after GrandStay receives Franchisee's communication of the offer. If GrandStay fails to give written notice of election within 30 days, Franchisee may accept the offer on the terms offered, subject to the provisions of this Agreement relating to assignment. The sale or lease must, however, be completed within 60 days of the termination of the 30-day period during which GrandStay may give written notice of election to purchase or lease; otherwise, an additional notice must be given to GrandStay and an additional option period must expire before any such transfer. If GrandStay elects to purchase or lease the Franchised Location, it shall have the right to substitute equivalent cash for any non-cash consideration included in the bona fide offer to purchase or lease the Franchised Location and GrandStay and Franchisee will use their best efforts to complete the purchase or lease within 60 days from the date of GrandStay's notice of election to purchase or lease. This foregoing right of first refusal shall not apply in the event of a transfer to an immediate family member of Franchisee upon the death or disability of Franchisee. For the avoidance of any doubt, GrandStay may assign its rights in this Section 17.8.

**ARTICLE 18  
PRE-TERMINATION AND TERMINATION RIGHTS OF GRANDSTAY**

**18.1 RIGHTS IN ADDITION TO TERMINATION.**

Prior to the termination of this Agreement, if the Franchisee fails to pay any amounts owed to GrandStay or its Affiliates or fails to comply with any term of this Agreement or any other agreement between GrandStay and the Franchisee or an Affiliate of GrandStay and the Franchisee, then in addition to any right GrandStay may have to terminate this Agreement or to bring a Claim, GrandStay shall have the option to take any or all of the following actions:

- (a) Suspend the Franchisee's GrandStay Property from any reservation system and/or website services;
- (b) Remove the listing of the Franchisee's GrandStay Property from all advertising published or approved by GrandStay and any of GrandStay's web pages, websites, social media and social networking sites, profiles and accounts, and require the Franchisee to remove or disable any presence on the internet;

(c) Prohibit Franchisee from attending any meetings, seminars or conventions held or sponsored by GrandStay; and

(d) Suspend the provision of any or all of the services provided by GrandStay to the Franchisee, including any guest referral services and communicate directly with the Franchisee's creditors, including, but not limited to, any lender or landlord, regarding the Franchisee's GrandStay Property, the defaults hereunder or any other matter.

#### **18.2 CONTINUATION OF GRANDSTAY ACTIONS.**

GrandStay's actions, as outlined in Article 18.1, may continue until the Franchisee has cured any default and complied with GrandStay's requirements, and GrandStay has acknowledged the same in writing. The Franchisee acknowledges and agrees that the taking of such actions permitted in Article 18.1 shall not take away from the Franchisee the material portion of the significant benefits provided to the Franchisee under this Agreement (including the use of the Marks and prior training), and therefore shall not constitute a constructive termination of this Agreement. Further, the taking of any of the actions permitted in Article 18.1 shall not suspend or release the Franchisee from any obligation that would otherwise be owed to GrandStay or its Affiliates under the terms of this Agreement or otherwise.

#### **18.3 CONDITIONS OF BREACH.**

In addition to its other rights of termination contained in this Agreement, GrandStay will have the right to terminate this Agreement if: (a) the Franchisee fails to open and commence operation of its new-build GrandStay Property within one year of the date of this Agreement or when the Franchised Location is ready for occupancy, whichever is earlier, or within 60 days of the date of this Agreement if the GrandStay Property is being converted; (b) the Franchisee violates any material provision, term or condition of this Agreement including, but not limited to, the failure to timely pay the Initial Fee, any Continuing Fees or any other monetary obligations or fees due to GrandStay; (c) the Franchisee fails to timely pay any of its obligations or liabilities due and owing to Franchisee's creditors or to any federal, state or municipal government (including, if applicable, federal and state income, sales, property, withholding and unemployment taxes); (d) any check issued by the Franchisee is dishonored because of insufficient funds (except where the check is dishonored because of an error in bookkeeping or accounting) or closed accounts; (e) the Franchisee loses any license for the Franchised Location; or (f) the Franchisee fails to timely file any federal or state income or sales tax return.

#### **18.4 NOTICE OF BREACH.**

Except as set forth otherwise in this Agreement, GrandStay will not have the right to terminate this Agreement until the Franchisee fails to correct a breach of this Agreement within 30 days after receipt of written notice of the alleged breach, except where the breach is the failure to pay any amounts payable to GrandStay, in which case the Franchisee will have 10 days after receipt of written notice to correct the breach by making full payment (including interest as provided for herein) to GrandStay. If the Franchisee fails to correct the breach set forth in the written notice within the applicable period of time, then this Agreement may be terminated by GrandStay as provided for in this Agreement. For the purposes of this Agreement, a breach of this Agreement by the Franchisee will be deemed to be "corrected" if both GrandStay and the Franchisee agree in writing that the breach has been corrected.

#### **18.5 NOTICE OF TERMINATION.**

If the Franchisee has not corrected the breach set forth in the written notice within the applicable time period specified in this Agreement, then GrandStay will have the absolute right to terminate this Agreement by giving the Franchisee written notice of termination.

#### **18.6 IMMEDIATE TERMINATION RIGHTS OF GRANDSTAY.**

GrandStay will have the absolute right, unless precluded by applicable law, to immediately upon written notice to Franchisee, terminate this Agreement if: (a) the Franchisee or any of its partners, directors, officers or Owners are convicted of, or plead guilty to or no contest to a charge of violating any law relating to the Franchisee's GrandStay Property, or any felony; (b) the Franchisee is deemed insolvent within the meaning of applicable state or federal law, any involuntary petition for bankruptcy is filed against the Franchisee, or the Franchisee files for bankruptcy or is adjudicated a bankrupt under applicable state or federal law; (c) the Franchisee makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors; (d) the Franchisee voluntarily or otherwise abandons the GrandStay Property; (e) the Franchisee fails or refuses to provide the documents, records and other materials requested by GrandStay to substantiate the Reports and Financial Statements or to produce and permit GrandStay to audit the Franchisee's Financial Records in accordance with Article 6 of this Agreement; (f) the Franchisee is involved in any act or conduct which materially impairs the goodwill associated with the Marks or with the Business System and the Franchisee fails to correct the breach within 24 hours of receipt of written notice from GrandStay of the breach; or (g) the Franchisee violates any provision, term or condition of this Agreement 3 or more times during a 12 month period, without regard to whether the violations were of a similar or different nature or whether the violations were corrected within the prescribed cure period after receipt of written notice of the violations.

#### **18.7 OTHER REMEDIES.**

Nothing in this Article will preclude GrandStay from seeking other remedies or Damages under this Agreement or otherwise including, but not limited to, attorneys' fees and injunctive relief. If this Agreement is terminated by GrandStay pursuant to this Article, or if the Franchisee breaches this Agreement by a wrongful termination or a termination that is not in strict compliance with the terms and conditions of Article 19 of this Agreement, then GrandStay will be entitled to all Damages from the Franchisee that GrandStay has sustained and will sustain in the future as a result of the Franchisee's breach of this Agreement.

### **ARTICLE 19 FRANCHISEE'S TERMINATION RIGHTS**

#### **19.1 GRANDSTAY BREACH.**

The Franchisee may terminate this Agreement, effective 10 days after GrandStay's receipt of written notice from Franchisee, if GrandStay violates any material provision, term or condition of this Agreement, or fails to timely pay any material uncontested obligation due and owing to the Franchisee, the Franchisee provides GrandStay with written notice of the foregoing, and GrandStay fails to correct the alleged breach or violation within 30 days after receiving written notice from the Franchisee.

#### **19.2 INJUNCTIVE RELIEF AVAILABLE TO GRANDSTAY.**

Notwithstanding any provision of this Agreement to the contrary, if the Franchisee gives GrandStay written notice of an alleged breach or violation of this Agreement or of any federal or state law that gives rise to a claim that the Franchisee has the right to terminate this Agreement, then GrandStay will have the absolute right to immediately commence legal action against the Franchisee to enjoin and prevent the termination of this Agreement by the Franchisee without giving the Franchisee any notice and without regard to any waiting period that may be contained in this Agreement. If GrandStay commences such legal action against the Franchisee, then the Franchisee will not have the right to terminate this Agreement, unless and until a court of competent jurisdiction has ruled on the merits that GrandStay has breached this Agreement in the manner alleged by the Franchisee, and then only if GrandStay fails to begin the actions necessary to correct the breach or violation within 30 days after a final non-appealable judgment has been entered against GrandStay.

**ARTICLE 20**  
**FRANCHISEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION**

**20.1 TERMINATION OF USE OF MARKS; OTHER OBLIGATIONS.**

If this Agreement is terminated for any reason or this Agreement expires, then the Franchisee will: (a) within 5 days after termination or expiration, pay all Continuing Fees and other amounts due and owing by the Franchisee to GrandStay and any Affiliate; (b) immediately return to GrandStay by first class prepaid United States mail the Manuals, and all other confidential information of GrandStay; (c) immediately remove all exterior and interior signs and any other items that bear any of the Marks; and (d) comply with all other applicable provisions of this Agreement. Upon termination or expiration of this Agreement for any reason, the Franchisee's right to use the Marks and the Business System, and to participate in the reservation system will terminate immediately in all respects, and the Franchisee will not thereafter conduct or promote any business under any name or in any manner that might tend to give the general public the impression that the Franchisee's business is continuing to operate as a GrandStay Property. Without limiting the generality of the foregoing, the Franchisee will immediately cease any and all advertising that includes any of the Marks, will delete all content containing the Marks or any references to GrandStay or the Franchisee's GrandStay Property from any Home Page maintained by the Franchisee, and will cease using any and all items or materials which bear any of the Marks.

**20.2 ALTERATIONS.**

If this Agreement expires or is terminated for any reason, then within 30 days after the date of the expiration or termination of this Agreement, the Franchisee will alter, modify and change both the exterior and interior appearance of the Franchisee's GrandStay Property so that it will be clearly distinguished from the standard appearance of GrandStay Properties. At a minimum, such changes and modifications to the Franchisee's GrandStay Property will include: (a) repainting and, where applicable, recovering both the exterior and interior walls of the Franchised Location with different colors, including removing any distinctive colors and designs from the walls; (b) removing all furniture, fixtures and other decor items associated with GrandStay Properties and replacing them with other decor items not of the general type and appearance customarily used in GrandStay Properties; and (c) immediately discontinuing use of the approved wall decor items and window decals, and refraining from using any items that may be confusingly similar to those used in GrandStay Properties.

