FRANCHISE DISCLOSURE DOCUMENT

LG AS Franchisor LLC ("ASA")
A Delaware limited liability company
10801 Monroe Road, Suite 200
Matthews, NC 28105
Telephone: 980.368.8100
Email: franchising@affordablesuites.com
www.affordablesuites.com

An Affordable Suites of America™ hotel (singularly "Hotel," collectively "Hotels") is an extended-stay hotel offering temporary housing on a weekly or monthly rental basis. ASA offers franchisees the right to develop individual Hotels under a Franchise Agreement. Franchisee will provide hotel services under the name "Affordable Suites of America™."

The total investment necessary to begin operation of a new Affordable Suites of America™ Hotel with 75 suites is between $5,057,700 and $10,168,100, excluding real estate costs. This includes between $40,000 and $42,500 that must be paid to us or an affiliate. The total investment necessary to convert an existing hotel and begin operation of a 75-suite Affordable Suites of America™ Hotel is from $193,100 to $1,765,100. This includes between $40,000 and $42,500 that must be paid to us or an affiliate.

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 our VP of Franchise Operations at 10801 Monroe Road, Suite 200, Matthews, North Carolina 28105, (980) 368-8100.

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

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

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

Issuance Date: April 26, 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
How much can I earn?	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 or Exhibit B.
How much will I need to invest?	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.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Affordable Suites of America™ business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be Affordable Suites of America ™ franchisee?	Item 20 or Exhibit B lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	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 A.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in the state where the franchisor has its headquarters (currently North Carolina). Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in the state where the franchisor has its headquarters (currently North Carolina) than in your own state. Certain states may require other risks to be highlighted.

2. **Short Operating History**. This Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise with a longer operating history.

3. **Mandatory Minimum Payments**. You must make mandatory minimum payments regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.

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

MICHIGAN DISCLOSURE

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 provisions 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 franchised 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 franchisee 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.

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

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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.

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ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE OFFICE OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE SECTION, G. MENNEN WILLIAMS BUILDING, 1ST FLOOR, LANSING, MICHIGAN 48933, (517) 373-7117.

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A. List of Agents to Receive Service of Process
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ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

Franchisor

LG AS Franchisor LLC, the Franchisor, is referred to in this disclosure document as "ASA," "we," "us," or any similar reference. "You," "your," or any similar reference means the person or entity that buys the franchise, including the entity's owners.

ASA's principal business address is 10801 Monroe Road, Suite 200, Matthews, North Carolina 28105 and its telephone number is (980) 368-8100. ASA is a Delaware limited liability company formed on October 29, 2018 and conducts business under its entity name and the name Affordable Suites of America™. ASA does not conduct any business apart from franchising extended-stay properties under the Affordable Suites of America brand and undertakes related activities such as enter into vendor contracts for marketing services and FF&E related to the brand. ASA does not own or operate the franchise being offered, but as discussed below, our affiliates do.

ASA's agents for service of process are disclosed in Exhibit A to this disclosure document.

Franchisor's Predecessors and Affiliates

ASA's parent is LGAS Brand Parent LLC. Its principal address is 10801 Monroe Road, Suite 200, Matthews, North Carolina 28105.

Affordable Suites of America, Inc. ("ASA Inc.") is our predecessor. It operated the Affordable Suites of America franchise system from 1998 until we acquired substantially all of its assets in January 2019. Its address was 117 West Perry Road, Myrtle Beach, SC 29579.

LG AS TRS LLC is our affiliate and it owns and operates all 10 corporate owned Hotels. Its principal address is 10801 Monroe Road, Suite 200, Matthews, North Carolina 28105.

Our affiliate AS Manager LLC manages both corporate owned and franchisee owned Affordable Suites of America hotels and stayAPT hotels since January 2019. Its principal address is 10801 Monroe Road, Suite 200, Matthews, North Carolina 28105.

Our affiliate LG AS Holdco LLC is a supplier of certain operating supplies for franchisee owned Affordable Suites of America hotels and stayAPT and since June 2022. Its principal address is 10801 Monroe Road, Suite 200, Matthews, North Carolina 28105.

We started offering Affordable Suites of America™ franchises as of March 19, 2019, after we acquired substantially all of the assets of ASA Inc. on January 10, 2019. ASA Inc. offered franchises from January 1998 under the name Affordable Efficiency Suites, and then from March 2000 under the name Affordable Suites of America. Under a separate franchise disclosure document we also offer franchises for extended-stay hotels operated under the brand name stayAPT® Suites. We started offering those franchises in March 2020. As of December 31, 2022, 17 stayAPT® Suites hotels have opened, 2 of which were franchised, and 13 owned by our affiliates.

We do not have any affiliates that offer franchises in any other line of business.

Franchise Offered

ASA grants franchises to qualified persons for the right to own and operate Affordable Suites of America™ hotels (singularly "Hotel," collectively "Hotels") using the Marks and Business System (as defined below). A copy of the current Franchise Agreement is attached to this disclosure document as Exhibit D. We offer Affordable Suites of America™ franchises for both new build hotels and conversion hotel properties.

Affordable Suites of America™ Hotels are extended-stay hotels offering temporary housing on a daily and weekly basis with rates generally lower than conventional hotels. The Hotel rooms are fully furnished with complete kitchens, separate bedrooms, cable television and weekly housekeeping service. The Hotels have laundry facilities on the premises. Affordable Suites of America™ hotels typically have between 30 and 96 rooms, and we anticipate that most Affordable Suites of America™ hotels will be conversions from other brands, rather than newly constructed.

Your Hotel will be characterized by a business system that includes distinctive exterior and interior design, decor, color scheme, and furnishings; uniform standards, specifications and procedures for operations; quality and uniformity of products and services offered; and advertising and promotional programs (the "Business System"). ASA may modify the Business System from time to time and will provide any new information and techniques to you through the Operations Manual.

The Business System is identified by means of certain trademarks, trade names, service marks, logos and commercial symbols (the "Marks"), including the mark Affordable Suites of America™.

ASA may make changes in the Business System, Marks, operational standards, and facility, equipment, and fixture requirements. You may be required to make additional investments in the Hotel periodically during the term of the Franchise Agreement if such changes are made or if the Hotel's equipment or facilities wear out or become obsolete, or for other reasons. You will not be required to extensively remodel, modernize, redecorate or renovate the Hotel or to replace and modernize its furniture, fixtures, supplies and equipment more than once every 5 years during the term of the Franchise Agreement.

Compliance with Laws

You must comply with a number of federal, state and local laws which apply generally to the establishment and operation of hotel businesses. The laws are subject to ongoing change and include those affecting zoning and construction, public accommodations, accessibility by persons with disabilities, health and safety, privacy, and labor. Many of the laws vary from jurisdiction to jurisdiction. It is your responsibility to apprise yourself of and comply with all applicable laws. ASA strongly recommends that you retain an attorney to advise you as to local, state and federal laws that may impact or relate to your Hotel. Examples of applicable laws include, but are not limited to, the following:

Health and Sanitation. Most states have regulations or statutes governing the lodging business and related services. Many state and local authorities require licensing of lodging businesses to assure compliance with health and sanitation codes. Health-related laws affect the use of linens, towels and glassware, among other things.

Facility Operations. Lodging facilities are subject to innkeepers' laws that (i) allow innkeepers to impose liens against the possessions of guests who do not pay their bills; (ii) limit the liability of innkeepers regarding guests' valuables; (iii) require posting of house rules and suite rates in each suite or near the registration area; (iv) may require registration of guests and proof of identity at check-in, and retention of records for a specified period of time; (v) limit the rights of innkeepers to refuse lodging to certain guests; and (vi) may limit the right of innkeepers to evict guests in certain circumstances. Applicable federal and state civil rights laws prohibit discrimination in hotels on the basis of the race, creed, color or national origin. Some states prohibit "overbooking" and require innkeepers to find other accommodations if the guest has paid a deposit. Some states and municipalities have also enacted laws and regulations governing non- smoking areas and guest rooms.

Persons with Disabilities. The Americans with Disabilities Act ("ADA") requires public accommodations, such as lodging facilities, to (i) offer facilities without discriminating against persons with disabilities; (ii) offer auxiliary aids and services to persons with hearing, vision or speech disabilities who would benefit from those services unless doing so would result in an undue burden or in a fundamental alteration in the nature of the goods or services; and (iii) remove barriers to mobility or communication to the extent readily achievable. The U.S. Department of Justice has published "Accessibility Guidelines" ("ADAAG") that prescribe a specified number of handicapped accessible rooms, assistive devices for hearing, speech, and visually impaired persons, and general standards of design applicable to all areas of facilities, among other things. Any newly constructed Hotel (first occupied after January 26, 1993) must comply with ADAAG and be readily accessible to and useable by persons with disabilities. Alterations of existing facilities also may need to comply with ADAAG to the maximum extent feasible. The ADAAG specifies the minimum suite design and layout criteria for handicapped accessible rooms. You and your contractors are responsible for ADA and ADAAG compliance.

Fire Safety. The Hotel and Motel Safety Act of 1990 (P.L. 101-391) amends (among other laws) the Federal Fire Prevention and Control Act of 1974 to facilitate the creation of a master list of places of public accommodation that meet certain fire safety guidelines (including requirements for the installation of smoke detectors and sprinkler systems). Other state and local fire and life safety codes may require maps, lighting systems and other safety measures unique to lodging facilities.

OSHA Regulations. Like many other businesses, lodging facilities are subject to Occupational Safety and Health Administration ("OSHA") standards. State and local occupational safety laws and rules may also apply.

In addition to these laws, laws of general application may have special interest to hotels. Consult your attorney for more information on these laws.

Competition/General Market

The hotel business is developed and highly competitive with respect to price, location and quality of service and is often affected by changes in consumer tastes, economic conditions, population and traffic patterns. You must anticipate competing with other hotels offering a wide range of comparably priced products and services and a wide variety of service formats. Though there are a few competitors that offer corporate housing and short term housing, the businesses with which you should expect to compete include, in general, national or regional franchise systems and other chains and independently owned local hotels, motels, and apartments located in the area of your Hotel which offer similar facilities to the public. Your business will also be affected by its location, the locations of competing hotels, apartments, and other lodging businesses, your financial and managerial capabilities, availability of labor, interest rates, changes in traffic patterns, demographic or cultural conditions and other factors. There is also active competition for management and service personnel, as well as for attractive commercial real estate sites suitable for hotels. While we do not target any particular group, ASA believes, that Affordable Suites of America™ hotels will have a particular appeal to the transferred or temporarily assigned professional. In the majority of locations, occupancy is not seasonal.

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ITEM 2
BUSINESS EXPERIENCE

President and CEO: Gary DeLapp

Mr. DeLapp has been the President and CEO of ASA and its affiliates since we began operations in January 2019. He works out of Matthews, North Carolina.

Chief Marketing Officer: Jennifer Kearney

Ms. Kearney has been our Chief Marketing Officer since we started doing business in January 2019. She works out of Matthews, North Carolina.

Chief Financial Officer: Sharon Zinser

Ms. Zinser has been our Chief Financial Officer since January 2024. Before that, she was the Chief Financial Officer of Greenlight Communities in Scottsdale, Arizona from September 2021 to December 2023. Ms. Zinser served as Chief Financial Officer of Ray Fogg Corporation in Independence, Ohio from December 2019 to May 2021, and Chief Financial Officer of Pepper Pike Capital in Pepper Pike, Ohio from January 2016 to December 2019. She now works out of Matthews, North Carolina.

Executive Vice President of Development: Guy Lindsey

Mr. Lindsey has been our Executive Vice President of Development since June 2023. Before that, he was the Executive Vice President of Construction for Standard Hotels in New York, New York from August 2022 to May 2023. Mr. Lindsey served as Senior Vice President of Development for Virgin Hotels in Miami, Florida from December 2019 to August 2022, and Director for The Plasencia Group in Tampa, Florida from February 2018 to December 2019. He now works out of Matthews, North Carolina.

Executive Vice President of Strategic Finance & Corporate Development: Morgan Sickles

Mr. Sickles has been our Executive Vice President of Strategic Finance & Corporate Development since March 2022. Before that, he was our Vice President of Finance, Planning & Analysis from August 2019 through March 2022. Mr. Sickles served as a Managing Partner with Atlantis Advisors in Chapel Hill, North Carolina from May 2013 through August 2019. He also served as Managing Director of StormHarbour in New York, New York from July 2018 through May 2019. He now works out of Matthews, North Carolina.

Vice President of Operations: Chris Rutherford

Mr. Rutherford has been our Vice President of Operations since January 2021. He was Chief Operating Officer for the Affordable Suites of America brand from April 2020 to December 2020 and was our Chief Operating Officer from January 2019 to March 2020. Mr. Rutherford works out of Matthews, North Carolina.

Vice President, Franchise Operations & Training: Neil B. Morris

Mr. Morris has been our Vice President, Franchise Operations & Training since late September 2022. Before that, he served as Regional Director, Operations Americas for Radisson Hotel Group, Americas in Minneapolis, Minnesota from February 2020 to September 2022, and as Director of Operations for Indus Hospitality in Rochester, New York from June 2013 to February 2020. Mr. Morris now works out of Matthews, North Carolina.

Regional Vice President, Franchise Development: Joseph Bickelmann

Mr. Bickelmann has been our Regional Vice President of Franchise Development since November 2022. Before that, he served as Regional Director for Best Western Hotels in Phoenix, Arizona from October 2021 to October 2022, Regional Director for Red Roof Inn in Toledo, Ohio from September 2020 to October 2021, and Regional Director for Best Western Hotels in Phoenix Arizona from April 2019 to September 2020. Mr. Bickelmann now works out of Matthews, North Carolina.

Senior Manager, Procurement: Shirley Butterick

Ms. Butterick has been our Senior Manager, Procurement since September 2023. Before that, she was the Supplier Operations Manager for Ecommerce Brands in Palmview, Texas from April 2022 to June 2023, and she was an independent Sourcing Management Consultant in Palmview, Texas from April 2019 to March 2022. She now works out of Matthews, North Carolina.

Senior Manager, Finance & Investments: Andrew Gilligan

Mr. Gilligan has been our Senior Manager, Finance & Investments since April 2022, and he served as our Senior Project Finance Analyst from October 2021 to April 2022. Before that, he was an Associate – Project Structuring & Investment for Plenary Americas in Tampa, Florida from October 2018 to September 2021. Mr. Gilligan now works out of Matthews, North Carolina.

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ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

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ITEM 5
INITIAL FEES

Franchise Agreement for Single Hotel

Initial Franchise Fee: You are required to pay ASA an Initial Franchise Fee of $35,000 upon the execution of your Franchise Agreement. The Initial Franchise Fee is earned upon receipt and is nonrefundable.

Construction of the Hotel

Extension Fee: You must begin construction within 12 months of the Franchise Agreement effective date and open your Hotel within 24 months of the Franchise Agreement effective date. If you believe you will not be able to do so, you may request up to 4 30-day extensions. You must pay us a $5,000 fee for each 30-day extension you request. If we do not approve your extension request, we will refund you the fee.

Site Visits: We will conduct 3 site visits to confirm your construction progress, and you must pay us a fee of $2,500 per visit. If additional site visits are requested by you or required by us, you must pay us a fee of $2,500 for each additional visit.

Initial Training

We will conduct an initial training program for you (or your owners, if you are an entity) and your Resident Manager at a cost of $2,500 per attendee. You must also pay for the salaries, fringe benefits, travel costs and expenses, and related costs for each of your attendees. If you use a third-party management company, a representative of the management company will also have to attend.

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ITEM 6
OTHER FEES

Type of Fee	Amount (Note 1)	Due Date	Remarks
Royalty Fees	Greater of $2,500 per month or 5% of your Gross Room Revenues (Note 2)	On or before the 10th day of the month for the preceding month	ASA may require you to pay these fees by direct bank transfer to ASA's bank account, and require you to report Gross Room Revenues (Note 2)
Marketing Fees	Up to 2% of your Gross Room Revenues per month. Currently 1% of your Gross Room Revenues per month.	On or before the 10th day of the month for the preceding month	ASA may require you to pay these fees by direct bank transfer to ASA's bank account. (Note 3)
Independent Marketing Project Fee	Pro rata portion of incurred cost per marketing project.	As Incurred	In addition to or instead of the Marketing Fees, we may charge on a pro rata basis on marketing projects. This fee is intended to cover extraordinary marketing expenses not covered by the regular Marketing Fee.
Transfer Fee	$10,000 or expenses if higher (Franchise Agreement)	Prior to consummation of transfer	(Note 4)
Initial Training for New Owner or New Resident Manager	$2,500 per person	Before training	If you hire a new Resident Manager, you will pay the then-current training fee for training the new Resident Manager. Also, if the ownership in the franchisee is transferred, we will charge this fee for the new owner who must complete the Initial Training.
Additional Training Fee	Will vary under the circumstances	Before training	We may require you, your owners, and the Resident Manager to participate in additional training during the term of the Franchise Agreement. The fee for the training will be set to reimburse us for our expenses for organizing the training.

Type of Fee	Amount (Note 1)	Due Date	Remarks
National Meetings; Regional Seminars	The then-current meeting/seminar fee	As incurred	You must pay all travel and living expenses while attending these meetings. You will pay those charges directly to third parties.
Audit and Recordkeeping Costs	Will vary under the circumstances	After inspection or audit	Audits and inspections generally will be at our expense. However, if an audit is made necessary by your failure to furnish reports, financial statements, tax returns or schedules as required under the Franchise Agreement, or if any audit or inspection reveals that you have understated or underreported, Gross Room Revenues, Royalty Fees, Marketing Fees or other amounts owed to us intentionally or by an amount greater than 2%, in addition to the amounts owed to ASA, you must reimburse ASA for the cost and out-of-pocket expenses of the inspection or audit.
Replacement Site Application Fee	$5,000	As Incurred	If your initial site application is rejected, you will need to pay the fee for any subsequent site applications submitted to ASA.
Supplier/Product Testing Fee	Current fee, or costs if higher. Current fee is $2,500.	As Incurred	Franchisee must reimburse Franchisor for its costs of review and testing the alternate product or service.
Interest Expenses	Will vary under the circumstances	When due	All amounts owed to ASA will bear interest at the maximum legal rate allowable, not to exceed 18%.
Property Improvement Plan/ Reinspection Fee	$5,000	As Incurred	(Note 5)
Re-inspection Fee	$2,500	As Incurred	(Note 6)
Relicense/Change of Ownership Fee	The then-current Initial Franchise Fee	Upon execution of a successor Franchise Agreement	(Note 7)

Type of Fee	Amount (Note 1)	Due Date	Remarks
Internet, Email and Web Site	If required by ASA, currently $175 to $350 per month Initial Web Site set-up fee is $1,500; Web Site maintenance and domain hosting is $250 per year per location	As incurred	ASA has the right, on 90 days' notice to you, to require you (at your expense) to have Internet access (including high-speed Internet access within each guest suite of the Hotel), an email address, and to participate on ASA's Web Site.
STR Reports	Currently, $1,375 per hotel per year	As Incurred	Franchisee must reimburse Franchisor for its cost to provide monthly and annual STR reports for the Hotel.
Reservation Fee	The then-current reservation fee and the cost of installing such reservation system	As Incurred	Reservations are currently processed through the Hotel's property management system, presently the Jonas Chorum PMS. If we implement a centralized reservation system or call center in the future, you will pay ASA the then-current reservation fee for each reservation delivered to you, including any pass-through costs such as service fees, travel agent commissions and third-party distribution channel fees. In addition, you will, at your expense agree to purchase, install and maintain the reservation system equipment including all required computer hardware and software.
Voice-of-Guest Program	Approximately $1,500 per hotel, per year	As incurred	We may implement a third-party voice-of-guest program, which will allow hotels to solicit guest feedback. In addition to the annual subscription fee, hotels will be charged a one-time set-up fee of approximately $150 per hotel.

Type of Fee	Amount (Note 1)	Due Date	Remarks
Administrative Assistance Fee	A reasonable fee and ASA's costs incurred in connection with the services.	As Incurred	If you request our help with additions and administrative services, including assistance with finance closings or other transactions related to the Hotels, or negotiating agreements relative to the Hotel we will charge you this fee. The fee is intended to cover our expenses for providing the requested service.
Tax Reimbursement Fee	Will vary under the circumstances	As Incurred	You will indemnify us for any such taxes that are assessed or levied against ASA which arise or result from the Hotel.
Insurance Procurement Fee	Will vary under the circumstances	As Incurred	If you do not maintain the required insurance coverage for the Hotel, we may obtain the insurance at your cost and expense. You will also be required to pay us a reasonable fee for our expenses in obtaining the insurance.
Indemnification	Will vary under the circumstances	As Incurred	You will indemnify us for any and all claims for any damages arising out of your operation of the Hotel.
De-Identification Fee	Will vary under the circumstances	As Incurred	Following termination or expiration, ASA or its agents may enter the Hotel to make such alterations to de-identify the Hotel at your sole risk and expense and without any responsibility for ASA for any actual or consequential damages to the property.

Type of Fee	Amount (Note 1)	Due Date	Remarks
Temporary Management Fee	Will vary under the circumstances	As Incurred	In the event of death or incapacitation of you or a principal owner and the Hotel not being managed by an approved management company or if we determine it is not being properly managed, then we have the right to appoint a property management company and charge a reasonable management fee.
Enforcement Fee	Will vary under the circumstances	As Incurred	In the event ASA incurs any expense to enforce an obligation against you, then we shall be entitled to recover all such expenses, legal fees and other related costs.
Liquidated Damages	Average monthly Royalty Fees times the lesser of 36 months or the number of months remaining under the Franchise Agreement $65,000 (Termination prior to opening) An amount equal to 2 times the annual salary of the employee involved plus all costs and attorneys' fees (Non-Solicitation)	At Termination	(Note 8)

Notes:

(1) Except where otherwise noted, all fees are imposed and collected by, and payable to ASA, are nonrefundable and are uniformly imposed.

(2) "Gross Room Revenues" means the total revenues and receipts resulting from the rental of guest rooms, whether made for cash or credit and whether or not collected by the franchisee. "Gross Room Revenues" do not include charges for food and beverages, telephone, laundry, entertainment, security deposits or applicable sales tax. A report of your Gross Room Revenues is due to us by fax or email on or before the 4th day of each month for the preceding month.

(3) ASA will use the Marketing Fees for research, development, and preparation of national, regional, point of sale, and local direct sales advertising, marketing strategy materials, and

the general promotion of Brand Hotels. ASA may increase the Marketing Fee upon not less than 30 days' notice, provided that Marketing Fees will not exceed 2% of monthly Gross Room Revenues over the term of the Franchise Agreement.

(4) You must obtain ASA's written consent and pay a $10,000 transfer fee per Hotel to ASA before you transfer any interest in the Franchise Agreement or the Hotel. ASA does not charge a transfer fee for transfers to your spouse or child or to an entity which you control. See Item 17 for additional information regarding transfer requirements.

(5) A Property Improvement Plan review ("PIP") may be elected by you or required by us for properties that have sustained evident and substantial wear and tear. During the PIP process, areas and items no longer meeting brand standards are identified, as well as items that need repair or cleaning to "like new condition," or replacement.

(6) If your Hotel fails any PIP inspection or quality assurance review, you will be charged a fine. We typically re-inspect your Hotel after 60 to 90 days. If you haven't cured the default by then we can assess a new fine.

(7) The Franchise Agreement is not renewable and generally not assignable. If we receive a franchise application for a relicense or change of ownership of the Hotel, we will review the application in accordance with our then-current standards, criteria and requirements. If the application is approved, a new Franchise Agreement will be executed on our then-current form, and the then-current Initial Franchise Fee must be paid.

(8) If the Franchise Agreement is terminated (other than by ASA's breach) you must pay ASA liquidated damages equal to the average Royalty Fees due during the past 12 months times the lesser of 36 months or the number of months remaining on the term of the Franchise Agreement. If Royalty Fees have been due for less than 12 months (i.e., because your Hotel has been open for less than 12 months), you must pay ASA liquidated damages equal to the average Royalty Fees since the Hotel opened times 36 months. If the Franchise Agreement is terminated (other than by ASA's breach) before the Hotel opens, you must pay ASA liquidated damages equal to $65,000. If you violate the Non-Solicitation provision of the Franchise Agreement, you will owe the former employer an amount equal to 2 times the annual salary of the employee involved, plus all costs and attorneys' fees incurred by the former employer in connection with such default.

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ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

75 Suite Remodel and Brand Conversion

Type of Expenditure	Amount (Note 1)	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee For One Hotel	$35,000 (Note 2)	Lump sum	Upon the execution of the Franchise Agreement	ASA
Property Improvements	$0 to $1,500,000 (Note 3)	As incurred	Before opening or as negotiated	Suppliers, Landowners or Landlord
Signs	$20,000 to $22,000	As incurred	As incurred	Suppliers
Insurance Costs	$45,000 to $60,000 (Note 4)	As incurred	Before opening, except for liability insurance which you must obtain before you commence construction of your hotel	Suppliers
Opening Inventory	$0 to $22,500 (Note 5)	As incurred	As incurred	Suppliers
Property Management System	$10,100 to $15,100 (Note 6)	As incurred	As incurred	Suppliers
Initial Training	$5,000 to $7,500 (Note 7)	As incurred	Before opening	ASA
Pre-Opening Marketing and Advertising	$3,000 (Note 8)	As incurred	Before opening	Suppliers
Additional Funds (3 Months)	$75,000 to $100,000 (Note 9)	N/A	As incurred	Employees and Suppliers
Total	**$193,100 to $1,765,100 (Note 10)**			

Notes to chart:

(1) **General:** Most franchises that ASA offers are remodel and brand conversions to convert an existing hotel to an ASA hotel. The required initial investment for a remodel and brand conversion is very different from the new prototype construction. If you are considering a new build ASA look to the next chart in Item 7.

This table shows the estimated minimum requirements for beginning operations for your 75-suite brand conversion Hotel. The estimated minimum requirements will vary depending on factors such as your financial condition, the arrangements and business decisions you make, the number of guest rooms at your hotel, and the design and condition of the existing property you are converting. Except where otherwise noted, all fees that you pay to ASA are nonrefundable. Third-party lessors and suppliers will decide if payments to them are refundable.

(2) **Initial Franchise Fee:** See Item 5 for additional information on the Initial Franchise Fee. Neither we nor our affiliates offer direct or indirect financing to franchisees for any items.

(3) **Property Improvements:** The cost of property improvements for a brand remodel and conversion depends on many independent variables including Hotel location, building size, federal, state and local building codes and fees, impact fees, health department requirements, local labor, materials and interest costs, union labor requirements, inflation and other factors. The remodel and conversion costs will vary significantly depending both on zoning regulations in your location and the type and extent of renovations needed to convert the existing hotel to the ASA brand, particularly the kitchens and configuration of the living space of the rooms. Property improvement costs also include the cost to buy or replace furniture, fixtures and equipment ("FF&E") for your Hotel. Sales taxes and freight charges are not included and vary by jurisdiction and vendor.

Included in the costs of property improvements are costs that may be incurred for engineering, architectural design, interest, closing costs, legal, and other professional services. Franchisor will provide to Franchisee 1 set of Franchisor's current standard prototype layout (not construction drawings) and specifications, and Franchisee will, at its expense, complete the detailed building plans and specifications for the remodel and brand conversion of the Hotel. This amount also includes miscellaneous opening costs, including security deposits and any unforeseen incidental expenses related to facilities deficiencies or equipment repairs.

(4) **Insurance:** You must comply with all insurance requirements of any lease, mortgage, or deed of trust covering the Hotel as well as all ASA insurance requirements in the Franchise Agreement (Article 8). Insurance requirements are subject to change periodically. Your actual insurance cost will vary widely based on many factors, including the location of your Hotel (for example, depending on if it is in an area prone to national disaster) and the number of Hotels operated by you. The range assumes that your Hotel is located inland; however, insurance rates for hotels located on the coast will be substantially higher. Premiums are payable in the amounts and at the times required by your insurers. You should consult with your insurance provider to determine the amount of your premiums.

We make no representation or warranty with respect to the adequacy or sufficiency of the insurance required, and it is your sole responsibility to determine whether additional insurance or higher limits are appropriate. The estimate includes both the insurance required during the remodel and brand conversion of the Hotel, and during the first 3 months of operation of the Hotel. Flood and earthquake insurance, which may be required in some regions, is not included in the estimate.

At a minimum, you should have the following insurance coverage (in compliance with the detailed requirements and required amounts set forth in the Franchise Agreement) when you operate the Hotel: (a) Comprehensive or commercial general liability insurance; (b) Business auto liability; (c) Umbrella excess liability insurance; (d) Insurance on the Hotel (including FF&E, boiler, and machinery); (e) If the Hotel is located in whole or in part within an area identified by the Federal Government as having a special flood hazard, the maximum flood insurance available under the National Flood Insurance Program; (f) If the Hotel is located in an "earthquake prone zone" as determined by the U.S. Geological Survey, insurance in an amount not less than the probable maximum loss, including business interruption coverage; (g) Builder's risk property insurance; (h) Business interruption insurance covering loss of profits and necessary continuing expenses; (i) Employee dishonesty coverage on all Hotel employees; and (j) Worker's compensation insurance as required by applicable law, employer's liability insurance, and such other insurance as may be required by law.

During the remodel and brand conversion of the Hotel (and other significant activities at the Hotel) you must also require the contractor to carry the insurance required under the Franchise Agreement, including, builder's risk insurance, commercial general liability insurance, business automobile insurance, workers' compensation and employer's liability insurance, and excess or umbrella liability insurance.

All policies of insurance (a) shall be specifically endorsed to provide that the coverages will be primary and non-contributory to insurance carried by any additional insured, and (b) shall contain a waiver of any rights of subrogation against the indemnitees under the Franchise Agreement. In addition, the Commercial General Liability, Business Automobile Liability, and Excess or Umbrella Liability insurance must name as additional insured the parties described in the Franchise Agreement. You must periodically supply to us certificates of insurance evidencing the insurance coverage and which includes a statement that coverage may not be canceled, altered, or permitted to lapse or expire without 30 days' advance written notice to ASA. Revised certificates of insurance will be forwarded to us each time you make any changes in coverages or your insurance carrier and/or upon renewal of expired coverages.

If you do not obtain and maintain the insurance coverage required under the Franchise Agreement or as otherwise required by ASA, we may, at our option, buy such insurance for you and you will repay all costs and expenses for such insurance including a reasonable fee for any expenses we may incur in obtaining such insurance, which be due to us immediately on demand.

(5) **Opening Inventory:** Opening inventory reflects the costs of operating supplies and equipment such as guest suite amenities and supplies, housekeeping and cleaning supplies, and paper goods, which are necessary on the day your Hotel opens for business.

(6) **Property Management System:** You will be required to use our designated property management system, currently the Jonas Chorum PMS (the "PMS"). The initial, one-time cost to buy, install, and activate the PMS for a 75-suite hotel is approximately $4,000 to $4,500, depending on the payment gateway provider you select. If you and your General Manager are not already experienced with operating the PMS, Jonas Chorum charges a one-time fee of $2,100 for system training. We estimate the ongoing PMS subscription and service costs to be approximately $6,100 to $8,500 per year, depending on the number of suites at your Hotel and the payment gateway provider you select. Our estimate includes the PMS initial costs, training costs, and subscription and service costs for the first year of the Hotel's operation, which are paid in advance. After the first year, subscription and service charges will be billed monthly, at the annual rate. The PMS is more fully described in Item 11.

(7) **Initial Training:** At least one of your owners and your Resident Manager are required to attend ASA's initial training at a cost of $2,500 per attendee. You are also responsible for all travel and living expenses actually incurred by your training attendees. If you use a third-party management company, a representative of the management company will also have to attend and successfully complete the training. See Item 11 for additional information on training.

We may offer additional systems training and on-site pre-opening support during the week of your scheduled hotel opening. You must reimburse us for our trainers' travel and living expenses.

(8) **Pre-Opening Marketing and Advertising:** You are required to spend at least $3,000 for advertising and public relations activites in connection with the opening of the Hotel, but we recommend you spend more on pre-opening advertising.

(9) **Additional Funds:** This amount estimates your initial pre-opening and start-up expenses for a period of 3 months after the opening of your Hotel, including employee wages and taxes. The amounts are estimates based on ASA's estimate of average costs and market conditions prevailing as of the date of this disclosure document and our predecessor, ASA Inc.'s, experience in the hotel business since 1998. ASA cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as your management skills and business experience, local economic conditions, the prevailing wage rate, competition, and the sales level reached during the initial period.

(10) **Total Amounts:** The estimate is exclusive of local impact fees. The total is based upon our predecessor, ASA Inc.'s, estimate of average costs and market conditions prevailing as of the date of this disclosure document and ASA Inc.'s experience in the hotel business since 1998.

YOUR ESTIMATED INITIAL INVESTMENT

75 Suite Prototype New Build

Type of Expenditure	Amount (Note 1)	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee For One Hotel	$35,000 (Note 2)	Lump sum	Upon the execution of the Franchise Agreement	ASA
Real Estate	(Note 3)	(Note 3)	(Note 3)	(Note 3)
Project Soft Costs (Architectural, Engineering, Legal and Other Professional Services)	$400,000 to $550,000 (Note 4)	As incurred	Before opening	Suppliers (including Engineers, Architects and Other Professionals)
Insurance Costs	$45,000 to $60,000 (Note 5)	As incurred	Before opening, except for liability insurance which you must obtain before you commence construction of your hotel	Suppliers
Building Construction	$3,525,000 to $8,000,000 (Note 6)	As incurred	Before opening or as negotiated	Suppliers, Landowners or Landlord
Furniture, Fixtures & Equipment	$700,000 to $1,100,000 (Note 7)	As incurred	As incurred	Suppliers
Operating Supplies & Equipment and Opening Inventory	$100,000 to $140,000 (Note 8)	As incurred	As incurred	Suppliers
Technology	$169,700 to $172,600 (Note 9)	As incurred	As incurred	Suppliers
Initial Training	$5,000 to $7,500 (Note 10)	As incurred	Before opening	Travel service providers (only if applicable)
Pre-Opening Marketing and Advertising	$3,000 (Note 11)	As incurred	Before opening	Suppliers

Type of Expenditure	Amount (Note 1)	Method of Payment	When Due	To Whom Payment Is To Be Made
Additional Funds (3 Months)	$75,000 to $100,000 (Note 12)	N/A	As incurred	Employees and Suppliers
Total	**$5,057,700 to $10,168,100, excluding real estate purchase costs (Note 13)**			

Notes to chart:

(1) **General:** The following are the estimated minimum requirements for beginning operations for your Hotel. The estimated minimum requirements will vary depending on factors such as your financial condition, the arrangements and business decisions you make, and the number of guest rooms at your hotel. Except where otherwise noted, all fees that you pay to ASA are nonrefundable. Third-party lessors and suppliers will decide if payments to them are refundable. These cost ranges are based on a prototypical new construction hotel with 75 guest suites.

