

FRANCHISE DISCLOSURE DOCUMENT



Red Roof Franchising, LLC
a Delaware Limited Liability Company
7815 Walton Parkway
New Albany, Ohio 43054
Telephone (614) 744-2600
www.redrooffranchising.com

The franchisee will own and operate a guest lodging facility under the Red Roof Inn®, Red Roof Inn & Suites®, Red Roof PLUS+® or Red Roof PLUS+ & Suites® brand (a “Red Roof Inn hotel”). Red Roof Inn hotels offer high quality lodging to business and leisure guests at room rates associated with the economy lodging segment.

The total investment necessary to begin operation of a newly built and a conversion 65-room Red Roof Inn, Red Roof Inn & Suites, Red Roof PLUS+ or Red Roof PLUS+ & Suites lodging facility are set forth in the table below:

Type of Inn	Newly Built	Conversion
Red Roof Inn and Red Roof Inn & Suites	\$7,253,500 - \$8,899,600 (82 Rooms)	\$264,850 - \$1,596,100 (65 Rooms)
Red Roof PLUS+	\$7,267,500 6,880,000 - \$8, 923,100 354,600 (82 Rooms)	\$353,000 - \$1,659,100 (65 Rooms)
Red Roof PLUS+ & Suites	\$7,267,500 - \$8,293,100 (82 Rooms)	\$357,000 - \$1,695,600 (65 Rooms)
Dual Brand Hotel (Red Roof Inn and HomeTowne Studios)	\$13,569,518 - \$15,836,090 (140 Rooms)	\$693,268 - \$2,284,813 (120 Rooms)
Dual Brand Hotel (Red Roof PLUS+ and HomeTowne Studios)	\$13,588,418 - \$15,860,090 (140 Rooms)	Not applicable

These amounts do not include the cost of land or rent for the hotel location but do include the \$54,550 to \$60,550 that must be paid to the franchisor or its affiliates for Red Roof Inn, Red Roof Inn & Suites, Red Roof PLUS+, and Red Roof PLUS+ & Suites hotels and the \$110,050 to \$119,650 that must be paid to the franchisor and its affiliates for Dual Brand Hotels.

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

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

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying A Franchise,*” which can help you understand how to use this disclosure document, is available from the

Type of Fee	Amount	Due Date	Remarks
Continuing Education	\$900 to \$1,200	Upon demand	We will require you or your employees to attend additional or refresher training programs hosted on the Red Roof Learning Management System as well as live Webinars. An example of such training might include, but is not limited to human trafficking prevention training, continuing education courses or training you receive if your quality or service metrics fall to a level that is negatively impacting the business. Such costs are subject to change. When training is conducted at any other location, you are responsible for your own expenses and those of your employees.
General Manager Training (Other than Pre-Opening or Transfer Training)	\$1,000 to \$1,250	Upon demand	If you add or replace a General Manager, the new General Manager must complete RED Advantage virtual training within 90 days of hire.
Third Party Training	Varies	Varies	We may require you to participate in and pay a fee for training conducted by a third party.
New Owner Orientation	\$1,000 to \$1,600 per person	Upon demand	Payable prior to opening for your owners and payable when there is a majority ownership change and the new majority owner attends the New Owner Orientation. Attendance is mandatory within six months of a property opening or transfer.
Guest Relations Intervention Fee	Currently, \$150 per escalation. We will not increase this fee more than 10% per year.	Upon demand	If we have to intervene to resolve a guest complaint, we will assess this fee, which we may modify at our discretion. You also must reimburse us for any payment or other consideration we may furnish the guest to resolve the complaint.
Guest Relations Watchlist	Currently, \$195 per intervention. We will not increase this fee more than 10% per year.	Upon demand	For properties ranking in the bottom 20% of all Red Roof Inns for negative responses, we will review all guest relations cases to ensure reasonable resolution. You must also reimburse us for any payment or other consideration we may furnish the guest to reasonably resolve the complaint.
Transfer Application Fee	\$2,500	Upon application to transfer your franchise	We have the right to approve all transfers. We will evaluate your proposed transferee when we receive this fee.
Transfer Fee	\$15,000	Upon the transfer of your Franchise	Payable when the transaction closes; we will not recognize the transfer until this fee is paid.
Reinstatement Fee	Currently, \$5,000. We will not increase this fee more than 10% per year.	Upon reinstatement of your Franchise	Payable in addition to all applicable amounts owed to restore your Franchise after termination or after removing the Inn from the Reservation System.