**20.3 CANCELLATION OF LISTINGS.**

The Franchisee shall, upon expiration or termination of this Agreement, take such action as may be required to properly cancel all assumed name or equivalent registrations relating to the use of the Marks and notify any domain name registrar, any Internet service provider and all listing agencies of the termination or expiration of the Franchisee's right to use any domain names, profiles, email addresses, accounts, and any other directory listings associated with any Home Page and authorize the domain name registrars, Internet service providers and listing agencies to transfer to GrandStay all such domain names, registrations, profiles, email addresses, accounts and directory listings, along with access thereto. The Franchisee acknowledges that, as between the parties, GrandStay has the sole right to and interest in all telephone numbers, directory listings, email addresses, domain names, profiles, and accounts associated with the Marks, including any Home Page as well as any content thereon. The Franchisee authorizes GrandStay, and appoints GrandStay its attorney-in-fact to direct the telephone company, domain name registrars, Internet service providers and all listing agencies to transfer telephone numbers, email addresses, domain names, accounts and listings to GrandStay as well as to provide access to GrandStay to any such account or registration. The Franchisee shall also immediately and permanently refrain from and cease all use of the Marks or any other mark, word, phrase or symbol confusingly similar thereto or thereof including, but not limited to, on or in any domain name, user name, account name, website, web page, social media or social networking site of any kind or otherwise.

#### **20.4 LIQUIDATED DAMAGES.**

If this Agreement is terminated because of the Franchisee's default, or Franchisee terminates other than in accordance with the terms of this Agreement, the actual damages GrandStay would suffer for the loss of prospective fees and other amounts payable to it under this Agreement would be difficult if not impossible to ascertain. Therefore, Franchisee shall, within 5 days of termination, pay GrandStay as liquidated damages, and not as a penalty, a reasonable estimate of the probable damages that it would suffer for the loss of amounts payable as Continuing Fees and Brand Fund Contributions under this Agreement, which is calculated as follows:

- (a) (i) the amounts payable to GrandStay for Brand Fund Contributions for the immediately preceding 12 months; plus (ii) the average of the monthly amount payable to GrandStay for Continuing Fees for the immediately preceding 12 months multiplied by the lesser of 36 or the number of months remaining in the term of this Agreement;
- (b) if the property has opened as a GrandStay Property but has not been operating as such for 12 months before the date of such termination: (i) 36 multiplied by the average monthly Continuing Fees payable to GrandStay through the date of termination; plus (ii) an amount equal to 12 multiplied by the average monthly Brand Fund Contribution payable to GrandStay through the date of termination; or
- (c) if the property fails to open as a GrandStay Property, \$1,500 multiplied by the number of rentable rooms proposed for the property.

#### **20.5 OTHER DAMAGES.**

The liquidated damages are in lieu of the actual damages GrandStay would suffer due to the termination of this Agreement. GrandStay may also recover from the Franchisee all other Damages of every type and nature that GrandStay sustains as a result of the termination and any default by the Franchisee under the terms of this Agreement.

#### **20.6 CONTINUATION OF OBLIGATIONS.**

The indemnities and other obligations contained in this Agreement will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

### **ARTICLE 21 INDEPENDENT CONTRACTORS/PATRIOT ACT**

#### **21.1 INDEPENDENT CONTRACTORS.**

GrandStay and the Franchisee are each independent contractors and, as a consequence, there is no employer-employee or principal-agent relationship between GrandStay and the Franchisee. The Franchisee will not have the right to and will not make any agreements, representations or warranties in the name of or on behalf of GrandStay or represent that their relationship is other than that of franchisor and franchisee. Neither GrandStay nor the Franchisee will be obligated by or have any liability to the other under any agreements or representations made by the other to any third parties.

#### **21.2 PATRIOT ACT.**

The Franchisee represents and warrants that to its actual and constructive knowledge: (i) neither it (including its directors, officers and managers), nor any of its Affiliates, or any funding source for their GrandStay Property, are identified on the list at the United States Treasury's Office of Foreign Assets Control; (ii) neither it nor any of its Affiliates is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States

government; (iii) neither it nor any of its Affiliates is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither it nor any of its Affiliates are on the U.S. Department of Commerce Denied Persons, Entities and Unverified Lists, the U.S. Department of State's Debarred Lists, or on the U.S. Department of Treasury's Lists of Specialty Designated Nationals, Specialty Designated Narcotics Traffickers or Specialty Designated Terrorists, as such lists may be amended from time to time (collectively, the Lists); (v) neither it nor any of its Affiliates, during the term of this Agreement, will be on any of the Lists; and (vi) during the term of this Agreement, neither it nor any of its Affiliates will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists. Franchisee agrees to notify GrandStay in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

## **ARTICLE 22 INDEMNIFICATION**

### **22.1 INDEMNIFICATION.**

The Franchisee will indemnify and hold GrandStay harmless against, and will reimburse GrandStay for, all Damages GrandStay incurs and for all costs incurred by GrandStay in the defense of any Claim brought against GrandStay arising from, in connection with, or as a result of the Franchisee's action or omission or the operation of the Franchisee's GrandStay Property including, without limitation, attorneys' fees, investigation expenses, court costs, deposition expenses, and travel and living expenses. The Franchisee will indemnify GrandStay, without limitation, for all Claims and Damages arising from, out of, in connection with, or as a result of: (a) any personal injury, property damage, commercial loss or environmental contamination resulting from any act or omission of the Franchisee or its employees, agents or representatives; (b) any failure on the part of the Franchisee to comply with any requirement of any law, including the Americans with Disabilities Act; (c) any failure of the Franchisee to pay any of its obligations to any person or entity; (d) any failure of the Franchisee to comply with any requirement or condition of this Agreement or any other agreement with GrandStay; and (e) the operation of Franchisee's GrandStay Property. GrandStay will have the right to defend any Claim made against it.

## **ARTICLE 23 ENFORCEMENT**

### **23.1 INJUNCTIVE RELIEF; ATTORNEYS' FEES.**

Either party may apply for injunctive or other equitable relief to: (i) enforce its right to terminate this Agreement for the causes in Articles 18 and 19; and (ii) prevent or remedy a breach of this Agreement if such breach could materially impair the goodwill of such party's business, including to enforce the obligations of a party to be performed following expiration or termination of this Agreement such as the confidentiality provisions hereof. Each party shall be entitled to the entry of temporary restraining orders and temporary and permanent injunctions enforcing its aforementioned rights. If GrandStay secures any such injunction, or any other relief against Franchisee, or is successful in defending a Claim brought against it by Franchisee, Franchisee shall pay GrandStay an amount equal to the aggregate of GrandStay's costs of obtaining such relief and defending such Claim, including, without limitation, reasonable attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses.

### **23.2 MEDIATION.**

Except with respect to matters for which a party believes it necessary to seek injunctive or equitable relief, Franchisee and GrandStay shall enter into mediation of all disputes involving this Agreement

or any other aspect of the relationship between them, for a minimum of four (4) hours, before the initiation of any action or proceeding against the other.

(a) Upon written notice by either party to the other of the initiating party's desire to mediate, the party receiving the notice shall select an independent entity that regularly provides mediation services in franchise disputes to serve as mediator in the proceeding. If the party receiving the notice of intent to mediate does not provide the name of such an organization within 10 business days from the date the notice of intention to mediate is received, then the other party may forego mediation of the issue(s) and commence legal action or, at its option, make the selection of the organization to provide mediation services. If one party selects an organization that is unwilling to serve as mediator or does not meet the requirements of this Article, then the other party may select the organization. Once the organization is designated and agrees to accept appointment as mediator, the organization shall be directed to schedule a mediation proceeding at a time mutually convenient to the parties. The mediation shall be held within 30 days following receipt by the mediation organization of notification that its services are requested. If the parties cannot agree on a date for mediation, then the mediation organization shall select a date it believes is reasonable for the parties, given all of the alleged conflicts in dates. The actual mediator shall either be a retired judge, or a person who has had at least 10 years of experience as either franchisee or franchisor (or as an officer of such an entity), or in franchise law.

(b) The parties shall equally share the cost of the mediator. The mediator shall select the location for the mediation, giving due consideration to the location that will minimize the total expenses of the mediation; provided, however, that unless agreed to by both parties, the mediation shall be held in a metropolitan area having a population of at least 250,000 persons that is not located within 200 miles of the Franchisee's GrandStay Property or the principal office of GrandStay, except that if both the Franchisee's GrandStay Property and the principal office of GrandStay are located in Minnesota, the mediation shall be held in Minneapolis, Minnesota.

(c) Except with respect to matters for which a party is permitted to seek injunctive or equitable relief, if either party initiates litigation without complying with their obligation to mediate in accordance with this Article (unless the other party has failed to respond on a timely basis or has indicated it will not engage in mediation in accordance with the provisions of this Article), then upon petition of any party named as a defendant in such litigation, the court shall dismiss the action without prejudice, and award attorneys' fees and costs to the party seeking dismissal in an amount equal to such party's attorneys' fees and costs incurred in seeking dismissal. If the court refuses for any reason to dismiss the action, then regardless of the outcome of such action, or of any award given by the court in such action, the party initiating the action shall be responsible for all attorneys' fees and costs incurred throughout the action by the other party as Damages for failing to comply with the provisions of this Article.

### **23.3 SEVERABILITY.**

All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required hereunder or the taking of some other action not required hereunder, or if under any applicable law or rule of any applicable jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by GrandStay is invalid or unenforceable, then the prior notice or other action required by such law or rule will be substituted for the notice

requirements hereof, or such invalid or unenforceable provision, specification, standard or operating procedure will be modified to the extent required to be valid and enforceable. Such modifications to this Agreement will be effective only in such jurisdiction.