(2) **Initial Franchise Fee:** See Item 5 for additional information on the Initial Franchise Fee. Neither we nor our affiliates offer direct or indirect financing to franchisees for any items.

(3) **Real Estate:** If you do not already own suitable real estate, you must purchase or lease the land for your Hotel. The Hotel will require approximately 2 acres of land. The cost of purchasing unimproved land depends on many independent variables including land costs, Hotel location and lot size, building size, site improvement costs, soil and environmental conditions, federal, state and local building codes and fees, impact fees, health department requirements, local labor, materials and interest costs, union labor requirements, inflation and other factors. Your Hotel could be located in many different types of locations, but generally it is good to choose a location in a well-populated area with proximity to local features, such as business hubs, military bases or healthcare facilities, and easy access to daily amenities, such as grocery stores, pharmacies, and dry cleaners. In addition to the cost of unimproved land you will have to pay to have site work done. The necessary site work and related costs will vary significantly depending both on the natural conditions of the site and on zoning regulation in your location and unusual site conditions or lack of adequate utilities available at the building site or adjacent thereto may significantly increase the amount of site work required and the related cost.

(4) **Project Soft Costs:** This estimate includes costs for engineering and architectural design services, closing costs, legal fees, and other professional services. Franchisor will provide to Franchisee one set of Franchisor's current standard prototype layout (not construction drawings) and specifications, and Franchisee will, at its expense, complete the detailed

building plans and specifications for the construction of the Hotel. Construction and development cost estimates assume that there are no unusual site conditions and that adequate utilities are available at the building site or adjacent thereto. This amount also includes miscellaneous opening costs, including security deposits and any unforeseen incidental expenses related to facilities deficiencies or equipment repairs.

(5) **Insurance:** You must comply with all insurance requirements of any lease, mortgage, or deed of trust covering the Hotel as well as all ASA insurance requirements in the Franchise Agreement (Article 8). Insurance requirements are subject to change periodically. Your actual insurance cost will vary widely based on many factors, including the location of your Hotel (for example, depending on if it is in an area prone to national disaster) and the number of Hotels operated by you. The range assumes that your Hotel is located inland; however, insurance rates for larger hotels and hotels located on the coast will be substantially higher. Premiums are payable in the amounts and at the times required by your insurers. You should consult with your insurance provider to determine the amount of your premiums. We make no representation or warranty with respect to the adequacy or sufficiency of the insurance required, and it is your sole responsibility to determine whether additional insurance or higher limits are appropriate. The estimate includes both the insurance required during the construction of the Hotel, and during the first 3 months of operation of the Hotel. Flood and earthquake insurance, which may be required in some regions, is not included in the estimate.

At a minimum, you should have the following insurance coverage (in compliance with the detailed requirements and required amounts set forth in the Franchise Agreement) when you operate the Hotel: (a) Comprehensive or commercial general liability insurance; (b) Business auto liability; (c) Umbrella excess liability insurance; (d) Insurance on the Hotel (including FF&E, boiler, and machinery); (e) If the Hotel is located in whole or in part within an area identified by the Federal Government as having a special flood hazard, the maximum flood insurance available under the National Flood Insurance Program; (f) If the Hotel is located in an "earthquake prone zone" as determined by the U.S. Geological Survey, insurance in an amount not less than the probable maximum loss, including business interruption coverage; (g) Builder's risk property insurance; (h) Business interruption insurance covering loss of profits and necessary continuing expenses; (i) Employee dishonesty coverage on all Hotel employees; and (j) Worker's compensation insurance as required by applicable law, employer's liability insurance, and such other insurance as may be required by law.

During the construction of the Hotel (and other significant construction at the Hotel) you must also require the contractor to carry the insurance required under the Franchise Agreement, including, builder's risk insurance, commercial general liability insurance, business automobile insurance, workers' compensation and employer's liability insurance, and excess or umbrella liability insurance.

All policies of insurance (a) shall be specifically endorsed to provide that the coverages will be primary and non-contributory to insurance carried by any additional insured, and (b) shall contain a waiver of any rights of subrogation against the indemnitees under the Franchise Agreement. In addition, the Commercial General Liability, Business Automobile

Liability, and Excess or Umbrella Liability insurance must name as additional insured the parties described in the Franchise Agreement. You must periodically supply to us certificates of insurance evidencing the insurance coverage and which includes a statement that coverage may not be canceled, altered, or permitted to lapse or expire without 30 days' advance written notice to ASA. Revised certificates of insurance will be forwarded to us each time you make any changes in coverages or your insurance carrier and/or upon renewal of expired coverages.

If you do not obtain and maintain the insurance coverage required under the Franchise Agreement or as otherwise required by ASA, we may, at our option, buy such insurance for you and you will repay all costs and expenses for such insurance including a reasonable fee for any expenses we may incur in obtaining such insurance, which be due to us immediately on demand.

(6) **Building Construction:** This estimate reflects the cost to construct your Hotel, including materials and labor, television, cable, water and electric hook-ups, exterior signage, and the Hotel's door locking system and security system. This estimate does not include fees that may be imposed by governmental authorities, such as tap and impact fees, which vary by location and cannot reasonably be estimated; you should contact the local authorities having jurisdiction over your site to determine what fees may be assessed and how those fees are calculated. Your costs will depend on many variables, including the size, location, and condition of your property and variations in material and labor costs due to market fluctuations and regional differences. In most markets, we expect building construction costs to be within the stated range. If your site has unusual requirements, such as hurricane or earthquake requirements, special foundation requirements, or union labor requirements, your costs may be higher. Though not required, you may want to maintain a contingency fund of 5% to 10% of your estimated building construction costs.

(7) **FF&E:** This estimate reflects the cost to purchase and install the furniture, fixtures and equipment ("FF&E") required for your Hotel's guest suites and public spaces. FF&E includes items such as casegoods, softgoods, decorative fixtures and lighting, mattresses and bedframes, artwork, mirrors, fitness equipment, and interior signage. Your costs will depend on many variables, including the number of suites at your Hotel and the suppliers and materials you choose. This estimate assumes that you will use our approved vendors and approved products; if you select alternate vendors or higher-end materials, your costs will be higher. This estimate does not include sales taxes and freight charges, which vary by location, vendor, source, and market fluctuations.

(8) **OS&E and Opening Inventory:** This estimate reflects the cost to purchase and install the operating supplies and equipment ("OS&E") and opening inventory required for your Hotel. OS&E includes items such as towels, linens, dishware, cookware, utensils, and small appliances, such as coffee makers and alarm clocks. Opening inventory includes items such as guest suite amenities and supplies, housekeeping and cleaning supplies, and paper goods, which are necessary on the day your Hotel opens for business.

(9) **Technology:** This estimate reflects the cost to purchase and install all technology needed to operate your Hotel on a day-to-day basis and includes the in-room entertainment system

(with televisions), computer system, and telephone system. We estimate the cost for your Hotel's technology, including high-speed Internet access, to be approximately $2,100 per suite, which includes all required hardware and software, as well as wiring, installation, network access and email setup, and pre-opening service fees. Your costs will vary depending on the size and location of your Hotel and the hardware, software, and suppliers you choose. Computer system requirements are more fully described in Item 11.

You will also be required to use our designated property management system, currently the Jonas Chorum PMS (the "PMS"). The initial, one-time cost to buy, install, and activate the PMS is approximately $4,000 to $4,500, depending on the payment gateway provider you select. Jonas Chorum also charges a one-time fee of $2,100 for system training. We estimate the ongoing PMS subscription and service costs to be approximately $6,100 to $8,500 per year, depending on the number of suites at your Hotel and the payment gateway provider you select. Our estimate includes the PMS initial costs, training costs, and subscription and service costs for the first year of the Hotel's operation, which are paid in advance. After the first year, subscription and service charges will be billed monthly, at the annual rate. The PMS is more fully described in Item 11.

(10) **Initial Training:** At least one of your owners and your Resident Manager are required to attend ASA's initial training at a cost of $2,500 per attendee. You are also responsible for all travel and living expenses actually incurred by your training attendees. If you use a third-party management company, a representative of the management company will also have to attend and successfully complete the training. See Item 11 for additional information on training.

We may offer additional systems training and on-site pre-opening support during the week fo your scheduled hotel opening. You must reimburse us for our trainers' travel and living expenses.

(11) **Pre-Opening Marketing and Advertising:** You are required to spend at least $3,000 for advertising and public relations activities in connection with the opening of the Hotel, but we recommend you spend more on pre-opening advertising.

(12) **Additional Funds:** This amount estimates your initial pre-opening and start-up expenses for a period of 3 months after the opening of your Hotel, including employee wages and taxes. The amounts are estimates based on ASA's estimate of average costs and market conditions prevailing as of the date of this disclosure document and our predecessor, ASA Inc.'s, experience in the hotel business since 1998. ASA cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as your management skills and business experience, local economic conditions, the prevailing wage rate, competition, and the sales level reached during the initial period.

(13) **Total Amount:** The estimate is exclusive of real estate costs and, if applicable, local impact fees. The total is based upon our estimate of average costs in developing Affordable Suites of America hotels, market conditions prevailing as of the date of this disclosure document, our predecessor, ASA Inc.'s experience in the hotel business since 1998, and the experience of our management team in developing different extended-stay hotel brands.

While construction cost may always change over time, the availability, cost, and lead times on construction materials are especially susceptible to change at this time. This may affect the total cost of the construction of your Franchised Business. These estimates also do not reflect finance charges, interest, or debt service obligations.

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ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as stated below, neither we, nor any of our affiliates, currently require you to purchase or lease from us our affiliates, designees, or approved suppliers, any goods, services, supplies, FF&E, inventory or computer hardware or software. To help assure a uniform image and uniform quality of products and services in all Affordable Suites of America™ hotels, you must maintain and comply with ASA's quality standards. Although you are not required to purchase or lease real estate from ASA, ASA must consent to the location of your Hotel. You must obtain ASA's consent to all plans and specifications before beginning construction or renovation of your Hotel and you must improve and equip the building from which you operate the Hotel in accordance with ASA's then-current approved design specifications and standards. In addition, it is your responsibility to ensure that your building plans comply with the Americans with Disabilities Act and all other federal, state or local laws. The Franchise Agreement requires you to sell or use in connection with the Business System only those products and services that ASA has approved in writing.

Approved Suppliers and Approved Products: You must purchase all products, supplies, uniforms, signs, equipment, computer hardware and software, fixtures, furnishings, stationery, and advertising, marketing and sales promotion materials for which we have specifications and/or standards ("Approved Products") from suppliers approved by ASA in writing. ASA is not currently, but may be a supplier of Approved Products from time to time. In particular, we expect that our affiliate LG AS Holdco LLC may become a supplier for the fabrics and coverlets you must use for your Franchised Business. At this time, we expect that franchisees will have the option to purchase these items from us or from the manufacturers. If they are purchased from LG AS Holdco LLC we may charge a relatively small percentage upcharge to compensate us for the cost of keeping the products in inventory, processing and handling your order, and similar expenses. Upon request, ASA will assist you in procuring Approved Products from approved suppliers though we may charge an administrative fee for the assistance. We are currently working on developing a procurement program and may require franchisees to use the program in the future.

Alternative Suppliers and Alternative Products: ASA will periodically provide you with a list of suppliers for Approved Products, and we may have only one approved supplier for certain Approved Products. You may submit a written request to ASA for the right to purchase Approved Products from alternative vendors, or to purchase products of equal quality to Approved Products. ASA charges a fee for the review. The fee is currently the higher of $2,500 or its costs and expenses for the evaluation of alternative suppliers. Likewise, if you request to use alternative products or services to Approved Products, then we charge a fee for the cost involved in evaluating the alternative goods or services. You will pay us our then current fee to evaluate such goods or services or reimburse us for our costs if higher. Currently, the fee is $2,500. ASA may grant approval of the item and the supplier if: the item complies with the applicable specifications and standards of ASA (including product quality, price and availability requirements); the supplier's facilities are adequate to meet the needs of franchisees; and the supplier and its facilities are accessible to periodic evaluation by ASA. For product reviews, ASA may also require you to prepare a sample room or space, incorporating thee alternative product. ASA does not have the obligation to review requests for alternatives suppliers for products that display ASA's Marks. ASA will notify you of its decision within 45 days of your request. ASA will also provide you

with 30 days' notice of any supplier revocation. If we revoke the approval of an alternative supplier, product, or service, you will be notified of the revocation in a manner we deem appropriate. We do not issue particular specifications and standards to Franchisees for approving alternate suppliers, products or services.

Modifications of Standards and Specifications: ASA may modify the standards and specifications for Approved Products from time to time. The modified standards and specification will become effective when we deem appropriate. ASA does not make these specifications and standards generally available to franchisees or suppliers, other than as ASA determines it is needed. ASA reserves the right to negotiate purchase arrangements from suppliers or service providers for the benefit of franchisees. Occasionally ASA is able to negotiate with third-party suppliers, so that the suppliers offer their goods or services to franchisees at favorable or discount prices. ASA reserves the right to receive rebates, but does not currently receive, commissions or other payments from suppliers based on sales of Approved Products to franchisees and from other service providers. ASA does not participate in, or is not aware of, any purchasing or distribution cooperatives.

Computer Hardware and Software: In addition to purchasing Approved Products, you must purchase certain computer hardware and software and (if required by ASA) Internet, email and Web Site access, for use at or in connection with your Hotel, including our designated property management system, currently the Jonas Chorum PMS.

Minimum Insurance Coverage: You must also purchase and maintain liability insurance in an aggregate amount that we designate periodically, as described in Item 7, and you must purchase and maintain any other insurance required by any agreement related to the Hotel business or by law. You must furnish copies of all insurance policies to us. You may use only marketing and promotional materials which we have approved. We also require that you carry certain minimum insurance coverage. At a minimum, you should have the following insurance coverage (in compliance with the detailed requirements and required amounts set forth in the Franchise Agreement) when you operate the Hotel: (a) Comprehensive or commercial general liability insurance; (b) Business auto liability; (c) Umbrella excess liability insurance; (d) Insurance on the Hotel (including FF&E, boiler, and machinery); (e) If the Hotel is located in whole or in part within an area identified by the Federal Government as having a special flood hazard, the maximum flood insurance available under the National Flood Insurance Program; (f) If the Hotel is located in an "earthquake prone zone" as determined by the U.S. Geological Survey, insurance in an amount not less than the probable maximum loss, including business interruption coverage; (g) Builder's risk property insurance; (h) Business interruption insurance covering loss of profits and necessary continuing expenses; (i) Employee dishonesty coverage on all Hotel employees; and (j) Worker's compensation insurance as required by applicable law, employer's liability insurance, and such other insurance as may be required by law.

During the construction of the Hotel (and other significant construction at the Hotel) you must also require the contractor to carry the insurance required under the Franchise Agreement, including, builder's risk insurance, commercial general liability insurance, business automobile insurance, workers' compensation and employer's liability insurance, and excess or umbrella liability insurance.

All policies of insurance (a) shall be specifically endorsed to provide that the coverages will be primary and non-contributory to insurance carried by any additional insured, and (b) shall contain a waiver of any rights of subrogation against the indemnitees under the Franchise Agreement. In addition, the Commercial General Liability, Business Automobile Liability, and Excess or Umbrella Liability insurance must name as additional insured the parties described in the Franchise Agreement

If you do not obtain and maintain the insurance coverage required under the Franchise Agreement or as otherwise required by us, we may, at our option, buy such insurance for you and you will repay all costs and expenses for such insurance including a reasonable fee for any expenses we may incur in obtaining such insurance, which be due to us immediately on demand.

Revenue, Percentage of Required Purchases, No Material Benefits from Approved Suppliers: In 2023 we did not derive any revenue from required purchases or leases of products and services by our franchisees. In 2023 none of our affiliates derived any revenue from required purchases or leases of products and services by our franchisees. In some instances, due to higher quality or improved standards, the cost of the Approved Products and services to you may be higher than the cost of other products and services available on the market serving the same purpose or function. ASA estimates that your purchase of equipment, building materials, products, supplies, and marketing materials which meet ASA's specifications and standards will represent approximately 80% to 90% of the cost to establish the franchise business, not including the real estate, and 30% to 50% of the cost to operate the franchise business on an ongoing basis.

Our President, Gary DeLapp, owns an interest in AS Manager LLC, a hotel management company that is an approved supplier of hotel management services to our franchisees, and LG AS Holdco LLC, a supplier of certain operating supplies for franchisee owned stayAPT hotels. No other officers currently own an interest in any of our approved suppliers.

Although ASA does not provide material benefits to you based on your use of designated or approved sources, ASA will consider a number of factors when determining whether you might qualify for an additional franchise. Among the factors considered will be your compliance with your Franchise Agreement and support of our programs and policies which would include compliance with our requirements and specifications.

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ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation		Section in Agreement[(1)]	Disclosure Document Item
a.	Site selection and acquisition/lease	Articles 1.1, 12.1, 12.2 of FA	Items 1, 7, 11, and 12
b.	Pre-opening purchases/lease	Articles 7.19, 12.3 of FA	Items 5, 7, and 8
c.	Site development and other pre-opening requirements	Article 7.4, 12 of FA	Items 7 and 11
d.	Initial and ongoing training	Article 10 of FA	Items 6 and 11
e.	Opening	Articles 5.1, 10.3, 12.4 of FA	Items 5 and 11
f.	Fees	Articles 4, 5.1, 5.2, 7.19, 7.20, 7.21, 10.2, 10.4 of FA	Items 5, 6, and 7
g.	Compliance with standards and policies/Operations Manual	Articles 7, 9 of FA	Items 11 and 16
h.	Trademarks and proprietary information	Articles 3, 7.1-7.5, 9, 15.1 of FA Articles 1, 2 and 3 of Confidentiality and Non-Compete Agreement	Items 13 and 14
i.	Restrictions on products/services offered	Articles 7.8, 7.9 of FA	Items 8, 11 and 16
j.	Warranty and customer service requirements	Article 7.8 of FA	Item 16
k.	Territorial development and sales quotas	Not Applicable	Not Applicable
l.	Ongoing product/service purchases	Articles 7.1, 7.4, 7.8, 7.9 of FA	Items 8 and 11
m.	Maintenance, appearance and remodeling requirements	Articles 7.6, 7.7 of FA	Items 6 and 11

Obligation		Section in Agreement[(1)]	Disclosure Document Item
n.	Insurance	Article 8 of FA	Items 6 and 8
o.	Advertising	Article 5, 7.19 of FA	Items 6, 7, and 11
p.	Indemnification	Article 20.2 of FA	None
q.	Owner's participation/ management/staffing	Articles 7.13, 7.14 of FA	Items 11 and 15
r.	Records/reports	Articles 6.1-6.4 of FA	Item 6
s.	Inspections/audits	Articles 6.4, 6.5, 7.15 of FA	Item 6
t.	Transfer	Articles 19 of FA	Items 6 and 17
u.	Renewal	Article 2.2 of FA	Items 6 and 17
v.	Post-termination obligations	Article 15 of FA	Item 17
w.	Non-competition covenants	Article 16 of FAArticle 5 of Confidentiality and Non- Compete Agreement	Item 17
x.	Dispute resolution	Article 17 of FA	Item 17

(1) "FA" refers to the Franchise Agreement.

ITEM 10
FINANCING

ASA does not offer direct or indirect financing to franchisees. ASA does not guarantee your loans, mortgages, or other obligations.

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

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

Pre-opening Assistance. Before you operate your Hotel, ASA will:

(1) Grant to you a license to operate the Hotel from a defined location (Section 1.1 of the Franchise Agreement). All sites must be approved by us. We will not assist you with finding the location or negotiation for the site but refer you to real estate brokers in the desired area, for whose services we will provide no guarantee (Section 12.1 of the Franchise Agreement). You have 60 days from the Franchise Agreement effective date to submit your proposed site and we will have 60 days after the required information is received from you to approve or disapprove, at our sole discretion, the site as the location for the Hotel. We may require you to submit a site feasibility study with the request for approval of your proposed site. Our approval of the site does not in any way guarantee that the site will become a profitable Hotel, independent of whether you submitted a site feasibility study with your approval request. The feasibility study is only a tool to help in the determination of whether a site is appropriate for the operation of a Hotel. You should review thoroughly your suggested site and all information available to you about it (including the feasibility study) before you submit it to us for review. There are many factors that will determine a Hotel's profitability such as your management skills and business experience, local economic conditions, and the prevailing wage rate. Our review of your proposed site is primarily focused on ensuring that the site will meet our brand standards. A discussion of the selection of your site for the Hotel appears below in this Item 11 under the caption "Site Selection."

(2) Provide you with a set of prototype plans (not construction drawings) and specifications for the exterior and interior design, color scheme and motif of the Hotel (Article 12 of the Franchise Agreement). If you request a set of prototype plans in CAD format, you must sign a Data Transfer Agreement in the form attached as Exhibit I before the plans will be provided. Since all properties vary in size and configuration you must have more detailed plans or blueprints prepared at your expense to take into account the location and local ordinances. It is up to you to make sure that the premises conform with local ordinance and buildings codes. We do not have the obligation to assist you to obtain any required permits and it is your responsibility to construct and design the Hotel according to the specifications (as well as remodel). You are responsible and liable for construction management and certification services.

(3) Provide you with a list of the standard fixtures, equipment, signs, supplies and initial inventory to be used in the Hotel as well as a list of Approved Products (Sections 7.8 and 7.9 of the Franchise Agreement). We will provide you with specifications and/or names of approved suppliers for the supply of all Approved Products. ASA is not required to provide you with equipment, signs, fixtures and opening inventory and we do not deliver or install any of them.

(4) Provide training as described below in this Item 11 (Section 10.1 of the Franchise Agreement). Apart from the pre-opening training program, we are not required to help train your employees and we do not help you hire employees.

(5) Loan to you one copy of our Operations Manual for the business containing mandatory and suggested specifications, standards and operating procedures for the business (Section 11.1 of the Franchise Agreement).

(6) Provide you with opening assistance for a maximum of 5 days, which may or may not be consecutive, to assist you with training employees, implementing the Business System and evaluating initial business operations (Section 10.3 of the Franchise Agreement). However, ASA is not involved in the hiring or firing of employees or any additional or ongoing training of the employees outside of what is disclosed in this Item 11.

Site Selection. You must select the site for your Hotel and secure fee or leasehold title for the site and the hotel. ASA may consult with you regarding site selection, but you are ultimately responsible for locating and obtaining an acceptable site. The general site selection criteria you should consider includes traffic patterns, ease of ingress and egress, size and cost of the property, off-road area for loading and unloading, customer parking, demographic surveys, types of businesses in the general vicinity and other similar factors. We recommend that you obtain a feasibility study of your proposed site, and we have the right to require you to submit one, as part of the sit selection process. If we and you are unable to agree on the site for the Hotel, the opening of your Hotel may be delayed. If you do not open your Hotel within 15 months after you sign the Franchise Agreement, we may terminate your Franchise Agreement. (Section 12.1 of the Franchise Agreement).

Development Time. You must secure fee or leasehold title for the site of your hotel and commence construction of your Hotel within 4 months after you sign the Franchise Agreement and your Hotel must be open for business within 15 months after you sign the Franchise Agreement or your Franchise Agreement may be terminated. (Section 13.1(C)(2) of the Franchise Agreement) The length of time between the signing of the Franchise Agreement and the opening of your Hotel may be approximately 8 to 15 months. Factors affecting this length of time usually include arranging financing, construction, materials supply, weather, subcontractor scheduling, successfully completing training, and other possible factors. You should not expend funds or make any other commitment in connection with the franchise and should not resign from existing employment, relocate or take any similar action until ASA's approval of the site which ASA will specifically communicate to you in writing. (Section 13.1 of the Franchise Agreement)

Ongoing Assistance. During the operation of your Business, ASA will:

(1) Make available to you the Business System for an Affordable Suites of America ™ hotel (Article 9 of the Franchise Agreement).

(2) Furnish you from time to time with updated and revised material for our confidential Operations Manual (Section 9.3 of the Franchise Agreement).

(3) Inspect your Hotel periodically to ensure that you are complying with Affordable Suites of America™ uniform requirements and quality standards (Section 7.15 of the Franchise Agreement).

(4) Sponsor periodic meetings for all franchisees (Section 7.21 of the Franchise Agreement).

(5) Upon your request, consult with you on technical matters such as housekeeping, front office, maintenance and bookkeeping (Section 11.1 of the Franchise Agreement).

(6) Provide additional administrative services to you (for a reasonable fee), including, assistance with closings of financing transactions, negotiations of documents and agreements with your lenders or prospective lenders, and other project-based tasks, as described in the Franchise Agreement (Section 4.3 of the Franchise Agreement).

(7) Recommend room pricing for your Hotel including setting maximum prices for goods and services (Section 5.5 of the Franchise Agreement).

(8) Provide Property Improvement Reviews and Property Improvement Plans at your request (Section 7.15 of the Franchise Agreement).

Advertising and Marketing Programs.

Requirements for All Marketing Materials and Local Promotion: Though not required under the Franchise Agreement, we recommend that you promote your Hotel locally. You are allowed to conduct your own local advertising, provided that all advertising must: (1) be factual, ethical, and in good taste; (2) conform to such standards and requirements, as ASA may specify from time to time; and (3) be submitted to us for approval before implementation. ASA will not unreasonably withhold approval of any advertising materials if the materials are factually accurate and current, conform to the highest standards of ethical marketing, and are in good condition and accurately depict ASA's Marks. You must at all times comply with our instructions regarding the use of advertising materials, including modifying or ceasing to use those materials, whether or not we previously prepared or approved the materials. (Section 5.4 of the Franchise Agreement)

Grand Opening Advertising: You are required to conduct certain advertising and public relations activities in connection with the opening of the Hotel. You must spend a minimum of $3,000 on approved grand opening activities. (Section 5.1 of the Franchise Agreement)

Marketing Fund: ASA has the right to require you to contribute Marketing Fees in the amount of 1% of Gross Room Revenues per month to the Marketing Fund, as described in Item 6, for marketing and promotion programs to promote the Business System and products. ASA may increase the Marketing Fees upon not less than 30 days' notice to you, provided that Marketing Fees will not exceed 2% over the term of your Franchise Agreement. Franchisee owned and affiliate owned locations currently contribute to the Marketing Fund at 1% of Gross Room Revenues. ASA reserves the right to charge Marketing Fees on a pro rata basis on marketing projects. ASA administers the Marketing Fund. ASA formulates, develops, and conducts marketing and promotion programs in a form and media ASA determines to be appropriate. The materials may be disseminated via radio, television, print media, online, through social media, or via outdoor advertising. ASA reserves the right to use the Marketing Fees to reimburse ASA for

all costs that it incurs related to the marketing and promotion programs, including for (a) developing, implementing, maintaining and disseminating advertising, marketing, public relations, and promotional campaigns and materials including, without limitation, through radio, television, newspapers, magazines and online; (b) developing, maintaining and updating Business System and Mark-specific websites and social media presence, placing listings in national, regional or online hotel directories; and (c) conducting market research, developing training, and educational programs with respect to marketing, sales, advertising, customer service and public relations. The Marketing Fund is accounted for separately from our other funds. We will not use the Marketing Fund to defray any of our general operating expenses, except for administering the Marketing Fund, including maintaining a national sales and marketing staff, accounting expenses and the actual cost of salaries and fringe benefits paid to ASA employees engaged in the administration of the Marketing Fund. (Sections 5.2 and 5.3 of the Franchise Agreement)

ASA has no obligation to spend any amount on marketing in the area where you are located. The intention is to spend the entire Marketing Fund fee collected, provided, however, that excess Marketing Fees not spent in any fiscal year will be carried over for future use. The Marketing Fees are not placed in a trust or escrow account, and are the property of ASA. You will have no property rights of any kind with respect to the Marketing Fees. ASA has no fiduciary obligations to you or other franchisees regarding the Marketing Fees. ASA is not required to contribute Marketing Fees; however, any Affordable Suites of America™ hotels that are owned and operated by ASA will contribute Marketing Fees at 1% of its Gross Room Revenues. ASA is not contractually required to contribute Marketing Fees to the Marketing Fund for their Affordable Suites of America™ hotels. ASA is not required to audit the Marketing Fund. ASA will provide to you once each year upon request an unaudited accounting of expenditures of the Marketing Fees for the previous fiscal year. In 2023 we spent approximately 7% of the Marketing Fees on production, 80% on media placement, and 13% on administrative expenses. ASA does not intend to use the Marketing Fund principally to solicit new franchise sales.

ASA does not require you to participate in a local or regional advertising cooperative.

Apart from mandatory participation in the Marketing Fund, we do not require you to participate in any other advertising fund.

Development of Marketing Materials and Franchisee Advisory Council: As of the date of this disclosure document, ASA formulates, develops and conducts the marketing and promotion program in-house. However, ASA reserves the right to use a national or regional advertising agency for the marketing and promotion programs. ASA has not established, but has the right to establish and appoint franchisees to a Franchisee Advisory Council ("FAC") to serve in an advisory capacity only on marketing and promotion programs. ASA has the right to form, change or dissolve the FAC. When formed, ASA will appoint the members of FAC. The intent is for FAC to be representative of the franchisees, both with respect to small and large franchisees, and geography.

Technology Systems.

Computer System: You must install a computer system meeting our standards, as modified from time to time in our sole discretion in response to business, operations and marketing

conditions (Articles 7.4 and 7.6 of the Franchise Agreement). As of the date of this disclosure document, the computer system includes a desktop computer with running a current version of Windows®, a printer, a software system designed for use in hotel front desks, and software that enables you to perform payroll, receivables, and weekly and monthly financial reports. You may purchase the front desk software from any supplier that carries the product. We estimate that the total cost to purchase or lease the computer system will be $0 to $12,000 if you are converting an existing hotel with an adequate computer system to an ASA Hotel, and $5,000 to $12,000 for a new build ASA Hotel. Your cost will depend on the number of suites at your Hotel, and the hardware, systems, and suppliers you select and may vary due to market and region.

Property Management System: You will also be required to install and use our designated Property Management System, currently the Jonas Chorum PMS (the "PMS"), which will manage the Hotel's operations and reservations on a day-to-day basis. The initial, one-time cost to buy, install and activate the PMS is approximately $4,000 to $4,500, depending on the payment gatway provider you select. If you and your General Manager are not already familiar with operating the Jonas Chorum PMS, Jonas Chorum charges a one-time fee of $2,100 for system training. The ongoing subscription and service cost for the PMS is approximately $6,100 to $8,500 per year, depending on the number of suites at your Hotel and the payment gateway provider you select. If your Hotel has more than 75 suites, your costs may be higher. The initial system costs and first year subscription and service costs for the PMS are charged in advance. After the first year, subscription and service fees for the PMS are billed monthly, at the annual rate. You will also be billed monthly, in arrears, for the actual distribution channel transaction fees incurred by your Hotel. Transaction fees currently range from $2.50 to $14.40 per net reservation, depending on the channel (e.g. TopSail, Direct Connect, GDS, SiteMinder/AirBnB) used to book a reservation through the PMS.

Voice-of-Guest System: We may implement a third-party voice-of-guest program that will allow Affordable Suites hotels to generate more guest reviews, leverage local search engines, and enhance the guest experience. If implemented, you will be required to install and use our designated system. We anticipate the initial, one-time set-up cost to be approximately $150 per hotel. The ongoing subscription cost for the voice-of-guest system will be approximately $1,500 per hotel, per year.

ASA has the right to require you to have Internet access (including high-speed Internet access in each guest suite) and other on-line communication capabilities, and to participate on its web site. As of the date of this disclosure document, ASA has independent access to the information contained in your computer system through the PMS. There are no contractual limitations on the data that ASA may extract from your computer system. For example, ASA may use the information when preparing its franchise disclosure document, or may share information data amongst other franchisees in the system. (Section 6.4 of the Franchise Agreement).

Maintenance, Updates, and Repairs: You will be responsible for your own maintenance of the computer hardware and software. You will be obligated to pay for any upgrades or updates with no contractual limitation on the frequency or cost of the obligation. At this time, we estimate that the annual cost of any optional maintenance, updating, upgrading or support is less than $400 each year though the cost for repairs would be in addition to that amount. There are no restrictions on our right to require you to upgrade or update the computer system or video surveillance system,

or on the frequency of how often we may require you to do so. We have no obligation to assist you in obtaining the computer goods and services described in this Item and neither ASA, nor any third party must provide ongoing maintenance, repairs, upgrades or updates to the computer system.

Initial Training. You must attend ASA's initial training program before you open your Hotel. Training is available to you, or one of your owners if you are an entity, and your designated Resident Manager. ASA's training program will be conducted at your Hotel, at ASA's headquarters, or at other locations designated by ASA. The training will generally be for 3 to 5 days and is scheduled approximately 60 to 90 days before you open your Hotel. We generally organize initial training as needed to train new franchisees. You and your Resident Manager must successfully complete (to ASA's satisfaction) the training program prior to operating the Hotel. If you are using a third party management company, a representative of the management company will also have to attend and successfully complete the initial training. (Section 10.1 of the Franchise Agreement)

TRAINING PROGRAM

Subject[(1)]	**Hours of "Classroom" Training**	**Hours of "Hands On" Training**	**Location**
WELCOME AND INTRODUCTION	1	0	Matthews, North Carolina, or another location we designate
SALES	4	0	Matthews, North Carolina, or another location we designate
GENERAL OPERATION OVERVIEW & BRAND IMMERSION	8	0	Matthews, North Carolina, or another location we designate
HOUSEKEEPING/ MAINTENANCE/LINEN	4	16	Matthews, North Carolina, or another location we designate
MARKETING, SALES AND PROMOTION	2	0	Matthews, North Carolina, or another location we designate
GUEST SERVICE	2	2	Matthews, North Carolina, or another location we designate
QUALITY CONTROL	2	1	Matthews, North Carolina, or another location we designate
HUMAN TRAFFICKING	As required by state law	0	Web-based
TOTALS	23	19	

(1) The instructional materials include the Operations Manual, lecture, instructional materials, hands-on demonstration and practice.

As of the date of this disclosure document, our franchise training is primarily conducted by Chris Rutherford, our Vice President of Operations, and Neil Morris, our Vice President of Franchise Operations and Training. Mr. Rutherford has over 10 years and Mr. Morris has over 25

years of experience in the hospitality industry, including in training franchisees and hotel managers. Mr. Rutherford was the Director of Franchise Operations of our predecessor ASA Inc. from 2009 to 2012 and Chief Operating Officer of ASA Inc. from September 2012 to January 2019, when we acquired the brand. Mr. Morris has held management level positions in the hospitality industry since 1993. He joined us in September 2022.

Other members of our executive team may also present on topics that are relevant to their areas of expertise. Our presenters generally have between 5 and 25 years of management-level experience or more in the hospitality industry.

You must pay for the salaries, fringe benefits, travel costs and expenses, and related costs for all persons associated with you who attend the training program. If you are an entity and you want more than one of your owners to attend training or if you hire a new Resident Manager after your Hotel opens for business, you will be responsible for paying the then-current standard fee to train the new Resident Manager. Likewise, if the Hotel is sold or transferred, the new owner must also complete this training. As of the date of this disclosure document, the training fee is $2,500 per person.