Type of Fee	Amount	Due Date	Remarks
Renewal Fee	50% of the then-current initial franchise fee. We will not increase this fee more than 10% per year.	Upon renewal	Payable upon approval of your renewal application.
Audit Fee	If audit finds underpayment of 2% or more, all costs and expenses we incur in connection with the audit in addition to paying the amount owed and interest; if you fail to produce required documents at audit, all costs and expenses we incur in connection with a re-audit	Upon demand	Amounts payable include our third party auditor fees, and the travel expenses and room and board for our representatives and/or our third party auditor's representatives conducting the audit as well as the expenses of conducting a re-audit.
Returned Payment Fee	\$50 or the amount allowed by applicable law, whichever is less	Upon demand	Payable if a payment (check, ACH or credit card) for any fees or any other payment due us fails to clear.
Late Fee; Interest on Overdue Amounts	\$50 plus the lesser of 1.5% per month or the maximum rate permitted by law	Upon demand	Interest accrues on all overdue amounts from the date payment was due until such amount is paid.
Cyber Insurance	Premium price of the insurance (approximately \$550 to \$5,200 depending on the Gross Room Revenues of the Inn)	Payable annually 20 days after the invoice date	We may procure cyber liability insurance on your behalf and you must reimburse us for our costs of obtaining the coverage for you.
Insurance Noncompliance	Up to \$2,500 for each first notice of noncompliance; up to \$5,000 for each second notice of noncompliance; and up to \$10,000 for each third notice of noncompliance (for a total of up to \$17,500 for each instance of noncompliance)	Upon demand	Payable if you fail to procure and maintain the insurance we require.
Insurance Procurement	The premium price of any insurance we procure for you, plus an administrative fee of up to \$2,500	Upon demand	Payable only if you fail to procure insurance and we do it for you. We are not obligated to procure insurance for you.

**TABLE 3 - YOUR ESTIMATED INITIAL INVESTMENT FOR AN
82-ROOM NEW BUILD RED ROOF PLUS+ & SUITES**

TYPE OF EXPENDITURE	AMOUNT (LOW)	AMOUNT (HIGH)	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Training Expenses (Note 19)	\$5,500	\$9,100	Lump Sum	Prior to Opening	RRF
Additional Funds 3 months (Note 20)	\$112,000	\$154,000	As Arranged	As Incurred	Vendors & Employees
TOTAL (excludes land acquisition costs) (Note 21)	\$7,267,500 <u>6,880,000</u>	\$8,293,100 <u>354,600</u>			

**TABLE 4 - YOUR ESTIMATED INITIAL INVESTMENT FOR A
140 ROOM NEW BUILD DUAL BRAND HOTEL
(RED ROOF INN AND HOMETOWNE STUDIOS)**

TYPE OF EXPENDITURE	AMOUNT (LOW)	AMOUNT (HIGH)	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Red Roof Inn Application Fee/Initial Franchise Fee (Note 1)	\$35,000	\$35,000	Lump Sum	\$5,000 Application Fee due upon submission of Franchise Application and \$30,000 due upon execution of the Franchise Agreement	Us
Home Towne Studios Application Fee/Initial Franchise Fee (Note 1)	\$35,000	\$35,000	Lump Sum	\$5,000 Application Fee due upon submission of Franchise Application and \$30,000 due upon execution of the Franchise Agreement	HTS
Opening Package (Note 2)	\$2,500	\$2,500	Lump Sum	Prior to Opening	Us
Market Study (Note 3)	\$0	\$10,000	Lump Sum	Before submission of a Franchise Application	Consultants
Phase I Environmental Survey (Note 4)	\$0	\$8,000	Lump Sum	Before signing commitment for land acquisition	Consultants
Design, Testing & Fees (Note 5)	\$145,000	\$225,000	As Arranged	Prior to Opening	Architects, Engineers, Local Municipalities and other Vendors
Site and Civil Work (Note 6)	\$250,000	\$500,000	As Arranged	Prior to Opening	Contractors & Vendors