#### **23.4 NO COLLATERAL ESTOPPEL OR CLASS ACTIONS.**

The parties agree they should be able to settle, mediate, litigate, arbitrate or compromise disputes in which they are involved with third parties, without having the disposition of such disputes directly affect the contract or relationship between the parties. The parties therefore each agree that a decision of an arbitrator or a court of law in a dispute to which one of them is not a party shall not in any manner prevent the person that was a party to such action from making similar arguments, or taking similar positions, in any subsequent action between the parties. The parties therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any Claim or defense in an action between them as a result of such party having lost a similar Claim or defense in another action. Each party also waives its right to bring, join, or participate in, and is barred from bringing, joining or participating in, any class action suit in court or in arbitration. The parties agree that any proceeding, including any arbitration, shall be conducted on an individual, not a class-wide, basis and that any proceeding between the parties or any Owner or any personal guarantor of the Franchisee may not be consolidated with another proceeding between GrandStay or any other entity or person. Franchisee further agrees that the foregoing shall not limit the ability of the Franchisee to obtain a remedy for any particular Claim that it may assert against GrandStay.

#### **23.5 WAIVER.**

GrandStay and the Franchisee may, by written instrument signed by GrandStay and the Franchisee, waive any obligation of or restriction upon the other under this Agreement. Acceptance by GrandStay of any payment by the Franchisee and the failure, refusal or neglect of GrandStay to exercise any right under this Agreement or to insist upon full compliance by the Franchisee of its obligations hereunder including, without limitation, any mandatory specification, standard or operating procedure, will not constitute a waiver by GrandStay of any provision of this Agreement.

#### **23.6 PAYMENTS TO GRANDSTAY.**

The Franchisee will not, on any grounds, withhold payment of any amounts due GrandStay pursuant to this Agreement or pursuant to any other agreement with, or obligation to, GrandStay. The Franchisee will not have the right to “offset” any amounts, allegedly due to the Franchisee by GrandStay against any amounts due to GrandStay by the Franchisee under this Agreement.

#### **23.7 EFFECT OF WRONGFUL TERMINATION.**

If either GrandStay or the Franchisee takes any action to terminate this Agreement or the Franchisee takes any action to convert its GrandStay Property to another business, and such actions were taken without first complying with the terms and conditions of Article 18 or Article 19 of this Agreement, as applicable, then such actions will not relieve either party of, or release either party from, any of its obligations under this Agreement, and the terms and conditions of this Agreement will remain in full force and effect and the parties will be obligated to fully perform all terms and conditions until such time as this Agreement expires or is terminated in accordance with the provisions of this Agreement and applicable law, as determined by a court of competent jurisdiction.

#### **23.8 CUMULATIVE RIGHTS.**

The rights of GrandStay hereunder are cumulative and no exercise or enforcement by GrandStay of any right or remedy hereunder will preclude the exercise or enforcement by GrandStay of any other right or remedy hereunder or which GrandStay is entitled by law to enforce.

### **23.9 BINDING AGREEMENT.**

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, permitted assigns and successors in interest.

### **23.10 JOINT AND SEVERAL LIABILITY; EXPENSES.**

If the Franchisee consists of more than one party, their liability under this Agreement will be deemed to be joint and several in all respects. Franchisee shall comply, at its sole cost and expense, with all of its obligations and covenants hereunder or under any other agreement with Franchisor or any affiliate.

### **23.11 NO MODIFICATION.**

No modification, change, addition, rescission, release, amendment or waiver of this Agreement and no approval, consent or authorization required by any provision of this Agreement may be made by any person except by a written agreement signed by a duly authorized officer or partner of the Franchisee and the President of GrandStay; provided, however, GrandStay may unilaterally modify the Manuals.

### **23.12 ENTIRE AGREEMENT.**

This Agreement supersedes and terminates all prior agreements, either oral or in writing, between the parties involving the franchise relationship and therefore, representations, inducements, promises or agreements alleged by either GrandStay or the Franchisee that are not contained in this Agreement will not be enforceable. The Introduction is part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between GrandStay and the Franchisee relating to the subject matter of this Agreement. The parties hereby acknowledge that this provision will not act as a disclaimer of any representations made by GrandStay in the Franchise Disclosure Document provided to the Franchisee before the execution of this Agreement by the Franchisee.

### **23.13 HEADINGS; TERMS.**

The headings of the Articles are for convenience only and do not in any way define, limit or construe the contents of such Articles. The term "Franchisee" as used herein is applicable to one or more individuals, a corporation, company or partnership, as the case may be, and the singular usage includes the plural, and the masculine usage includes the feminine. References to "Franchisee," "assignee" and "transferee" which are applicable to an individual or individuals will mean the Owners of the Franchisee or any such assignee or transferee if the Franchisee or such assignee or transferee is a corporation, company or partnership.

### **23.14 VENUE.**

The parties (and any Owner or guarantor of Franchisee) agree that if litigation is commenced under this Agreement, such litigation shall be exclusively venued in the District Court of Minnesota, County of Hennepin or the United States District Court, District of Minnesota, and the parties waive any objections they may have to either the jurisdiction or the venue in such courts and hereby consent to personal jurisdiction and venue in such courts. The only exception to the foregoing shall be: (1) if the courts of Minnesota would have no jurisdiction over a named party in the litigation, and such party's involvement in the litigation is integral to the underlying claims and not principally for the purpose of circumventing the intent of the parties to name Minnesota as the exclusive venue for any actions, then the action may be venued in any court having jurisdiction over all the parties and a significant nexus to the parties; and (2) to the extent that either party believes it is necessary to seek injunctive relief against the other, the party seeking relief may initiate that action in the county in which the other party has its principal office (which in the case of an action against Franchisee, shall be the county in which Franchisee is domiciled, or any county in which the Franchised Location is located).

**23.15 NOTIFICATION.**

If a party fails to notify the other in writing of an alleged misrepresentation, violation of law, deficiency or breach of this Agreement within 1 year from the date such party has knowledge of, believes, determines or is of the opinion that there has been a misrepresentation, violation of law, deficiency or breach by the other party, then the alleged misrepresentation, violation of law, deficiency or breach will be considered waived, but the foregoing shall not apply to any breach hereunder based upon an under reporting of Gross Room Revenues or underpayment of any amounts Franchisee owes GrandStay.

**23.16 WAIVER OF DAMAGES; LIMITATION OF LIABILITY.**

The parties (and all Owners and guarantors of Franchisee) hereby waive, to the fullest extent permitted by law, any right to, or claim for, any punitive, consequential, exemplary or special damages against the other and any Affiliates, owners, employees or agents of the other and agree that in the event of a dispute between or among any of them, each shall be limited to the recovery of any actual damages sustained by it and any equitable relief to which it might be entitled; PROVIDED, HOWEVER, IN NO EVENT SHALL GRANDSTAY'S LIABILITY TO FRANCHISEE REGARDLESS OF THE CAUSE OF LIABILITY, EXCEED THE AMOUNTS RECEIVED BY GRANDSTAY FROM FRANCHISEE UNDER THIS AGREEMENT.

**23.17 WAIVER OF JURY TRIAL.**

EACH OF THE PARTIES WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO THE ENFORCEMENT OR INTERPRETATION OF THIS AGREEMENT, AND ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR OTHER CAUSES OF ACTION, IN CONNECTION WITH ANY LEGAL ACTION.

**ARTICLE 24  
NOTICES**

All notices to GrandStay must be in writing and must be made by personal service upon an officer or director of GrandStay or sent by prepaid registered or certified mail addressed to the President of GrandStay Hospitality, LLC, at its then-current address. All notices to the Franchisee will be made by personal service upon the Franchisee (or, if applicable, upon an officer or director of the Franchisee) or sent by prepaid registered or certified mail addressed to the Franchisee at the Franchised Location, or such other address as the Franchisee may subsequently designate in writing. For the purposes of this Agreement, personal service will include service by a recognized overnight delivery service (such as Federal Express, Airborne Express or UPS). Any notice delivered in the manner specified in this Article will be deemed delivered and received, regardless of whether the designated recipient refuses or fails to accept or sign for the notice, if addressed to the recipient at the address designated above of the last designated or known address of the recipient, and will be deemed effective upon written confirmation of receipt or 3 business days after being mailed, whichever is applicable.

**ARTICLE 25  
ACKNOWLEDGMENTS; DISCLAIMER**

**25.1 DISCLAIMER.**

GrandStay does not warrant or guarantee to the Franchisee that GrandStay will refund any amounts paid or repurchase any of the supplies, products, technology or equipment supplied or sold by GrandStay or by an approved supplier, if the Franchisee is in any way unsatisfied. GrandStay expressly disclaims the making of any express or implied representations or warranties regarding the sales, earnings, income, profits, Gross Room Revenues, business or financial success, or value of the Franchisee's GrandStay Property.

### **25.2 ACKNOWLEDGMENTS BY FRANCHISEE.**

The Franchisee acknowledges that it has conducted an independent investigation of the Franchise contemplated hereunder and recognizes that the business venture contemplated by this Agreement involves business and economic risks. The Franchisee acknowledges that the financial, business and economic success of the Franchisee's GrandStay Property will be primarily dependent upon the personal efforts of the Franchisee, its management and its employees, and on economic conditions in the area where the Franchised Location is located and economic conditions in general, and that the Franchisee is not economically dependent on GrandStay. The Franchisee acknowledges that it has not received any estimates, projections, representations, warranties or guaranties, express or implied, regarding potential sales, Gross Room Revenues, income, profits, earnings, expenses, financial or business success, value of the Property, or other economic matters pertaining to the Franchisee's GrandStay Property from GrandStay or any of its agents that were not expressly set forth in the GrandStay Franchise Disclosure Document received by the Franchisee from GrandStay (hereinafter referred to in this provision as "Representations"). The Franchisee further acknowledges that if it had received any such Representations, it would not have executed this Agreement, and that it would have promptly notified the President of GrandStay in writing of the person or persons making such Representations, and provided to GrandStay a specific written statement detailing the Representations made.

### **25.3 OTHER FRANCHISEES; VARIANCES.**

The Franchisee acknowledges that other GrandStay franchisees have or will be granted franchises at different times, different locations, under different economic conditions and in different situations, and further acknowledges that the economics and terms and conditions of such other franchises may vary substantially in form and substance from those contained in this Agreement. Because complete and detailed uniformity under many varying conditions may not be possible or practical, GrandStay specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any franchise owner based upon the peculiarities of a particular site or circumstance, density of population, business potential, population of trade area, existing business practices or any other condition GrandStay deems to be of importance to the successful operation of such franchise owner's business. The Franchisee shall not complain on account of any variation from standard specifications and practices granted to any other franchise owner and shall not be entitled to require GrandStay to grant to the Franchisee a like or similar variation thereof.