Ongoing Training and Conferences. In addition to the initial training program, we may require you, or your owners, or your Resident Manager to attend additional training. The duration and location of the training will be determined by us. You will pay our then-current training fee, as well as the salaries, fringe benefits, travel costs and expenses, and related costs for all persons associated with you who attend the training program. The amount of the training fee will be set to reimburse us for our expenses in connection with the training.

Consistent with the terms of your Franchise Agreement, if ASA develops a national conference, you, or your owners, and your Resident Manager must attend and you will be responsible for your costs of participation, such as any conference fees, travel costs and expenses, salaries and related cost for all of your participants.

Apart from those training programs, we are not required to help train your employees and we are not required to help you hire employees. However, if we require additional training, you must require your employees to successfully complete the training.

Operations Manual. Subject to your execution of a Confidentiality and Non-Compete Agreement, ASA will make a copy of its confidential Operations Manual available to you for your review before signing the Franchise Agreement. A copy of the Confidentiality and Non-Compete Agreement is attached to this disclosure document as Exhibit E.

[Remainder of page intentionally left blank.]

ITEM 12
TERRITORY

Protected Area. You are granted the right to operate one Hotel at a defined location. ASA will not establish either a company-owned Affordable Suites of America™ business or another Affordable Suites of America™ franchisee without your permission within a certain radius around your hotel. The radius depends on the population density around your Hotel. The Protected Area will typically have either a 1-mile, 3-mile, or 5-mile radius, or greater depending on population density. You are not required to achieve a certain sales volume or other contingency to maintain territorial rights.

Your Rights in the Protected Area. Because there are certain limitations to your Protected Area rights your rights are not exclusive. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

ASA's Reserved Rights. For example, ASA and other affiliates or related companies have the right: (i) outside of your Protected Area, to establish franchised or company-owned hotels (or other businesses) or to offer, sell or distribute products or services associated with the Business System under the Marks (as defined in Item 13) or any other trademarks or through any distribution channel or method; and (ii) within and outside of your Protected Area, to establish franchised or company-owned hotels (or other businesses) or to offer, sell or distribute products or services under trademarks other than the Marks (including the stayAPT brand hotels), or to offer, sell or distribute any products or services through channels of distribution other than franchised or company-owned hotels operating under the Marks, including through the Internet or other forms of electronic communication, all without compensation to any franchisee.

Acquisition of Other Hotel Brand: If ASA or any of its affiliates acquire any chain or system of properties, or multiple units (more than 4) of a chain or system, and such purchase includes properties in the Protected Area which ASA or the acquiring affiliate desires to convert to Affordable Suites of America™ Hotels (hereinafter, whether one or more, "Conversion Hotels"), ASA shall provide you with written notice within a reasonable time of its intent to convert the Conversion Hotels into Affordable Suites of America™ Hotels. You will have the right of first refusal to acquire such Conversion Hotels from us on the terms provided in the Franchise Agreement (Section 1.3(b) of the Franchise Agreement) if the sale is allowed by contract and applicable law. You will have 90 days after we provide you with written notice of the intent to convert the Conversion Hotels to provide written notification to us of your desire to purchase the Conversion Hotel. If you elect to purchase the Conversion Hotels, you must close on such purchase and execute the then current franchise agreement (which shall require payment of the initial franchise due under such franchise agreement) within 60 days from your written notice to us of your intent to purchase. The purchase price to be paid by you for the Conversion Hotels shall be the cash equivalent of the fair market value for each of the Conversion Hotels, as determined by an independent appraiser selected and retained by ASA. In the event you do not elect to purchase and convert the Conversion Hotels, you shall have no further right or option to acquire such Conversion Hotels and we may sell such Conversion Hotels to another franchisee under the Business System or ASA or its affiliates may own and operate the Conversion Hotel under the Business System.

No Customer Restrictions: ASA does not impose any territorial or customer restrictions on your sales and you are not required to compensate and are not entitled to receive compensation from ASA or other franchisees due to any territorial or customer sales restrictions. You may not relocate your Hotel without ASA's written consent, which consent we can grant or withhold in our sole discretion.

No Options or Rights of First Refusal. ASA does not grant options, rights of first refusal or similar rights to acquire additional franchises. If you want to open additional Hotels, you will have to submit a new application, which will be reviewed according to the same criteria that apply to the new franchisees at that time. A copy of our current Franchise Application is attached to this disclosure document as Exhibit J.

Our Other Brand: Other than operating and franchising hotels under the stayAPT brand, ASA or its affiliates have no current plans to operate or franchise a hotel business under a different trademark. It may, however, acquire additional brands in the future.

[Remainder of page intentionally left blank.]

ITEM 13
TRADEMARKS

The Franchise Agreement licenses you to use the Affordable Suites® design mark, the Affordable Suites of America™ trademark, as well as other trademarks, service marks, trade names, trade dress and commercial symbols (collectively, the "Marks"). None of these Marks, except for the Affordable Suites™ design mark below, is registered with the United States Patent and Trademark Office, nonetheless ASA claims common law trademark rights for all of the Marks.

Principal Trademarks	U.S. Registration Or Serial No.	Registration Or Application Date	Principal/Supplemental Register
(Design Mark)	Reg. No. 4,473,600	January 28, 2014	Principal

Although ASA has a federal registration for the Affordable Suites™ design mark above, and has filed all required affidavits and renewals, ASA does not have a federal registration for the words "Affordable Suites" or "Affordable Suites of America." Therefore, ASA's trademark does not have as many legal benefits and rights as a federally registered trademark, which may increase your expense. If ASA's right to use the trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

ASA plans to review its trade and service marks in the near future and may require you and other franchisees to rebrand. If you are required to rebrand, it will be done at your expense.

Except as noted below, there are no currently effective determinations of the Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the principal Marks, or any superior prior rights in the Marks or infringing uses actually known to ASA which could materially affect your use of the Marks, except as noted below. There are currently no agreements in effect that significantly limit the rights of ASA to use or license the use of any Marks in any manner material to the franchise.

ASA is not required to protect you against infringement or unfair competition claims arising out of your use of the Marks, or to participate in your defense and/or indemnify you. ASA reserves the right to control any trademark litigation and will be the sole judge as to whether suit will be brought or settled in any instance when any person or entity infringes the Marks. You must notify ASA promptly of any infringement or unauthorized use of the Marks of which you become aware and to cooperate with any action that ASA undertakes. If any party claims that its rights to use any of the Marks are superior and if ASA determines that the claim is valid, you must, at your expense, immediately make the changes and use the substitutions to the Marks as ASA requires.

ASA may require that you modify or discontinue using any of the Marks. If that happens, you will be required to do so and will have to pay for the necessary changes.

[Remainder of page intentionally left blank.]

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents, patent applications, or copyrights currently registered which are material to the franchise, although ASA does claim copyright protection for our Franchise Agreement, Operations Manual and for various sales promotional and other materials published from time to time. ASA will renew relevant copyright registrations.

You must notify ASA immediately if you learn about an infringement or challenge to your use of any patents or copyrights. However, ASA does not contract with you or other franchisees to protect patents or copyrights, to protect you against infringement or unfair competition claims arising out of your use of patents or copyrights, or to participate in your defense and/or indemnify you. ASA reserves the right to control any patent or copyright litigation and will be the sole judge as to whether suit will be brought or settled in any instance when any person or entity infringes ASA's patents or copyrights. You may not contest ASA's interests in patents or copyrights.

There are no currently effective determinations of the Copyright Office (Library of Congress), Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any pending infringement, opposition or cancellation proceeding or any pending material litigation involving any patents or copyrights. There are currently no agreements in effect that significantly limit the rights of ASA to use or license the use of any patents or copyrights in any manner material to the franchise. There are no infringing uses actually known to ASA which could materially affect your use of the patents or copyrights.

You must keep confidential during and after the term of the Franchise Agreement all proprietary information, including the Operations Manual. Upon termination of the Franchise Agreement, you must return to ASA all proprietary information, including the Operations Manual and all other material copyrighted by ASA. You must notify ASA immediately if you learn about an unauthorized use of proprietary information. ASA is not obligated to take action, and will be the sole judge as to the appropriate response to any information regarding the unauthorized use of proprietary information.

Franchisee is obligated disclose to ASA all designs, products, services, procedures, ideas, plans, improvements, concepts, formulas, methods and techniques ("Inventions") relating to the Hotel or any similar business, whether conceived or developed by you or your employee, during the term of the Franchise Agreement. ASA and its affiliates will own and have the right to use the Inventions for any purpose in its sole discretion.

You must comply with all changes to the Operations Manual at your cost. In the future, the changes may include making the Operations Manual available on the Internet or other on-line or computer data transfer communications.

[Remainder of page intentionally left blank.]

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

ASA does not require that you personally operate the Hotel. You may operate the hotel or retain a professional management company to operate the hotel, in either case subject to our approval. ASA can withdraw its approval at any time. ASA may require you to retain a management company or to change your management company if we determine, in our sole discretion, that you or your management company are not financially capable or do not have adequate experience, skills, or operational capacity to operate or continue operating the Hotel. Any change in management company is subject to our approval. You must comply at all times with the Franchise Agreement even if you retain a management company. You must designate in writing to ASA the approved management company and the individual who will reside in the Hotel and will directly supervise and manage the operation of the Hotel (the "Resident Manager"). Any individual owner, principal owner, management company, and Resident Manager must complete ASA's training program. The management company and Resident Manager need not have an ownership interest in the franchisee entity; however, they may be required to sign a written agreement maintaining the confidentiality of proprietary information described in Item 14 and abiding by the non-solicitation covenants described in Item 17. State labor and employment laws may require that you have more than one resident manager.

If you are an entity, each of your "Principal Owners" (any person who directly or indirectly owns a 10% or greater interest in you, as further defined in Section 23.9 of the Franchise Agreement) must sign the Personal Guaranty attached to the Franchise Agreement. Any other person we designate, including any person who co- signed a loan or was involved in obtaining financing for the Hotel, must also sign the Personal Guaranty. In some states, the spouse of a guarantor must consent to the Personal Guaranty. These individuals agree to discharge all obligations of the franchisee under the Franchise Agreement and are bound by all its terms and conditions, including maintaining the confidentiality of proprietary information described in Item 14 and abiding by the noncompete covenants described in Item 17. We do not require spouses of your Principal Owners to sign the Personal Guaranty, but if your Principal Owners live in a community property state, the Principal Owner's spouse will have to consent to the Principal Owner signing the Personal Guaranty. In addition, all of your Principal Owners must sign the Acknowledgment Addendum attached to the Franchise Agreement.

[Remainder of page intentionally left blank.]

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

ASA requires you to offer and sell only those products and services that ASA has approved (see Items 8 and 9) and you must offer all products and services that ASA requires. There are no limits on ASA's right to make modifications to the approved products and services from time to time as set forth in the Operations Manual or otherwise in writing. Any failure to comply with these standards may result in the termination of your Franchise Agreement (see Item 17).

You may not use your Hotel or the Hotel premises for any other purpose than the operation of the Affordable Suites of America™ hotel business. You may use only marketing and promotional materials that ASA has approved. You are not limited in the customers to whom you may sell products and services.

[Remainder of page intentionally left blank.]

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision		Section in Franchise or other Agreement[(1)]	Summary
a.	Length of the franchise term	Article 2.1 of FA	20 years.
b.	Renewal or extension of the term	Article 2.1 of FA	The Franchise Agreement is not renewable. You may have the opportunity to obtain a then-current successor Franchise Agreement at the end of the 20-year term (which may contain materially different terms and conditions than your original agreement).
c.	Requirements for you to renew or extend	Article 2.1 of FA	The franchise agreement is not renewable. If you wish to remain as a franchisee after the initial term of your Franchise Agreement expires, you must file a relicense application with ASA. ASA will review the application in accordance with its then-current standards and requirements for new franchisees. If approved, you must sign ASA's then-current form of franchise agreement and pay a relicense fee, which is equal to the then-current Initial Franchise Fee. The new franchise agreement may contain materially different terms and conditions than your original contract. You will be required to sign a general release as a condition of ASA's approval for relicense (subject to state law, see below).

Provision		Section in Franchise or other Agreement[(1)]	Summary
d.	Termination by you	Article 14 of FA	Subject to certain conditions, you may terminate the Agreement only for good cause with 60 days' advance notice of default to ASA and 60 days' opportunity for ASA to cure. This provision is subject to state law.
e.	Termination by ASA without cause	Not Applicable	Other Franchise Agreements signed between ASA and a franchisee will not be affected by the termination of the ADA.
f.	Termination by ASA with cause	Article 13.1 of FA	ASA can terminate only if you default. Other Franchise Agreements signed between ASA and a franchisee will not be affected by the termination of the ADA.
g.	"Cause" defined – curable defaults	Article 13.1 of FA	You have 10 days to cure non-payment of amounts due and owing and 30 days to cure defaults including failure to start or complete construction or renovation timely, starting to do business without our permission, failure to abide by ASA's standards and requirements for the Business, failure to meet ASA's requirements and specifications regarding products and services, and any other default not subject to immediate termination under the terms of the Agreement.
h.	"Cause" defined – non-curable defaults	Article 13.1 of FA	ASA may immediately terminate the Agreement for non- curable defaults: you are involved in conduct that reflects unfavorably on the Marks or Business System goodwill, you misuse confidential information, you willfully falsifies a report, insolvency, foreclosure is levied on the Hotel, you or your owners of directors/officers are

Provision		Section in Franchise or other Agreement[(1)]	Summary
			convicted or plead guilty to any charge related to your business, abandonment, you or your owners transfers rights in violation of the Franchise Agreement, you commit an uncurable breach, repeated defaults within 12-month period, one of your affiliates defaults on any agreement with us or our affiliates (subject to state law). In the event of your bankruptcy the Franchise Agreement terminates without notice.
i.	Your obligations on termination/non-renewal	Articles 15, 16 of FA	Obligations include de-identification of the Hotel(s), payment of amounts due, stop using the Marks assigning business phone number, returning Operations Manual and proprietary information, offering Business Assets to ASA.
j.	Assignment of contract by ASA	Article 19.1 of FA	No restriction on ASA's right to assign. Assignee must fulfill ASA's obligations under the Agreement.
k.	"Transfer" by you - definition	Article 19 of FA	Includes any transfer (whether voluntary or involuntary) of the Agreement, the Hotel, any assets, revenues or profits of the Hotel (except in the ordinary course of the Business), or any interest in you.
l.	ASA's approval of transfer by franchisee	Article 19.6 of FA	ASA has the right to approve all transfers.
m.	Conditions for ASA's approval of transfer	Article 19.6 of FA	New franchisee qualifies, transferee not in default under the Agreement, transfer fee paid, all amounts owed by prior franchisee paid, training completed, non-compete agreements signed, guarantees or then-current franchise agreements signed, ASA approves the material provisions

Provision		Section in Franchise or other Agreement[(1)]	Summary
			of the transfer, and the terms of the transfer do not negatively impact the business' profits. You will be required to sign a general release as a condition of ASA's approval for transfer. (subject to state law, see below)
n.	ASA's right of first refusal to acquire your business	Article 18 of FA	ASA can match any offer for your business.
o.	ASA's option to purchase your business	Article 18 of FA	ASA has the option to purchase the business assets upon the expiration or termination of the Franchise Agreement.
p.	Your death or disability	Article 19.5 of FA	If Franchisee is an individual, Franchisee's ownership interest can transfer to third party approved by ASA upon death, disability or incapacity. Transfer conditions apply (see m, above).
q.	Non-competition covenants during the term of the franchise	Article 16.1 of FA	During the term of the Franchise Agreement, you may not hire any current employee or any former employee who is or was within the last 6 months employed in a management position by Franchisor or any other Brand Hotel franchisee (except your affiliates). This provision is subject to state law.
r.	Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable.
s.	Modification of the agreement	Article 22.2, 22.6, 22.8 of FA	No modifications generally, but ASA may change the Operations Manual and list of Marks.

Provision		Section in Franchise or other Agreement[(1)]	Summary
t.	Integration/merger clause	Article 22.6 of FA	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Article 17 of FA	Except for certain claims, all disputes must be mediated and/or arbitrated in Matthews, North Carolina (subject to state law).
v.	Choice of forum	Article 17.1 of FA	Litigation must be brought in Matthews, North Carolina (subject to state law, see below).
w.	Choice of law	Article 22.1 of FA	The law of the state of North Carolina will apply (subject to state law, see below).

(1) "FA" refers to the Franchise Agreement.

There are state specific addenda attached as **Exhibit F** for the states of California, Hawaii, Illinois, Minnesota, New York, North Dakota, Rhode Island, Virginia and Washington. The Michigan Addendum is attached following the state cover page.

ITEM 18
PUBLIC FIGURES

ASA does not use any public figure to promote the franchise. No public figure is involved in the actual management or control of ASA.

[Remainder of page intentionally left blank.]

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) 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.

1. Average Occupancy, ADR, and RevPAR of Established Hotels

As of December 31, 2023, there were 27 Affordable Suites of America™ hotels operating in the United States, of which 15 were franchised and 12 were owned by our affiliates. The following tables set forth certain historical financial, performance, and operating information for the 24 established Affordable Suites of America™ hotels (the "Established Hotels") for the 12-month period ending December 31, 2023. To be considered "established," a hotel must have been open and operating under the Brand for at least 18 consecutive months as of December 31, 2023. The Established Hotels consist of 10 hotels that were owned and operated by our affiliates (the "Established Company-Owned Hotels") and 14 hotels that were owned by franchisees (the "Established Franchised Hotels"), 11 of which were managed by our affiliate. The performance results for hotels managed by our affiliates do not materially differ from the performance results for other hotels included in this Item 19. Excluded from this Item 19 are 2 company-owned and operated hotels and 1 franchised hotel which is managed by our affiliate that did not meet the qualifications for Established Hotels.

2023 Performance of Established Hotels				
	Number of Included Hotels	**Average Occupancy Rate**	**ADR**	**Average RevPAR**
All Established Hotels	24	76.1%	$63.25	$48.14
Established Company-Owned Hotels	10	74.9%	$58.35	$43.73
Established Franchised Hotels	14	76.8%	$66.19	$50.85

Table Notes:

(1) "Average Occupancy Rate" means the average occupancy rate for the described period

(2) "ADR" means the average daily room rate for the described period

(3) "Average RevPAR" means the average revenue per available room for the described period

Of the 24 Established Hotels for the 12-month period ending December 31, 2023, 13 hotels or 54% had an average Occupancy Rate that met or exceeded the stated average, 9 hotels or 38% had an ADR that met or exceeded the stated average, and 13 hotels or 54% had an average RevPAR

that met or exceeded the stated average; the median Occupancy Rate was 76.5%, the median ADR was $63.10, and the median RevPAR was $48.68.

Of the 10 Established Company-Owned Hotels for the 12-month period ending December 31, 2022, 4 hotels or 40% had an average Occupancy Rate that met or exceeded the stated average, 4 hotels or 40% had an ADR that met or exceeded the stated average, and 6 hotels or 60% had an average RevPAR that met or exceeded the stated average; the median Occupancy Rate was 75.7%, the median ADR was $58.42, and the median RevPAR was $43.95.

Of the 14 Established Franchised Hotels for the 12-month period ending December 31, 2022, 8 hotels or 57% had an average Occupancy Rate that met or exceeded the stated average, 6 hotels or 42.9% had an ADR that met or exceeded the stated average, and 8 hotels or 57% had an average RevPAR that met or exceeded the stated average; the median Occupancy Rate was 77.7%, the median ADR was $65.88, and the median RevPAR was $51.42.

The "Average Occupancy Rate" was derived by dividing the total number of guest rooms reported as occupied during the 12-month period ending December 31, 2023 by the total number of guest rooms reported as available during the same period. "ADR" was derived by dividing the Gross Room Revenues reported for the 12-month period ending December 31, 2023 by the total number of guest rooms reported as occupied during the same period. "Average RevPAR" was derived by dividing the annual Gross Room Revenues by the total number of available rooms for the 12-month period ending December 31, 2023. The median is the middle data point of the numbers used to calculate the corresponding averages.

The Average Occupancy Rate, ADR, and Average RevPAR are calculated based on information routinely reported to us by individual hotels operating in the Business System. ADR and Average RevPAR are calculated on the basis of Gross Room Revenues, which we define as the total revenues and receipts resulting from the rental of guest rooms, whether made for cash or credit and whether or not collected by the franchisee. "Gross Room Revenues" do not include charges for food and beverages, telephone, laundry, entertainment, security deposits or applicable sales tax.

2. Explanatory Notes

The information presented in this Item 19 is derived from data reported to us on a monthly basis by company-owned and franchised hotels, including hotels that our affiliates manage. We have not independently verified or audited this information.

You should conduct an independent investigation of the costs and expenses you will incur in operating an Affordable Suites of America™ hotel. Franchisees or former franchisees, listed in this disclosure document, may be one source of this information.

Some outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.

Written substantiation for the financial performance representations in this Item will be made available to you upon reasonable request.

Other than as described in the preceding financial performance representation, we do not make any financial performance representations or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Neil Morris, Vice President of Franchise Operations and Training, at 10801 Monroe Road, Suite 200, Matthews, North Carolina 28105, (980) 368-8100, the Federal Trade Commission, and the appropriate state regulatory agencies.

[Remainder of page intentionally left blank.]

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NUMBER 1
Systemwide Hotel Summary
For Years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	10	14	+4
	2022	14	14	+/-0
	2023	14	15	+1
Company-Owned	2021	10	10	+/-0
	2022	10	12	+2
	2023	12	12	+/-0
Total Hotels	2021	20	24	+4
	2022	24	26	+2
	2023	26	27	+1

TABLE NUMBER 2
Transfers of Hotels From Franchisee to New Owners (Other than the Franchisor)
For Years 2021 to 2023

State	Year	Number of Transfers
North Carolina	2021	2
	2022	0
	2023	0
TOTAL	2021	2
	2022	0
	2023	0

TABLE NUMBER 3
Status of Franchised Hotels
For Years 2021 to 2023

State	Year	Outlets at the Start of the Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Outlets at the End of the Year
Arkansas	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Georgia	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Indiana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

State	Year	Outlets at the Start of the Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Outlets at the End of the Year
North Carolina	2021	6	4	0	0	0	0	10
	2022	10	0	0	0	0	0	10
	2023	10	0	0	0	0	0	10
Virginia	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
TOTAL	2021	10	4	0	0	0	0	14
	2022	14	0	0	0	0	0	14
	2023	14	1	0	0	0	0	15

TABLE NUMBER 4
Status of Company-Owned Hotels
For Years 2021 to 2023

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at the End of the Year
Michigan	2021	0	0	0	0	0	0
	2022	0	2	0	0	0	2
	2023	2	0	0	0	0	2
North Carolina	2021	6	0	0	0	0	6
	2022	6	0	0	0	0	6
	2023	6	0	0	0	0	6
South Carolina	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3
Virginia	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
TOTAL	2021	10	0	0	0	0	10
	2022	10	2	0	0	0	12
	2023	12	0	0	0	0	12

TABLE NUMBER 5
Projected Openings
As of December 31, 2023

State	Franchise Agreements Signed But Business Not Opened*	Projected New Franchised Businesses in the Next Fiscal Year	Projected New Company- Owned Businesses in the Next Fiscal Year
TOTAL	0	0	0

* Our “company owned” locations are owned by our affiliates and we execute franchise agreements with them. Those franchise agreements are not included in this column. As of December 31, 2023, there were no signed affiliate franchise agreements for company-owned locations that were not opened.

A list of all Affordable Suites of America™ franchisees is included in this disclosure document as Exhibit B, Part I. Franchisees who have had a franchise terminated, canceled or not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, or has not communicated with ASA as of December 31, 2023 are listed in Exhibit B, Part II.

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

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with ASA. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. Currently, ASA has entered into confidentiality provisions with one of its former franchisees restricting their ability to speak about their experience in the franchise system during the last 3 years. ASA is not aware of any franchisee associations.

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ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit C, Part I, to this franchise disclosure document are (i) the audited Financial Statements of LG AS Franchisor LLC as of and for the years ended December 31, 2023 and 2022, and the related statements of operations, changes in member's capital, and cash flows for the years ended December 31, 2023, 2022 and 2021 and the related notes to the financial statements.

If required by state law, attached as Exhibit C, Part II, to this franchise disclosure document are the unaudited balance sheet and related statements of operations, cash flows and changes in member's capital of LG AS Franchisor LLC of a later date.

ITEM 22
CONTRACTS

The following agreements are attached to this disclosure document:

- ASA Franchise Agreement - Exhibit D (including Acknowledgment Addendum as Exhibit D)
- Confidentiality and Non-Compete Agreement - Exhibit E
- Form of Release of Claims – Exhibit G
- Comfort Letter – Exhibit H
- Data Transfer Agreement – Exhibit I
- Franchise Application – Exhibit J

ITEM 23
RECEIPTS

The last 4 pages of this Disclosure Document are two receipts. Please insert the name of the franchise seller and date and sign both copies. Detach the last 2 pages and return it to ASA promptly upon execution. Retain the other copy of the receipt pages for your records.

EXHIBIT A

List of State Administrators and Agents to Receive Service of Process

STATE ADMINISTRATORS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws.

California

Department of Financial Protection and Innovation
State of California
320 West 4th Street
Suite 750
Los Angeles, California 90013
(213) 576-7500
(866) 275-2677

Connecticut

The Banking Commissioner
The Department of Banking, Securities and Business
Investment Division
260 Constitution Plaza
Hartford, CT 06103-1800
(860) 240-8299

Hawaii

Hawaii Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
State of Hawaii
P.O. Box 40
Honolulu, Hawaii 96810
(808) 586-2722

Illinois

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

Indiana

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

Maryland

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

Michigan

Consumer Protection Division
Franchise Section
Michigan Department of Attorney General
525 W. Ottawa Street
G. Mennan Williams Building, 1st Floor
Lansing, Michigan 48913
(517) 373-7117

Minnesota

Minnesota Department of Commerce
Commissioner of Commerce
85 E 7th Place, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1500

New York

Bureau of Investor Protection and Securities
New York State Department of Law
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8222

North Dakota

North Dakota Securities Department
State of North Dakota
Fifth Floor
600 East Boulevard Avenue
Bismarck, North Dakota 58505-0510
(701) 328-4712

Oregon

Department of Consumer and Business Services
Division of Finance and Corporate Securities
State of Oregon
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4140

Rhode Island

Division of Securities
State of Rhode Island
233 Richmond Street, Suite 232
Providence, Rhode Island 02903
(401) 222-3048

South Dakota

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

Virginia

State Corporation Commission
Division of Securities & Retail Franchising
Commonwealth of Virginia
1300 E. Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9051

Washington

Department of Financial Institutions
Securities Division
State of Washington
P.O. Box 41200
Olympia, Washington 98504-1200
(360) 902-8738

Wisconsin

Division of Securities
Department of Financial Institutions
Wisconsin Commissioner of Securities
P.O. Box 1768
Madison, Wisconsin 53701-1768
(608) 266-8559

AGENTS AUTHORIZED TO RECEIVE SERVICE OF PROCESS, BY STATE

California

Commissioner of Financial Protection and Innovation
Department of Financial Protection and Innovation
State of California
Suite 750
320 West 4th Street
Los Angeles, CA 90013-2344

Hawaii

Hawaii Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
State of Hawaii
335 Merchant Street
Room 204
Honolulu, Hawaii 96813

Illinois

Office of Attorney General
State of Illinois
500 South Second Street
Springfield, IL 62706

Indiana

Secretary of State
State of Indiana
201 State House
200 W. Washington St.
Indianapolis, IN 46204

Maryland

Maryland Securities Commissioner
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202-2020

Michigan

Michigan Department of Commerce
Corporation & Securities Bureau
6546 Mercantile Way
Lansing, MI 48909

Minnesota

Commissioner of Commerce
Minnesota Department of Commerce
Franchise Section
85 7th Place East, Suite 280
St. Paul, MN 55101-2198

New York

Secretary of State
State of New York
41 State Street
Albany, NY 12231

North Dakota

Securities Commissioner
State of North Dakota
5th Floor
600 East Boulevard Ave.
Bismarck, ND 58505-0510

Oregon

Department of Consumer and Business Services
Division of Finance and Corporate Securities
State of Oregon
350 Winter Street, N.E., Room 21
Portland, OR 97310

Rhode Island

Director of Business Regulation
Department of Business Regulation
Division of Securities
State of Rhode Island
233 Richmond Street, Suite 232
Providence, RI 02903

South Dakota

Franchise Administration
Division of Securities
Department of Revenue and Regulation
State of South Dakota
118 West Capitol Avenue
Pierre, SD 57501-2000

Virginia

Clerk of the State Corporation Commission
Commonwealth of Virginia
1300 E. Main Street, 9th Floor
Richmond, VA 23219

Washington

Director of Financial Institutions
Securities Division
State of Washington
150 Israel Rd., S.W.
Olympia, WA 98501

Wisconsin

Commissioner of Securities
Wisconsin Securities Commission
345 W. Washington Ave., 4th Floor
Madison, WI 53703

EXHIBIT B

List of Franchisees and Franchisees Who Left the System

PART I

LIST OF FRANCHISEES

Following is the list of Franchisees as of December 31, 2023:

ARKANSAS
Affordable Suites Rogers/Bentonville, AR
KFS AR LLC
301 South 45th Street
Rogers, Arkansas 72758
(706) 496-2694

GEORGIA
Affordable Suites Augusta, GA
Suite DEV of AGA LLC
2633 Perimeter Parkway
Augusta, Georgia 30909
(706) 496-2694

INDIANA
Affordable Suites Portage, IN
HP AS I LLC
1550 Olmsted Drive
Portage, IN 46368
(219) 734-6111

NORTH CAROLINA
Affordable Suites Burlington, NC
KFS Burlington LLC
2912 Saconn Drive
Burlington, NC 27215
(336) 343-4000

Affordable Suites Concord, NC
KFS North Carolina LLC
2675 Concord Farms Road
Concord, NC 28027
(704) 788-1652

Affordable Suites Fayetteville/Ft. Bragg, NC
Suite Dev of FNC, LLC
4660 Lake Valley Drive
Fayetteville, NC 28314
(910) 491-4370

Affordable Suites Graham, NC
KFS Graham LLC
249 Auto Park Drive
Graham, NC 27253
(336) 229-0300

Affordable Suites Jacksonville, NC
JAX Development Group, LLC
35 McDaniel Road
Jacksonville, NC 28546
(910) 347-2400

Affordable Suites Kannapolis, NC
KFS North Carolina LLC
2201 Elder Lane
Kannapolis, NC 28083
(704) 794-9656

Affordable Suites Mooresville/Lake Norman, NC
Lakefield Suites LLC
110 Executive Center Place
Mooresville, NC 28117
(980) 435-0030

Affordable Suites Rocky Mount, NC
Suite Dev of RNMC, LLC
1144 Independence Drive
Rocky Mount, NC 27804
(252) 451-0015

Affordable Suites Statesville, NC
KFS North Carolina LLC
133 Beechnut Lane
Statesville, NC 28625
(704) 838-0026

Affordable Suites Wilson, NC
Suite Dev of WNC, LLC
2023 Westwood Avenue West
Wilson, NC 27893
(252) 234-9090

VIRGINIA

Affordable Suites Fredericksburg, VA
Millennium Group Properties, LLC
204 University Blvd.
Fredericksburg, VA 22406
(540) 752-7170

Affordable Suites Quantico, VA
Millennium Group Properties, LLC
44 Woodstock Lane
Stafford, VA 22554
(540) 318-6145

PART II

FRANCHISEES WHO LEFT THE SYSTEM

Franchisees who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the FDD issuance date:

None.

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

EXHIBIT C

Financial Statements

Part I - Audited Financial Statements

LG AS Franchisor LLC

Financial Statements as of December 31, 2023
and 2022, and for the Years Ended
December 31, 2023, 2022, and 2021, and
Independent Auditor's Report

LG AS FRANCHISOR LLC

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Deloitte.

Deloitte & Touche LLP
650 South Tryon Street
Suite 1800
Charlotte, NC 28202
USA

Tel: +1 704 887 1500
Fax: +1 704 887 1570

www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To LG AS Franchisor LLC:

Opinion

We have audited the financial statements of LG AS Franchisor LLC (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in member's capital, and cash flows, for each of the three years in the period ended December 31, 2023, and the related notes to the financial statements (collectively referred to as the "financial statements").

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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.

Emphasis of Matter

As discussed in Notes 6 and 7 to the financial statements, LG AS Franchisor LLC, in the ordinary course of business, transacts with affiliated companies. Our opinion is not modified in respect to this matter.

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 the Company's ability to continue as a going concern for 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Deloitte & Touche LLP

March 28, 2024

LG AS FRANCHISOR LLC

BALANCE SHEETS
AS OF DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CASH AND CASH EQUIVALENTS	$ 427,010	$ 1,021,868
ROYALTY AND MARKETING FEE RECEIVABLES	569,083	217,093
PREPAID EXPENSES AND OTHER ASSETS	79,479	13,204
OFFICE FURNITURE AND EQUIPMENT—Net	9,777	53,912
FRANCHISE AGREEMENTS—Net	1,158,087	1,305,015
TRADEMARKS—Net	728,528	873,524
TOTAL ASSETS	$ 2,971,964	$ 3,484,616
LIABILITIES AND MEMBER'S CAPITAL		
LIABILITIES:		
Accounts payable and accrued liabilities	$ 412,077	$ 204,003
Deferred revenue	2,128,345	1,806,927
Due to AS Manager LLC	284,804	1,111,010
Total liabilities	2,825,226	3,121,940
MEMBER'S CAPITAL	146,738	362,676
TOTAL LIABILITIES AND MEMBER'S CAPITAL	$ 2,971,964	$ 3,484,616

See notes to financial statements.

LG AS FRANCHISOR LLC

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

	2023	2022	2021
REVENUES:			
Royalties	$ 2,216,963	$ 1,691,771	$ 1,061,197
Marketing fees	522,375	366,964	170,895
Other revenues	2,520	2,490	4,876
Total revenues	2,741,858	2,061,225	1,236,968
OPERATING EXPENSES:			
General and administrative expense reimbursement—AS Manager LLC	3,640,412	3,892,741	3,107,501
General and administrative	1,459,570	1,054,742	674,691
Brand development expenses	364,061	377,142	228,081
Depreciation and amortization	336,059	343,483	350,413
Total operating expenses	5,800,102	5,668,108	4,360,686
NET LOSS	$(3,058,244)	$(3,606,883)	$(3,123,718)

See notes to financial statements.

LG AS FRANCHISOR LLC

STATEMENTS OF CHANGES IN MEMBER'S CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

MEMBER'S CAPITAL—December 31, 2020	$ 1,608,277
Cash contributions	2,495,000
Net loss	(3,123,718)
MEMBER'S CAPITAL—December 31, 2021	979,559
Cash contributions	3,040,000
Cash distributions	(50,000)
Net loss	(3,606,883)
MEMBER'S CAPITAL—December 31, 2022	362,676
Cash contributions	2,962,306
Cash distributions	(120,000)
Net loss	(3,058,244)
MEMBER'S CAPITAL—December 31, 2023	$ 146,738

See notes to financial statements.