### **25.4 RECEIPT OF AGREEMENT AND FRANCHISE DISCLOSURE DOCUMENT.**

The Franchisee acknowledges that it received a copy of the GrandStay Franchise Disclosure Document at least 14 days prior to the earlier of the date on which this or any other agreement was executed by Franchisee or any amounts were paid by Franchisee to GrandStay.

## **ARTICLE 26 FRANCHISEE'S LEGAL COUNSEL**

The Franchisee acknowledges that this Agreement constitutes a legal document which grants certain rights to and imposes certain obligations upon the Franchisee. The Franchisee has been advised by GrandStay to retain an attorney or advisor before the execution of this Agreement to review the GrandStay Franchise Disclosure Document, including this Agreement and all other legal documents, to review the economics, operations and other business aspects of the GrandStay Property, to determine compliance with franchising and other applicable laws, and to advise the Franchisee on economic risks, liabilities, obligations and rights under this Agreement and on tax issues, financing matters, applicable state and federal laws, employee issues, insurance, structure of the Franchisee's business, and other business matters.

## ARTICLE 27 GOVERNING LAW; STATE MODIFICATIONS

### 27.1 **GOVERNING LAW; SEVERABILITY.**

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.), as amended, this Agreement and the relationship between GrandStay and the Franchisee will be governed by the laws of the state of Minnesota. The parties agree, however, that the provisions of the Minnesota Franchises Act and the regulations promulgated thereunder shall not apply if: (1) the Franchisee is not a resident of Minnesota, or if the Franchisee is a partnership, limited liability company or corporation, the Franchisee is not organized or incorporated under the laws of Minnesota; and (2) the Franchised Location is not located in Minnesota. If the Minnesota Franchises Act does not apply to the Franchise relationship created hereby, but there is a statute in the state in which the Franchised Location is located that specifically governs relationships between franchisees and franchisors, then that particular law shall apply in lieu of the Minnesota Franchises Act.

### 27.2 **STATE LAW MODIFICATIONS.**

If the Franchisee's GrandStay Property is located in any one of the states indicated below in this Article, and if the franchise law of that state would otherwise be applicable to the relationship created hereby, then the designated provisions of this Agreement will be amended and revised as follows with respect to the applicable state:

(a) **Illinois.** (1) Illinois law governs this Agreement; (2) In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in this 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) Franchisees' rights 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; and (5) No statement, questionnaire, or acknowledgement 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 a 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.

(b) **Indiana.** (1) Article 17.4(d) of this Agreement will be inapplicable; (2) the designation of jurisdiction and venue in the State of Minnesota contained in this Agreement is inapplicable; provided, however, that such inapplicability will not be construed to mean that such venue is improper, or that the Franchisee, its officers, directors, Owners and the guarantors of Franchisee are not subject to jurisdiction in the State of Minnesota, or in any other state; (3) the Franchisee does not, by signing this Agreement, waive its rights under Indiana law with respect to any representations made by GrandStay before the date of this Agreement; (4) notwithstanding any provision of this Agreement to the contrary, the Franchisee will have up to 2 years to bring an action against GrandStay for a violation of the Indiana Deceptive Franchise Practices Act, and up to 3 years from the date of discovery to bring an action against GrandStay for a violation of the Indiana Franchise Disclosure Law.

(c) **Minnesota.** (1) Article 2 of this Agreement will be amended to provide that, except in certain circumstances specified by law, GrandStay must give the Franchisee at least 180 days prior written notice of nonrenewal of the Franchise; (2) Article 18.4 will be amended to require that, except as set forth in Article 18.6 and Article 3.2, if GrandStay gives the Franchisee written notice that the Franchisee has breached this Agreement, such written notice will be given to the Franchisee at least 90 days prior to the date this Agreement is terminated by GrandStay, and the Franchisee will have 60 days after such written notice within which to correct the breach specified in the written notice; (3) notwithstanding any provisions of this Agreement to the contrary, a court of competent jurisdiction will determine whether GrandStay will be required to post a bond or other security, and the amount of such bond or other security, in any injunctive proceeding commenced by GrandStay against the Franchisee, the Owners or the guarantors of Franchisee; (4) Article 17.4(d) of this Agreement will be inapplicable; ~~and~~ (5) notwithstanding any provisions of this Agreement to the contrary, the Franchisee will have up to 3 years after the cause of action accrues to bring an action against GrandStay pursuant to Minn. Stat. §80C.17; and (6) no statement, questionnaire, or acknowledgement 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 a 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.

(d) **North Dakota.** (1) The last sentence of Article 23.1 is deleted in its entirety; (2) Article 23.16 of this Agreement is amended to provide that any provision of this Agreement which limits the parties' rights to recover punitive or exemplary damages will not be enforceable under North Dakota law; (3) the consent by the Franchisee to jurisdiction and venue in the State of Minnesota may be inapplicable; provided, however, that such inapplicability will not be construed to mean that venue in Minnesota is improper, or that the Franchisee, its officers, directors, Owners and the guarantors of Franchisee are not subject to jurisdiction in the State of Minnesota, or in any other state; (4) Article 23.15 is amended to provide that the statute of limitations under North Dakota law will be applicable; (5) any references in this Agreement requiring franchisee to consent to termination penalties or liquidated damages are deleted; and (6) no statement, questionnaire, or acknowledgement 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 a 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.

(e) **South Dakota.** (1) any provision of this Agreement which designates jurisdiction or venue outside of the State of South Dakota or requires the Franchisee to agree to jurisdiction or venue in a forum outside of the State of South Dakota is void with respect to any cause of action which is otherwise enforceable in the State of South Dakota; (2) any acknowledgment provision, disclaimer, integration clause or provision having a similar effect in this Agreement will not negate or act to remove from judicial review any statement, misrepresentation or action that violates Chapter 37-5B or a rule or order under Chapter 37-5B; and (3) provisions of this Agreement that limit the parties' rights to recover punitive, exemplary, incidental, indirect, special or consequential damages may not be enforceable under South Dakota law.

(f) **Wisconsin.** The provisions of the Wisconsin Fair Dealership Law, Wis. Stat. Chapter 135, will supersede any conflicting terms of this Agreement.

## **ARTICLE 28 DEFINITIONS**

For purposes of this Agreement, the following words will have the following definitions:

### **28.1 ABANDON.**

“Abandon” means the conduct of the Franchisee indicating the willingness, desire or intent of the Franchisee to discontinue operating the Franchisee’s GrandStay Property in accordance with the quality standards, uniformity requirements and the Business System as described in this Agreement and the Manuals including, but not limited to, the failure of the Franchisee to operate the GrandStay Property for 5 or more consecutive days without the prior written approval of GrandStay or the failure of the Franchisee to remain open for business during business hours as specified in Article 7.15.

### **28.2 AFFILIATE.**

“Affiliate” means any entity or individual that, directly or indirectly, owns or controls, is owned or controlled by, or is under common ownership or control with, the specified party.

### **28.3 BUSINESS SYSTEM.**

“Business System” means the distinctive products and services associated with GrandStay’s trademarks, trade names, service marks, copyrights, the distinctive interior and exterior building designs, decor, furnishings, uniforms, signs, logos, commercial symbols and color combinations. “Business System” includes the GrandStay Standards and all other requirements, standards, procedures, controls, specifications, and instructions promulgated by GrandStay.

### **28.4 CLAIMS.**

“Claims” or “Claim” means any and all allegations, demands, complaints, arbitration filings, assertions, warnings, reports, requests for payment or compensation, challenges, allegations of liability, causes of action, legal actions and/or lawsuits.

### **28.5 DAMAGES.**

“Damages” mean all judgments, losses, injuries, awards, reparations, penalties, interest, punitive damages, lost profits, pecuniary compensation, court costs, attorneys’ fees, litigation or arbitration out-of-pocket costs, settlement payments, deposition and pre-trial costs, mileage, travel expenses, investigation fees, and all other amounts paid or incurred as a result of any Claims.

### **28.6 FRANCHISE.**

“Franchise” means the right granted by GrandStay to the Franchisee authorizing the Franchisee to operate a GrandStay Property at the Franchised Location in conformity with the Business System using the Marks.

### **28.7 GENERAL MANAGER.**

“General Manager” means the individual responsible for the overall management and operation of the Franchisee’s GrandStay Property.

### **28.8 GROSS ROOM REVENUES.**

“Gross Room Revenues” means the total revenues generated by or through the Franchisee’s GrandStay Property from the sale or rental of guest rooms, including suites, both transient and permanent, revenue derived from the redemption of points or rewards under loyalty programs in which the Franchisee’s GrandStay Property participates, amounts attributable to meals (where the room rate includes meals) and no show revenue and credit transactions, in all cases whether or not collected, at the actual rates charged, but excluding taxes collected from guests and paid to taxing authorities.

**28.9 MANUALS.**

“Manuals” means the operations and training manuals, as well as any other manuals or guides, loaned by GrandStay to Franchisee for operation of Franchisee’s GrandStay Property.

**28.10 MARKS.**

“Marks” mean the name “GrandStay Residential Suites,” “GrandStay Hotel & Suites,” or “GrandStay,” as denoted in Article 1.1, the “G” logo, and such other trademarks, trade names, service marks, logos and commercial symbols, and phrases, slogans, and tag lines as GrandStay has or may develop for use in connection with GrandStay Properties and which are licensed to Franchisee.

**28.11 MONTH.**

“Month” or “monthly” means a calendar month.

**28.12 OWNER.**

“Owner” means any person or entity who owns shares of capital stock in the Franchisee if the Franchisee is a corporation, a membership interest in the Franchisee if the Franchisee is a limited liability company, a partnership interest in the Franchisee if the Franchisee is a partnership, and will include all other persons or entities owning any other type of ownership interest.

**28.13 OWNERSHIP INTERESTS.**

“Ownership Interests” mean capital stock if the Franchisee is a corporation, membership interest if the Franchisee is a limited liability company, partnership interest if the Franchisee is a partnership, and will include all other types and means of ownership of the Franchisee.

**IN WITNESS WHEREOF**, GrandStay, the Franchisee and the Owners have respectively signed this Agreement effective as of the day and year first above written.

**GrandStay Hospitality, LLC**

By \_\_\_\_\_

Its \_\_\_\_\_

**Franchisee**

\_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

\_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

The undersigned Owners hereby agree to be bound by the terms and conditions of this Agreement.

<b>Owners</b>	<b>Percentage of Ownership</b>
_____	_____ %
Print Name	
_____	_____ %
Print Name	
_____	_____ %
Print Name	
_____	_____ %
Print Name	
_____	_____ %
Print Name	

**PROTECTED AREA**

**PERSONAL GUARANTY**

IN CONSIDERATION of the execution by **GRANDSTAY HOSPITALITY, LLC** (“GrandStay”) of the Franchise Agreement to which this Guaranty is attached (the “Franchise Agreement”) and for other good and valuable consideration, receipt of which is hereby acknowledged, the undersigned hereby jointly and severally guarantee to GrandStay and to GrandStay’s successors and assigns the payment of all fees and other amounts required to be paid to GrandStay or its affiliates by the party named as Franchisee in the Franchise Agreement (“Franchisee”), whether such fees are provided for in the Franchise Agreement or under any other agreement between Franchisee and GrandStay or any of its affiliates and the performance by Franchisee of all its obligations under all such agreements, and under all manuals and operating procedures of the GrandStay business system. The undersigned further specifically agree to remain individually bound by all covenants, obligations and commitments of Franchisee contained in the Franchise Agreement to the same extent as if each of the undersigned had individually been named as Franchisee in the Franchise Agreement and had individually executed the Franchise Agreement as Franchisee.

The undersigned understand and agree that any modification of the Franchise Agreement, including any addendum or addenda thereto, or waiver by GrandStay of the performance by Franchisee of its obligations thereunder, or the giving by GrandStay of any extension of time for the performance of any of the obligations of Franchisee thereunder, or any other forbearance on the part of GrandStay or any failure by GrandStay to enforce any of its rights under the Franchise Agreement, including any addendum or addenda thereto, shall not in any way release the undersigned from liability hereunder or terminate, affect or diminish the validity of this Guaranty, except to the same extent, but only to such extent, that the liability or obligation of Franchisee is so released, terminated, affected or diminished. Notice to the undersigned of any such modification, waiver, extension or forbearance under the terms thereof being hereby waived. The undersigned further understand and agree that no bankruptcy or reorganization of Franchisee shall release or otherwise affect the obligations of the undersigned to pay all amounts provided for in all agreements between Franchisee and GrandStay or its affiliates, or otherwise owing to GrandStay or its affiliates, and to perform all the provisions of such agreements, as well as all manuals and operating procedures of the GrandStay business system, nor does the same release the undersigned from being individually bound to perform all covenants, obligations, and commitments of Franchisee contained in the Franchise Agreement to the same extent as if each of the undersigned had individually executed the Franchise Agreement as Franchisee.

This Guaranty shall be enforceable upon ten (10) days’ written notice by GrandStay to any of the undersigned of any default by Franchisee under the terms of the Franchise Agreement and addendum or addenda thereto.

The undersigned hereby waive any and all notice of default on the part of Franchisee; waive exhausting of recourse against Franchisee; and consent to any assignment of the Franchise Agreement, in whole or in part, that GrandStay or its assignees may make.

This Guaranty shall be a continuing Guaranty and may not be revoked without the prior written consent of GrandStay. This Guaranty shall apply to all agreements referenced in this Guaranty, to the renewal of all such agreements, and to any successor agreements thereto.

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

## WEBSITE USE AGREEMENT

THIS AGREEMENT is entered into effective as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between GrandStay Hospitality, LLC, a Minnesota limited liability company (“GrandStay”) and \_\_\_\_\_ (the “Franchisee”).

### INTRODUCTION

GrandStay has developed a distinctive business system for operating and franchising hotels under the name “GrandStay” and other Marks (the “Business System”), and has publicized the name “GrandStay” to the public as an organization of hotel businesses operating under the Business System.

The Franchisee has signed a Franchise Agreement with GrandStay on the date of this Agreement (the “Franchise Agreement”). The Franchisee will operate a franchised GrandStay hotel property utilizing the Business System pursuant to the Franchise Agreement (the “GrandStay Property” or the “Property”).

The Business System will include or includes a website developed and designed by GrandStay (the “GrandStay Website”). The Franchisee desires to obtain the right to have access to and to use certain portions of the GrandStay Website in connection with the operation of its franchised GrandStay Property.

Pursuant to the above Introduction and in consideration of the mutual promises and covenants set forth in this Agreement, GrandStay and the Franchisee agree as follows:

#### **1. Grant of Use.**

GrandStay grants to the Franchisee a nonexclusive and nontransferable right to use the GrandStay Website in connection with the operation of the Franchisee’s GrandStay Property, subject to the terms and conditions of this Agreement. The Franchisee is strictly prohibited from using the GrandStay Website: (a) in a manner other than as prescribed by GrandStay, (b) for any purpose other than to support the operation of the Franchisee’s GrandStay Property, or (c) after the expiration or termination of this Agreement or the Franchise Agreement. All references to the Franchisee’s Property will be removed from the GrandStay Website immediately upon the termination or expiration of this Agreement or the Franchise Agreement.

#### **2. Term.**

Unless sooner terminated by GrandStay as provided for herein, the term of this Agreement and the rights granted herein will commence on the date set forth above and will terminate on the expiration, without renewal, or termination of the Franchise Agreement.

#### **3. Internet Website.**

GrandStay will maintain the GrandStay Website to advertise, promote and conduct business at the GrandStay Property, including the Franchisee’s GrandStay Property. All features of the GrandStay Website, including the domain name, content, graphics, functionality, color schemes, designs, format, procedures and links to other websites, will be determined by GrandStay, in its sole discretion. GrandStay will have the right to modify, enhance, suspend or temporarily or permanently discontinue the GrandStay Website at any time, in its sole discretion. The Franchisee will not have the right to establish a Home Page on the Internet to advertise or promote its GrandStay Property without the prior written approval of GrandStay.

#### **4. Fees.**

GrandStay will have the right to impose a monthly maintenance fee for the upgrades, improvements, and monthly service provided to the Franchisee in connection with the functionality of the Website after giving the Franchisee 30 days prior written notice.

#### **5. Technology.**

The GrandStay Website, certain images, user interfaces, databases, software programs and source codes, computer processes, methods of operation, processes, procedures, know-how and accompanying data relating to the GrandStay Website (collectively, the "Technology") may be made available to the Franchisee by GrandStay for its access and/or use pursuant to this Agreement. The Technology constitutes confidential information, and as such is subject to the provisions of the Franchise Agreement relating to confidential information.

In recognition of the above, the Franchisee agrees that it may not and will not, directly or indirectly, for its own benefit or for the benefit of any other person or entity: (a) copy, reproduce, modify, use, display, publish, upload, post, transmit or distribute any portion of the Technology in any way without GrandStay's express prior written permission; (b) use, copy, modify or display any of the Marks in any way or for any purpose without GrandStay's express prior written permission; (c) use the GrandStay Website, any confidential information or Technology for any business or personal purpose or use other than those purposes expressly authorized by GrandStay pursuant to this Agreement; or (d) use the Technology after the termination of this Agreement.

#### **6. No Warranty.**

The Franchisee is provided with access to the Technology on an "AS IS" and "AS PROVIDED" basis. GRANDSTAY AND ITS SUPPLIERS MAKE NO, AND SPECIFICALLY DISCLAIM ANY, WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, WHETHER BY STATUTE, COMMON LAW, CUSTOM, USAGE OR OTHERWISE, AS TO ANY MATTER INCLUDING, WITHOUT LIMITATION, NON-INFRINGEMENT OF THIRD PARTY RIGHTS, MERCHANTABILITY, INTEGRATION, SATISFACTORY QUALITY, FITNESS FOR ANY PARTICULAR PURPOSE, PERFORMANCE OR RESULTS THE FRANCHISEE OR ITS CUSTOMERS MAY OBTAIN BY USING THE TECHNOLOGY. GRANDSTAY AND ITS SUPPLIERS MAKE NO WARRANTY THAT OPERATION OF THE TECHNOLOGY WILL BE UNINTERRUPTED, TIMELY, SECURE OR ERROR-FREE, AND MAKE NO WARRANTY REGARDING ANY SERVICES OBTAINED THROUGH USE OF THE TECHNOLOGY OR ANY TRANSACTIONS ENTERED INTO THROUGH USE OF THE TECHNOLOGY.

#### **7. Limitation of Liability.**

IN NO EVENT WILL GRANDSTAY OR ITS SUPPLIERS BE LIABLE TO THE FRANCHISEE OR ANY THIRD PARTY FOR ANY DAMAGES, CLAIMS, OR COSTS WHATSOEVER OR FOR ANY CONSEQUENTIAL, INDIRECT, OR INCIDENTAL DAMAGES, OR FOR ANY LOST PROFITS OR LOST SAVINGS ARISING OUT OF, RELATING TO OR RESULTING FROM THIS AGREEMENT, THE TECHNOLOGY, THE USE OR INABILITY TO USE THE TECHNOLOGY, ANY SERVICES OBTAINED OR TRANSACTIONS ENTERED INTO PURSUANT TO THIS AGREEMENT, ANY LOSS OR UNAUTHORIZED ALTERATION OF ANY DATA, OR ANY UNAUTHORIZED ACCESS TO ANY DATA. THE FOREGOING LIMITATIONS AND EXCLUSIONS WILL APPLY TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW EVEN IF GRANDSTAY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSSES, DAMAGES, CLAIMS, OR COSTS. IF GRANDSTAY OR ITS SUPPLIERS BREACH THIS AGREEMENT, OR IF THE FRANCHISEE IS DISSATISFIED IN ANY RESPECT WITH THE SERVICES PROVIDED BY GRANDSTAY OR ANY SUPPLIER PURSUANT TO THIS AGREEMENT, THEN THE FRANCHISEE'S SOLE AND EXCLUSIVE REMEDY WILL BE TO TERMINATE THIS AGREEMENT AND CEASE USING THE TECHNOLOGY. UNDER NO CIRCUMSTANCES WILL GRANDSTAY BE LIABLE FOR LOSS OF DATA, REPROCUREMENT

COSTS, LOST REVENUE OR PROFITS, INTERRUPTION OF THE FRANCHISEE'S BUSINESS OPERATIONS, OR FOR ANY OTHER SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES EVEN IF THEY WERE FORESEEABLE OR THE FRANCHISEE HAS INFORMED GRANDSTAY OF SUCH POTENTIAL DAMAGES.