LG AS FRANCHISOR LLC

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(3,058,244)	$(3,606,883)	$(3,123,718)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	336,059	343,483	350,414
Net change in assets and liabilities:			
Royalty and marketing fee receivables and prepaid expenses	(418,265)	158,786	(278,081)
Accounts payable and accrued liabilities	208,074	(35,794)	101,263
Deferred revenue	321,418	710,823	536,542
Due to AS Manager LLC	(826,206)	181,674	(180,682)
Net cash used in operating activities	(3,437,164)	(2,247,911)	(2,594,262)
CASH FLOWS FROM INVESTING ACTIVITIES—			
Office equipment additions	-	(2,317)	(32,770)
Net cash used in investing activities	-	(2,317)	(32,770)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash contributions	2,962,306	3,040,000	2,495,000
Cash distributions	(120,000)	(50,000)	-
Net cash provided by financing activities	2,842,306	2,990,000	2,495,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(594,858)	739,772	(132,031)
CASH AND CASH EQUIVALENTS—Beginning of year	1,021,868	282,096	414,117
CASH AND CASH EQUIVALENTS—End of year	$ 427,010	$ 1,021,868	$ 282,096

See notes to financial statements.

LG AS FRANCHISOR LLC

NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023 AND 2022 AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

1. BUSINESS AND ORGANIZATION

General—LG AS Franchisor LLC ("Franchisor"), a Delaware limited liability company, was formed on October 29, 2018. Franchisor, having its principal office in Matthews, North Carolina, is a wholly owned subsidiary of LG AS Brand Parent LLC ("Brand Parent") whose majority members are investment funds sponsored and managed by Lindsay Goldberg & Company.

Franchisor was formed in anticipation of the January 10, 2019, acquisition by an affiliated entity of Franchisor, of certain assets of the Affordable Suites of America® (ASA) brand. Franchisor was assigned all of the rights, title, interest, duties, and obligations of 11 franchise agreements with unaffiliated third parties of ASA hotels located in North Carolina, Virginia, Georgia, and Indiana, one of which was under development as of December 31, 2019. Also, on January 10, 2019, Franchisor entered into 10 franchise agreements with LG AS TRS LLC ("TRS"), an affiliated entity of Franchisor, for ASA hotels located in North Carolina, South Carolina, and Virginia.

In January 2020, Franchisor announced the development of a new hotel brand, stayAPT® Suites ("stayAPT"), which offers fully furnished apartment-style suites that target long-term, value-conscious travelers. The hotels are expected to have an average room count of approximately 75 rooms. ASA hotels have been operating since 1998 and offer fully furnished apartment-style suites that target long-term, economy-minded travelers. Franchisor owns and licenses the brand and brand names to affiliated franchisees (owned by TRS) and to nonaffiliated third-party franchisees (see Note 7).

A summary of the execution of franchise agreements, including future locations, is as follows:

	Affiliated		Nonaffiliated		Total	
	ASA	stayAPT	ASA	stayAPT	ASA	stayAPT
FRANCHISE AGREEMENTS—December 31, 2020	10	14	10	3	20	17
New agreements executed	-	10	4	9	4	19
FRANCHISE AGREEMENTS—December 31, 2021	10	24	14	12	24	36
New agreements executed	2	8	-	12	2	20
FRANCHISE AGREEMENTS—December 31, 2022	12	32	14	24	26	56
New agreements executed	-	6	1	4	1	10
FRANCHISE AGREEMENTS—December 31, 2023	12	38	15	28	27	66

A summary of the number of properties at December 31, 2023 is as follows:

	Affiliated		Nonaffiliated		
	Operational	Under Construction	Operational	Under Construction	Total
Affordable Suites of America™	12	-	15	-	27
stayAPT™ Suites	15	14	2	10	41

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying financial statements of Franchisor have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), and include the financial position, results of operations, changes in member's capital and cash flows of Franchisor. For these financial statements, the statements of operations, statements of changes in member's capital, and the statements of cash flows are presented for the years ended December 31, 2023, 2022, and 2021.

Management anticipates that there may be future losses which will require further cash contributions to be made in the 12-month period from the date the accompanying financial statements were available to be issued. Franchisor has obtained a letter of support from the majority members of Brand Parent that necessary cash contributions up to $5 million will be made through May 31, 2025, to meet its obligations as they come due.

Use of Estimates—The preparation of the accompanying financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the estimated useful lives of tangible and intangible assets as well as the assessment of tangible and intangible assets for impairment. Actual results could differ from those estimates.

Cash and Cash Equivalents—Franchisor considers all cash on hand, demand deposits with financial institutions, credit card receivables, and short-term, highly liquid investments with original maturities of three months or less to be cash equivalents. Franchisor has deposits in excess of $250,000 with financial institutions that are not insured by the Federal Deposit Insurance Corporation. Franchisor does not believe cash and cash equivalents expose it to significant credit risk.

Accounts Receivable and Allowance for Doubtful Accounts—Provision for doubtful accounts is made when collection of receivables is considered doubtful. Balances are considered past due when payment is not received by the contractual due date. No provision for doubtful accounts was recorded at December 31, 2023 or 2022. When management determines that receivables are uncollectible, they are written off against the allowance for doubtful accounts.

Office Furniture and Equipment—Office furniture and equipment additions are recorded at cost. Major improvements that extend the life or utility of office furniture and equipment are capitalized and depreciated over a period equal to the shorter of the estimated useful life of the improvement or the remaining estimated useful life of the asset. Ordinary repairs and maintenance are charged to expense as incurred.

Depreciation and amortization are recorded on a straight-line basis over the following estimated useful lives:

Office furniture and equipment	3–7 years

Management assesses whether there has been impairment of the value of office furniture and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Franchisor did not recognize impairment charges related to office furniture and equipment for the years ended December 31, 2023, 2022, and 2021.

Intangible Assets and Liabilities—Intangible assets include trademarks and franchise agreements. Both the ASA trademarks and the ASA franchise agreements are considered finite-lived intangible assets and are amortized over their remaining expected useful lives. Finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable. At such time, Franchisor reassesses their useful lives.

No impairment charges related to intangible assets were recognized during the years ended December 31, 2023, 2022, and 2021.

Revenue Recognition—The primary source of revenue from franchising hotels is ongoing royalty fees, which are typically a percentage of gross room revenues of each franchised hotel. Franchisor recognizes royalty fee revenues over time as and when the underlying sales occur, and the franchisee derives value from the use of the brand name.

Franchisor also receives nonrefundable initial franchise fees, which are recognized as revenues over the initial noncancellable period of the franchise agreement, commencing when a franchised hotel opens for business or when a franchise agreement is terminated after it has been determined that the franchised hotel will not open.

Franchisor's franchise agreements also require the payment of marketing fees, which are a percentage of gross room revenues of each franchised hotel, into a marketing fund which is intended to be used for the general promotion of the brand. Although Franchisor is generally contractually obligated to spend the marketing fees it collects from franchisees, there is not a separate performance obligation and therefore marketing fees are recognized as revenue over time when the underlying sales occur. Marketing costs are expensed as incurred.

Advertising Costs—Advertising costs are expensed as incurred. For the year ended December 31, 2023, 2022, and 2021, advertising costs were approximately $120,500, $274,000, and $175,000, respectively, and are included in general and administrative expenses in the accompanying statements of operations.

Fair Value of Financial Instruments—US GAAP establishes a three-level valuation hierarchy based upon observable and unobservable inputs for fair value measurement of financial instruments:

Level 1—Observable inputs, such as quoted prices in active markets at the measurement date for identical assets or liabilities

Level 2—Significant inputs that are observable, directly or indirectly, such as other quoted prices in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability

Level 3—Significant unobservable inputs for which there is little to no market data and for which Franchisor makes its own assumptions about how market participants would price the asset or liability.

Fair value is defined as the price that would be received when selling an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, the level in the fair value hierarchy within which the fair value measurement in its entirety has been determined is based on the lowest-level input significant to the fair value measurement in its entirety. Franchisor's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Franchisor's financial instruments consist of cash and cash equivalents, royalty and marketing fee receivables, accounts payable and due to AS Manager LLC. The carrying value of cash and cash equivalents, accounts receivable, and accounts payable are representative of their fair value due to the short-term nature or frequent settlement of these instruments.

Income Taxes—No provision for income taxes has been reflected in the accompanying financial statements because Franchisor is a disregarded entity and is not subject to federal income taxes. For federal income tax purposes, the operating results of Franchisor are reportable by its member. Franchisor may be subject to state and local taxes in certain jurisdictions.

Subsequent Events—Franchisor has evaluated events and transactions occurring after December 31, 2023, through March 28, 2024, the date that the accompanying financial statements were available to be issued, for potential recognition or disclosure and determined that there are no items to disclose.

Recently Issued Accounting Standards—In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires an entity to utilize a new impairment model known as the current expected credit loss (CECL) model to estimate its lifetime "expected credit loss" and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in more timely recognition of credit losses. The ASU also requires new disclosures for financial assets measured at amortized cost, loans and available-for-sale debt securities. The ASU is effective for fiscal years beginning after December 15, 2022. This new standard was adopted on January 1, 2023, and did not have a material impact on Franchisor's financial statements.

3. OFFICE FURNITURE AND EQUIPMENT

As of December 31, 2023 and 2022, office furniture and equipment—net consists of the following:

	2023	2022
Office furniture and equipment	$162,471	$162,471
Less accumulated depreciation	(152,694)	(108,559)
Office furniture and equipment—net	$ 9,777	$ 53,912

4. INTANGIBLE ASSETS

As of December 31, 2023, and 2022, intangible assets consist of the following:

2023	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Definite-lived intangible assets:				
Trademarks	10 years	$1,450,000	$ (721,472)	$ 728,528
Franchise agreements	3–20 years	1,890,000	(731,913)	1,158,087
Total intangible assets		$3,340,000	$(1,453,385)	$1,886,615

2022	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Definite-lived intangible assets:				
Trademarks	10 years	$1,450,000	$ (576,476)	$ 873,524
Franchise agreements	3–20 years	1,890,000	(584,985)	1,305,015
Total intangible assets		$3,340,000	$(1,161,461)	$2,178,539

The weighted-average amortization period remaining for definite-lived intangible assets was approximately 8.8 years as of December 31, 2023. Estimated future amortization expense for intangible assets is as follows:

Years Ending December 31	
2024	$ 265,000
2025	265,000
2026	251,000
2027	251,000
2028	251,000
Thereafter	603,615
Total	$1,886,615

5. EQUITY

Franchisor has one class of member interests authorized. Franchisor's board of managers may authorize other classes or series of units from time to time and determine the terms and conditions applicable to such new units.

6. AGREEMENTS WITH AFFILIATES

The following describes Franchisor's agreement related to expense reimbursements with an affiliate. Franchise agreements with affiliated companies are described in Note 7.

General and Administrative Expense Reimbursement Agreement—Effective January 10, 2019, Franchisor executed a general and administrative expense reimbursement agreement with an affiliate,

AS Manager LLC ("Manager"). Under the terms of this agreement, Manager provides services for Franchisor's management and administrative functions, including operations, marketing, legal, finance, accounting, human resources, risk management, technology, and other related services. The agreement expires on December 31, 2029 but may be terminated by either party at any time for any reason upon notice. Fees charged to Franchisor under this agreement represent the actual cost incurred by Manager in performing these services for Franchisor.

Under the terms of this agreement, Franchisor recognized $3,640,412, $3,892,741, and $3,107,501, of expense in the statements of operations for the years ended December 31, 2023, 2022, and 2021, respectively, and amounts due to Manager were $189,764 and $1,024,400, as of December 31, 2023, and 2022, respectively.

Franchise Agreements with Affiliated Individuals—Franchisor has franchise agreements with two ASA locations which are partially-owned by an affiliated individual. Franchisor recognized total revenue of $67,149, $49,075, and $16,407 for the years ended December 31, 2023, 2022, and 2021, respectively, under the associated agreements. Revenue was recognized under terms consistent with other franchised locations. Franchisor also has franchise agreements with two stayAPT locations under development which are wholly-owned by an affiliated individual. As of December 31, 2023, Franchisor has not recognized any revenue under the associated agreements.

7. FRANCHISE AGREEMENTS

Franchisor is the owner of the trademarks under the ASA and stayAPT names and other trademarks, trade names, service marks, logos, and commercial symbols (the "Marks") and has licensed the use of the Marks to affiliated and nonaffiliated third-party franchisees.

Franchisor recognizes royalty fees from both its affiliate (Taxable REIT Subsidiary) and non-affiliate 3rd party owners. For the years ended 2023, 2022, and 2021, Franchisor recognized affiliate revenues of $1,401,343, $968,422, and $457,999, respectively, and non-affiliate 3rd party owner revenue of $815,620, $723,349, and $603,198, respectively.

Franchisor also recognized marketing fees ranging from 0% to 2% of gross rooms revenue. Franchisor is contractually obligated to expend marketing fees it collects from franchisees for marketing purposes such as advertising, promotion, and training for the respective franchisees, and is required to provide certain services to its franchisees, including technology and purchasing programs. Franchisees are obligated to operate their hotels under the Marks and conform to brand operating standards. For the years ended 2023, 2022, and 2021, Franchisor recognized affiliate revenues of $464,886, $316,148, and $132,445, respectively, and non-affiliate 3rd party owner revenue of $57,489, $50,816, and $38,450, respectively.

8. COMMITMENTS AND CONTINGENCIES

Legal Contingencies—Franchisor is not a party to any litigation or claims, other than routine matters arising in the ordinary course of business, that are incidental to the operation of the business of Franchisor. Franchisor believes that the results of all claims and litigation, individually or in the aggregate, will not have a material adverse effect on its business, financial position, or results of operations.

* * * * * *

Part II - Unaudited Financial Statements

These financial statements have been prepared without an audit. Prospective franchisees or Sellers of Franchises should be advised that no independent certified public accountant has audited these figures or expressed an opinion with regard to their content or form.

LG AS FRANCHISOR LLC

BALANCE SHEET
AS OF MARCH 31, 2024

ASSETS	
CASH AND CASH EQUIVALENTS	$ 687,218
ROYALTY AND MARKETING FEE RECEIVABLES	301,013
PREPAID EXPENSES AND OTHER ASSETS	61,269
PREPAID EXPENSES TO AFFILIATE	1,840,479
OFFICE FURNITURE AND EQUIPMENT—Net	6,071
FRANCHISE AGREEMENTS—Net	1,121,355
TRADEMARKS—Net	692,279
TOTAL ASSETS	$4,709,684
LIABILITIES AND MEMBER'S CAPITAL	
LIABILITIES:	
Accounts payable and accrued liabilities	$ 288,233
Deferred revenue	2,119,230
Total liabilities	2,407,463
MEMBER'S CAPITAL	2,302,221
TOTAL LIABILITIES AND MEMBER'S CAPITAL	$4,709,684

LG AS FRANCHISOR LLC

STATEMENT OF OPERATIONS
FOR THE PERIOD JANUARY 1, 2024 TO MARCH 31, 2024

REVENUES:	
Royalties	$ 580,103
Marketing fees	147,517
Other revenues	645
Total revenues	728,265
OPERATING EXPENSES:	
General and administrative expense reimbursement—AS Manager LLC	787,329
General and administrative	456,785
Brand development expenses	69,242
Depreciation and amortization	76,687
Total operating expenses	1,390,043
NET LOSS	$ (661,778)

LG AS FRANCHISOR LLC

STATEMENT OF CHANGES IN MEMBER'S CAPITAL
FOR THE PERIOD JANUARY 1, 2024 TO MARCH 31, 2024

MEMBER'S CAPITAL—December 31, 2023	146,738
Cash contributions	2,867,261
Cash distributions	(50,000)
Net loss	(661,778)
MEMBER'S CAPITAL—March 31, 2024	$ 2,302,221

LG AS FRANCHISOR LLC

STATEMENT OF CASH FLOWS
FOR THE PERIOD JANUARY 1, 2024 TO MARCH 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$ (661,778)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	76,687
Net change in assets and liabilities:	
Royalty and marketing fee receivables and prepaid expenses	286,280
Prepaid expenses to affiliate	(1,840,479)
Accounts payable and accrued liabilities	(123,844)
Deferred revenue	(9,115)
Due to AS Manager LLC	(284,804)
Net cash used in operating activities	(2,557,053)
CASH FLOWS FROM INVESTING ACTIVITIES—	
Net cash used in investing activities	-
CASH FLOWS FROM FINANCING ACTIVITIES:	
Cash contributions	2,867,261
Cash distributions	(50,000)
Net cash provided by financing activities	2,817,261
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	260,208
CASH AND CASH EQUIVALENTS—Beginning of period	427,010
CASH AND CASH EQUIVALENTS—End of period	$ 687,218

EXHIBIT D

Franchise Agreement

FRANCHISE AGREEMENT

BETWEEN

FRANCHISOR:

LG AS FRANCHISOR LLC
10801 Monroe Road
Matthews, NC 28105
Telephone: (843) 235-8899
Fax: (843) 235-0390

AND

FRANCHISEE:

[Name of Franchisee(s)]
[Street Address]
[City, State Zip]
[Phone]

FOR

FRANCHISED LOCATION:

[Site Address]
[City, State Zip]

DATE OF FRANCHISE AGREEMENT ("Effective Date")

_____, 20___

Hotel #: _____

LG AS FRANCHISOR LLC
FRANCHISE AGREEMENT
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B. Ownership & Management Addendum
C. Assignment of Telephone Numbers and Service
D. Acknowledgment Addendum
E. State Addendum (if applicable)

LG AS FRANCHISOR LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is made, entered into and effective on _____20___, by and between LG AS FRANCHISOR LLC, a Delaware limited liability company ("Franchisor"), and _____, a_____ _____ ("Franchisee").

WITNESSETH:

WHEREAS, Franchisor operates and grants franchises to others for the right to establish and operate extended-stay hotels of a distinctive character and quality utilizing standards, specifications, methods and procedures and other aspects of the Business System (as defined in Section 23.1) under the name Affordable Suites of America™ and other trademarks, trade names, service marks, logos and commercial symbols designated to be part of the Business System (collectively, as amended from time to time, the "Marks"); and

WHEREAS, Franchisee acknowledges that it would take substantial capital and human resources to develop an extended-stay hotel similar to the hotels operated under the Marks and using the Business System ("Brand Hotels") and as a consequence, Franchisee desires to acquire from Franchisor the right to use the Marks and Business System and to own and operate one Brand Hotel (hereinafter referred to as the "Hotel") subject to and under the terms and conditions set forth in this Agreement; and

WHEREAS, Franchisee has had a full and adequate opportunity to read and review this Agreement and to be thoroughly advised of its terms and conditions by legal counsel or other personal advisors, and has had sufficient time to evaluate and investigate the Business System, the financial requirements, the economics of the hotel industry and the business risks associated with owning and operating a hotel.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth in this Agreement and for other good and valuable consideration, the parties agree as follows:

ARTICLE 1
FRANCHISED LOCATION; GRANT OF FRANCHISE

1.1 FRANCHISED LOCATION. Franchisor grants to Franchisee, for the term of this Agreement, a nonexclusive personal right to operate the Hotel in conformity with the Franchisor's mandatory standards and specifications, including the operational standards, procedures and techniques prescribed in the Manual and to use the Business System (as it may be changed, improved, and further developed by Franchisor) and the Marks in connection therewith at the following single location (the "Franchised Location"):

_____
Street

_____
City State Zip Code

Franchisee shall operate the Hotel at, and only at, the Franchised Location. If Franchisee's site application has not been approved at the time of this Agreement, this Article shall be automatically amended to list the Franchised Location upon the unconditional approval of the site application by Franchisor.

If Franchisee has not yet submitted a site application for a Franchised Location at the time this Agreement is executed, Franchisee must submit such application within 60 days of the Effective Date. If the initial site application is denied by Franchisor, or should the approved location not be acquired by Franchisee or become redundant for any reason, Franchisee may submit a replacement site application along with a non-refundable application fee of $5,000. Franchisee will have no more than 60 days from the date that (a) Franchisor notifies Franchisee the initial site application was denied; or (b) tFranchisee first communicated to Franchisor its intention to abandon development of the previously approved site and submit a replacement site application. Franchisor shall have 60 days after receipt of Franchisee's complete replacement site application (including all information and materials required by Franchisor for site review) to approve or disapprove the replacement site application for any reason. If a replacement site application is submitted it will be approved or disapproved under the same terms and conditions as the initial site application. Franchisor shall have no obligation to consider more than 2 site applications under this Agreement. Franchisee's failure to timely submit a site application or obtain site approval may result in termination of this Agreement.

1.2 NONEXCLUSIVE. "Nonexclusive," for the purposes of this Agreement, means that Franchisor, its affiliates or related companies with common ownership have the absolute and unconditional right: (a) outside of the Protected Area (as defined in Article 1.3 below), to establish franchised or company-owned hotels (or other businesses) or to offer, sell or distribute products or services associated with the Business System under the Marks or any other trademarks or through any distribution channel or method, all without compensation to any franchisee; (b) within and outside of the Protected Area, to establish franchised or company owned hotels (or other businesses) or to offer, sell or distribute products or services under trademarks other than the Marks, or to offer, sell or distribute any products or services through channels of distribution other than franchised or company-owned hotels operating under the Marks, including through the Internet of other forms of electronic communication; and (c) acquire, be acquired by, sell all or substantially all of its assets, merge, go public, engage in a private placement, affiliate with or engage in any transaction with other businesses (whether competitive or not), with any hospitality business or other business, located anywhere or business conducted anywhere, undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring and (d) to any and all other rights not expressly granted to the Franchisee in this Agreement.

1.3 PROTECTED AREA.

(A) Notwithstanding the provisions of Articles 1.1 and 1.2 above, Franchisor will not open or operate, or grant to others the right to open or operate, a Brand Hotel, without the permission of Franchisee, within a _____ mile radius (the "Protected Area") from the Franchised Location, provided that nothing herein restricts the Franchisor or any other party to advertise one or more Brand Hotels or the Business System within the Protected Area, or to open, operate, or grant others the right to open or operate Brand Hotels

with protected areas that overlap the Protected Area, as long as no other Brand Hotels are located in Franchisee's Protected Area during the term of this Agreement.

(B) If Franchisor or any of its affiliates acquire any chain or system of properties, or multiple units (more than four) of a chain or system, and such purchase includes properties in the Protected Area which the Franchisor or the acquiring affiliate desires to convert to Brand Hotels (hereinafter, whether one or more, "Conversion Hotels"), Franchisor shall provide written notice to Franchisee within a reasonable time of its intent to convert the Conversion Hotels into Brand Hotels. Such notice shall provide Franchisee with a right of first refusal to acquire such Conversion Hotels from Franchisor on the terms provided below if the sale by Franchisor of such properties to Franchisee is allowed by contract and applicable law. Subject to the foregoing, Franchisee shall have the right and option, exercisable within 90 days after receipt of such written notification, which notification shall include the proposed purchase price to provide written notice to Franchisor that Franchisee desires to purchase the Conversion Hotels and to convert all of such properties to Brand Hotels under the Business System. In the event Franchisee elects to purchase and convert the Conversion Hotels Franchisee must close on such purchase and execute the Franchisor's then current franchise agreement for each of the Conversion Hotels (which shall require payment of the initial franchise fee due under such franchise agreement) within 60 days from the date of notice to Franchisor of Franchisee's election to purchase and convert. The purchase price to be paid by Franchisee for the Conversion Hotels shall be the cash equivalent of the fair market value for each of the Conversion Hotels, as determined by an independent appraiser selected and retained by Franchisor. In the event Franchisee does not elect to purchase and convert the Conversion Hotels as provided in this paragraph, Franchisee shall have no further right or option to acquire such Conversion Hotels and Franchisor may sell such Conversion Hotels to another franchisee under the Business System or Franchisor or its affiliates may own and operate the Conversion Hotel under the Business System.

1.4 FRANCHISOR'S RIGHT TO REJECT FRANCHISEE. Franchisor will have the unilateral right to reject Franchisee and declare this Agreement null and void if Franchisor determines that any financial, personal or other information provided by Franchisee to Franchisor is materially false, misleading, incomplete or inaccurate, or Franchisee is not qualified or competent to properly operate the Hotel, or Franchisee has not successfully completed the training program.

1.5 CONDITIONS TO FRANCHISE. Franchisee undertakes the obligation to operate the Hotel under the Marks and Business System at the Franchised Location in strict compliance with the terms and conditions of this Agreement. The rights and privileges granted to Franchisee by Franchisor under this Agreement are applicable only to the Franchised Location, are personal in nature, and may not be used elsewhere or at any other location by Franchisee. Franchisee will not have the right to franchise, subfranchise, license, or sublicense its rights under this Agreement, or to exclude, control or impose conditions on Franchisor's development of future hotels at any time or at any location. No part of the Hotel may be offered for sale, lease or otherwise as condominium or timeshare units or otherwise used for any other purpose than the operation of a Brand Hotel.

ARTICLE 2
TERM OF FRANCHISE

2.1 TERM. The term of this Agreement will be for a period of 20 years, commencing on the Effective Date (the "Term"). This Agreement will not be considered executed and will not be enforceable until it has been signed by Franchisor and Franchisee, and, if Franchisee is an entity, the applicable Principal Owners sign a Personal Guaranty as described in Article 22.11. This Agreement expires on the last day of the Term, and Franchisee has no right to extend or renew this Agreement or the rights granted under it following its expiration.

If Franchisee continues to operate the Hotel using the Marks with Franchisor's express or implied consent following the expiration of the Term, as the case may be, such continued operation will be considered a month-to-month extension of this Agreement, unless otherwise agreed in writing ("Continuation Term"). All provisions of this Agreement, including all exhibits and each Personal Guaranty, will apply while Franchisee continues to operate the Hotel during the Continuation Term. The Continuation Term of this Agreement will be terminable by either party on thirty (30) days' written notice to the other party.

ARTICLE 3
OWNERSHIP AND USE OF MARKS AND BUSINESS SYSTEM

3.1 OWNERSHIP OF MARKS. Franchisor or its affiliates own all right, title and interest in and to the Marks and Business System and the goodwill symbolized by them. Franchisee expressly disclaims any right, title or interest therein or in any goodwill derived therefrom. Any and all improvements made by Franchisee relating to the Marks and Business System will become the property of Franchisor, who will have the exclusive right to register and protect all such improvements in its name in accordance with applicable law. Franchisee may not license, sublicense, or allow the Marks or Business System, or any part thereof, to be used by any other person, company or group without Franchisor's express, prior written consent.

3.2 USE OF MARKS.

(A) Franchisee will use the Marks and Business System only in the manner authorized and specified by Franchisor in the Manual (as defined in Section 23.7) or otherwise. Franchisee shall not, directly or indirectly, at any time during the Term or thereafter, do, cause, or suffer to be done any act or thing disputing, attacking, or in any way impairing or tending to impair the right, title, or interest of Franchisor in the Marks, the Business System or the goodwill therein. Any unauthorized use by Franchisee of the Marks and Business System will constitute an infringement of Franchisor's rights and will constitute a material default under this Agreement. Franchisee's right to use and identify with the Marks and Business System will exist concurrently with the Term. Franchisee will not allege any ownership in the Marks or Business System.

(B) All use of the Marks in electronic commerce, which includes all forms of electronic or computer communication, must comply with the requirements set forth in the Manual. Franchisor may require that various types of marketing or advertising utilize a specific template or format. Franchisee must provide Franchisor with copies of all proposed uses of any of the Marks or any variation thereof for use in and for electronic commerce, including Franchisee's Internet or Website address and domain name. Franchisee must obtain Franchisor's prior written approval to file any such application, which Franchisor may withhold in its sole discretion. Upon expiration or termination of this Agreement, Franchisee agrees to transfer its Internet or Website addresses and domain names to Franchisor upon Franchisor's written request. Franchisee will not receive any compensation for such transfer.

3.3 ADVERSE CLAIMS TO MARKS. Franchisee shall immediately notify Franchisor in writing of all infringements or imitations of the Marks of which Franchisee becomes aware, and Franchisor shall exercise absolute discretion in deciding what action, if any, should be taken. Franchisee shall fully cooperate with Franchisor in the prosecution of any action to prevent the infringement, imitation, or illegal use of the Marks and agrees to be named as a party in any such action at Franchisor's request. Franchisor shall bear any and all legal expenses incident to Franchisee's participation, at Franchisor's request, in any action to prevent the infringement or illegal use of the Marks, except for the cost of any legal counsel separately retained by Franchisee. Except as expressly provided in this Article, Franchisor shall not be liable to Franchisee for any damages, costs, expenses, loss of profits or business opportunities, or incidental or consequential damages of any kind or nature whatsoever relating to any action involving the Marks. If there is a claim by any third party that its rights to any or all of the Marks are superior to those of Franchisor and if Franchisor is of the opinion that such claim is legally meritorious, or if there is an adjudication by a Court of competent jurisdiction that any third party's right to the Marks are superior to those of Franchisor, then upon receiving written notice from Franchisor, Franchisee will, at its expense, immediately make such changes and amendments to the Marks as may be specified by Franchisor. Franchisee will not make any changes or amendments whatsoever to the Marks or Business System unless specified by Franchisor in writing.

3.4 SUBSTITUTION OF MARKS. Franchisor reserves the right to modify the Marks or to substitute different trademarks, trade names, service marks, logos, designs, and commercial symbols as the Marks used to identify the Brand Hotels. In that event, upon receipt of written notice from Franchisor, Franchisee will, at its expense, immediately make all modifications to the Marks specified by Franchisor.

ARTICLE 4
FEES

4.1 INITIAL FRANCHISE FEE. Franchisee will pay to Franchisor an Initial Franchise Fee of $35,000. The Initial Franchise Fee will be due and payable on the date this Agreement is executed by Franchisee. The Initial Franchise Fee is fully earned upon receipt and is nonrefundable.

4.2 ROYALTY FEES. Franchisee will, for the entire Term, pay to Franchisor monthly Royalty Fees equal to the greater of $2,500 or 5% of Franchisee's monthly Gross Room

Revenues, as defined in Section 23.5, which are received, billed or generated by, at, as a result of, or from the Hotel. Ongoing fees for partial months will be pro-rated.

4.3 ADMINISTRATIVE ASSISTANCE FEES. If Franchisee requests and Franchisor or its affiliates provide additional administrative services to Franchisee, including, but not limited to: assistance with closings of financing transactions or other transactions relating to the Hotel; negotiations of comfort letters, non-disturbance agreements, and other instruments, documents and agreements with Franchisee's lenders or prospective lenders, lender's counsel, Franchisee's counsel, any other Franchisee representative, or third party; conducting research related to the Hotel and its operation; preparation of documents, instruments or agreements; and other project-based tasks, Franchisee agrees to pay to Franchisor a reasonable fee, as determined by Franchisor, for such services and to reimburse Franchisor and its affiliates for any costs (including attorney's fees) incurred in connection with the provision of such services.

4.4 TECHNOLOGY FEES. Franchisee will pay such set-up and maintenance fees as Franchisor charges from time to time, for web and email set-up, maintenance and hosting, and for such other technology support as the Franchisor may be providing to Franchisee. As of the Effective Date the initial web set-up fee is between $1,800 and $2,500 and the web maintenance and domain hosting fee is between $300 and $600, in each case depending on the scope of services provided to Franchisee. Because website, online and mobile technologies and their uses are constantly evolving, Franchisor reserves the right to require Franchisee's participation in other technologies being implemented as part of the Business System and charge reasonable fees therefor, in each case intended to off-set costs and expenses incurred by Franchisor or its affiliates in connection with such technologies and related services.

4.5 CONSTRUCTION EXTENSION FEE. Franchisee must complete construction of the Hotel within 24 months of the Effective Date. If franchisee believes it will be unable to do so, it may request up to four 30-day extensions for a fee of $5,000 per extension. Any such extension will be granted only in Franchisor's sole discretion. Franchisee will pay Franchisor a fee of $5,000 at the time the extension is granted, for each 30-day extension period requested. If the extension is not granted, the fee will be refunded.

4.6 PROPERTY IMPROVEMENT REVIEW FEE. If Franchisee requests or Franchisor requires a property improvement review pursuant to Sections 7.7 and 7.15, Franchisee will pay Franchisor a fee of $5,000 for such property improvement review. If the Hotel fails a property inspection conducted pursuant to Section 7.15 and Franchisor deems a re-inspection necessary. Franchisee will pay Franchisor a fee of $2,500 for such re-inspection.

4.7 STR REPORT FEE. Franchisee must reimburse Franchisor for its cost to provide monthly and annual STR reports for the Hotel as incurred. The cost is currently $1,375 per hotel per year.

4.8 OTHER FEES. Franchisee will pay such other fees that are set forth in other sections of this Agreement or otherwise imposed. Such fees shall be due as set forth in Section 4.9 of this Agreement, unless different payment terms are expressly stated for such fees at the time they are imposed or thereafter.

4.9 DATE AND TERMS OF PAYMENT AND REPORTING. Unless payments terms to the contrary are expressly stated in this Agreement or otherwise, all payments required by Article 4, and all other payments due to Franchisor on a continuing basis ("Payments"), shall be due to Franchisor by the tenth (10th) day after the end of the calendar month in which such Gross Room Revenues were received by Franchisee, provided that, Franchisor may, upon notice to Franchisee, collect such payments more frequently than monthly. Franchisee's report of Gross Room Revenues required under Section 6.3 of this Agreement must be submitted to Franchisor on or before such date as Franchisor designates for the preceding month or reporting period, as the case may be. Franchisee acknowledges that nothing contained in this Article 4 shall constitute an agreement by Franchisor to accept such Payments after the same are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of, the Hotel. Franchisee acknowledges that Franchisee's failure to pay all such amounts when due shall constitute grounds for termination of this Agreement, notwithstanding the provisions of this Article entitling Franchisor to interest on late Payments. The entitlement to such interest charges shall be in addition to any other remedies Franchisor may have.

4.10 METHOD OF PAYMENT. All Payments shall be made by wire transfer, electronic funds transfer or such other electronic transfer method as Franchisor may designate. In its sole discretion, Franchisor may collect Payments required by Article 4 by direct debit withdrawal by Franchisor from a designated bank account of Franchisee. Franchisee will, upon written request from Franchisor, execute such documents as Franchisor may request to provide Franchisee's authority and direction to its bank or financial institution authorizing and directing Franchisee's bank or financial institution to pay and deposit directly to the account of Franchisor, and to charge to the account of Franchisee, the amount of any Payment and other sums due and payable by Franchisee pursuant to this Agreement. The authorizations will be in the form prescribed by Franchisor's bank. Franchisee's authorizations will permit Franchisor to designate the amount to be debited or drafted from Franchisee's account and to adjust such amount from time to time, to the amount of the Payments and other sums then payable to Franchisor from Franchisee. Franchisee will, at all times during the term of this Agreement, maintain a balance in its account at its bank or financial institution sufficient to allow the appropriate amount to be debited from Franchisee's account for payment of the sums payable by Franchisee for deposit in the account of Franchisor.