GrandStay is acting on behalf of its suppliers for the purpose of disclaiming, excluding and/or limiting obligations, warranties and liability as provided in this Agreement, but in no other respects and for no other purpose.

**8. Dispute Resolution.**

All disputes arising under this Agreement must be venued exclusively in the District Court of Minnesota, County of Hennepin or the United States District Court, District of Minnesota.

**9. Default.**

Any of the following occurrences will constitute an "Event of Default" under this Agreement: (a) the Franchisee fails to pay when due any charge or fee payable to GrandStay or its Affiliates pursuant to this Agreement or any other agreement; (b) the Franchisee breaches or is in default of any other provision of this Agreement and such breach or default is not corrected within 30 days after GrandStay gives the Franchisee written notice of breach;; or (c) the Franchisee is in default of any of its obligations under the Franchise Agreement and fails to correct such default in accordance with the notice and cure provisions of the Franchise Agreement.

**10. GrandStay's Remedies Upon Default.**

Upon the occurrence of any Event of Default, GrandStay will have the right to exercise any or all of the following rights and remedies: (a) terminate this Agreement; (b) declare all amounts owed to GrandStay pursuant to this Agreement to be immediately due and payable; (c) cease performance of all of GrandStay's obligations under this Agreement without liability to the Franchisee; (d) temporarily or permanently disable the Franchisee's access to the GrandStay Website; (e) remove the Franchisee's GrandStay Property from the GrandStay Website; and/or (f) hold the Franchisee liable for all Damages incurred by GrandStay caused by the Franchisee's default.

**11. Sole Agreement; Modification.**

This Agreement is the sole agreement between the parties relating to the subject matter hereof and supersedes all prior understandings, writings, proposals, representations or communications, oral or written, of either party. This Agreement may be amended only by a writing executed by the party against whom enforcement is sought.

**12. Governing Law.**

This Agreement will be interpreted in accordance with the substantive laws of the state of Minnesota.

**13. Costs and Attorneys' Fees.**

The Franchisee will indemnify GrandStay for all costs that GrandStay incurs in any lawsuit or proceeding to enforce this Agreement including, without limitation, actual attorneys' fees, expert witness fees, costs of investigation, court costs, litigation expenses, travel and living expenses, and all other costs incurred by GrandStay.

**14. Severability.**

All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable.

**15. Waiver; Consent.**

GrandStay and the Franchisee may, by written instrument signed by both parties, waive any obligation of or restriction upon the other under this Agreement. Acceptance by GrandStay of any payment by the Franchisee and the failure, refusal or neglect of GrandStay to exercise any right under this Agreement or to insist upon full compliance by the Franchisee of its obligations will not constitute a waiver by GrandStay of any provision of this Agreement. Whenever this Agreement requires GrandStay’s prior written consent, such consent may be withheld by GrandStay for any reason whatsoever.

**16. No Rights of Offset.**

The Franchisee will not, on grounds of the alleged nonperformance by GrandStay of any of its obligations or for any other reason, withhold payment of any payments due GrandStay pursuant to this Agreement or pursuant to any other contract, agreement or obligation. The Franchisee will not have the right to “offset” any liquidated or unliquidated amounts, Damages or other funds allegedly due to the Franchisee by GrandStay against any payments due to GrandStay under this Agreement.

**17. GrandStay’s Rights Cumulative.**

The rights of GrandStay are cumulative and no exercise or enforcement by GrandStay of any right or remedy will preclude the exercise or enforcement by GrandStay of any other right or remedy or which GrandStay is entitled by law to enforce.

**18. Binding Agreement.**

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest.

**19. Notices.**

All notices to GrandStay or the Franchisee will be given in accordance with and subject to the corresponding applicable terms and conditions of the Franchise Agreement.

**20. Terms Defined in Franchise Agreement.**

Capitalized terms used but not defined in this Agreement will, if defined in the Franchise Agreement, have the meanings ascribed to such terms in the Franchise Agreement.

**21. Counterparts.**

This Agreement may be executed simultaneously in multiple counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective as of the day and year first above written.

**FRANCHISEE**

**GRANDSTAY**

\_\_\_\_\_

**GRANDSTAY HOSPITALITY, LLC**

By \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

Its \_\_\_\_\_

\_\_\_\_\_

Rv \_\_\_\_\_

Its \_\_\_\_\_

## TELEPHONE LISTING AGREEMENT

THIS AGREEMENT is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between GrandStay Hospitality, LLC ("GrandStay"), and \_\_\_\_\_ (the "Franchisee").

**WHEREAS**, GrandStay is the franchisor of GrandStay hotel properties and the licensor of the marks set forth in Section 1.1 of the Franchise Agreement and certain other trademarks, trade names, service marks, logos and commercial symbols (the "Marks"); and

**WHEREAS**, GrandStay and the Franchisee have entered into a Franchise Agreement, dated the same date as this Agreement (the "Franchise Agreement") pursuant to which the Franchisee is granted the right to operate a hotel property under certain of the Marks (the "GrandStay Property" or the "Property") and to use such Marks in on-line and/or printed book versions of telephone directory listings for the Franchisee's Property; and

**WHEREAS**, the Franchisee is authorized to continue using such Marks until such time as the Franchise Agreement is terminated or expires, without renewal.

**NOW, THEREFORE**, GrandStay and the Franchisee hereby agree as follows:

1. The Franchisee is authorized to obtain telephone service for Franchisee's GrandStay Property. Such service will not be used in conjunction with any other business or residential telephone service.
2. The Franchisee is authorized and agrees to secure on-line, Internet and/or printed book versions of White Pages, Yellow Pages and directory assistance listings for the Franchisee's GrandStay Property only in the name identified in Section 1.1 of the Franchise Agreement. No other names may be used in conjunction with the Property, and no additional listings may be used with the telephone number(s) assigned to the Property, unless approved in writing in advance by GrandStay.
3. All telephone directory listings, Yellow Pages display advertising, layout, and copy will be approved in advance in writing by GrandStay, and the Franchisee agrees that it will not place any such copy unless the written approval of GrandStay is attached. Placement of display advertising by GrandStay or its advertising agency for the Franchisee through a national Yellow Pages service will constitute automatic approval.
4. The Franchisee acknowledges that GrandStay has the absolute right and interest in all of the telephone numbers and telephone directory listings associated with the Marks, and the Franchisee hereby authorizes GrandStay to direct the telephone company and all listing agencies to transfer all of the Franchisee's telephone numbers and directory listings to GrandStay or GrandStay's assignee if the Franchise Agreement expires, without renewal, or is terminated for any reason whatsoever.
5. Upon the expiration or termination of the Franchise Agreement for any reason, the Franchisee agrees that it will immediately cease all use of such telephone numbers and telephone directory listings and that all such telephone numbers and telephone directory listings will remain the sole property of GrandStay, subject to GrandStay's obligation to pay all fees due therefor that become due and payable after the date of the cessation of the Franchisee's right to use the Marks and the telephone numbers and telephone directory listings associated with the Marks.

6. The Franchisee hereby releases and forever discharges GrandStay and its successors or assigns and the telephone company from liability of any kind or character which results or may result directly or indirectly from GrandStay's exercise of its rights hereunder or from the telephone company's cooperation with GrandStay in effecting the terms of this Agreement.

7. GrandStay will have the absolute right to notify the telephone company and all listing agencies of the termination or expiration of the Franchisee's right to use all telephone numbers and all classified and other directory listings under the Marks and to authorize the telephone company and all listing agencies to transfer to GrandStay or its assignee all telephone numbers and directory listings of the Franchisee's GrandStay Property.

8. The telephone company and all listing agencies will have the right to accept this Agreement as evidence of the exclusive rights of GrandStay to such telephone numbers and directory listings, and this Agreement will constitute the authority from the Franchisee for the telephone company and listing agency to transfer all such telephone numbers and directory listings to GrandStay. The Franchisee will not make any claims or commence any action against the telephone company and the listing agencies for complying with this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above.

**GRANDSTAY HOSPITALITY, LLC**

**FRANCHISEE**

By \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

Its \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

[4888-0401-1585, v. 2](#)  
[4894-0357-7503, v. 2](#)

**GRANDSTAY HOSPITALITY, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT D**

**SAMPLE RELEASE**

**EXHIBIT D  
GRANDSTAY HOSPITALITY**

**SAMPLE RELEASE**

Unless precluded by applicable state law, if you sell, assign or transfer your Franchise Agreement to a third party, you will sign a release substantially similar to the following:

Release. In consideration of the Agreement of GrandStay Hospitality, LLC (“Franchisor”) to consent to the transfer by \_\_\_\_\_ (“Franchisee”) of its Franchise Agreement between Franchisee and Franchisor (the “Agreement”), Franchisee and its affiliates hereby release and forever discharge Franchisor, its directors, officers, shareholders, employees, and agents and their affiliates, in their corporate and individual capacities, and their respective heirs, personal representatives, successors and assigns (collectively, the “Released Parties”), from any and all claims Franchisee may have against the Released Parties, from the beginning of time to the date hereof, whether in law or in equity, including, but not limited to, any claims arising out of the offer or sale of any franchise to Franchisee, and any matters arising out of the Agreement.

\_\_\_\_\_  
DATE: \_\_\_\_\_

The above language may be modified or supplemented to address issues specific to the transfer of Franchise Agreement to a third party, or to comply with applicable law.

**GRANDSTAY HOSPITALITY, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**EXHIBIT E**  
**FRANCHISEE QUESTIONNAIRE**

**GRANDSTAY HOSPITALITY, LLC**  
**FRANCHISEE QUESTIONNAIRE**

As you know, GrandStay Hospitality, LLC (the “Franchisor”) and you are preparing to enter into a Franchise Agreement for the operation of a franchised GrandStay Residential Suites Hotel, GrandStay conference center, or GrandStay Hotel & Suites (the “Franchise”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest responses to each question.

QUESTION	YES	NO
1. Have you received and personally reviewed the Franchisor’s Franchise Disclosure Document (the “Disclosure Document”) provided to you?		
2. Did you sign a receipt for the Disclosure Document indicating the date you received it?		
3. Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?		
4. Please insert the date on which you received a copy of the Franchise Agreement with all material blanks fully completed: _____		
5. Have you discussed the benefits and risks of operating the Franchise with an attorney, accountant or other professional advisor?		
6. Do you understand the risks associated with operating the Franchise?		
7. Do you understand that the success or failure of the Franchise will depend in large part upon your skills and abilities, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?		
8. Has any employee or other person on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Franchise?		
9. Has any employee or other person on behalf of the Franchisor made any statement or promise regarding the costs involved in operating the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		
10. Has any employee or other person on behalf of the Franchisor made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, market penetration, training, support service or assistance relating to the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		

If you answered "Yes" to any of questions 8-10, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of the foregoing questions, please leave the following lines blank.

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You understand that your answers are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

\_\_\_\_\_  
FRANCHISE APPLICANT

\_\_\_\_\_  
FRANCHISE APPLICANT

Dated: \_\_\_\_\_, 20\_\_

Dated: \_\_\_\_\_, 20\_\_

**GRANDSTAY HOSPITALITY, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT F**

**STATE ADMINISTRATIVE AGENCIES**  
**AND AGENTS FOR SERVICE OF PROCESS**

## **STATE ADMINISTRATIVE AGENCIES AND AGENTS FOR SERVICE OF PROCESS**

California Commissioner of Financial Protection and Innovation

Department of Financial Protection and Innovation  
320 West 4th Street, Suite 750  
Los Angeles, California 90013-2344  
(213) 576-7500 / Toll Free: 1-866-275-2677

Florida Department of Agriculture & Consumer Services  
Division of Consumer Services  
P.O. Box 6700  
Tallahassee, Florida 32314-6700  
(800) 435-7352

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room ~~203~~[205](#)  
Honolulu, Hawaii 96813  
(808) 586-2722

Office of Illinois Attorney General  
Franchise Division  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4465

Indiana Securities Division (Administrator)  
302 West Washington Street, Room E-111  
Indianapolis, Indiana 46204  
(317) 232-6681

Indiana Secretary of State (Agent for Service)  
~~201 State House~~  
200 West Washington Street  
Indianapolis, Indiana 46204  
[\(317\) 232-6531](#)

Office of Kentucky Attorney General  
Consumer Protection Division  
1024 Capital Center Drive  
Frankfort, Kentucky 40601-8204  
(502) 696-5389

Office of Maryland Attorney General (Administrator)  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2020  
(410) 576-6360

Maryland Securities Commissioner (Agent for Service)  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

Michigan Attorney General's Office  
Consumer Protection Division, Franchise Unit  
~~P.O. Box 30213~~ [525 West Ottawa Street](#)

[G. Mennen Williams Building, 1<sup>st</sup> Floor](#)  
Lansing, Michigan 48909  
(517) 373-7117

Minnesota Department of Commerce  
85 - 7th Place East, Suite 280  
St. Paul, Minnesota 55101  
(651) 539-1500

Nebraska Department of Banking and Finance  
Bureau of Securities/Financial Institutions Division  
1526 K Street, Suite 300  
Lincoln, NE 68508  
(402) 471-2171

Office of the New York State Attorney General  
[\(Administrator\)](#)  
Investor Protection Bureau  
Franchise Section  
28 Liberty Street  
New York, NY 10005  
(212) ~~416-8236~~ [416-8222](#)

[New York Secretary of State \(Agent for Service\)](#)  
[One Commerce Plaza](#)  
[99 Washington Avenue, 6<sup>th</sup> Floor](#)  
[Albany, New York 12231](#)  
[\(518\) 473-2492](#)

North Dakota Securities Department  
Securities Commissioner (Agent for Service)  
600 East Boulevard Avenue  
Capitol Building, Fourteenth Floor, Dept. 414  
Bismarck, North Dakota 58505  
(701) 328-4712

Oregon Department of Consumer and Business Services  
Division of Finance and Corporate Securities  
350 Winter Street NE, Room 410  
Salem, Oregon 97301  
(503) 378-4387

Rhode Island Department of Business Regulation  
Securities Division  
1511 Pontiac Avenue  
John O. Pastore Complex- Building 69-1  
Cranston, Rhode Island 02920  
(401) 462-9527

South Dakota Department of Labor and Regulation  
Division of Insurance  
Securities Regulation  
124 S Euclid, Suite 104  
Pierre, South Dakota 57501  
(605) 773-3563

Statutory Documents Section  
Texas Secretary of State  
1019 Brazos  
Austin, Texas 78701  
(512) 463-5705

State of Utah  
Division of Consumer Protection  
160 East 300 South, SM Box 146704  
Salt Lake City, Utah 84144-6704  
(801) 530-6601

[Virginia](#) State Corporation Commission (Administrator)  
Division of Securities and Retail Franchising  
1300 East Main Street, 9th Floor  
Richmond, Virginia 23219  
(804) 371-9051

Clerk of State Corporation Commission (Agent for  
Service)  
1300 East Main Street, ~~1st Floor~~  
  
Richmond, Virginia 23219  
(804) 371-9733

[Washington Department of Financial Institutions  
\(Administrator\)](#)

[State Administrator  
Securities Division  
PO Box 41200  
Olympia, WA 985014  
\(360\) 902-8760](#)

Washington Department of Financial Institutions ([Agent  
for Service](#))  
Securities Division  
150 Israel Rd SW  
Tumwater, Washington 98501  
(360) ~~902-8760~~[902-8700](#)

Wisconsin Department of Financial Institutions  
[Administrator](#), Division of Securities  
~~P. O. Box 1768~~  
[4822 Madison Yards Way  
North Tower](#)  
Madison, WI ~~53701-1768~~  
[53705](#)  
(608) ~~261-9555~~[266-2139](#)

**GRANDSTAY HOSPITALITY, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**EXHIBIT G**  
**FRANCHISE APPLICATION**



GRANDSTAY HOSPITALITY, LLC  
FRANCHISE APPLICATION

Location \_\_\_\_\_

**A. HOTEL SITE**    \_\_\_\_\_ New Hotel                      \_\_\_\_\_ Existing Hotel

Name

\_\_\_\_\_

Address

\_\_\_\_\_

\_\_\_\_\_

City/State/Zip \_\_\_\_\_

Telephone (    ) \_\_\_\_\_ Fax (    ) \_\_\_\_\_

E-Mail \_\_\_\_\_

**B. PROPOSED LICENSEE**

Please specify one. See additional selections on the following pages. Under no circumstances can the name GrandStay Hospitality, LLC, GrandStay Residential Suites, or any variation thereof be used in the licensee's name or Organizational Documents.

Proposed Licensee is a:

**a.**    \_\_\_\_\_ General Partnership                      \_\_\_\_\_ Limited Partnership  
      \_\_\_\_\_ Joint Venture                                      \_\_\_\_\_ Limited Liability Company

Please submit a copy of the Federal and State Identification Numbers with application.

Name of Entity \_\_\_\_\_

Type of Entity \_\_\_\_\_

\_\_\_\_\_

Organized Under the State of \_\_\_\_\_

Date Formed \_\_\_\_\_

Business Address \_\_\_\_\_

Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Home Phone (    ) \_\_\_\_\_ Cell (    ) \_\_\_\_\_

Business Telephone (    ) \_\_\_\_\_ Fax (    ) \_\_\_\_\_

E-Mail

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Website

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Please list all general partners, limited partners, joint ventures or members.  
Attach additional pages if necessary to complete application.

1. First Name \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_  
\_\_\_\_\_  
Title \_\_\_\_\_ % Owned \_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Home Phone ( ) \_\_\_\_\_ Cell ( ) \_\_\_\_\_  
Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
E-Mail \_\_\_\_\_  
\_\_\_\_\_  
Social Security # \_\_\_\_\_  
DOB \_\_\_\_\_

2. First Name \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_  
\_\_\_\_\_  
Title \_\_\_\_\_ % Owned \_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Home Phone ( ) \_\_\_\_\_ Cell ( ) \_\_\_\_\_  
Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
E-Mail \_\_\_\_\_  
\_\_\_\_\_  
Social Security # \_\_\_\_\_  
DOB \_\_\_\_\_

3. First Name \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_  
\_\_\_\_\_  
Title \_\_\_\_\_ % Owned \_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Home Phone ( ) \_\_\_\_\_ Cell ( ) \_\_\_\_\_  
Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
E-Mail \_\_\_\_\_  
\_\_\_\_\_  
Social Security # \_\_\_\_\_  
DOB \_\_\_\_\_

4. First Name \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_  
\_\_\_\_\_  
Title \_\_\_\_\_ % Owned \_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Home Phone ( ) \_\_\_\_\_ Cell ( ) \_\_\_\_\_  
Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
E-Mail \_\_\_\_\_  
\_\_\_\_\_  
Social Security # \_\_\_\_\_  
DOB \_\_\_\_\_

**b.** \_\_\_\_\_ Corporation

Please provide complete information on all of the corporate officers and all shareholders. A copy of the Certificate of Articles of Incorporation is required.

Name of Corporation \_\_\_\_\_  
State of Incorporation \_\_\_\_\_ Date of Incorporation \_\_\_\_\_ ID # \_\_\_\_\_  
Business Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_

E-Mail \_\_\_\_\_

Please list all corporate officers. Attach additional pages if necessary.

1. **President:**

First Name \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_

% of Ownership \_\_\_\_\_

Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Home Phone ( ) \_\_\_\_\_ Cell ( ) \_\_\_\_\_  
Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
E-Mail \_\_\_\_\_

Social Security # \_\_\_\_\_

DOB \_\_\_\_\_

2. **Vice President:**

First Name \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_

% of Ownership \_\_\_\_\_

Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Home Phone ( ) \_\_\_\_\_ Cell ( ) \_\_\_\_\_  
Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
E-Mail \_\_\_\_\_

Social Security # \_\_\_\_\_

DOB \_\_\_\_\_

3. **Secretary:**

First Name \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_

% of Ownership \_\_\_\_\_

Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Home Phone ( ) \_\_\_\_\_ Cell ( ) \_\_\_\_\_

Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
E-Mail \_\_\_\_\_

\_\_\_\_\_  
Social Security # \_\_\_\_\_  
DOB \_\_\_\_\_

**4. Treasurer:**

First Name \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_

\_\_\_\_\_  
% of Ownership \_\_\_\_\_

\_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Home Phone ( ) \_\_\_\_\_ Cell ( ) \_\_\_\_\_  
Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
E-Mail \_\_\_\_\_

\_\_\_\_\_  
Social Security # \_\_\_\_\_  
DOB \_\_\_\_\_

Please list all shareholders. Attach additional pages if necessary.