4.11 INTEREST ON UNPAID AMOUNTS. If Franchisee fails to pay any amounts owed to Franchisor by the due date, then the unpaid amounts due to Franchisor will bear interest at 18% per annum simple interest, or, if lower, at the maximum legal rate allowable in the state in which the Hotel is located. If Franchisee does not submit a report of Gross Room Revenues pursuant to Section 6.3, then Franchisor will have the right, in its sole judgment, to estimate the amount of the Royalty Fees, Marketing Fees and any other fees payable by Franchisee, and the estimated unpaid monthly Royalty Fees, Marketing Fees and any other fees will bear interest at the rate set forth above.

4.12 NO RIGHT TO OFFSET. Franchisee will not, on grounds of the alleged nonperformance by Franchisor of any of its obligations under this Agreement, any other contract between Franchisor and its affiliates and Franchisee, or for any other reason, withhold payment of any Royalty Fees, Marketing Fees or any other fees or payments due to Franchisor under this Agreement or any other contract, promissory note or other obligation payable by Franchisee to

Franchisor. Franchisee will not have the right to "offset" or withhold any liquidated or unliquidated amounts allegedly due to Franchisee from Franchisor against the Royalty Fees, Marketing Fees or any other payments due to Franchisor under this Agreement or any other contract, promissory note or other obligation payable by Franchisee to Franchisor.

ARTICLE 5
ADVERTISING AND MARKETING

5.1 PRE-OPENING ADVERTISING AND GRAND OPENING PROMOTION. Franchisee will conduct certain Franchisor approved advertising and public relations activities in connection with the opening of the Hotel. Franchisee shall obtain Franchisor's approval prior to conducting such advertising and public relations activities. Franchisee shall spend a minimum of $3,000 for approved advertising and public relations activities.

5.2 MARKETING FEES. Franchisee will, for the entire term of Agreement, pay to Franchisor nonrefundable monthly Marketing Fees in an amount equal to 1% of Franchisee's monthly Gross Room Revenues. The Marketing Fee will be deposited into a marketing fund ("Marketing Fund"). At Franchisor's discretion, the Marketing Fee may be reduced or increased upon not less than 30 days' notice to Franchisee, provided that the Marketing Fee will not exceed 2% of monthly Gross Room Revenues over the Term. Independent of the Marketing Fund, Franchisor may, at its option, charge Franchisee a reasonable fee on a project basis for marketing and advertising materials and projects prepared or undertaken for use by the Business System.

5.3 USE OF MARKETING FEES. Franchisor will use the Marketing Fund in its sole judgment for the payment of expenses incurred in connection researching, developing and preparing national, regional, point of sale, and local direct sales advertising, marketing strategy materials and the general promotion of the Brand Hotels, including:

(A) formulating, developing, implementing, maintaining and disseminating advertising, marketing, public relations, and promotional campaigns and materials including, without limitation, through radio, television, newspapers, magazines and online;

(B) developing, maintaining and updating Brand Hotel specific websites and social media presence, placing listings in national, regional or online directories of hotels;

(C) conducting market research, developing training, motivational and educational programs with respect to marketing, sales, advertising, customer service and public relations and making such programs available to Brand Hotel franchisees and their employees; and

(D) administering the Marketing Fund, including maintaining a national sales and marketing staff, accounting expenses and the actual cost of salaries and fringe benefits paid to Franchisor's employees engaged in the administration of the Marketing Fund.

The methods of advertising, media employed and contents, terms and conditions of advertising campaigns and promotional programs are within the sole judgment of Franchisor. Any Brand Hotels that are owned and operated by Franchisor will contribute Marketing Fees in the

same manner as Brand Hotel franchisees; however, any hotel owned by an entity under common control with Franchisor will not be contractually required to contribute to the Marketing Fund. Franchisor is not required in its role as the franchisor to contribute to the Marketing Fund. The Marketing Fees paid by Franchisee are not refundable. Franchisee acknowledges that the intent of the Marketing Fund shall be to maximize general public recognition, direct sales programs, and acceptance of the Brand Hotels and Marks for the benefit of the Business System, and Franchisor shall have no obligation in administering the Marketing Fund, to make expenditures for Franchisee which are equivalent or proportionate to any payments by Franchisee, or to ensure that any particular Franchisee or any particular franchised location benefits directly or pro rata from advertising or promotion conducted under the Marketing Fund. The Marketing Fund is not a trust or escrow account, and Franchisor has no fiduciary obligation to franchisees with respect to the Marketing Fund; provided, however, that Franchisor will make a good faith effort to expend such fees in a manner that Franchisor determines is in the general best interests of the Business System. Franchisor has the right to advance monies to the Marketing Fund and subsequently obtain reimbursement of such advances out of Marketing Fund fees collected. Franchisor has the right to divide the Marketing Fund into two or more funds, by WHFS Brand or otherwise. If Franchisor operates more than one brand of hotels it has the right to combine the Marketing Fund with any marketing fund for such other brand or brands. If Franchisor operates more than one brand, for purposes of this Section, "Brand Hotel" will mean any hotel operated under the Marks and any hotel operated under such other brand.

5.4 CONTENT AND FORMAT REQUIREMENTS. All marketing and promotion by Franchisee shall be factual, ethical, and in good taste in the judgment of Franchisor. All advertising, marketing, and sales materials used by Franchisee in any medium shall be conducted in such manner, and shall conform to such standards and requirements, as Franchisor may specify from time to time. Franchisee must submit to Franchisor for its prior written approval samples of all advertising, marketing, and sales plans and materials and all other materials displaying the Marks that Franchisee desires to use which have not been prepared or previously approved by Franchisor.

5.5 ROOM PRICING. Franchisee is responsible for setting the prices and rates for guest rooms and other products and services at the Hotel, and Franchisee will honor all pricing, rates, discounts, and terms as published at the time of booking. Franchisor may prohibit certain types of charges or billing practices that Franchisor determines are misleading or harmful to the Business System (whether or not they are contrary to applicable law in the location of the Hotel), such as price-gouging, and may require that Franchisee set consistent pricing in all distribution channels. In no event will Franchisee set prices or rates, or use such pricing terms that are contrary to applicable law in the location of the Hotel. Franchisor and Franchisee recognize the value of pricing, promotions, and marketing programs that facilitate the marketing of the Business System, the goodwill, reputation, and uniformity of the Business System and consumer acceptance and recognition of Brand Hotels. Franchisee and Franchisor agree that, in order to better accomplish these objectives, Franchisor may from time to time in its sole judgment recommend: (a) that rates for lodging accommodations start at levels no higher than those determined by Franchisor; (b) mandatory maximum charges for the goods and services offered by Franchisee at the Hotel; (c) Franchisees offer some rooms in the Hotel at specified maximum prices; and (d) other rates and prices to the extent permitted by applicable law. Where prohibited by law Franchisor's recommendations will not be mandatory.

ARTICLE 6
FINANCIAL STATEMENTS, SALES REPORTS, FORMS AND ACCOUNTING

6.1 QUARTERLY AND ANNUAL FINANCIAL STATEMENTS. Franchisee will provide Franchisor with quarterly financial statements consisting of a balance sheet and income statement. Franchisee will also provide to Franchisor annual financial statements consisting of a balance sheet, income statement, statement of cash flows, and footnotes. The quarterly financial statements will present the financial results of the Hotel operations for both the current month and year to date. All financial statements provided to Franchisor for the Hotel will be presented in the exact form and format prescribed by Franchisor in writing, and will be formatted in accordance with the chart of accounts prescribed by Franchisor. Franchisee's quarterly financial statements will be delivered to Franchisor by the 20th day of the months of April, July, October and January of each year. Franchisee's annual financial statements will be delivered to Franchisor within 90 days of Franchisee's fiscal year end. Franchisee's annual financial statements must be certified by an independent certified public accountant, or, at the Franchisor's request audited by an independent certified public accountant.

6.2 INCOME TAX RETURNS. Upon request from Franchisor, Franchisee will provide Franchisor with copies of all federal and state income tax returns filed by Franchisee and each of the owners of Franchisee.

6.3 REPORTS OF GROSS ROOM REVENUES. Franchisee will maintain an accurate written record of daily Gross Room Revenues for the Hotel and will remit a signed and verified statement of the monthly Gross Room Revenues generated by, at, as a result of, or in connection with the Hotel using such forms as Franchisor may prescribe in writing. The monthly or periodic statement of Gross Room Revenues is due to Franchisor at the same time as Franchisee's Royalty Fees for the applicable reporting period. In lieu of Franchisee providing Franchisor with any reports required by this Agreement, Franchisor has the right to require Franchisee to give Franchisor access, and Franchisee agrees to provide Franchisor such access, to Franchisee's records and computer systems and applications as reasonably necessary for Franchisor to independently generate reports required by this Agreement on such dates that such reports become due. It is Franchisee's responsibility, whether Franchisee provides the reports or allows Franchisor access to generate them itself, to ensure that all data necessary to generate such reports is fully and properly entered in such programs and systems as may be necessary to generate the reports.

6.4 ACCESS TO COMPUTER SYSTEM AND DATA. Upon Franchisor's request, Franchisee will provide Franchisor with electronic access at all times to Franchisee's financial statements and reports and all other data pertaining to the Hotel, whether maintained by Franchisee or by third parties.

6.5 FRANCHISOR'S AUDIT RIGHTS. Within 3 days after receiving notice from Franchisor, Franchisee will make all of its financial records, books, ledgers, work papers, accounts, bank statements, tax returns (including without limitation all personal tax returns for each of the owners of Franchisee), sales tax returns, and other financial information pertaining to the Hotel ("Books and Records") available to Franchisor at all reasonable times for review and audit by Franchisor or its designee. The Books and Records for each fiscal year will be kept in

a secure place by Franchisee and will be available for audit by Franchisor for at least 5 years after the end of such fiscal year. Further, in addition to or in lieu of an on-site audit, Franchisor has the right to require Franchisee to provide to Franchisor, at Franchisee's sole expense, copies of all Books and Records as requested by Franchisor. If an audit by Franchisor results in a determination that Franchisee's Gross Room Revenues were understated intentionally or by more than 2% for any accounting period, or if the audit is made necessary by Franchisee's failure to furnish reports, financial statements, or tax returns as required under Sections 6.1, 6.2 and 6.3, then Franchisee will, in addition to curing any deficiency in Royalty Fees or other amounts owed to Franchisor (plus interest as provided for herein), pay Franchisor for all costs and expenses, including salaries of Franchisor's employees, travel costs, room and board, and audit fees, that it has incurred as a result of the audit. The foregoing remedies shall be in addition to and not in lieu of all other remedies and rights of Franchisor hereunder or under applicable law, and Franchisor's right to audit will continue for 24 months following the termination or expiration of this Agreement. Franchisor has the right to use in any appropriate manner all reports, data and other information Franchisee submits to Franchisor or Franchisor obtains through review of Franchisee's books and records or by accessing Franchisee's computer system, which relate to the operation of the Hotel. Specifically, Franchisor has the right to share said reports, data and other information with third parties, including, but not limited to, consultants and existing and potential franchisees.

6.6 DATA USAGE. Franchisee agrees that Franchisor or its affiliates may, to the extent permitted by law, disclose to third parties' data concerning and relating, directly or indirectly, to the Franchisee, the operations of Franchisee, and Franchisee's customers, including, but not limited to information about occupancy rates ("Operations Data"). Franchisee waives any notice in connection with the disclosure of Operations Data. Franchisor agrees, that it, or its affiliates, will from time to time disclose to Franchisee such operations data as it deems appropriate regarding other Franchisees of Franchisor (Operations Data jointly with operations data of other Franchisees, "System Operations Data"). The Franchisor may, in its sole discretion, determine when and what System Operations Data will be disclosed, and may, without prior notice to, or consent from Franchisee, change the scope of the Systems Operations Data being disclosed to Franchisee or when it is disclosed. Systems Operations Data disclosed to Franchisee is disclosed solely for Franchisee's internal business purposes and to enable Franchisee to compare its results with those of other Franchisees of Franchisor. If Franchisor or its Affiliates operate multiple brands, Franchisee agrees that Franchisor or its Affiliates may disclose System Operations Data to each other and to franchisees of such other brands. The disclosed Operations Data and Systems Operations Data remains confidential information of Franchisor. Franchisee may not disclose Systems Operations Data to other Franchisees of Franchisor, prospective Franchisees of Franchisor, competitors of Franchisor, prospective purchasers of Franchisee or any of Franchisee's assets, financial institutions, or any other third parties. The Systems Operations Data so disclosed will be based on information provided to Franchisor by its Franchisees. Such information will not be verified by Franchisor or any of its affiliates. Franchisor has no obligation to correct Systems Operations Data disclosed after it learns that it was incorrect or incomplete, or to inform Franchisee thereof.

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

7.1 SYSTEM COMPLIANCE. From time to time, Franchisor will promulgate uniform standards of quality and service pertaining to the business operations of the Hotel so as to protect the distinction, valuable goodwill and uniformity represented and symbolized by the Marks and Business System. Any required standards exist to protect Franchisor's interests in the Business System and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to Franchisee. Franchisee expressly acknowledges that adherence to each and every required or mandatory provision of the Business System is reasonable, necessary, and essential to establish and maintain the uniform image and favorable reputation of each Brand Hotel and the Business System and the success of Franchisor's franchise program.

7.2 USE OF MARKS; IDENTIFICATION OF HOTEL. Franchisee will operate its Hotel so that it is clearly identified and advertised under the Affordable Suites of America™ name or such other Mark as may be directed by Franchisor. However, the style and form of these words and the Marks in any advertising, marketing or promotional program or campaign must have the prior written approval of Franchisor. Whenever practical, Franchisee will use the Marks on all supplies, uniforms, FF&E, advertising, promotional materials, signs, and other articles in the manner prescribed by Franchisor in writing. Franchisee will, at its expense, comply with all notices of registration required by Franchisor and will, at its expense, comply with any other trademark, trade name, service mark, copyright, patent or other notice marking requirements required by Franchisor or applicable law.

7.3 FRANCHISEE'S BUSINESS NAME. Franchisee will not use the words "Affordable Suites of America" or any other Mark, or any combination, variation or abbreviation thereof or of any other Mark or words confusingly similar thereto in its corporate, limited liability company or partnership name. Franchisee will hold itself out to the public as an independent contractor operating its Hotel pursuant to a license from Franchisor. Whenever practical, Franchisee will clearly indicate on its business checks, stationery, purchase orders, business cards, receipts, promotional materials, and other written materials that Franchisee is a franchisee of Franchisor. Franchisee will display a sign in the front desk area of the Hotel which is clearly visible to the general public indicating that the Hotel is independently owned and operated as a franchised business. Franchisee will file for a certificate of assumed name in the manner required by applicable state law so as to notify the public that Franchisee is operating its Hotel as an independent business pursuant to this Agreement.

7.4 COMPLIANCE WITH STANDARDS AND SPECIFICATIONS. The Hotel will conform to Franchisor's prototype plans and specifications, exterior and interior design, décor, FF&E, signage, landscaping, color schemes and all other mandatory aspects of the Business System which must be approved by Franchisor prior to construction. Franchisee will not add any guest rooms or make any architectural, structural, design or decorating changes to the interior or exterior of the Hotel without Franchisor's prior written approval. Franchisee will purchase and install, at its expense, the fixtures, furnishings, equipment, furniture, telephone system, computer systems (including property management or related systems, frame relay, customer information system, reservation system), other systems and technology programs specified by Franchisor,

signs, supplies and other items used in the operation of the Hotel ("FF&E"). The FF&E used in the Hotel must be installed and located in accordance with the floor plans and specifications approved by Franchisor, and must conform at all times to the quality standards and uniformity requirements established by Franchisor. Without limiting any other provision in this Agreement, Franchisor has and its affiliates own and have the perpetual right to use and to authorize other Brand Hotels to use, and Franchisee will fully and promptly disclose to Franchisor, all designs, products, services, procedures, ideas, plans, improvements, concepts, formulas, methods and techniques relating to the development or operation of an Brand Hotel or any similar business conceived or developed by Franchisee or Franchisee's employees during the term of this Agreement ("Inventions"). Franchisor will have no obligation to compensate Franchisee or its employees for any Inventions, it being understood and agreed that the benefit to Franchisee from the overall enhancement of the Business System is sufficient consideration for granting this right to Franchisor.

7.5 OWNERSHIP OF DEVELOPMENTS. If Franchisee develops any designs, products, services, procedures, or inventions deemed by Franchisor to be appropriate for use in other Brand Hotels or any franchise system of a Franchisor affiliate, it is understood and agreed that Franchisor shall be the owner of such designs, products, services, procedures, or inventions without obligation to compensate Franchisee, it being understood and agreed that the benefit to Franchisee from the overall enhancement of the Business System is sufficient consideration for granting this right to Franchisor, however Franchisee will be granted a license to use such designs, products, services, procedures, or inventions.

7.6 MAINTENANCE AND HOUSEKEEPING OF HOTEL. The Hotel and everything located on the Hotel premises shall be maintained by Franchisee in a clean, safe, orderly, and first-class condition in accordance with the standards specified in the Manual, and consistent with the image of a clean, sanitary, attractive, safe, and efficiently operated lodging accommodation. The Hotel shall be constructed, maintained, and operated in compliance with all applicable fire, safety, health, and sanitation laws, ordinances, and regulations, and Franchisee shall maintain the highest health standards and ratings applicable to the Hotel and otherwise maintain high moral and ethical standards at the Hotel. Franchisee will, at its expense, repair, paint and keep in a clean and sanitary condition the interior, exterior and grounds of the Hotel, and will replace all FF&E items, including computer systems, software, and signs as such items become worn-out, soiled or in disrepair. All mechanical equipment, including ventilation, heating, and air conditioning, will be kept in good working order by Franchisee at all times and will meet Franchisor's quality standards. Any replacement FF&E items, including computer systems, software, and signs must comply with Franchisor's then-current standards and specifications.

7.7 REMODELING AND REDECORATION OF HOTEL. At Franchisor's request, Franchisee will be required to remodel, modernize, redecorate and renovate the Hotel, and to replace and modernize the FF&E and supplies used in the Hotel so that the Hotel will reflect the then-current image intended to be portrayed by the Franchisor, including, without limitation, such structural changes, remodeling, and redecoration and such modifications to existing improvements as may be deemed necessary by Franchisor. Franchisee acknowledges that the market place in which it operates may change frequently and quickly during the Term, and that some aspects of the Business System, such as computer systems and technology, may need frequent upgrades and changes. All remodeling, modernization, redecoration and renovation of the Hotel must be done

in accordance with the standards and specifications as prescribed by Franchisor from time to time and with the prior written approval of Franchisor. All replacements for the equipment, decor items, furniture, fixtures and supplies must conform to Franchisor's then-current quality standards and must be approved by Franchisor in writing. Franchisee will commence remodeling, modernizing, redecorating and renovating the Hotel within 180 days of the date that Franchisee receives written notice specifying the required remodeling, modernization, redecoration and renovation from Franchisor. Franchisee will not be required to extensively remodel, modernize, redecorate or renovate the Hotel or to replace and modernize its furniture, fixtures, supplies and equipment more than once every 5 years during the term of this Agreement. Except as described above, Franchisee shall make no additions, alterations, or replacements to the Hotel or anything located on the Hotel premises without the prior written consent of Franchisor.

7.8 PRODUCTS AND SERVICES. Franchisee will sell only those products and services approved by Franchisor in writing and will offer for sale all products and services prescribed by Franchisor. Franchisee will have the right to sell all products and services at whatever prices and whatever terms it deems appropriate. Franchisee will conform to all customer service standards prescribed by Franchisor in writing.

7.9 APPROVED SUPPLIERS AND APPROVED PRODUCTS.

(A) Franchisor may require that Franchisee will purchase from suppliers approved in writing by Franchisor ("Approved Suppliers") any and all products, supplies, uniforms, signs, FF&E, computer hardware and software, advertising and marketing materials, or services relating to the operation of the Hotel ("Approved Products") to be used or sold at the Hotel which Franchisor determines meet the standards of quality and uniformity required to protect the valuable goodwill and uniformity symbolized by and associated with the Marks and Business System. If Franchisor has not designated one or more Approved Suppliers for an Approved Product Franchisee may purchase such Approved Product from any source, as long as the standards and specifications for such Approved Product are met. If Franchisee desires to purchase any Approved Products, other than Approved Products displaying any Mark, from unapproved suppliers, then Franchisee will submit a written request to Franchisor to determine whether the suppliers' products comply with Franchisor's standards and specifications. Franchisee must submit whatever information, specifications, or samples Franchisor requires and reimburse Franchisor for its costs of review and testing the alternate supplier. Franchisor will respond in writing with its decision within 45 days of receiving Franchisee's written request and all other information, specifications and samples Franchisor deems reasonably necessary to evaluate the alternative supplier. Franchisor reserves the right to approve or disapprove proposed alternative vendors in its sole discretion. Franchisor has the right to charge Franchisee a reasonable fee for the review of the alternative supplier, or request reimbursement for its costs of review and testing the alternate product or service, if such costs are higher than the then current fee. Franchisor may revoke an approval previously given at any time in its discretion, upon notice to Franchisee. Notice will be given in a manner that Franchisor deems appropriate.

(B) If Franchisee would like to use alternate products or services to Approved Products, Franchisee must first request in writing that Franchisor approve the alternate

product or service. Franchisee must submit whatever information, specifications, or samples Franchisor requires (including a sample room or space using the alternate product), including standards and specifications for the alternative product, prepared by a qualified professional, which, if approved by Franchisor, shall not be materially modified without the prior written consent of Franchisor. As used in this Article the term "materially modified" shall mean any modification that would (a) change the size or dimensions of any public areas, room, or amenities of the Hotel, (b) affect the appearance or design of any portion of the Hotel or the quality of the materials used therein, or (c) constitute a departure from the concept, standards or approved products or services of the Business System. Franchisor has the right to charge Franchisee a reasonable fee for the review of the alternative product or service, or request reimbursement for its costs of review and testing the alternate product or service, if such costs are higher than the then current fee. Franchisor reserves the right to approve or disapprove proposed alternative products or services in its sole discretion. Franchisor will notify Franchisee within a reasonable time of its approval or rejection of the alternate product or service. Franchisor may revoke an approval previously given at any time in its discretion, upon notice to Franchisee, for future purchases. Notice will be given in a manner that Franchisor deems appropriate.

(C) FRANCHISOR AND ITS AFFILIATES MAKE NO WARRANTY WITH RESPECT TO ANY PRODUCTS, SERVICES, EQUIPMENT, SUPPLIES OR OTHER ITEMS FRANCHISOR APPROVES AND FRANCHISOR EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESS AND IMPLIED, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO ANY SUCH PRODUCTS, EQUIPMENT (INCLUDING WITHOUT LIMITATION AND ANY REQUIRED COMPUTER SYSTEMS), SUPPLIES, OR OTHER APPROVED ITEMS.

7.10 COMPLIANCE WITH APPLICABLE LAWS.

(A) Franchisee will, at its expense, comply with all applicable federal, state, city, local, and municipal laws, ordinances, rules and regulations which apply to the construction, establishment and operation of the Hotel. The laws include those affecting zoning and construction, public accommodations, accessibility by persons with disabilities, employment, health and safety, data privacy and security and labor. In addition, Franchisee will, at its expense, be responsible for determining the licenses and permits required by law for the Hotel, for obtaining and qualifying for all construction or all such licenses and permits, and for maintaining all such licenses and permits in full force and effect. Franchisee shall notify Franchisor in writing within 5 days of the commencement of any action, suit, or proceeding, and of the issuance of any inquiry, subpoena, order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, arising out of, concerning, or which may affect the operation or financial condition of the Hotel, including, without limitation, any criminal action or proceeding brought by Franchisee against employees, customers, or other persons.

(B) Franchisee and its owners understand the requirements of, and will abide by, all United States government economic sanctions requirements. Franchisee represents and warrants that neither it nor any of its direct or indirect owners, directors, officers, employees or agents is a person subject to trade restrictions under United States law,

including (without limitation) the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., or any Executive Orders or regulations promulgated thereunder (including Executive Order 13224 of September 24, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, and the Specially Designated Nationals and Blocked Persons List) ("Anti-Terrorism Laws"). Franchisee and its owners may not engage in any activity that would expose Franchisor or its affiliates to a risk of criminal or civil penalties under applicable United States law. Any violation of the Anti-Terrorism Laws by Franchisee or its owners, or any blocking of Franchisee's or its owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

7.11 PAYMENT OF OBLIGATIONS. Franchisee will timely pay all of its noncontested and liquidated obligations and liabilities due and payable to Franchisor, and to suppliers, lessors and creditors of Franchisee. Franchisee's failure to comply with this provision will be deemed a material breach of this Agreement.

7.12 PAYMENT OF TAXES. Franchisee will be responsible and liable for the prompt payment of all taxes payable in connection with the Hotel. Franchisor will have no liability for any taxes which arise or result from the Hotel, and Franchisee will indemnify Franchisor for any such taxes that may be assessed or levied against Franchisor which arise or result from the Hotel. It is expressly agreed by the Personal Guarantors to this Agreement that their personal guaranty applies to the prompt payment of all taxes which arise or result from the Hotel.

7.13 STAFFING. Franchisee shall employ or retain qualified management personnel as prescribed in the Manual. All personnel employed or retained by Franchisee in the position of Resident Manager or general manager shall attend and successfully complete, to Franchisor's satisfaction, Franchisor's manager training program and be certified by Franchisor. The initial Resident Manager/general manager shall complete all shall complete the initial training at least 60 days before the Hotel opens. Any replacement Resident Manager/general manager must complete the entire initial training for property/general managers within 90 days of employment. All other personnel, including any subsequent property manager, shall sign up for training within 14 days of employment and complete their field-based on-the-job training within 90 days of employment. These periods may be extended if space in the applicable training program is not available to Franchisee's personnel during the specified periods. Franchisee will require its employees to wear the standard attire or uniforms approved by Franchisor and will comply with such programs as may from time to time be promulgated by Franchisor to promote the common business image.

7.14 BUSINESS HOURS; RESIDENT MANAGER. The Hotel will be open for business on such days and for such hours as Franchisor may designate from time to time. Franchisee will, at all times, employ a "Resident Manager" who will reside in the Hotel and who will be responsible for supervising the employees and the day-to-day operations of the Hotel. Franchisee will notify Franchisor in writing of the identity of the Resident Manager in Section 2.B of the Ownership & Management Addendum attached hereto as Exhibit B. Franchisee will have a sufficient number of adequately trained and competent personnel on duty to guarantee efficient service to the guests at the Hotel. Franchisee is exclusively responsible for the terms of

employment, compensation, scheduling, benefits, disciplining and all other personnel decisions respecting Hotel employees without any influence or advice from Franchisor.

7.15 FRANCHISOR'S INSPECTION RIGHTS. Franchisor's representatives will have the right to inspect the Hotel at any reasonable time to examine representative samples of goods and products sold or used at the Hotel, and to examine and evaluate the quality of services provided by Franchisee to its guests. Franchisee will cooperate fully with Franchisor's agents during the inspections. Franchisee shall provide all information requested by Franchisor for the purpose of Franchisor's conducting guest satisfaction audits and surveys. If a vacancy exists, Franchisee will provide Franchisor's representatives with a room free of charge at the Hotel during such inspection. Franchisor will have the right to photograph and film the interior and exterior of the Hotel. Franchisor will have the right to use all photographs and recordings of the Hotel for such purposes as Franchisor deems appropriate including, but not limited to, use in advertising, promotional materials, training, marketing, and public relations. Franchisee will not be entitled to, and hereby expressly waives, any right that it may have to be compensated by Franchisor, its advertising agencies, and other franchisees for using photographs or recordings in the manner described herein. Franchisee will take such steps as may be reasonably necessary to correct any deficiencies detected during such an inspection, upon the written request of Franchisor or its agents, within such reasonable time as may be specified therein. If Franchisee fails an inspection for any health or safety reason that Franchisor, in its discretion, deems to constitute a danger to the health or safety of the public, employees at the Property, or guests or visitors to the Hotel, Franchisee shall, immediately upon Franchisor's request, take such action as required by Franchisor, including closing all or part of the Hotel, or not allowing any new guests, until the dangerous conditions have been remedied to Franchisor's satisfaction. Nothing in this Section shall limit or restrict Franchisor's rights under Article 13, or any other Article of this Agreement. In addition, if the Hotel has sustained substantial wear and tear, Franchisee may request, or Franchisor may require, that a property improvement review ("PIR") be performed. The PIR will identify areas of the Hotel or items that do not satisfy the then current System standards as set forth in the Manual, and identify steps required to be taken to remedy identified deficiencies. Franchisee will pay Franchisor the then current fee for performing the PIR. The fee will be payable upon request for the PIR to be performed.

7.16 SECURITY INTEREST. This Agreement and the license granted to Franchisee hereunder may not be the subject of a security interest, lien, levy, attachment or execution by Franchisee's creditors or any financial institution, except with the prior written approval of Franchisor.

7.17 NOTICES. Franchisee will immediately deliver to Franchisor a copy of any notice of default from any mortgagor, landlord, or trustee under any deed of trust with respect to the Hotel, and copies of all notifications of any lawsuits, contract breaches, consumer claims, federal or state administrative or agency proceedings or investigations, or other civil or governmental claims, actions or proceedings relating to the Hotel. Upon request from Franchisor, Franchisee will provide additional information as may be required by Franchisor regarding the alleged default, lawsuit, claim or proceeding or any subsequent action or proceeding in connection with the alleged default, lawsuit, claim or proceeding.

7.18 CREDIT CARDS. Franchisee will honor all credit, charge, courtesy or cash cards or other credit devices required or approved by Franchisor, and will enter into all necessary credit card arrangements. Franchisee must obtain the written approval of Franchisor prior to honoring any unapproved credit, charge, courtesy or cash cards or other credit devices. Franchisor will respond with its decision to Franchisee's request to approve a credit, charge, courtesy or cash cards, or other credit devices within 30 days of receiving Franchisee's written request for approval. Franchisee shall, at its expense, comply with all information security standards published by the Payment Card Industry Security Standards Council, including the Payment Card Industry Data Security Standard (commonly known as "PCI Compliance" or "PCI-DSS"), and any successor thereto, as well as any and all applicable laws intended to protect personal information and to ensure security when transactions are processed using a payment card.

7.19 WEBSITE, ONLINE PRESENCE, MOBILE APPLICATIONS AND DATA PRIVACY.

Upon 90 days' prior written notice, Franchisor may require Franchisee, at Franchisee's expense, to participate in a brand-specific website ("Website") or other online presence, including social media and mobile applications. Franchisor will determine the content and use of the Website and any other brand-specific online presence, will establish the rules under which franchisees may or will participate in such Website and online presence. Franchisor will retain all rights relating to the Website and may alter or terminate the Website upon written notice to Franchisee. Franchisor shall have the only brand-specific website and Franchisee may not have any individual Website for the Hotel. Franchisee's general conduct on the Website or in or through other online presence and specifically its use of the Marks on the Website or through other online presence will be subject to the provisions of this Agreement. Franchisee acknowledges that certain information obtained through its participation in the Website may be considered Confidential Information, including access codes and identification codes. Franchisee's right to participate in the Website or otherwise use the Marks or System on the Internet and other online presence will terminate when this Agreement expires or terminates. Franchisee is solely responsible for protecting itself from disruptions, internet access failures, internet content failures, and attacks by hackers and other unauthorized intruders and Franchisee waives any and all claims Franchisee may have against Franchisor as the direct or indirect result of such disruptions, failures, or attacks. Franchisee must comply with all laws and regulations related to privacy and data protection and breach response policies Franchisor may periodically establish. Franchisee must notify Franchisor immediately of any suspected data breach at or in connection with the Hotel. Because website, online and mobile technologies and their uses are constantly evolving, Franchisor reserves the right to require Franchisee's participation in other technologies being implemented as part of the Business System, such as social media and mobile applications, other mobile marketing and payment technologies.

7.20 HOTEL MANAGEMENT; OPERATORS OF HOTEL FACILITIES.

(A) Starting at least four months before the scheduled opening of the Hotel, either Franchisee or a professional hotel management company (the "Management Company") will oversee the Hotel operations and Resident Manager, in either case only with Franchisor's prior written approval. Franchisee will engage only a qualified and experienced Management Company and will require the Management Company to operate and maintain the Hotel in the same manner as if Franchisee were operating it directly

pursuant to this Agreement. Additionally, Franchisee will obtain Franchisor's prior written approval before engaging any third parties to operate any food and beverage outlets, retail shops or health clubs in the Hotel. Franchisor may review any management agreement between Franchisee and its proposed Management Company. Franchisor may withhold its approval of any proposed manager of the Hotel if Franchisor determines, in its sole discretion, that such entity or individual is not financially capable or does not have adequate experience, skills, or operational capacity to operate the Hotel in accordance with the Manual and this Agreement. Franchisor may condition its approval of Franchisee or any Management Company upon the satisfactory completion of certain training programs. If Franchisee or its proposed Management Company is not approved, Franchisor may require the Hotel to be managed by another management company approved by Franchisor. The approved Management Company will be identified in Section 2.A of the Ownership & Management Addendum attached hereto as Exhibit B.

(B) For any change in Management Company during the Term, Franchisee must obtain Franchisor's prior written approval, which approval may be withheld in Franchisor's sole discretion. In each case, the proposed Management Company must demonstrate that it has the financial capability, experience, skills, and operational capacity to oversee the Hotel operations and Resident Manager in accordance with the Manual and pursuant to this Agreement. Any change in Management Company will be documented by execution of a revised Ownership & Management Addendum in the form attached hereto as Exhibit B.

(C) Franchisee will at all times remain solely responsible for the management, direction, and control of the Hotel and for complying with the obligations of this Agreement, whether or not a Management Company is retained. Franchisor reserves the right to revoke its approval of the Management Company if, in its sole discretion, the Management Company is no longer qualified to manage the Hotel, and may, upon 30 days' notice, require Franchisee to terminate its agreement with the Management Company and retain a replacement Management Company. The management agreement between Franchisee and the Management Company shall at all times be subject and subordinate to this Agreement and, in the event of any conflict between the management agreement and this Agreement, the controlling contract shall be this Agreement.

7.21 FRANCHISEE MEETINGS. During the term of this Agreement, Franchisor may conduct meetings and seminars for Brand Hotel franchisees at such times and at such locations as Franchisor deems appropriate. Franchisee (or, as designated by Franchisor, the Resident Manager) may be required to attend (at Franchisor's then-current fee) a minimum of one annual conference of all Brand Hotel franchisees each year and such regional meetings or seminars as may be arranged by Franchisor from time to time. All expenses incurred by Franchisee, its Resident Manager, or any of its employees in connection with attending the meetings or seminars will be paid by Franchisee.