5. First Name \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_

\_\_\_\_\_  
Title \_\_\_\_\_ % of Ownership \_\_\_\_\_ # of Shares \_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Home Phone ( ) \_\_\_\_\_ Cell ( ) \_\_\_\_\_  
Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
E-Mail \_\_\_\_\_

\_\_\_\_\_  
Social Security # \_\_\_\_\_  
DOB \_\_\_\_\_

6. First Name \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_

\_\_\_\_\_  
Title \_\_\_\_\_ % of Ownership \_\_\_\_\_ # of Shares \_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Home Phone ( ) \_\_\_\_\_ Cell ( ) \_\_\_\_\_  
Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
E-Mail \_\_\_\_\_

\_\_\_\_\_  
Social Security # \_\_\_\_\_  
DOB \_\_\_\_\_

7. First Name \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_

\_\_\_\_\_  
Title \_\_\_\_\_ % of Ownership \_\_\_\_\_ # of Shares \_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Home Phone ( ) \_\_\_\_\_ Cell ( ) \_\_\_\_\_  
Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
E-Mail \_\_\_\_\_

\_\_\_\_\_  
Social Security # \_\_\_\_\_  
DOB \_\_\_\_\_

8. First Name \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_

\_\_\_\_\_  
Title \_\_\_\_\_ % of Ownership \_\_\_\_\_ # of Shares \_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Home Phone ( ) \_\_\_\_\_ Cell ( ) \_\_\_\_\_  
Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
E-Mail \_\_\_\_\_

\_\_\_\_\_  
Social Security # \_\_\_\_\_  
DOB \_\_\_\_\_

**c.** \_\_\_\_\_ Sole Proprietor

Please provide complete information.

First Name \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_

\_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Home Phone ( ) \_\_\_\_\_ Cell ( ) \_\_\_\_\_  
Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
E-Mail \_\_\_\_\_

\_\_\_\_\_  
Social Security # \_\_\_\_\_ DOB \_\_\_\_\_

**d.** \_\_\_\_\_ Jointly and Severally

Please provide complete information. Attach additional pages if necessary.

1. First Name \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_  
 Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
 Home Phone (    ) \_\_\_\_\_ Cell (    ) \_\_\_\_\_  
 Business Telephone (    ) \_\_\_\_\_ Fax (    ) \_\_\_\_\_  
 E-Mail \_\_\_\_\_  
 Social Security # \_\_\_\_\_  
 DOB \_\_\_\_\_
  
2. First Name \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_  
 Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
 Home Phone (    ) \_\_\_\_\_ Cell (    ) \_\_\_\_\_  
 Business Telephone (    ) \_\_\_\_\_ Fax (    ) \_\_\_\_\_  
 E-Mail \_\_\_\_\_  
 Social Security # \_\_\_\_\_  
 DOB \_\_\_\_\_

**C. CREDIT INFORMATION**

1. FINANCIAL STATEMENT  
 Please submit a current statement for the ownership entity in accordance with the following:
  - a. General Partnership/Limited Partnership/Joint Venture/Limited Liability Company:
    1. General Partnership/Limited Partnership/Joint Venture/Limited Liability Company Balance Sheet and Profit & Loss Statement
    2. Personal Financial Statements for all partners, joint ventures or members
  - b. Corporation:
    1. Corporate Balance Sheet and Profit and Loss Statement
    2. Personal Financial Statements for all stockholders owning 10% or more of stock
  - c. Sole Proprietor:
    1. Personal Financial Statement
  - d. Jointly and Severally:
    1. Personal Financial Statements for all owners

2. BUSINESS REFERENCES

- a. Company Name \_\_\_\_\_  
Contact \_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
Account Name \_\_\_\_\_ Acct # \_\_\_\_\_
- b. Company Name \_\_\_\_\_  
Contact \_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
Account Name \_\_\_\_\_ Acct # \_\_\_\_\_

3. BANK REFERENCES

- a. Name of Bank \_\_\_\_\_  
Contact \_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
Account in Name of \_\_\_\_\_ Acct # \_\_\_\_\_  
Type of Account:      Checking      Savings      Loan
- b. Name of Bank \_\_\_\_\_  
Contact \_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_  
Account in Name of \_\_\_\_\_ Acct # \_\_\_\_\_  
Type of Account:      Checking      Savings      Loan

4. INSURANCE AGENT

- a. Company Name \_\_\_\_\_  
\_\_\_\_\_ Contact \_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Business Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_

**D. FRANCHISING AND HOTEL EXPERIENCE**

1. Does the applicant or any of the individuals listed under ownership currently manage, own or lease motels, hotels, extended stay properties and/or resorts?

Yes \_\_\_\_\_ No \_\_\_\_\_ If "yes" please complete the section below.  
Attach additional pages if necessary.

<u>Owner/Operator</u>	<u>Property Name</u>	<u>City/State</u>	<u>%Owned</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

**E. BACKGROUND INFORMATION**

For purposes of this section, "Applicant" includes anyone owning a direct or indirect interest in the proposed licensee, hotel building and property.

1. Is any Applicant now, or has any Applicant ever been a defendant in any lawsuit?

Yes \_\_\_\_\_ No \_\_\_\_\_

2. Has any Applicant ever filed for bankruptcy?

Yes \_\_\_\_\_ No \_\_\_\_\_

3. Has any Applicant ever been charged with or convicted of a crime other than minor traffic violations?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "yes" has been indicated for questions 1-3, please identify the person, court, case number and outcome below:

<u>Person</u>	<u>Court</u>	<u>Case #</u>	<u>Outcome</u>
_____	_____	_____	_____
_____	_____	_____	_____

4. Has any Applicant ever been involved with any franchise anywhere, whether in the lodging industry or otherwise?

Yes \_\_\_\_\_ No \_\_\_\_\_

If "yes" has been indicated for question 4, please identify the person, the franchise, the location: the date of such other franchise and whether such other franchise is still in effect:

Person    Franchise Name    Location    Date    Currently in Effect

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rooms,- etc.):\_\_\_\_\_

16. Is hotel/motel to be leased by you? Yes \_\_\_\_\_ No \_\_\_\_\_

17. Is ground to be leased by you? Yes \_\_\_\_\_ No \_\_\_\_\_

(If "yes" has been indicated for questions 16-17, please complete the following)

Landlord Name \_\_\_\_\_ Telephone \_\_\_\_\_  
Address \_\_\_\_\_

18. Is hotel/motel owned by you? Yes \_\_\_\_\_ No \_\_\_\_\_  
19. Is the ground owned by you? Yes \_\_\_\_\_ No \_\_\_\_\_

**H. ITEMS TO BE SUBMITTED WITH THIS APPLICATION**

The following items must be submitted with this application:

- Current appropriate financial statement(s) as indicated in Section C
- Copy of Federal and State Identification Numbers if applicable
- Market Feasibility Study if available
- If an existing property - Operating Statement and Balance Sheet

I certify that, to the best of my knowledge, the information provided on this application is complete and accurate.

Furthermore, I agree that in order to complete an adequate credit investigation, I authorize the referenced companies and/or individuals named to disclose to the Credit Department of GrandStay Hospitality, LLC, any and all information required for the completion of this application, to be used for the exclusive and confidential use of GrandStay Hospitality, LLC, and its affiliated companies.

\_\_\_\_\_  
Applicant

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

## State Effective Dates

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

This 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:

Illinois:	<del>March 24,</del> <del>2023</del> <a href="#">[Pending]</a>
Indiana:	<del>March 26,</del> <del>2023</del> <a href="#">[Pending]</a>
Michigan:	March <del>24</del> <del>22,</del> <del>2023</del> <a href="#">2024</a>
Minnesota:	<del>April 6,</del> <del>2023</del> <a href="#">[Pending]</a>
North Dakota	<del>April 5,</del> <del>2023</del> <a href="#">[Pending]</a>
South Dakota	<del>March 24,</del> <del>2023</del> <a href="#">[Pending]</a>
Wisconsin	March <del>24</del> <del>22,</del> <del>2023</del> <a href="#">2024</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**

**GRANDSTAY HOSPITALITY, LLC**

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If GrandStay Hospitality, LLC offers you a franchise, it must provide this Disclosure Document to you at least 14 calendar days before you sign a binding agreement with, or make a payment to, GrandStay Hospitality, LLC or an affiliate in connection with the proposed franchise sale.

Michigan requires that GrandStay Hospitality, LLC give you this Disclosure Document at least 10 business days before the execution of any binding Franchise Agreement or other agreement or the payment of any consideration, whichever occurs first.

If GrandStay Hospitality, 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, D.C. 20580 and the state agency listed in the State Agency Exhibit (Exhibit F).

Our authorized agents to receive service of process on our behalf in the different states are indicated in Exhibit F.

The name, principal business address, and telephone number of the franchise seller offering this franchise is: \_\_\_\_\_

Issuance Date: March ~~24~~22, ~~2023~~2024

GrandStay Hospitality, LLC authorizes the respective state agencies identified in the State Agency Exhibit to receive service of process for it in the particular state.

I received the Franchise Disclosure Document of GrandStay Hospitality, LLC, dated March ~~24~~22, ~~2023~~2024, that included the following exhibits:

State Addenda;

Exhibit A - Table of Contents for Manual;

Exhibit B - Financial Statements;

Exhibit C - Franchise Agreement;

Exhibit D - Sample Release;

Exhibit E - Franchisee Questionnaire;

Exhibit F - State Administrative Agencies and Agents for Service of Process; ~~and~~

Exhibit G - Franchise Application.

Signed: \_\_\_\_\_

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

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

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

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

Dated: \_\_\_\_\_

Signed: \_\_\_\_\_

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

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

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

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

Dated: \_\_\_\_\_

Copy To:  
GrandStay Hospitality, LLC  
1822 Buerkle Rd.  
White Bear Lake, MN 55110

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- Exhibit G - Franchise Application.

Signed: _____	Signed: _____
Print Name: _____	Print Name: _____
Address: _____	Address: _____
City/State/Zip: _____	City/State/Zip: _____
Telephone: _____	Telephone: _____
Dated: _____	Dated: _____

Copy To:  
Franchisee

~~4885-4534-0737, v. 3~~  
~~4857-8480-6559, v. 4~~