7.22 RESERVATION SYSTEM AND RESERVATION DATA.

(A) During the term of this Agreement, if Franchisor establishes a reservation system to facilitate the making of reservations at Franchisee's Hotel (hereinafter referred to as the

"Reservation System"), Franchisee will be required to participate in such Reservation System and observe all terms and conditions of participation specified by Franchisor. Franchisee agrees to furnish to Franchisor such information as Franchisor or its designee may request for that purpose. Franchisee will pay Franchisor a reservation fee equal to the then- current reservation fee for each reservation delivered to Franchisee. In addition to the Reservation Fee, Franchisee at its expense agrees to purchase, install and maintain the Reservation System equipment including all required computer hardware and software.

(B) Reservation data, guest personal data, and credit card information are all subject to the general privacy and data protection provisions in this Agreement and must be protected and safeguarded at all times to ensure privacy, protection from theft, piracy, or unauthorized use. Franchisee must comply with all laws and regulations related to privacy and data protection. Franchisee may not sell, transfer, publish, or otherwise use reservation data, guest personal data, or credit card information for any purpose other than in connection with the lawful ownership and operation of the Hotel during the Term and in accordance with this Agreement. Franchisee will inform all of its employees of their obligations concerning this requirement. Franchisor must be notified immediately upon discovery of any prohibited use or disclosure of confidential or proprietary information or any breach of these obligations; and will cooperate fully to prevent further prohibited use.

7.23 **Privacy and Data Protection**. Franchisee must: (i) comply with all applicable international, national, federal, provincial, state, or local laws, codes or regulations that regulate the processing of information that can be used (alone or when used in combination with other information Franchisee controls) to identify, locate or contact an individual or pertains in any way to an identified or identifiable individual, including without limitation names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit report information ("**Personal Information**") in any way, including, but not limited to, national data protection laws, laws regulating marketing communications and/or electronic communications, information security regulations and security breach notification rules ("**Privacy Laws**"); (ii) comply with all standards, specifications, requirements, criteria, and policies that have been and are in the future developed and compiled by us that relate to Privacy Laws and the privacy and security of Personal Information; (iii) implement all administrative, physical and technical safeguards necessary to protect any Personal Information; (iv) refrain from any action or inaction that could cause Franchisor to breach any Privacy Laws; (v) do and execute, or arrange to be done and executed, each act, document and thing Franchisor deems necessary in Franchisor's business judgment to keep Franchisee in compliance with the Privacy Laws; and (vi) immediately report to Franchisor the theft or loss of Personal Information (other than the Personal Information of Franchisee's own officers, directors, owners, employees or service providers). It is entirely Franchisee's responsibility (even if Franchisor provides Franchisee any assistance or guidance in that regard) to confirm that the safeguards Franchisee uses to protect Personal Information comply with all applicable laws and industry best practices related to the collection, access, use, storage, disposal and disclosure of Personal Information.

ARTICLE 8
INSURANCE AND INDEMNIFICATION

8.1 REQUIRED INSURANCE COVERAGE. During the Term, Franchisee shall comply with all insurance requirements of any lease, mortgage, or deed of trust covering the Hotel as well as all insurance requirements of Franchisor as set forth in the Manual or as otherwise communicated by Franchisor. All insurance shall be procured at the earliest possible time that Franchisee has an insurable interest with respect thereto, and shall be written by insurance companies with an A.M. Best rating of AVI or greater. At a minimum, Franchisee shall maintain the following:

(A) Comprehensive or commercial general liability insurance, for any claims or losses arising or resulting or pertaining to the Hotel or its operation, provided that, if the Hotel is managed by a property management company, business auto liability insurance and worker's compensation insurance must be carried by such property management company. If the general liability coverage contains a general aggregate limit, it shall apply in the aggregate to this Hotel only. Such insurance shall be on an occurrence policy form and shall include premises and operations, independent contractors, blanket contractual, products and completed operations, advertising injury, employees as additional insureds, broad form property damage, personal injury, severability of interests, and explosion, collapse and underground coverage during any construction.

(B) Business auto liability including owned, non-owned, and hired vehicles.

(C) Umbrella excess liability insurance.

(D) Insurance on the Hotel (including FF&E, boiler, and machinery) against such risks as Franchisor may specify, including fire, lightning, vandalism, malicious mischief, and all other risks covered by the special extended coverage endorsements, in an amount equal to full replacement value thereof.

(E) If the Hotel is located in whole or in part within an area identified by the Federal Government as having a special flood hazard, flood insurance in an amount not less than the maximum coverable available under the National Flood Insurance Program and excess flood coverage with reasonable limits including business interruption coverage in an amount not less than that set forth in paragraph H. below.

(F) If the Hotel is located in an "earthquake prone zone" as determined by the U.S. Geological Survey, insurance in an amount not less than the probably maximum loss less any applicable deductibles, including business interruption coverage in an amount not less than set forth in Paragraph H below.

(G) Builder's risk property insurance of not less than the full contract price.

(H) Business interruption insurance covering loss of profits and necessary continuing expenses, including coverage for payments of royalty fees and contributions to the Marketing Fund, for any interruption in Franchisee's business operations, as well as

the cost of conducting a pre-opening review before reopening of the business in the event of closure for repairs or rebuild.

(I) Employee dishonesty coverage on all Hotel employees.

(J) Worker's compensation insurance as required by applicable law, employer's liability insurance, and such other insurance as may be required by law.

(K) During construction at the Hotel (including the initial construction of the Hotel), Franchisee shall cause the general contractor to maintain, with an insurer carrying an A.M. Best rating of AVI or greater, the following insurance:

(1) Comprehensive or commercial general liability insurance, for any claims or losses arising or resulting or pertaining to the Hotel or its operation. If the general liability coverage contains a general aggregate limit, it shall apply in the aggregate to this Hotel only. Such insurance shall be on an occurrence policy form and shall include premises and operations, independent contractors, blanket contractual, products and completed operations, advertising injury, employees as additional insureds, broad form property damage, personal injury, incidental medical malpractice, severability of interests, and explosion, collapse and underground coverage during any construction.

(2) Workers' compensation as required by applicable law, employer's liability insurance, and such other insurance as may be required by law.

(3) Umbrella excess liability insurance.

(4) Business auto liability insurance including owned, non-owned and hired vehicles.

(5) Any other insurance required by state or federal law.

Franchisor does not represent or warrant that any insurance that Franchisee is required to purchase, or which Franchisor procures on Franchisee's behalf, will provide adequate coverage for Franchisee. Franchisee should consult with its own insurance agents, brokers, attorneys or other insurance advisors to determine the level of insurance protection it needs and desires, in addition to the coverage and limits required herein. Franchisor's review and verification of certain elements of the franchisee's insurance does not in any way reduce or eliminate Franchisee's obligations to fully comply with all insurance requirements. It is Franchisee's sole obligation to fully comply with these insurance requirements and it is Franchisee's sole obligation to confirm with its insurance providers that its policies are in compliance.

8.2 REQUIRED POLICY TERMS. All policies of insurance (a) shall be written on a fully insured basis with no deductibles in excess of $50,000 nor any self-insured retentions, (b) shall name Franchisor, its owners, its affiliated companies, and each of their respective managers, agents, representatives, officers, directors and employees as additional insureds, except with respect to workers compensation insurance and other employee liability insurance, (c) shall be specifically endorsed to provide that the coverages will be primary and that any insurance carried by any additional insured, including the Franchisor and its owners, its affiliated companies, and

each of their respective owners, managers, agents, representatives, officers, directors and employees (collectively, the "Indemnitees"), shall be excess and non-contributory, (d) shall contain a waiver of any rights of subrogation against the Indemnitees, and (e) shall contain a severability of interest provision in favor of the Indemnitees. At all times during the Term, Franchisee will furnish to Franchisor certificates of insurance evidencing the term and limits of coverage in force, names of applicable insurers, and persons insured, and a statement that coverage may not be canceled, altered, or permitted to lapse or expire without 30 days' advance written notice to Franchisor. Revised certificates of insurance shall be forwarded to Franchisor each time a change in coverage or insurance carrier is made by Franchisee and/or upon renewal of expired coverages. At Franchisor's option, Franchisee may be required to provide certified insurance policy copies. Franchisor may increase the minimum protection or coverage requirements of any policy required under this Article 8, and may require different or additional kinds of insurance at any time to reflect inflation, identification of special risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. Franchisee acknowledges and understands that Franchisor makes no representation or warranty with respect to the adequacy or sufficiency of the insurance required under this Article, and that Franchisee shall have the sole responsibility to determine whether additional insurance or higher limits are appropriate.

8.3 FRANCHISOR'S RIGHT TO ACQUIRE INSURANCE. If Franchisee does not obtain and maintain the insurance coverage required by this Agreement, as revised by the Manual or otherwise in writing, Franchisor may, but shall not be obligated to, procure such insurance, and the cost or expense thereof, together with a reasonable fee for Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon demand.

8.4 INDEMNIFICATION. Franchisee shall indemnify, hold harmless, and promptly reimburse the Indemnitees for, from and against any and all fines, damages, legal fees, costs, expenses, and other liabilities suffered or incurred by the Indemnitees by reason of any actual or threatened claim, demand, lawsuit, tax, penalty, investigation, or other proceeding (even where Indemnitee's negligence or other wrongful conduct is alleged) arising directly or indirectly from, as a result of, or in connection with (a) any application submitted to Franchisor by Franchisee, (b) the development, construction, operation, condition, use, occupancy, or sale of the Hotel, (c) any occurrence at or on the Hotel premises, (d) any environmental matters of any kind pertaining to the Hotel, (e) any breach of any terms and provisions of this Agreement by Franchisee, (f) any offering of securities, units, or other ownership interests of Franchisee, including, without limitation, the violation of any federal and/or state securities laws, and (g) any allegation that the Franchisor is liable under federal or state employment or labor laws as the employer of Franchisee's employees; (h) any allegation that the Franchisor is liable under federal or state data privacy laws; and (i) any breach by Franchisee of data privacy laws. Upon Franchisor's request, Franchisee shall defend Indemnitees against all such matters. In any event, Franchisor shall have the right, through counsel of its choice, to control any matter to the extent Franchisor reasonably determines that such matter may have a significantly adverse effect on Indemnitees. Franchisee shall also indemnify and promptly reimburse Franchisor for all expenses reasonably incurred by Franchisor to protect itself from, or to remedy, any breach of this Agreement by Franchisee. Franchisee's indemnity obligations under this Agreement shall survive the expiration or other termination of this Agreement and shall be in addition to all other rights and remedies of Franchisor. Franchisee's obligations to indemnify Franchisor under this Article shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall

Franchisee's performance of its obligation to maintain insurance relieve Franchisee of liability under this indemnity provision or be construed to be a limitation on the amount of Franchisee's indemnity obligations. The right of the Indemnitees to indemnity under this Agreement shall arise notwithstanding that joint or concurrent liability may be imposed on the Indemnitees by statute, ordinance, regulation, or other law.

8.5 Franchisee shall notify Franchisor in writing within 5 days of receipt of notice or knowledge of any claim, dispute, loss, or damage in the amount of $25,000 or more, real or alleged, arising from Franchisee's activities in, at, or around the Hotel, whether or not such claim names Franchisor. A quarterly notice will be provided by Franchisee to Franchisor regarding any claim, dispute, loss, or damage. Franchisee has no authority to, and shall not, accept any service of process on behalf of Franchisor, any of its affiliated companies, or the Indemnitees.

ARTICLE 9
CONFIDENTIAL OPERATIONS MANUAL AND OTHER INFORMATION

9.1 **COMPLIANCE WITH MANUAL**. In order to protect the reputation and goodwill of Franchisor and to maintain uniform operating standards under the Marks and Business System, Franchisee agrees to at all times to comply with each and every requirement of the Business System and to operate the Hotel in strict compliance with such mandatory standards, specifications, methods, and techniques (as opposed to any best practices and other optional advice that may be included in the Manual) as Franchisor may, prescribe in the Manual, as the same may be modified from time to time by the Franchisor in its sole discretion. Such modifications and supplementations may relate to, without limitation, changes in the business, authorized products and services, FF&E requirements, quality standards, operating procedures, compliance with any requirements for installing frame relay, customer information systems, reservations systems and other systems or technology programs, and to pay any fees or charges associated with any such Business System modifications or supplementations and any other changes reflected in the Manual. Franchisee shall refrain from deviating therefrom and from otherwise operating in any manner which adversely reflects on the Business System, the Marks, the goodwill associated therewith, or Franchisor's rights therein. Notwithstanding the foregoing, Franchisor is not entitled to exert control over Franchisee's employees working conditions, except to the extent of controlling the quality of the Business System/brand and the quality of the products and services that Franchisee offers. Franchisor will provide Franchisee with 1 copy of the Manual which Franchisee will have on loan from Franchisor for the term of this Agreement. Franchisee will keep the Manual in the Hotel at all times. Franchisee acknowledges and agrees that in the future the Manual and other system communications may only be available on the Internet or other on-line or computer data transfer communications. Franchisee further acknowledges and agrees that any required standards set forth in the Manual exist to protect Franchisor's interest in the Business System and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to Franchisee.

9.2 **CONFIDENTIALITY OF MANUAL**. During the term of this Agreement and thereafter, Franchisee will treat the Manual, any other manuals created for or approved for use in the operation of the Hotel, and the information contained therein as secret and confidential, and Franchisee will use all reasonable means to keep such information secret and confidential.

Franchisee will not make any copy, duplication, record, or reproduction of the Manual, or any portion thereof, available to any unauthorized person.

9.3 REVISIONS TO MANUAL. The Manual will at all times during the term of this Agreement and thereafter, remain the property of Franchisor. Franchisor reserves the right to revise the Manual at any time during the term of this Agreement and Franchisee expressly agrees to operate its Hotel in accordance with all such revisions. Franchisee will at all times keep the Manual current and up-to-date, and in the event of any dispute regarding the Manual, the terms of the master copy of the Manual maintained by Franchisor will be controlling in all respects.

9.4 CONFIDENTIALITY OF OTHER INFORMATION. Franchisee acknowledges and agrees that:

(A) Franchisor possesses certain Trade Secrets, and in general, methods, techniques, formats, specifications, programs, procedures, information systems, and knowledge, in the operation and franchising of Properties and other lodging concepts. "Trade Secrets" shall mean confidential information, including, without limitation, (i) the design for Brand Hotels, (ii) methods of service and operations at Brand Hotels, (iii) knowledge of sales and profit performance at any one or more Brand Hotels, (iv) knowledge of test programs, concepts, or results relating to operating, new advertising and promotional programs, (v) sources of suppliers of equipment, (vi) advertising, promotion, and marketing techniques, (vii) methods and information regarding the selection and training of managers and other employees for Brand Hotels; and (viii) the Manual.

(B) Franchisor will be disclosing and providing to Franchisee certain confidential and proprietary information concerning the Business System and Franchisor has a proprietary interest in all such information. "Confidential Information may include by way of example, Trade Secrets, standard plans for Brand Hotels, the Manual, data, know-how, processes, procedures, technology, methods of operation, designs, sketches, photographs, plans, drawings, specifications, reports, financial information, customer lists, pricing information, studies, findings, inventions, and ideas. During the Term or thereafter, Franchisee will not communicate or divulge to any other person or entity any Confidential Information which may be communicated to Franchisee in the Manual or otherwise, or by virtue of this Agreement. Franchisee will divulge Confidential Information only to its employees that must have access to it in order to operate the Hotel and may only use Confidential Information for the purpose of operating the Hotel. Franchisee shall not at any time, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce the materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

(C) Franchisee shall acquire no interest in the Trade Secrets, other than the right to utilize them in the development and operation of the Hotel during the Term. The use or duplication of the Trade Secrets in any other business will constitute an unfair method of competition. The Trade Secrets are proprietary and are disclosed to Franchisee in confidence and solely on the condition that Franchisee agrees, and Franchisee hereby agrees that Franchisee (i) will not use the Trade Secrets in any other business or capacity; (ii) will maintain the absolute confidentiality of the Trade Secrets during and after the

Term; (iii) will not make unauthorized copies of any portions of the Trade Secrets disclosed in written form, including, without limitation, any plans, the Manual; and (iv) will operate and implement all reasonable procedures prescribed by Franchisor to prevent the unauthorized use and disclosure of the Trade Secrets. Franchisee shall immediately notify Franchisor of any unauthorized use of disclosure of the Manual or any of the Trade Secrets or if the Manual or any other materials containing any Trade Secrets are lost or stolen.

(D) The foregoing restrictions on Franchisee's disclosure and use of Trade Secrets shall not apply to information, processes, or techniques that are or become generally known and used by other similar hotels or lodging concepts, other than through disclosure (whether deliberate or inadvertent) by Franchisee, and disclosure of Trade Secrets in judicial or administrative proceedings to the extent that Franchisee is legally compelled to disclose such information, provided, Franchisee shall have used Franchisee's best efforts, and shall have afforded Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be so disclosed.

(E) Unless the context otherwise requires, the term "Franchisee" as used in this Article 9 shall include, individually and collectively, all partners, officers, directors, and managers of Franchisee, and owners or holders, directly or indirectly (and any partners, officers, directors, and managers of any such holder), of 5% or more of the beneficial interest in Franchisee.

(F) In the event any provision of this Article is deemed by a court of competent jurisdiction to be more restrictive than permissible at law or equity, then Franchisee agrees that the provisions hereof may be reformed and modified and enforced by such court to the maximum extent permissible under applicable law and principles of equity. Franchisee agrees that specific performance and injunctive relief are necessary and appropriate remedies for violations of this Article and agrees to the enforcement of such remedies, but without prejudice to the right of Franchisor to recover money damages, which are in no event a full and adequate remedy for such violations.

9.5 CONFIDENTIALITY AGREEMENTS. Franchisee will require all of Franchisee's employees and independent contractors who have access to the Manual or other confidential information to execute an agreement in a form satisfactory to Franchisor, where the employees and independent contractors agree to maintain the confidentiality of all information designated by Franchisor as confidential. During the course of their employment or relationship with Franchisee and thereafter, copies of all executed agreements will be submitted to Franchisor upon request. At Franchisor's request, Franchisee shall also require and obtain execution of a confidentiality agreement in a form acceptable to Franchisor from any or all of the following persons: (a) all officers, directors, and holders of a beneficial interest of 5% or more in Franchisee or any entity that is directly or indirectly the owner of Franchisee. Failure by Franchisee to obtain execution of the confidentiality agreement required by this Article, or to deliver such confidentiality agreement to Franchisor, shall constitute a material breach of this Agreement.

ARTICLE 10
INITIAL TRAINING PROGRAM; FRANCHISOR ASSISTANCE

10.1 INITIAL TRAINING. Franchisor will provide an initial training program for Franchisee and Franchisee's Resident Manager at such location as may be designated by Franchisor to educate, familiarize and acquaint Franchisee and Franchisee's Resident Manager with the operations of Brand Hotels. Franchisee and Franchisee's Resident Manager must successfully complete the initial training program and be certified by Franchisor prior to commencing to operate the Hotel. If Franchisee is using a management company to manage the Hotel, a representative of the management company must also successfully complete the initial training program and be certified by Franchisor prior to starting to manage the Hotel.The period of the initial training program will generally be 4 - 5 days and will be scheduled approximately 2 - 6 weeks before the opening of the Hotel. In the event Franchisor determines that Franchisee or Franchisee's Resident Manager has failed to successfully complete the initial training program, then he or she will not be permitted or authorized to participate in the management of the Hotel. If this Agreement is transferred the new owner of the Hotel will be required to complete the initial training program within 90 days of the date of the transfer ("New Owner Training"). If the Resident Manager is replaced the new Resident Manager will be required to successfully complete the initial training program within 90 days of his or her start date ("New Resident Manager Training"). Franchisor will charge Franchisee its then-current training fee (currently $2,500 for each person who participates in New Owner Training or New Resident Manager Training. The initial training program is subject to change. If the mandatory initial training program for owners, Resident Managers, or other personnel changes between the Effective Date and date Franchisee and its owners and personnel participate in the program, such persons will be required to complete the then-current mandatory initial training program and pay such fees associated therewith at the time of the training.

10.2 PAYMENT OF EXPENSES. During the initial training program, including any New Owner Training and New Resident Manager Training, Franchisee will provide and pay for the room and board for all persons attending the initial training program on behalf of Franchisee. Franchisee will pay the salaries, fringe benefits, payroll taxes, unemployment compensation, workers' compensation insurance, travel costs and all other expenses for Franchisee's Resident Manager and other persons sent to the initial training program by Franchisee, and will comply with all applicable state and federal laws pertaining to employees.

10.3 OPENING ASSISTANCE. After Franchisee and its Resident Manager have successfully completed the initial training program, Franchisor may furnish a representative to Franchisee for a maximum of 5 days, which may or may not be consecutive, who will provide opening assistance to Franchisee as deemed necessary and appropriate by Franchisor including, but not limited to, assistance with implementing the Business System and evaluating initial business operations. Franchisee will reimburse Franchisor for the room and board, travel costs, and related expenses incurred by its representatives to provide opening assistance.

10.4 ADDITIONAL TRAINING. During the term of this Agreement, Franchisee, its owners, or its Resident Manager may (in addition to the meeting/seminar attendance requirements set forth in Section 7.21) be required by Franchisor to attend additional training at such location and time as may be designated by Franchisor. Franchisee will pay the then-current training fee and

the room and board, travel costs, salaries, fringe benefits, payroll taxes, unemployment compensation, workers' compensation insurance, and all other expenses for the persons who attend additional training on behalf of Franchisee.

10.5 CHANGES IN MANAGEMENT PERSONNEL. Franchisee will immediately notify Franchisor in writing of any personnel changes in the management positions of the Hotel. In the event Franchisee hires a new Resident Manager who has not successfully completed Franchisor's training program, then the new Resident Manager must successfully complete the training program prior to assuming the duties of Resident Manager of the Hotel. Franchisee must pay Franchisor the then-current training fee for each new Resident Manager (or any other person) who attends Franchisor's training program.

10.6 TRAINING OF FRANCHISEE'S EMPLOYEES.

Except as set forth above in this Article, it is Franchisee's obligation to ensure that its employees have adequate training to perform any tasks assigned to them by Franchisee, and it is Franchisee's obligation to monitor that such employees perform their tasks in compliance with the Business System.

ARTICLE 11
FRANCHISOR'S OBLIGATIONS

11.1 BUSINESS SYSTEM GUIDANCE. Franchisor or its authorized representative will:

(A) provide Franchisee with one set of prototypical building plans and specifications for the exterior and interior design, color scheme and motif of the Hotel;

(B) provide Franchisee with advice pertaining to the plans and specifications for the Hotel;

(C) provide Franchisee with a written schedule of all furniture, fixtures, supplies and equipment necessary and required for the operation of the Hotel;

(D) provide Franchisee with the Manual and any continuing supplements and modifications to the Manual; and

(E) inspect the Hotel as often as Franchisor deems necessary and render written reports to Franchisee as deemed appropriate by Franchisor.

ARTICLE 12
SITE SELECTION; BUILDING PLANS

12.1 SITE SELECTION. Franchisee will be solely responsible for selecting the site for the Hotel and for purchasing the real estate or otherwise acquiring possession of the site. Accordingly, no provision of this Agreement will be construed or interpreted to impose any obligation upon Franchisor to locate a suitable site for the Hotel, to assist Franchisee in the selection of a suitable site, or to provide any assistance to Franchisee in the purchase of the site.

Franchisor recommends that Franchisee, at Franchisee's expense, retain an experienced commercial real estate broker or salesperson to assist Franchisee with the selection of a site for the Hotel and completes a market study for the selected site. Franchisee will not purchase or otherwise acquire the site until the site has been reviewed in writing by Franchisor to evaluate accessibility, visibility, traffic flows and other demographic information. Franchisee acknowledges that neither Franchisor's review of the proposed site for the Hotel nor any assistance that may be provided by Franchisor in the selection or development of the site constitutes a representation, warranty or guaranty by Franchisor regarding the potential financial success of the Hotel operated at that site, and Franchisee assumes all business and economic risks associated with the site.

12.2 STANDARD LAYOUT AND SPECIFICATIONS. The Hotel must be constructed or renovated to conform to Franchisor's standard prototype layout and specifications for exterior and interior design and fixtures. Franchisor will provide to Franchisee one set of Franchisor's current standard prototype layout (not construction drawings) and specifications and Franchisee will, at its expense, cause complete and detailed building plans and specifications for the construction or renovation of the Hotel including, but not limited to, site plans, to be prepared and certified by a licensed architect and to be submitted to Franchisor for written approval. All variances from Franchisor's construction standards and specifications and Franchisee's building plans and specifications must have the prior written approval of Franchisor. Any unauthorized variances from Franchisor's construction standards and specifications and the building plans and specifications that have not been approved by Franchisor in writing will be deemed to be a material breach of this Agreement. Franchisee will be responsible for ascertaining that the Hotel is constructed or renovated according to Franchisor's construction standards and specifications and the building plans and specifications approved in writing by Franchisor. Franchisee will be solely responsible for acquiring all licenses and building permits required in connection with the construction or renovation of the Hotel and for ensuring that the Hotel is in compliance with all applicable local, state, and federal laws and with the Americans with Disabilities Act.

12.3 SIGNS. Franchisee will, at its expense, either lease or purchase the standard free standing sign and the standard driveway directional sign and any other sign that the Franchisor deems necessary (hereinafter collectively referred to as the "signs") which will be displayed at the Hotel. Franchisee will pay for all costs incurred in connection with the installation of the signs, including all electrical work, construction of the base and foundation, relocation of power lines and all required soil preparation work. The signs must conform to Franchisor's standard sign plans and specifications and must be installed at the Hotel in the place, location and manner specified by Franchisor in writing. Franchisee must maintain the signs in good working order and condition at all times during the term of this Agreement. Franchisee will, at its expense, be responsible for obtaining and paying for any and all permits, licenses, repairs, maintenance, utilities, insurance, taxes, assessments and levies in connection with the signs. Franchisee will comply with all federal, state, and local laws, regulations, building codes and ordinances relating to the installation, maintenance, and use of the signs. Franchisee may not alter, remove, change, modify, redesign the signs or add additional signs unless approved by Franchisor in writing.

12.4 OPENING OF HOTEL. Franchisee is required to obtain the prior written approval of Franchisor before the Hotel opens for business. Franchisee will provide Franchisor

with all copies of necessary licenses, permits or other information requested prior to Franchisor determining if the Hotel is ready to open for business.

ARTICLE 13
FRANCHISOR'S TERMINATION RIGHTS

13.1 GROUNDS FOR TERMINATION. In addition to the other rights of termination contained in this Agreement, Franchisor will have the right (but not the obligation) to terminate this Agreement:

(A) immediately upon written notice to Franchisee without providing Franchisee the opportunity to correct the breach if:

(1) Franchisee is involved in any act or conduct which reflects materially and unfavorably on the operation or reputation of the Business System or the goodwill associated with the Marks or the Business System;

(2) Franchisee misuses or discloses Confidential Information in violation of this Agreement;

(3) Franchisee willfully and materially falsifies any report, statement or other written data furnished to Franchisor;

(4) Franchisee becomes insolvent, has a receiver appointed, or makes a general assignment for the benefit of creditors;

(5) a suit to foreclose any lien or mortgage against the Hotel premises is instituted against Franchisee and not dismissed within 30 days;

(6) Franchisee or any of its partners, Directors, officers or majority stockholders are convicted of, or plead guilty to or no contest to a charge of violating any law relating to Franchisee's business, any crime involving moral turpitude, consumer fraud, any felony, or any crime that Franchisor believes is likely to have an adverse effect on Franchisee's ability to carry out the duties imposed by this Agreement or to have an adverse effect on the Business system and the goodwill associated therewith;

(7) Franchisee ceases to do business, otherwise abandons the business, or forfeits the legal right to do business in the jurisdiction in which the Hotel is located;

(8) Franchisee or one of its owner transfers any of its rights or obligation in violation of the terms of Article 19 of this Agreement;

(9) the nature of Franchisee's breach makes it not curable;

(10) Franchisee fails to comply with one or more requirements of this Agreement 3 times in any one 12-month period even if the defaults are cured;

(11) any affiliate of Franchisee defaults under any franchise agreement or other agreement with Franchisor or with any affiliate of Franchisor which is not curable, or if such default is curable, has not cured such default within the applicable cure period.

(B) At Franchisor's option, without notice, in the event Franchisee shall become bankrupt or become subject to a proceeding under any chapter of the United States Bankruptcy Code, unless Franchisee shall: (i) timely undertake to reaffirm the obligations under the Agreement, (ii) timely comply with all conditions as legally may be imposed by Franchisor upon such an undertaking to reaffirm the Agreement, and (iii) timely comply with such other conditions and provide such assurance as may be legally required in or under relevant provisions of the United States Bankruptcy Code; provided, however, that the parties acknowledge that this Agreement constitutes a personal services contract made in reliance on the qualifications and personal characteristics of Franchisee and its directors, officers, managers, or owners, as the case may be, and in the expectation of a material degree of personal involvement in the management and operation of the Hotel, and consequently, the parties agree that any attempt by any other party, including a trustee in bankruptcy or any other third party, to assume or accept a transfer or assignment of this Agreement shall be void, and that in no event shall this Agreement or any rights or duties of Franchisee hereunder, be transferred to any individual or entity who does not comply with all requirements for transfer specified in this Agreement.

(C) Effective upon the expiration of 30 days' notice (10 days in the case of non-payment of any payment obligation arising under this Agreement) in the event Franchisee defaults, and does not cure to Franchisor's reasonable satisfaction within the 30 days (or 10 day) notice period, in the performance of any other covenant or provision of this Agreement, including without limitation:

(1) Franchisee is unable to obtain site approval or secure fee or leasehold title for the Franchised Location;

(2) construction or renovation of the Hotel has not commenced within 12 months after the Effective Date, or within such longer time granted by Franchisor in writing;

(3) the Hotel has not opened for business within 24 months after the Effective Date, or within such longer time granted by Franchisor in writing;

(4) Franchisee opens and commences operations of its Hotel without the written permission of Franchisor;

(5) Franchisee fails to conform to the Business System or the standards of uniformity and quality for the products and services promulgated by Franchisor, including through the Manual; or

(6) Franchisee fails to timely pay any of its obligations or liabilities due and owing to Franchisor, Franchisor's affiliates, suppliers, banks, vendors, other creditors or any federal, state or municipal government (including, if applicable, federal and state taxes).

(7) Franchisee is in default of its obligations under this Agreement.

13.2 NOTICE OF BREACH. If Franchisee commits one or more of the defaults set forth in Section 13.1 of this Agreement and does not cure such defaults to Franchisor's reasonable satisfaction within 30 days (10 days in the case of non-payment of any payment obligation arising under this Agreement) of Franchisor's written notice to Franchisee of such defaults, then this Agreement shall terminate effective upon the expiration of the notice period stated in Franchisor's notice. In the event that applicable law specifies a different notice period, then the notice period in Franchisor's notice shall be automatically amended to the notice period stated in applicable law.

13.3 DAMAGES. Termination of this Agreement shall not relieve Franchisee of any unfulfilled obligations to Franchisor created hereunder unless it is so agreed by Franchisor in express writing. In the event this Agreement is terminated by Franchisor pursuant to this Article, or if Franchisee breaches this Agreement by a wrongful termination or a termination that is not in accordance with the terms and conditions of Article 15 of this Agreement, then Franchisor will be entitled to seek recovery from Franchisee for all damages that Franchisor has sustained. Without limiting the preceding sentence, Franchisee will pay Franchisor an amount equal to the average monthly Royalty Fee due over the past 12 months, times the lesser of 36 months or the number of months remaining under this Agreement. If the Royalty Fee has been due for less than 12 months, Franchisee will pay Franchisor an amount equal to the average monthly Royalty Fee due since the Hotel began operations times the lesser of 36 months or the number of months remaining under this Agreement. If this Agreement is terminated for any reason (other than as a result of Franchisor's breach) before the Hotel opens, Franchisee will pay Franchisor $65,000, and, if not already paid in full, the outstanding balance of the Initial Franchise Fee. Franchisee acknowledges the difficulty of ascertaining damages to Franchisor resulting from an early termination of this Agreement. The parties acknowledge that a precise calculation of the full extent of the damages which Franchisor will incur if this Agreement is terminated as a result of Franchisee's default is extremely difficult, and agree that the lump sum payment provided under this Section 13.3 is reasonable in light of such premature termination. Franchisee's payment of liquidated damages will be in addition to amounts due to Franchisor or our affiliates under this Agreement. Except as otherwise provided by applicable law, Franchisee's payment of liquidated damages under this Section 13.3 will not affect Franchisor's rights to obtain appropriate, equitable relief and remedies, nor will it affect Franchisor's right to pursue any other remedies.

13.4 OTHER REMEDIES. Nothing in this Article will preclude Franchisor from seeking damages or other remedies under state or federal laws, common law or under this Agreement against Franchisee including, but not limited to, attorneys' fees, damages and injunctive relief.

13.5 NO WAIVER. No forbearance of Franchisor from asserting any default or giving any permitted notice of termination shall constitute a waiver of such default or right to terminate or an estoppel against such right as to any continuing default or subsequent occurrence of a default, whether similar or dissimilar in nature to the prior default. The rights of Franchisor to terminate this Agreement are in addition to, and not in lieu of, other remedies available at law or equity for defaults by Franchisee in the payment and performance of its obligations hereunder.

ARTICLE 14
FRANCHISEE'S TERMINATION RIGHTS

14.1 CONDITIONS OF BREACH. Franchisee will have the right and privilege to terminate this Agreement, as provided herein, if Franchisor violates any material provision, term or condition of this Agreement.

14.2 NOTICE OF BREACH. Franchisee will not have the right to terminate this Agreement or to commence an action or lawsuit against Franchisor for breach of this Agreement, injunctive relief, violation of any state, federal or local law, violation of common law (including allegations of fraud and misrepresentation), rescission, general or punitive damages, or termination, unless and until written notice setting forth the alleged breach or violation in detail has been delivered to Franchisor by Franchisee; and Franchisor fails to correct the alleged breach or violation within 60 days after receipt of the written notice by personal service or prepaid registered or certified mail. If Franchisor fails to correct the alleged breach or violation as provided herein within 60 days after receiving written notice, then this Agreement may be terminated by Franchisee provided that Franchisee complies with the post-term obligations described in Articles 15 and 16.

14.3 NOTICE OF TERMINATION. If Franchisee has complied with the notice provisions of this Article and if Franchisor has not corrected the alleged breach set forth in the written notice within the time period specified in this Agreement, then Franchisee will have the right to terminate this Agreement by giving Franchisor written notice that this Agreement is terminated, and in that event the effective date of termination of this Agreement will be the day the written notice is received by Franchisor.

14.4 WAIVER. Franchisee must give Franchisor immediate written notice of an alleged breach or violation of this Agreement after Franchisee has knowledge of, believes, determines, or is of the opinion that there has been an alleged breach or violation of this Agreement by Franchisor. If Franchisee fails to give written notice to Franchisor of an alleged breach or violation of this Agreement within one year from the date that Franchisee has knowledge of, believes, determines or is of the opinion that there has been an alleged breach or violation by Franchisor, then the alleged breach or violation will be deemed to be condoned, approved and waived by Franchisee, the alleged breach or violation will not be deemed to be a breach or violation of this Agreement by Franchisor and Franchisee will be barred from commencing any action against Franchisor for that alleged breach or violation.

ARTICLE 15
FRANCHISEE'S OBLIGATIONS UPON TERMINATION

15.1 TERMINATION OF USE OF MARKS; OTHER OBLIGATIONS. In the event this Agreement expires or is terminated for any reason, all rights granted hereunder to Franchisee will terminate and Franchisee will immediately (unless another time frame is stated below):

(A) cease to operate the Hotel and shall not thereafter, directly, or indirectly, represent itself to the public or hold itself out as a franchisee of Franchisor, except if Franchisee operates other hotels under the Business System;

(B) cease to use the Business System, including the Manual and any other operating and training manuals or aids, intranet, advertising and promotional materials, and all confidential materials delivered to Franchisee pursuant to this Agreement.

(C) and the Marks, all similar names and marks, or any other designation or mark indicating or tending to indicate that Franchisee is or was a franchisee of Franchisor. Franchisee shall promptly amend or terminate any filings or registrations with any governmental authorities containing or pertaining to the use of Franchisor's name and Proprietary Marks, or any confusingly similar marks. Franchisee shall not promote or advertise the fact that it was formerly a franchisee of Franchisor;

(D) pay all amounts due and owing to the Franchisor and its affiliates. Such sums shall include payment of all damages that may be due in connection with the termination of this Agreement, and all costs, expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with seeking or obtaining injunctive or other relief for enforcement of any provisions of this Agreement;

(E) deliver to Franchisor the Manual, customer and supplier lists, brochures, advertising, marketing and promotional materials and all other printed materials pertaining to the operation of the Hotel and shall retain no copy or record of the foregoing, except for Franchisee's copy of this Agreement and any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with applicable law;

(F) discontinue all advertising as a franchisee of Franchisor, including but not limited to removal of all signs and other identifying marks and colors, and shall destroy or surrender to Franchisor any letterheads, forms, printed matter and advertising containing Franchisor's Proprietary Marks and any similar names, marks or designations tending to indicate that Franchisee is or was an authorized franchisee of Franchisor; and

(G) comply with all terms and conditions that by their terms or by implication survive the termination or expiration of this Agreement.

To the extent Franchisee is a franchisee of other Brand Hotels under other franchise agreements with Franchisor, which agreements are not terminated at the time of termination or expiration of this Agreement, this Article only applies to the Hotel subject to this Agreement.

15.2 ALTERATION OF FRANCHISED LOCATION. If this Agreement is terminated for any reason or if the Franchised Location ever ceases to be used as a Brand Hotel, then Franchisee will, at its expense, alter, modify and change, both the exterior and interior appearance of Hotel so that it will be easily distinguished from the standard appearance of a Brand Hotel. At a minimum, such changes and modifications to the Hotel will include removal of all distinctive physical features identifying the Hotel as being a Brand Hotel such as removing all exterior and interior signs and emblems and altering the lobby so that it will be easily distinguished

from Brand Hotels. Franchisee agrees that for 90 days following termination or expiration, Franchisor or its designated agents may enter the Property and adjacent areas, and hereby grants Franchisor an irrevocable license and permit to go upon the Property premises for such purposes, at any time to make such alterations, at Franchisee's sole risk and expense, without responsibility for any actual or consequential damages to the property of Franchisee or others. Franchisee acknowledges that such actions by Franchisor are authorized and permitted and shall not be deemed a violation of any civil or criminal law or any basis for an action under such laws by Franchisee or others. Franchisee expressly acknowledges that its failure to make such alterations will cause irreparable injury to Franchisor, and consents to entry, at Franchisee's expense, of an ex parte order by any court of competent jurisdiction authorizing Franchisor or its agents to take such action, if Franchisor seeks such an order.

15.3 TRANSFER OF TELEPHONE DIRECTORY LISTINGS AND ONLINE ACCOUNTS AND PROFILES. As set forth in the Assignment of Telephone Numbers and Service Addendum attached to this Agreement as Exhibit C, upon the termination or expiration of this Agreement, Franchisor will have the right to notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use all telephone numbers and all classified and other directory listings for the Hotel or otherwise placed under the name Affordable Suites of America™, and to authorize the telephone company and all listing agencies to transfer to Franchisor or its assignee all telephone numbers and directory listings for the Hotel. Franchisee acknowledges that Franchisor has the right and interest in and to all telephone numbers and directory listings associated with the Marks, and Franchisee authorizes Franchisor to direct the telephone company and all listing agencies to transfer all of Franchisee's telephone numbers and directory listings to Franchisor or its assignee if this Agreement expires or is terminated for any reason. The telephone company and all listing agencies shall accept this Agreement as evidence of the exclusive rights of Franchisor to such telephone numbers and directory listings. This Agreement will constitute Franchisee's authorization for the telephone company and listing agencies to transfer the telephone numbers and directory listings for the Hotel to Franchisor, and will constitute a release of the telephone company and listing agencies by Franchisee from any and all claims, actions and damages that Franchisee may at any time have the right to allege against them in connection with this Article. Furthermore, Franchisee shall take such action as may be required to transfer ownership and control of any websites, online accounts and profiles used in the operation and promotion of the Hotel to the Franchisor.

15.4 RIGHT OF FRANCHISOR TO PURCHASE BUSINESS ASSETS. Upon the expiration or termination of this Agreement, Franchisor will have the right, but not the obligation, to purchase the signs and the then-usable supplies, inventory, FF&E, and all other assets that are required by Franchisor for a standard Brand Hotel and owned by Franchisee in its Business (the "Business Assets"). Franchisee must give Franchisor written notice listing the cost of each one of the Business Assets in detail and the fair market value for each Business Asset within 5 business days after Franchisee ceases to do business as a Brand Hotel, or after this Agreement expires or is terminated by either party. If Franchisee fails to give Franchisor written notice containing all the requested information, or if Franchisor and Franchisee cannot agree on the fair market value of the Business Assets, then either party will have the right to demand that the fair market value of the Business Assets be determined by a mutually appointed independent appraiser. If the Franchisor and Franchisee cannot agree, each party shall appoint an independent appraiser who shall jointly determine the fair market value of the Business Assets. Franchisor will have the right, but not the

obligation, to purchase any or all of the Business Assets from Franchisee for cash within 15 business days after the fair market value of the Business Assets has been agreed to, or established by the independent appraisers, as the case may be. Franchisee shall not before or during such 15 business day period remove from the Hotel, or transfer, assign, hypothecate, pledge, or otherwise encumber such Business Assets. Nothing in this Article will prohibit Franchisor from enforcing the terms and conditions of this Agreement.

ARTICLE 16
NON-SOLICITATION

16.1 **NON-SOLICITATION**. During the term of this Agreement or any subsequent franchise agreement, Franchisee shall not, either directly or indirectly, individually, or through, or on behalf of, or in conjunction with any person, persons, or entity employ or seek to employ any person who is or was within the immediate past 6 months employed in a management position by Franchisor or any other Brand Hotel franchisee (except for Brand Hotel franchisees who are affiliates of Franchisee) or induce or seek to induce any such person to leave his or her employment. Franchisor shall not employ or seek to employ any person who is or was within the immediate past 6 months employed by Franchisee in a management position or induce or seek to induce any such person to leave his or her employment. Franchisor and Franchisee agree that the restrictions in this Section are intended to enable Franchisor and Franchisee to invest in the training of its management employees. Nothing in this provision is intended to prohibit any employee from independently seeking employment with the Franchisor or Franchisee, or any other Brand Hotel franchisee. Any party violating the provisions of this Section 16.1 shall pay to the former employer as liquidated damages (which the parties agree are difficult of ascertainment) an amount equal to 2 times the annual salary of the employee involved, plus all costs and attorneys' fees incurred by the former employer in connection with such default. The parties hereto agree that each current and future Franchisee in the Business System shall be a third party beneficiary of the provisions of this Section 16.1, and shall be entitled to enforce the provisions hereof. Franchisor shall have no obligation to enforce the provisions of this Section 16.1 for the benefit of any current or future Franchisee in the Business System of for the benefit of any franchisee of another brand or franchise system operated and managed by Franchisor or any of its affiliates. This section only applies where permitted by applicable law.

16.2 **INJUNCTIVE RELIEF**. Franchisee, Franchisee's Principal Owners, and any other owners or partners of Franchisee agree that in case of any alleged breach or violations of this Article, Franchisor will have the right to seek injunctive relief in addition to all other remedies that may be available to Franchisor at equity or law and Franchisee shall pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with seeking or obtaining injunctive or other relief for enforcement of any alleged breach of this Article.

ARTICLE 17
DISPUTE RESOLUTION

17.1 DISPUTES NOT SUBJECT TO MEDIATION OR ARBITRATION. The following disputes, claims and controversies between Franchisor and Franchisee will not be subject to mediation or arbitration:

(A) the payment of fees by Franchisee to Franchisor;

(B) any dispute involving the Marks, including the ownership, validity, use of, or right to use or license the Marks;

(C) any dispute involving immediate termination of this Agreement by Franchisor pursuant to Section 13.1(A) of this Agreement;

(D) any dispute involving enforcement of the confidentiality provisions set forth in Sections 9.4 and 9.5 of this Agreement, including to prevent threatened disclosure or misuse of confidential information; and

(E) any dispute involving enforcement of the non-solicitation provisions set forth in Article 16 of this Agreement.

Any and all court proceedings arising from or relating in any manner to any dispute, claim or dispute excluded in this Article from mediation and arbitration shall, at Franchisor's option, be brought in, the United States District Court for the district in which the Franchisor's headquarters are located at the time the complaint is filed. No individual shall be joined as a party to such proceedings if such joinder has the effect of destroying federal court jurisdiction unless that individual or entity is a necessary party to the proceeding as a matter of law. If the United States District Court does not have jurisdiction over the dispute, the proceeding may be initiated in, and only in, the state court for the location in which in which the Franchisor's headquarters are located at the time the complaint is filed. In either case, Franchisor and Franchisee hereby consent and submit to the exercise of jurisdiction by such courts.

THE PARTIES AGREE THAT ALL DISPUTES, CLAIMS AND CONTROVERSIES ADMITTED TO THE COURT PURSUANT TO THIS PROVISION SHALL BE TRIED TO THE COURT SITTING WITHOUT A JURY, NOTWITHSTANDING ANY STATE OR FEDERAL CONSTITUTIONAL OR STATUTORY RIGHTS OR PROVISIONS.

17.2 MEDIATION. Except as provided in Sections 13.1 (A) (Grounds for Immediate Termination) and 17.1 (Disputes not Subject to Mediation or Arbitration), all disputes, controversies and claims between Franchisor, its officers, Directors, owners and affiliates, and Franchisee, its officers, Directors, owners and Personal Guarantors, arising under, as a result of, or in connection with this Agreement, or relating to Franchisee's development or operation of the Hotel (each a "Dispute") will be subject to non-binding mediation. The mediator will be appointed in accordance with the Commercial Mediation Rules of the American Arbitration Association unless Franchisor and Franchisee agree on a mediator in writing within 10 days after either party gives written notice of mediation. All mediation hearings will take place exclusively in such city and state where the Franchisor has its headquarters at the time, and will be held within 20 days

after a request for mediator has been made. The mediation shall be private, voluntary, and nonbinding. The hearing will be informal and the mediator will have the right to hear and review all testimony and evidence presented by either Franchisor or Franchisee. Any party may withdraw from the mediation at any time before signing a settlement agreement upon written notice to each other party and to the mediator. The cost of the mediator will be paid equally by Franchisor and Franchisee. The mediator shall be disqualified as a witness, consultant, expert or counsel for either party with respect to the matters in Dispute and any related matters. Unless the parties agree otherwise, the entire mediation process shall be confidential and without prejudice. The parties and the mediator shall not disclose any information, documents, statements, positions, or terms of settlement. Nothing said or done or provided by the parties in the course of mediation shall be reported or recorded or, except as ordered by a court of competent jurisdiction, placed in any legal proceeding or construed for any purpose as an admission against interest. Nevertheless, evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in mediation. The commencement of any mediation shall not act to prevent either party from instituting or proceeding with any action which may be the subject of the Dispute.

17.3 ARBITRATION. If a Dispute is not resolved in accordance with the provisions for mediation set forth in such Article, then the Dispute shall be submitted to binding arbitration in accordance with the Commercial Rules and Regulations of the American Arbitration Association. All arbitration hearings will take place exclusively in such city and state where the Franchisor has its headquarters at the time. The authority of the arbitrator will be limited to making a finding, judgment, decision and award relating to the interpretation of or adherence to the written provisions of this Agreement. The arbitrator will not have the authority or right to add to, delete, amend or modify in any manner the terms, conditions and provisions of this Agreement, nor have the right or authority to award punitive damages to Franchisor or Franchisee or their officers, directors, or owners, and Franchisee's Personal Guarantors. Franchisor and Franchisee and their respective officers, directors, owners, and Franchisee's Personal Guarantors expressly waive their rights to plead or seek punitive damages. All findings, judgments, decisions and awards by the arbitrator will be final and binding on Franchisor, Franchisee, and their respective officers, directors, owners, and Franchisee's Personal Guarantors. The written decision of the arbitrator will be deemed to be an order, judgment and decree and may be entered as such in any court of competent jurisdiction by either party. Unless required to be disclosed by law, the written decision of the arbitrator will be confidential. Franchisor and Franchisee acknowledge that a summary of such decisions may have to be disclosed in Franchisor's future franchise disclosure documents.

17.4 INJUNCTIVE RELIEF. Notwithstanding any provisions to the contrary, Franchisee recognizes that its Hotel is one of a larger number of hotels identified by the Marks and Business System and the failure on the part of a single franchisee to comply with the terms and conditions of this Agreement could cause irreparable damage to Franchisor and/or to other Brand Hotel franchisees. Therefore, it is mutually agreed that in the event of a breach of threatened breach of any of the terms of this Agreement by Franchisee or any dispute, claim and controversy regarding the matters set forth in Section 17.1 of this Agreement, then Franchisor will be entitled to an injunction restraining such breach and/or to a decree of specific performance, without showing or proving actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the arbitrator, or court, as the case may be. Similarly, it is mutually agreed that in the event of a breach or threatened breach of any of the terms of this Agreement by Franchisor,

Franchisee will be entitled to an injunction restraining such breach and/or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the arbitrator. The foregoing equitable remedies shall be in addition to, and not in lieu of, all other remedies or rights which the parties might otherwise have by virtue of any breach of this Agreement by the other party.

17.5 NO COLLATERAL ESTOPPEL OR CLASS ACTIONS. Except as provided herein, all arbitration findings and awards expressly made by the arbitrator will be final and binding on Franchisor and Franchisee and their officers, Directors, or owners, and Franchisee's Personal Guarantors; however, such arbitration findings and awards may not be used to collaterally stop either party from raising any like or similar issues, claims or defenses in any other or subsequent arbitration, litigation, court hearing or other proceeding involving third parties or other franchisees. Any disagreement between Franchisee and Franchisor (and Franchisor's affiliates, officers, directors, or owners) will be considered unique as to its facts and must not be brought as a class action, and Franchisee waives any right to proceed against Franchisor (and Franchisor's affiliates, officers, directors, or owners) by way of class action, or by way of a multi-plaintiff, consolidated or collective action. No party except Franchisor, Franchisee and their officers, Directors, owners or partners and Franchisee's Personal Guarantors will have the right to join in any arbitration proceeding arising under this Agreement, and, therefore, the arbitrator will not be authorized to permit or approve class actions or to permit any person or entity that is not a party to this Agreement to be involved in or to participate in any arbitration hearings conducted pursuant to this Agreement.

Any disagreement between Franchisee and Franchisor (and Franchisor's affiliates, officers, directors, or owners) will be considered unique as to its facts and must not be brought as a class action, and Franchisee waives any right to proceed against Franchisor (and Franchisor's affiliates, officers, directors, or owners) by way of class action, or by way of a multi-plaintiff, consolidated or collective action

17.6 NO PUNITIVE OR EXEMPLARY DAMAGES. NO PUNITIVE OR EXEMPLARY DAMAGES SHALL BE AWARDED AGAINST EITHER FRANCHISOR OR FRANCHISEE OR ANY AFFILIATES OF EITHER OF THEM, IN ANY PROCEEDING, AND ALL CLAIMS TO SUCH DAMAGES ARE HEREBY WAIVED.

17.7 BUSINESS JUDGMENT. The parties hereto recognize, and any mediator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of Franchisor to take (or refrain from taking) certain actions in the exercise of its discretion based on its assessment of the overall best interest of the network and/or franchise program. Where such discretion has been exercised, and is supported by the business judgment of Franchisor, neither a mediator nor a judge shall substitute his or her judgment for the judgment so exercised by Franchisor.

17.8 CONFIDENTIALITY. All evidence, testimony, records, documents, findings, decisions, judgments and awards pertaining to any arbitration hearing between Franchisor and Franchisee will be secret and confidential in all respects. Franchisor and Franchisee will not disclose the decision or award of the arbitrator and will not disclose any evidence, testimony,

records, documents, findings, orders, or other matters from the arbitration hearing to any person or entity except as required by law.

17.9 ENFORCEMENT. Any claim arising out of or relating to this Agreement, the relationship of the parties, Franchisor's operation of the Business System, or Franchisee's operation of the Hotel will be barred unless filed before the expiration of the earlier of: (1) the time period for bringing an action under any applicable state or federal statute of limitations; (2) 1 year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (3) 2 years after the first act or omission giving rise to an alleged claim. Notwithstanding the foregoing, where state or federal law mandates or makes possible by notice or otherwise a shorter period, such shorter period shall apply in all cases, in lieu of the time specified above. Claims of Franchisor for the underreporting of Gross Room Revenues, for indemnification, or for claims related to Franchisor's rights under any of the Trademarks shall be subject only to the applicable state or federal statute of limitations.

17.10 ENFORCEMENT COSTS. In the event Franchisor incurs legal fees or costs or other expenses to enforce any obligation of Franchisee hereunder, or to defend against any claim, demand, action or proceeding by reason of Franchisee's failure to perform or observe any obligation imposed upon Franchisee by this Agreement, then Franchisor shall be entitled to recover from Franchisee the amount of all legal fees, costs and expenses, including reasonable attorneys' fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action, or proceeding to enforce any obligation of Franchisee hereunder or thereafter or otherwise.

ARTICLE 18
FRANCHISOR'S RIGHT OF FIRST REFUSAL TO PURCHASE

18.1 RESTRICTIONS. Franchisee and its owners, if Franchisee is an entity as defined in Section 23.2, will not sell, assign, trade, transfer, lease, sublease, or otherwise dispose of any interest in or any part of the Hotel or this Agreement to any party without first offering the same to Franchisor in a written offer that contains all material terms and conditions of the proposed sale or transfer. Within 30 business days after receipt by Franchisor of Franchisee's written offer, Franchisor will give Franchisee written notice which will either waive its right of first refusal to purchase, or will state an interest in purchasing the Hotel according to the proposed terms. If Franchisor commences negotiations to purchase the Hotel as set forth herein, then Franchisee may not sell the Hotel to a third party for at least 60 days or until Franchisor and Franchisee agree in writing that the negotiations have terminated, whichever occurs first. If Franchisor waives its right to purchase, then Franchisee will have the right to complete the sale or transfer of the Hotel according to the terms set forth in the written notice to Franchisor; however, any such sale, transfer or assignment to a third party is expressly subject to the terms and conditions set forth in Article 19 of this Agreement. Franchisee's obligations to comply with the terms and conditions of this Agreement including, but not limited to, its obligations to pay the Royalty Fees and all other fees and to operate the business as a Brand Hotel, will in no way be affected or changed because of

Franchisor's non-acceptance of Franchisee's written offer to purchase the Hotel, and as a consequence, the terms and conditions of this Agreement will remain in full force and effect.

18.2 CORPORATE FRANCHISEE. If Franchisee is an entity as defined in Section 23.2, then an ownership interest of Franchisee ("ownership interest") may not be sold, pledged, assigned, transferred, traded or otherwise disposed of by any of Franchisee's owners until the ownership interest has first been offered to Franchisor in writing under the same terms and conditions as those offered to any third party. Franchisor will have 20 business days within which to accept any owner's offer to sell, assign, trade, transfer or dispose of the ownership interest. Notwithstanding the terms of this Article, Franchisee's initial owners may bequeath, sell, assign, trade or transfer their ownership interest to their spouse or children or to the other initial owners of Franchisee's entity without first offering it to Franchisor, however, Franchisee must provide Franchisor with prior written notice of all such transactions and the proposed transferee owners must agree to be personally liable under this Agreement. Franchisee acknowledges and agrees that it will obtain from each of its owners signed copies of all necessary governing documents, with appropriate assignment and transfer restrictions, to allow Franchisor to exercise its rights under Articles 18 and 19 of this Agreement, and in accordance with the Manual, as periodically modified by Franchisor. Franchisor will have the right, upon request, to review and approve the governing documents described in the preceding sentence.

ARTICLE 19
ASSIGNMENT

19.1 ASSIGNMENT BY FRANCHISOR. This Agreement may be unilaterally assigned and transferred by Franchisor without the approval or consent of Franchisee, and will inure to the benefit of Franchisor's successors and assigns. The assignee will be required to fully perform Franchisor's obligations under this Agreement and will be solely responsible for all obligations of Franchisor under this Agreement from the date of assignment and transfer. Franchisee waives any and all rights that it may have or allege against Franchisor resulting from the assignment of this Agreement. Franchisor and its owners also have the right to sell, pledge, assign, transfer, trade or otherwise dispose of their ownership interest in Franchisor without the approval or consent of Franchisee.

19.2 LIMITATIONS ON ASSIGNMENT AND TRANSFER BY FRANCHISEE. This Agreement is not transferable by Franchisee except as permitted herein. The rights and duties set forth in this Agreement are personal to Franchisee and are granted in reliance on the individual and collective business skill, financial capacity, and personal character of Franchisee and its owners. Accordingly, neither this Agreement, nor the franchise granted hereunder, nor any part or all of any owner's direct or indirect ownership interest in Franchisee, the Hotel, nor a substantial portion of, or all of, the Hotel's assets (collectively, the "Franchised Interests"), may be transferred by Franchisee without Franchisor's prior written approval, and then only in accordance with the provisions of this Agreement. Any purported Transfer by Franchisee or any owner of any Franchised Interest, by operation of law or otherwise, which is not permitted hereunder, shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may then terminate without opportunity to cure. Any references in this Article 19 to a "transfer" shall mean the voluntary, involuntary, direct or indirect assignment, sale, gift, or other transfer of any Franchised Interest, including, without limitation, the following events: (i) the transfer of

ownership of the stock or partnership or limited liability company ownership interest of Franchisee; (ii) any merger, reorganization, consolidation, or issuance of additional securities representing a direct or indirect ownership interest in Franchisee or the Hotel; (iii) any sale of a controlling interest in Franchisee in a single transaction or a related series of transactions; (iv) transfer of a Franchised Interest by declaration, division, or otherwise in a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; (v) transfer of a Franchised Interest in the event of Franchisee's death or the death of one of its owners with a controlling interest, by will, declaration of or transfer in trust, or under the laws of intestate succession; (vi) any change in ownership or control of any or all of the Franchised Interest by sale, gift, assignment, or otherwise; (vii) if Franchisee or any owner with a controlling interest is a trust, any change in the trustees or the beneficial owners of the trust; or (viii) a pledge, hypothecation, or encumbrance of any Franchised Interest intended as security for an obligation.

19.3 SECURITY INTERESTS. Franchisee shall grant no security interest, lien, mortgage, or deed of trust on any or all of the Franchised Interests without prior written notice to Franchisor and then only if Franchisee agrees to request that the lender enter into a comfort letter as to such Franchised Interests in form and substance reasonably acceptable to Franchisor.

19.4 ASSIGNMENT BY INDIVIDUAL FRANCHISEE TO ENTITY. If Franchisee is an individual or several individualsthis Agreement may be transferred or assigned by Franchisee to an entity which is wholly owned by Franchisee, provided that the Principal Owners of the assignee entity sign or have signed the Owner's Acknowledgement to this Agreement and the Personal Guaranty in the form attached as Exhibit A to this Agreement, and further provided that Franchisee furnishes prior written proof to Franchisor substantiating that the entity will be financially able to perform all of the terms and conditions of this Agreement. Franchisee will give Franchisor 15 days' written notice prior to the proposed date of assignment or transfer of this Agreement to an entity wholly owned by Franchisee; however, the transfer or assignment of this Agreement will not be valid or effective until Franchisor has received the legal documents which its legal counsel deems necessary to properly and legally document the transfer or assignment of this Agreement to the entity as provided for herein.

19.5 ASSIGNMENT IN EVENT OF DEATH OR PERMANENT DISABILITY.

(A) If, upon Franchisee's death or Incapacity, or, if Franchisee is a corporation, partnership, or limited liability company, upon the death of a Principal Owner or upon the determination by Franchisor that a Principal Owner of Franchisee is Incapacitated, Franchisee's or such owner's executor, administrator, conservator, guardian, or other legally appointed personal representative must transfer Franchisee's interest in this Agreement or the Principal Owner's interest in Franchisee to a third party. However, the assignment of this Agreement to the transferee, assignee or beneficiary of Franchisee will be subject to the applicable provisions of Section 19.6, and will not be valid or effective until Franchisor has received the properly executed legal documents which its legal counsel deems necessary to properly and legally document the transfer, assignment or bequest of this Agreement, and until each of the Principal Owners of the transferee, assignee or beneficiary agrees to be unconditionally bound by the terms and conditions of this Agreement and to personally guarantee the performance of Franchisee's obligations under this Agreement, and signs the Personal Guaranty, as applicable, in the form attached as

Exhibit A to this Agreement. As used in this Agreement, "Incapacitated" or "Incapacity" means, the inability of Franchisee, or its Principal Owner if an entity, to operate the Hotel in the ordinary course of business for 30 days or more in any consecutive 90 day period.

(B) Such disposition of the Agreement or the interest in Franchisee of a Principal Owner (including, without limitation, transfer by bequest or inheritance) must be completed within a reasonable time, not to exceed one year from the date of death or Incapacity. A failure to transfer Franchisee's interest in this Agreement or the interest of a Principal Owner in Franchisee within this period of time constitutes a breach of this Agreement. Adequate provision must be made, in the sole discretion of Franchisor, for management of the Property during such period. Franchisee's interest in this Agreement or any Principal Owner's interest in Franchisee which is an entity may, with Franchisor's consent, which will not be unreasonably withheld, be transferred to the decedent's spouse, parent, sibling, or direct descendant or to spouse's direct descendant.

(C) If, upon Franchisee's death or Incapacity, or upon the death or Incapacity of a Principal Owner, the Hotel is not being managed by an approved management company, Franchisee's or the owner's executor, administrator, conservator, guardian, or other legally appointed personal representative must within a reasonable time, not to exceed 30 days from the date of death or declaration of Incapacity, appoint an approved management company to operate the Hotel. Such an approved management company may be appointed only with Franchisor's prior written approval and will be required to complete training at Franchisee's expense. Pending the appointment of an approved management company as provided above or if, in Franchisor's reasonable judgment, the Hotel is not being managed properly at any time after Franchisee's death or declaration of Incapacity or after the death or declaration of Incapacity of an owner of a Controlling Interest in Franchisee, Franchisor has the right, but not the obligation, to appoint a property manager or management company for the Hotel. All funds from the operation of the Hotel during the management by Franchisor's appointed property manager or management company will be kept in a separate account, and all expenses of the Hotel, including compensation, other costs, and travel and living expenses incurred by the management company, will be charged to this account. Franchisor also has the right to charge a reasonable management fee (in addition to the Royalty Fees and Marketing Fee payable under this Agreement) during the period that Franchisor's appointed property manager or management company manages the Hotel. Operation of the Hotel during any such period will be on the transferee's behalf, provided that Franchisor only has a duty to utilize commercially reasonable efforts and will not be liable to Franchisee or its owners for any debts, losses or expenses, or obligations incurred by the Hotel or to any creditors for any products, materials, supplies, or services the Hotel purchases during any period it is managed by Franchisor's appointed property manager or management company. The transferee will remain solely responsible for maintaining the Hotel during any period in which Franchisor's appointed property manager or management company is managing the Hotel on the transferee's behalf.

19.6 <u>CONDITIONS TO TRANSFER OR ASSIGNMENT</u>. Neither Franchisee, nor its owners, will transfer, whether voluntary or involuntary, assign or otherwise dispose of, in one or more transactions, or any Franchised Interests, including this Agreement, the Hotel, any

substantial portion of the Hotel's assets, revenues or profits (except in the ordinary course of business), or any interest in Franchisee unless Franchisee obtains Franchisor's prior written consent (except as provided in Section 19.4). Franchisor will not unreasonably withhold its consent to any such transfer, assignment or sale, provided Franchisee and/or the transferee franchisee comply with the following conditions:

(A) All of Franchisee's monetary obligations due to Franchisor have been paid in full, and Franchisee is not otherwise in default under this Agreement; and

(B) Franchisee (and each Principal Owner, if applicable) has executed a written agreement in a form satisfactory to the Franchisor, in which Franchisee and each Principal Owner agrees to observe all applicable post-term obligations and covenants contained in this Agreement; and

(C) The transferee franchisee has demonstrated to Franchisor's satisfaction that he, she or it meets Franchisor's managerial, financial, business and other standards and criteria for new franchisees, possesses a good business reputation and credit rating, and possesses the aptitude and ability to operate the Hotel in an economic and businesslike manner (as may be evidenced by prior related business experience or otherwise); and

(D) The transferee franchisee has executed Franchisor's then-current standard Franchise Agreement and other ancillary agreements required by Franchisor and each Principal Owner of the transferee franchisee, as applicable, has executed the Personal Guaranty attached to the Franchise Agreement and signed the Owner's Acknowledgement to the Franchise Agreement, all as required by Franchisor; and

(E) Prior to the date of transfer, the transferee franchisee and its Resident Manager will have successfully completed the training program prescribed by the Franchisor and will have paid all then-current training fees; and

(F) Franchisee or transferee at its expense upgrades the Hotel to conform to the then current Business System standards and specifications, and completes the upgrading and other requirements within the time specified by Franchisor; and

(G) The transferee franchisee will have purchased the real estate and building or otherwise have a leasehold interest acceptable to Franchisor in the Franchised Location; and

(H) Franchisee (and each Principal Owner, if applicable) sign a general release, in a form and substance satisfactory to us, of any and all claims against Franchisor and its affiliates, officers, directors, employees and agents, except to the extent limited or prohibited by applicable law; and

(I) Franchisor approves the material provisions of the transfer, assignment or sale of assets, which transfer, assignment or sale cannot permit Franchisee to retain a security interest in this Agreement or any other intangible asset; and

(J) Franchisee agrees to continue to be bound by, and remain liable for all of the obligations to Franchisor in connection with the Hotel that arose prior to the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability; and

(K) The purchase price and terms of the transfer, assignment or sale may not negatively impact the capability of the Hotel to profit after the transfer, assignment or sale; and

(L) Either Franchisee or the transferee franchisee, as applicable, will have paid the fee required in Section 19.7.

Franchisor's consent to a transfer by Franchisee of any interest in the franchise granted herein, or the transfer by the owners of Franchisee of their interest in Franchisee, shall not constitute a waiver of any claims Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

19.7 TRANSFER FEE.

(A) If Franchised Interests are assigned, transferred or bequeathed as a result of the death or incapacity of Franchisee or its owners, or if Franchisee's direct or indirect owners transfer less than 50% of their ownership interest to another person or entity (provided that no change in control of Franchisee or the Hotel occurs as a result of the transfer), then Franchisee will pay to Franchisor a transfer fee of $10,000, or, if the Franchisor's expenses incurred in connection with the transfer exceed such amount, the actual expenses incurred by Franchisor. The expenses to be considered in calculating the Franchisor's expenses for purposes of the preceding sentence will include Franchisor attorneys' fees, accountants' fees, out-of- pocket expenses, and administrative expenses incurred in connection with determining whether the transfer and transferee satisfy the conditions to transfer or assignment set forth in Section 19.6, as well as the execution of the transfer.

(B) In the event of any transfer of Franchised Interests not addressed in Section 19.7(A), then the transferee franchisee will pay a transfer fee equal to Franchisors then-current Initial Franchise Fee.

ARTICLE 20
INDEPENDENT CONTRACTORS; INDEMNIFICATION; ATTORNEYS' FEES

20.1 INDEPENDENT CONTRACTORS. Franchisor and Franchisee are each independent contractors, and as a consequence, Franchisor and Franchisee will not be deemed or considered joint venturers, partners, agents, servants, subsidiaries, employees, fiduciaries or representatives of each other for any purpose whatsoever. Franchisee is not authorized to, and will not, make any agreements, representations or warranties in the name of or on behalf of Franchisor or represent that their relationship is other than that of franchisor and franchisee. Neither Franchisor nor 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. Nothing in this Agreement or in its performance, or otherwise is intended to make Franchisor the employer or joint employer of Franchisee, or of any of Franchisee's employees, agents or independent contractors. Franchisee agrees that Franchisor is not in a position to, and does not undertake to: exercise control over the employment, supervision, or discharge of Hotel employees and has no right to do so, other than to the extent of controlling the quality of the Business System/brand and the quality of the products and services that Franchisee offers; Hotel maintenance; guest safety and health; or other matters arising out of or affecting Hotel operations, which are within the responsibility of Franchisee as a qualified independent business operator.

20.2 INDEMNIFICATION. Franchisor will not be obligated to any person or entity for damages arising out of Franchisee's operation of the Hotel. Franchisee will indemnify and hold Franchisor harmless from and against all claims, lawsuits, damages, obligations, liability, actions and judgments alleged by any person or entity against Franchisor arising out of, as a result of or in connection with Franchisee's operation of the Hotel regardless of cause or any concurrent or contributing fault or negligence of Franchisor. Further, in any such action, Franchisee will indemnify and reimburse Franchisor for all costs incurred by Franchisor in the defense of any claim brought against it or in any action in which it is named as a party including, without limitation, reasonable attorneys' fees, investigation expenses, court costs, deposition expenses, and travel and living expenses.

ARTICLE 21
EMINENT DOMAIN; DESTRUCTION OR DAMAGE

21.1 EMINENT DOMAIN. Franchisee will give Franchisor notice of any proposed taking or sale in lieu thereof by eminent domain in the United States as soon as Franchisee becomes aware of the possibility. If the Hotel or a substantial part thereof is taken or sold and this renders it impractical or impossible for Franchisee to continue to operate the Hotel, Franchisor may terminate this Agreement by notice to Franchisee. If the Hotel is able to continue to operate after a partial taking, Franchisee will perform whatever construction is necessary to bring the Hotel into compliance with this Agreement. Franchisee will pursue on Franchisor's behalf a claim for compensation which includes Franchisor's lost Royalty Fees income and pay any amount as recovered to Franchisor. If Franchisor is allowed to pursue such a claim on its own behalf, Franchisee will cooperate with Franchisor with respect to this effort. If this Agreement is terminated pursuant to this Article, and Franchisee was not in default of this Agreement, Franchisor may grant Franchisee a franchise for a new hotel provided that Franchisee files an application with Franchisor. Franchisor will review the application in accordance with its then-current standards, criteria and requirements. If the application is approved, Franchisor and Franchisee will enter into a new then-current Franchise Agreement.

21.2 DESTRUCTION OR DAMAGE. If the Hotel is destroyed or suffers damage by fire, wind, rain, vandalism or other casualty, Franchisee will promptly perform whatever construction is necessary to bring the Hotel into compliance with this Agreement and recommence business as soon as reasonably possible.

ARTICLE 22
GENERAL PROVISIONS

22.1 GOVERNING LAW. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.), or modified by the Federal Arbitration Act of the United States of America (9 U.S.C. § 1 et seq.), this Agreement and the relationship between Franchisor and Franchisee will be governed by the laws of the state of North Carolina, without reference to its choice of law provisions. The provisions of this Agreement which conflict with or are inconsistent with applicable governing law will be superseded and/or modified by such applicable law only to the extent such provisions are inconsistent. All other provisions of this Agreement will be enforceable as originally made and entered into upon the execution of this Agreement by Franchisee and Franchisor.

22.2 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 or refusal to renew 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 jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by the Franchisor is invalid or unenforceable, 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 and will be enforced as originally made and entered into in all other jurisdictions.

22.3 WAIVER. Franchisor and Franchisee may, by written instrument signed by Franchisor and Franchisee, waive any obligation of or restriction upon the other under this Agreement. No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Franchisee, or any other franchisee, of any of the terms, provisions, covenants, or conditions hereof shall constitute a waiver by Franchisor to enforce any such right, option, duty, or power as against Franchisee, or as to subsequent breach or default by Franchisee. Subsequent acceptance by Franchisor of any payment by Franchisee or late performance of any other obligation under this Agreement shall not be deemed a waiver by Franchisor of any preceding breach by Franchisee.

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

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

22.6 ENTIRE AGREEMENT. This Agreement, together with any other documents or agreement executed by the parties contemporaneously hereto, 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 between the parties not contained in this Agreement or not in writing signed by Franchisor and Franchisee will not be enforceable. The preambles are a part of this Agreement, which, together with any other documents or agreement executed by the parties contemporaneously hereto, constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between Franchisor and Franchisee relating to the subject matter of this Agreement. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to Franchisee. No change, modification, amendment or waiver of any of the provisions hereof, including by custom or usage of trade or course of dealing or performance, shall be effective and binding upon either party unless it is in writing, specifically identifies as an amendment hereto, and signed by the party to be charged.

22.7 JOINT AND SEVERAL LIABILITY. If Franchisee consists of more than 1 individual, then the liability of all such individuals under this Agreement will be deemed to be joint and several.

22.8 NO ORAL MODIFICATIONS. No oral 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 except by a written agreement signed by Franchisor.

22.9 HEADINGS; TERMS. The headings of the Articles and Sections are for convenience only and do not define, limit or construe the contents of such Articles and Sections. The term "Franchisee" as used herein is applicable to one or more persons, a corporation, a limited liability company, a partnership, or other legal entity, as the case may be, and the singular usage includes the plural, the masculine usage includes the neuter and the feminine, and the neuter usage includes the masculine and the feminine. References to "Franchisee," "assignee" and "transferee" which are applicable to an individual or individuals will mean the principal owner or owners of the equity or operating control of Franchisee or any such assignee or transferee if Franchisee or such assignee or transferee is a legal entity. The term "including" means "including, but not limited to."

22.10 NOTICES. All notices to required or permitted under this Agreement will be in writing and will be made by personal service, certified or registered mail, postage prepaid, return receipt requested, sent via a nationally recognized overnight delivery service, or sent by e-mail (with a confirming copy mailed or sent by overnight delivery service) at the following addresses designated by the parties or such other address as has been designated by written notice to the other party:

Notices to Franchisor:

Attn:_____

10801 Monroe Road, Suite 200
Matthews, NC 28105
Email: _____@affordablesuites.com

Notices to Franchisee:

Attn.: _____
_____
_____
_____
Email:_____

Any notice shall be deemed to have been given at the earlier of actual receipt or 3 business days after mailing by certified or registered mail, or 1 business day after sending by e-mail or overnight delivery service.

22.11 PERSONAL GUARANTY. All of Franchisee's Principal Owners (if Franchisee is an entity) will sign the Personal Guaranty in the form attached to this Agreement as Exhibit A (the "Personal Guaranty"). Any person or entity that at any time after the Effective Date becomes a Principal Owner of Franchisee under the provisions of Article 19 or otherwise will, as a condition of becoming a Principal Owner, sign the Personal Guaranty. In addition, any other person Franchisor designates, including without limitation any person who co-signed a loan or was involved in obtaining financing for the Hotel, must also sign the Personal Guaranty. Any person or entity that signs the Personal Guaranty is referred to herein as a "Personal Guarantor." In connection with the Personal Guaranty, Franchisor has the right to require Franchisee to provide Franchisor with additional information, including without limitation loan documents. Further, all of Franchisee's Principal Owners must sign the Acknowledgment Addendum attached as Exhibit D.

22.12 NO THIRD PARTY BENEFICIARIES. This Agreement is made solely for the benefit of the parties hereto and their respective successors and permitted assigns, and nothing herein shall create any right to rely upon the terms hereof in favor of any third party nor confer any right or remedy upon any third party, except as specifically provided in Section 16.3 of this Agreement.

22.13 TIME IS OF THE ESSENCE. Time is of the essence of this Agreement and all provisions hereof shall be so interpreted. Any provision of this Agreement which imposes an obligation after termination or expiration of this Agreement shall survive such termination or expiration.

ARTICLE 23
DEFINITIONS

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

23.1 BUSINESS SYSTEM. "Business System" means the distinctive hotel services which are associated with Franchisor's Marks, copyrights, interior and exterior design, decor,

FF&E, signs, logos, commercial symbols and color combinations, standards, specifications, programs and procedures for operations; programs and procedures for quality control; training and assistance; and advertising, direct sales, and promotional programs developed by Franchisor for the operation of a Brand Hotel under the Marks utilizing the Trade Secrets. Franchisor may operate multiple franchise systems under different Proprietary Marks in which case, for purposes of this Agreement, "Business System" only encompasses the above to the extent applicable to the franchise system being licensed hereunder to Franchisee.

23.2 ENTITY. "Entity" means a corporation, general partnership, joint venture, limited partnership, limited liability partnership, limited liability company, trust, estate or other business entity.

23.3 FINANCIAL STATEMENTS. "Financial Statements" means a balance sheet, profit and loss statement, statement of changes in financial condition and footnotes prepared in accordance with generally accepted accounting principles applied on a consistent basis and any other schedules or forms that may be required by Franchisor.

23.4 FRANCHISED LOCATION. "Franchised Location" means the actual principal location of the Hotel.

23.5 GROSS ROOM REVENUES. "Gross Room Revenues" means the total revenues and receipts resulting from the rental of guest rooms, whether made for cash or credit and whether or not collected. "Gross Room Revenues" will not include charges for food and beverages, telephone, laundry, entertainment, security deposits or any sales, use or gross receipts tax imposed by any governmental authority directly upon sales, if: (A) the amount of the tax is added to the selling price and is expressly charged to the customer; (B) a specific record is made at the time of each sale of the amount of such tax; and (C) the amount thereof is paid to the appropriate taxing authority by Franchisee.

23.6 HOTEL. "Hotel" means the real property and all improvements located or to be located at the Franchised Location. The improvements include all buildings, facilities, appurtenances, landscaping, furniture, furnishings, fixtures, equipment and signs and all entry, exit and parking areas.

23.7 MANUAL. "Manual" means collectively, the documentation of the Business System standards, methods, procedures, techniques and specifications, whether contained in written, machine readable, electronic, or any other form, as they may be modified, amended or supplemented by Franchisor in its sole discretion. The Manual includes any operations and systems manual, newsletters and other communications from the Franchisor to Franchisee conveying any aspect of the Business System.

23.8 OCCUPANCY RATE. "Occupancy Rate" means the ratio of the average number of occupied Hotel rooms to the number of available Hotel rooms.

23.9 PRINCIPAL OWNER. "Principal Owner" means any person or entity who directly or indirectly owns a 10% or greater interest in Franchisee. If any entity other than a partnership is a Principal Owner, a "Principal Owner" also will mean an owner of a 10% or greater interest in such entity. If a partnership is a Principal Owner, a "Principal Owner" will also mean

each general partner of such partnership and, if such general partner is an entity, each owner of a 10% or greater interest in such general partner. If Franchisee is one or more individuals, each individual will be deemed a Principal Owner of Franchisee. Franchisee must have at least one Principal Owner. Franchisee's Principal Owner(s) is identified in Section 1of the Ownership & Management Addendum attached hereto as Exhibit B. As used in this Agreement, any reference to Principal Owner includes all Principal Owners.

23.10 RESIDENT MANAGER. "Resident Manager" means the individual who resides at the Hotel and is responsible for the overall management of the Hotel including, but not limited to, basic operations, marketing, community relations, recordkeeping, employee staffing and training, inventory control, and maintenance of the Franchised Location.

ARTICLE 24
ACKNOWLEDGMENTS AND COUNTERPARTS

24.1 INDEPENDENT INVESTIGATION. Franchisee acknowledges that it has conducted an independent investigation of the Hotel business licensed hereunder, and recognizes that the business venture contemplated by this Agreement involves business and economic risks.

24.2 NO INCOME OR REFUND WARRANTIES. Franchisee acknowledges that Franchisor does not warrant or guarantee that: (A) Franchisee will derive income or profits from the Hotel; or (B) Franchisor will refund all or any part of the Initial Franchise Fee or the price paid for the Hotel or repurchase any of the furniture, fixtures, products, equipment, supplies or chattels supplied by Franchisor or an approved supplier if Franchisee is unsatisfied with its Hotel.

24.3 RECOMMENDATION TO OBTAIN LEGAL COUNSEL. Franchisee acknowledges that Franchisor has strongly recommended that Franchisee should retain legal counsel to review this Agreement and Franchisor's Franchise Disclosure Document and to advise Franchisee as to the terms and conditions of this Agreement and the potential economic benefits and risks of loss relating to this Agreement and the Hotel business.

24.4 OTHER FRANCHISEES. Franchisee acknowledges that other franchisees of Franchisor have or will be granted franchises at different times and in different situations, and further acknowledges that the terms and conditions of such franchises may vary substantially in form and in substance from those contained in this Agreement.

24.5 NO WAIVERS IN VIOLATION OF STATE LAW. No acknowledgement contained in this Article 24 is intended to act as a waiver in violation of applicable state law.

24.6 COUNTERPARTS. This Agreement may be executed in counterparts, which together shall constitute one agreement of the parties.

{Signatures appear on the following page}

IN WITNESS WHEREOF, Franchisor and Franchisee have respectively signed and sealed this Franchise Agreement as of the day and year first above written.

"Franchisor"

LG AS FRANCHISOR LLC

By_____

Its: _____

"Franchisee"

_____

By_____

Its: _____

OWNERS' ACKNOWLEDGEMENT

Each following party is an owner of Franchisee. Each following party is signing this Acknowledgment, not as a party, but only to the extent necessary to indicate its, his or her acceptance of, and agreement to be bound by, the specific rights and duties of an owner of Franchisee mentioned in this Agreement.

sign here if the owner is an entity

_____

By: _____

Name: _____

Its: _____

Percentage Ownership:_____

sign here if the owner is an individual

_____

Print name: _____

Percentage Ownership:_____

sign here if the owner is an entity

_____

By: _____

Name: _____

Its: _____

Percentage Ownership:_____

sign here if the owner is an individual

_____

Print name: _____

Percentage Ownership:_____

sign here if the owner is an entity

_____

By: _____

Name: _____

Its: _____

Percentage Ownership:_____

sign here if the owner is an individual

_____

Print name: _____

Percentage Ownership:_____

EXHIBIT A

PERSONAL GUARANTY AND AGREEMENT TO BE BOUND PERSONALLY BY THE TERMS AND CONDITIONS OF THE FRANCHISE AGREEMENT

In consideration of the execution of this Franchise Agreement by the Franchisor, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guaranty for the payment of all amounts and the performance of the covenants, terms and conditions in this Franchise Agreement, to be paid, kept and performed by the Franchisee.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in this Franchise Agreement and agree that this Personal Guaranty should be construed as though the undersigned and each of them executed a Franchise Agreement containing the identical terms and conditions of this Franchise Agreement, including without limitation the dispute resolution, confidentiality and non-solicitation provisions contained herein.

If any default should at any time be made therein by the Franchisee, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay to Franchisor all monies due and payable to the Franchisor under the terms and conditions of this Franchise Agreement.

In addition, if the Franchisee fails to comply with any other terms and conditions of this Franchise Agreement, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to comply with the terms and conditions of this Franchise Agreement for and on behalf of the Franchisee.

In addition, should the Franchisee at any time be in default on any obligation to pay monies to the Franchisor or any subsidiary or related company of the Franchisor, whether for products, supplies, furniture, fixtures, equipment or other goods purchased by the Franchisee from the Franchisor, or any subsidiary or affiliate of the Franchisor, or for any other indebtedness of the Franchisee to the Franchisor, or any subsidiary or affiliate of the Franchisor, then the undersigned, their heirs, successors and assigns, do hereby individually, jointly and severally promise and agree to pay all such monies due and payable from the Franchisee to the Franchisor, or any subsidiary or affiliate of the Franchisor.

Each of the undersigned waives: (i) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (ii) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and any right the undersigned has to require that an action be brought against Franchisee or any other person as a condition of liability.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of the successors and assigns of the Franchisor.

In the Presence of:	PERSONAL GUARANTORS
_____	_____
	Individually
	_____
	Address
	_____
	City State Zip Code
_____	_____
	Individually
	_____
	Address
	_____
	City State Zip Code

To be signed by spouses of guarantors residing in Alaska, Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin:

CONSENT OF SPOUSE OF GUARANTOR

The undersigned spouse of _____hereby consents to the execution of the foregoing Guaranty by their spouse and agrees to be bound thereby to the extent of his/her interest in any assets or property of their spouse and further agrees that their community assets shall be bound thereby. This consent shall not be construed as an agreement by the undersigned spouse that such spouse's separate property is subject to the claims of franchisor arising out of enforcement of this Guaranty.

By: _____

Name: _____

EXHIBIT B

LG AS FRANCHISOR LLC
ADDENDUM TO FRANCHISE AGREEMENT
OWNERSHIP & MANAGEMENT ADDENDUM

1. **Principal Owner(s).** Franchisee represents and warrants to Franchisor that the following person(s) and entities, and only the following person(s) and entities, shall be the Principal Owner(s) of Franchisee.

Name	Percentage of Interest	Home Address
_____	_____	_____
		_____
_____	_____	_____
		_____
_____	_____	_____
		_____
_____	_____	_____
		_____

Franchisee shall immediately notify Franchisor in writing of any change in the information contained in Section 1 of this Addendum and, at Franchisor's request, prepare and sign a new Addendum containing the correct information. Any change is subject to the terms of Article 19 of the Agreement.

2. Hotel Management.

A. The following individual(s) or management company has been selected by Franchisee and approved by Franchisor to manage the Hotel at the Franchised Location:

Name	Address	Phone	Email
_____	_____	_____	_____
	_____		
Principal Contact:	_____		
_____	_____		

B. Franchisee represents and warrants to Franchisor that the following individual(s) is the Resident Manager of Franchisee under the Franchise Agreement.

Name	Address	Phone	Email
_____	_____	_____	_____
	_____		
	_____		
	_____		

Franchisee shall immediately notify Franchisor in writing of any change in the information contained in Section 2 of this Addendum and, at Franchisor's request, prepare and sign a new Addendum containing the correct information. Any change is subject to the terms of Section 7.20 of the Agreement.

3. Effective Date. This Addendum is effective as of this _____ day of _____, 20 ___.

"Franchisee"	"Franchisor"
	LG AS FRANCHISOR LLC
	By:_____
_____	Its:_____
_____	

EXHIBIT C

ASSIGNMENT OF TELEPHONE NUMBERS AND SERVICE

THIS ASSIGNMENT is made and entered into this _ day of _____, 20 __, by and between _____ ("Franchisee") and LG AS Franchisor LLC ("Franchisor").

BACKGROUND

A. Franchisor and Franchisee are parties to an LG AS Franchisor LLC Franchise Agreement (the "Franchise Agreement") dated _____, 20 __, whereby Franchisee was granted the right to operate a Brand Hotel (the "Hotel") from the Franchised Location described in the Franchise Agreement.

B. Section 15.3 of the Franchise Agreement requires Franchisee to assign all rights to each of the telephone numbers for Franchisee's Hotel to Franchisor to be effective upon termination or expiration of the Franchise Agreement.

C. Franchisee's Hotel has been assigned the following phone number(s) ("Telephone Numbers") by , the local telephone service provider ("Telephone Company"):

(_____) _____ (_____) (_____)

(_____) _____ (_____) (_____)

AGREEMENTS

Franchisor and Franchisee agree as follows:

Franchisee hereby assigns to Franchisor all right, title and interest to the Telephone Numbers to Franchisor, such assignment to be effective upon termination or expiration of the Franchise Agreement.

Franchisee agrees to pay all amounts due and payable to the Telephone Company for services rendered, including amounts accrued and unbilled, as of the date of this Assignment and all amounts that the Telephone Company may require in connection with such transfer or otherwise. Franchisee agrees to indemnify and hold harmless the Telephone Company and Franchisor from all claims, actions and damages in connection with this and any other assignment and any other matters or disputes related in any way hereto.

The Telephone Company is authorized and requested to honor this Assignment upon notice by Franchisor that such Franchise Agreement is terminated or has expired.

Upon transfer of the Telephone Numbers to Franchisor, Franchisor may, in its sole judgment, continue service with the Telephone Company or cancel such service. Franchisor will not be obligated or liable for any arrears or charges for services rendered by the Telephone Company to Franchisee prior to such transfer.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Assignment, understands and consents to be bound by all of its terms.

"Franchisee"	"Franchisor"
	LG AS FRANCHISOR LLC
	By:_____
_____	Its:_____
_____	

EXHIBIT D

ACKNOWLEDGMENT ADDENDUM

(NOT FOR USE IN THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI)

As you know, you and we are entering into a Franchise Agreement for the operation of a Brand Hotel franchise. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

Acknowledgments and Representations*.

1. Did you receive a copy of our disclosure document (and all exhibits and attachments) at least 14 calendar days prior to signing the Franchise Agreement? Check one: ( ) Yes ( ) No. If no, please comment: _____

2. Have you studied and reviewed carefully our disclosure document and Franchise Agreement? Check one: ( ) Yes ( ) No. If no, please comment: _____

3. Except for fill in the blank provisions and changes made as a result of negotiations that you initiated, did you receive a copy of the Franchise Agreement at least 7 calendar days prior to the date on which the Franchise Agreement was executed? Check one: ( ) Yes ( ) No. If no, please comment: _____

4. Did you understand all the information contained in both the disclosure document and Franchise Agreement? Check one: ( ) Yes ( ) No. If no, please comment: _____

5. Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the disclosure document? Check one: ( ) Yes ( ) No. If yes, please state in detail the oral, written or visual claim or representation: _____

6. Did any employee or other person speaking on behalf of LG AS Franchisor LLC make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted or projected sales, revenues, expenses, earnings, income or profit levels at any Brand Hotel location or business, or the likelihood of success at your

franchised business? Check one: ( ) Yes ( ) No. If yes, please state in detail the oral, written or visual claim or representation: _____

_____

7. Did any employee or other person speaking on behalf of LG AS Franchisor LLC make any statement or promise regarding the costs involved in operating a franchise that is not contained in the disclosure document or that is contrary to, or different from, the information contained in the disclosure document. Check one: ( ) Yes ( ) No. If yes, please comment:

_____

_____

8. Do you understand that that the franchise granted is for the right to operate a business at the franchised location only and, except as expressly provided in Article 1 of the Franchise Agreement (or, if applicable, in the Area Development Agreement) includes no territorial protection, and that we and our affiliates have the right to issue franchises or operate competing businesses for or at locations, as we determine, near your protected area? Check one: ( ) Yes ( ) No. If no, please comment: _____

_____

9. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the franchise for the franchised business, meaning that any prior oral or written statements not set out in the Franchise Agreement will not be binding? Check one: ( ) Yes ( ) No. If no, please comment: _____

_____

_____

10. Do you understand that the success or failure of your Hotel will depend in large part upon your skills and experience, your business acumen, the hours you work, your location, the local market for hospitality services under the AFFORDABLE SUITES OF AMERICA™ trademarks, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition, lease terms and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open your Hotel may change?
Check one: ( ) Yes ( ) No. If no, please comment: _____

_____

_____

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

<u>NOTE</u>: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

Signed: _____	Signed: _____
Print Name: _____	Print Name: _____
Date: _____	Date: _____

Signed: _____

Print Name: _____

Date: _____

(<u>NOT FOR USE</u> IN THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI)

EXHIBIT E

STATE ADDENDUM

[Insert State Addendum to Franchise Agreement here, if applicable]

EXHIBIT E

Confidentiality and Non-Compete Agreement

CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Agreement is made this _____ day of _____, 20__, by and between LG AS Franchisor LLC ("Franchisor") and _____ ("Prospective Franchisee").

INTRODUCTION

Prospective Franchisee is considering the purchase of an "Affordable Suites of America™" franchise from Franchisor and desires to obtain additional information respecting the Affordable Suites of America™ Business System (as defined below). Franchisor may disclose certain Proprietary Information (as defined below) to Prospective Franchisee in connection with Prospective Franchisee's investigation. Prospective Franchisee acknowledges and agrees that the Proprietary Information is a valuable, special and unique asset of Franchisor and that such information would not be disclosed to Prospective Franchisee unless Prospective Franchisee agreed to hold such information in strict confidence.

AGREEMENTS

In consideration of the premises and mutual covenants contained herein, the parties agree as follows:

Definitions.

A. The term "Business System" means the distinctive goods, services and methods of operation, which are associated with Franchisor's trademarks, trade names, service marks, copyrights, logos and commercial symbols. "Business System" includes all of the uniform requirements, standards of quality, procedures, specifications and instructions developed by Franchisor.

B. The term "Proprietary Information" means that information and knowledge developed by Franchisor relating to the Business System that Franchisor discloses to Prospective Franchisee, except information which Prospective Franchisee can demonstrate previously came to his or her attention or which, at the time of disclosure by Franchisor to Prospective Franchisee, had become a part of the public domain, through publication or communication and without violation by Prospective Franchisee of this Agreement or any other agreement with Franchisor.

Confidentiality. Prospective Franchisee acknowledges that Franchisor would be irreparably harmed if any of the Proprietary Information were disclosed to others or wrongfully used. Prospective Franchisee therefore agrees that (i) Prospective Franchisee will treat as confidential all Proprietary Information which may be made available to Prospective Franchisee and will use the same degree of care to protect the Proprietary Information as Prospective Franchisee uses for its own confidential information, but in no event, less than a reasonable amount of care; and (ii) Prospective Franchisee will not, directly or indirectly, use, disclose, publish or reproduce any of the Proprietary Information, or allow any of its agents or employees to do so, other than pursuant to the terms of a Franchise Agreement entered into, or assigned to, Prospective Franchisee for the operation of an Affordable Suites of America™ hotel.

Return of Proprietary Information. If Prospective Franchisee does not complete the transaction referenced above, Prospective Franchisee will immediately deliver to Franchisor all materials in Prospective Franchisee's possession or control that contain Proprietary Information or, at Franchisor's request, destroy such materials.

Trade Dress Protection. Prospective Franchisee recognizes and acknowledges that the design and appearance of the exterior and interior of an Affordable Suites of America™ hotel, including signage, is a part of Franchisor's Business System, constitutes inherently distinctive trade dress and is a valuable, special and unique asset of Franchise. Prospective Franchisee therefore agrees not to imitate, use, appropriate or otherwise infringe upon the trade dress associated with an Affordable Suites of America™ hotel, other than use authorized (if applicable) pursuant to the terms of an Affordable Suites of America™ Franchise Agreement entered into by Prospective Franchisee.

Covenant Not To Compete. If Prospective Franchisee does not complete the transaction referenced above, Prospective Franchisee agrees that he/she will not, for a period of 1 year from the date first above written, directly or indirectly, own operate, lease, Franchise, conduct, engage in or have any interest in any other hotel business, except with the prior written consent of Franchisor.

Injunctive Relief. The parties agree that Franchisor will not have an adequate remedy at law if Prospective Franchisee breaches or fails to perform any of the terms of the Agreement. Franchisor will, therefore, have the right, in addition to any other remedy available, to obtain from any court of competent jurisdiction injunctive relief or a decree of specific performance plus reimbursement for costs, including reasonable attorneys' fees, incurred in the securing of such relief.

Immunity for Certain Limited Disclosures. Notwithstanding any other provision of this Agreement, Prospective Franchisee may, in accordance with any applicable law which includes but is not limited to the federal Defend Trade Secrets Act, disclose confidential information in these limited circumstances: (a) in confidence, to federal, state, or local government officials, or to Prospective Franchisee's attorney, for the sole purpose of reporting or investigating a suspected violation of law; or (b) in a document filed in a lawsuit or other legal proceeding, but only if the filing is made under seal and protected from public disclosure. Prior to any such disclosure, Prospective Franchisee shall notify Franchisor of the request for disclosure, and cooperate in any efforts by Franchisor to limit or avoid such disclosure.

Assignment. Prospective Franchisee may not assign this agreement without the consent of Franchisor, which may be withheld in Franchisor's sole discretion.

Warranty. The Franchisor is disclosing its Proprietary Information to the Prospective Franchisee "**AS IS, WHERE IS, AND WITH ALL FAULTS**" and without any representations and warranties of any kind whether express or implied or arising by operation of law. This includes the disclaimer by Franchisor of all representation and warranties with regards to the ownership, merchantability, fitness for a particular purpose, truth, accuracy and completeness of such information.

Miscellaneous. The validity or unenforceability of any provision of this Agreement will not affect the invalidity or unenforceability of any other provision of this Agreement. A waiver or consent given by Prospective Franchisee or Franchisor on any one occasion is effective only in that instance and will not be construed as a waiver of any right on written and oral, of the parties with respect to the subject matter of this Agreement. All terms and provisions of the Agreement will be binding upon and benefit the parties, their respective representatives, heirs, successors and assigns, and will also be binding on each person, firm or other entity that is controlled by or otherwise affiliated with Prospective Franchisee. This Agreement will be governed by the laws of the State of North Carolina.

IN WITNESS WHEREOF, the parties have signed this Agreement as of the date and year first above written.

Franchisor: LG AS Franchisor LLC a Delaware limited liability company	Prospective Franchisee:
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

EXHIBIT F

State Addenda

State Addenda to Franchise Disclosure Document

MULTI-STATE ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT (FOR THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI)

This Addendum pertains to franchises sold in the state that have adopted as law the NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements (the "SOP") and is for the purpose of complying with the statutes and regulations of such states. For franchises sold in such states, this franchise disclosure document is amended by adding the following section at the end of Item 9:

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

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE CALIFORNIA FRANCHISE INVESTMENT LAW

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT AT LEAST 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. These provisions may not be enforceable under Federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise or development rights. These provisions may not be enforceable under California law.

Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Neither the Franchisor nor any person listed in Item 2 of this Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such persons from membership in such association or exchange.

Section 17.9 of the Franchise Agreement limits the statute of limitations to 1 year from the date the complaining party knew or should have known of facts giving rise to the claim. These provisions are void to the extent it is inconsistent with the provisions of Corporations Code 31303-31304. Corporations Code Section 31512 provides that "Any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this law or any rule or order is void."

The Franchise Agreement requires application of the laws of North Carolina. This provision may not be enforceable under California law.

The Franchise Agreement requires binding arbitration. The arbitration will occur in North Carolina, or in such city and state where the Franchisor is headquartered, with the costs being borne by both parties unless Franchisor incurs expense to enforce any obligation of Franchisee, then Franchisor shall be entitled to recover all legal fees and expenses from Franchisee.

Prospective franchisees are encourage to consult private legal counsel to determine the applicability of California and federal laws (such as Business Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside of the State of California.

OUR WEBSITE IS WWW.AFFORDABLESUITES.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

(a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.

(b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.

(c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.

(d) Violations of any provision of this division.

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE HAWAII FRANCHISE INVESTMENT LAW

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

No release language included in the Franchise Agreement shall relieve the franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Hawaii.

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE ILLINOIS FRANCHISE DISCLOSURE ACT

By reading this disclosure document, you are not agreeing to, acknowledging, or making any representations whatsoever to the Franchisor and its affiliates.

Illinois law governs the Franchise Agreement.

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

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

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

Item 5 of the Franchise Disclosure Document are amended to provide that: "The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition. Therefore, all initial fees and payments owed by franchisees to Franchisior and its affiliates shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement."

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW

1. Item 5 of the Franchise Disclosure Document are amended to provide that: "Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement."

2. Item 17.c ("Requirements for franchisee to renew or extend") and Item 17.m ("Conditions for franchisor approval of transfer") of the Franchise Disclosure Document are amended to provide that "The requirement that you provide a general release of all claims against us in order to renew or transfer your franchise shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

3. Item 17.g ("Cause defined – curable defaults") of the Franchise Disclosure Document is amended to provide that "Termination upon filing of a bankruptcy petition against you or any shareholder may not be enforceable under federal bankruptcy law."

4. Item 17.v ("Choice of forum"), of the Franchise Disclosure Document is amended to provide that "Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

5. Any claim arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE MINNESOTA FRANCHISE INVESTMENT LAW

Notwithstanding anything to the contrary set forth in the franchise disclosure document and/or Franchise Agreement, as applicable, the following provisions shall supersede and apply to all franchises offered and sold in the State of Minnesota:

1. MINN. STAT. SECTION 80C.21 and MINNESOTA RULES 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in MINN. STAT. CHAPTER 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

2. With respect to franchises governed by Minnesota law, the franchisor will comply with MINN. STAT. SECTION 80C.14 SUBD. 3-5, which require (except in certain specified cases)

   (i) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and

   (ii) that consent to the transfer of the franchise will not be unreasonably withheld.

3. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to MINN. STAT. SECTION 80C.12 SUBD. 1(G). The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

4. MINNESOTA RULES 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See MINNESOTA RULES 2860.4400(J) also, a court will determine if a bond is required.

6. The Limitations of Claims section must comply with MINN. STAT. SECTION 80C.17 SUBD. 5.

7. The State Cover Page is amended by adding the following risk factor:

"THE FRANCHISOR IS AT AN EARLY STAGE OF DEVELOPMENT AND HAS A LIMITED OPERATING HISTORY. THIS FRANCHISE IS LIKELY TO BE A RISKIER INVESTMENT THAN A FRANCHISE IN A SYSTEM WITH A LONGER OPERATING HISTORY."

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE NEW YORK FRANCHISE LAW

1. The cover page of the Franchise Disclosure Document is amended to add the following statement:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY . THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMDNT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. Item 3 of the Franchise Disclosure Document is amended by deleting the last paragraph and substituting the following:

"Neither we, our predecessor, nor a person identified in Item 2, or an affiliate offering franchises under our principal trademark:

A. Has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion; misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. Moreover, there are no pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

C. Is subject to a currently effective injunction or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from

membership in such association or exchange; or is subject to a currently effective injunction or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent."

3. Item 4 of the Franchise Disclosure Document is amended by deleting the last paragraph and substituting the following:

"Neither we, our affiliate, our predecessor nor our officers during the 10 year period immediately before the date of the Franchise disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership."

4. Item 5 of the Franchise Disclosure Document is amended by adding the following to the subsection entitled "Franchise Fee For Single Hotel":

"We will use the Initial Franchise Fee to cover our costs associated with fulfilling its obligations under the Franchise Agreement and to cover other overhead costs and expenses."

5. Item 17 of the Franchise Disclosure Document is amended by adding the following statement to the summary column (c), titled "Requirements for franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":

"However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied."

6. Item 17 of the Franchise Disclosure Document is further amended by adding the following statement to the summary column (d) entitled "Termination by You":

"You can terminate upon any grounds available by law."

7. Item 17 of the Franchise Disclosure Document is further amended by adding the following statement to the summary column (w) indicating the choice of law:

"The foregoing choice of law should not be considered a waiver of any right conferred upon either the Franchisor or upon the Franchisee by the General Business Law of the State of New York."

FRANCHISOR REPRESENTATION

THE FRANCHISOR REPRESENTS THAT THIS PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF MATERIAL FACT.

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE NORTH DAKOTA FRANCHISE LAW

Notwithstanding anything to the contrary in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of North Dakota:

1. The Commissioner has determined that the requirement for a franchisee to consent to a waiver of trial by jury to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, the jury waiver in Section 17.1 of the Franchise Agreement is deleted.

2. Waiver of exemplary and punitive damages is prohibited by law in the State of North Dakota. Accordingly, the waiver of exemplary and punitive damages in Sections 17.3 and 17.6 of the Franchise Agreement is deleted.

3. North Dakota prohibits a provision that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the Franchise Agreement. Accordingly, Section 17.10 of the Franchise Agreement is restated to read as follows:

> "In the event either party incurs legal fees or costs or other expenses to enforce any obligation of the other party hereunder, or to defend against any claim, demand, action or proceeding by reason of the other party's failure to perform or observe any obligation imposed upon that party by this Agreement, then the prevailing party shall be entitled to recover from the other party the amount of all legal fees, costs and expenses, including reasonable attorneys' fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action or proceeding to enforce any obligation of the other party hereunder or thereafter or otherwise."

4. The laws of the State of North Dakota supersede any provisions of the Franchise Agreement, and the other agreements or North Carolina law if those provisions are in conflict with North Dakota law.

5. Except to the extent the laws of the State of North Dakota are preempted by the Federal Arbitration Act, any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the Franchisee to agree to jurisdiction or venue, in a forum outside of North Dakota, is deleted from any Franchise Agreement, and issued in the State of North Dakota.

6. The Commissioner has determined that requiring a franchisee to sign a general release upon renewal of the franchise agreement is unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, all references to the Franchisee signing a general release upon renewal of the Franchise Agreement in Item 17(c) of the Franchise disclosure document and Section 2.2 (c) of the Franchise Agreement are deleted.

7. The Commissioner has determined that the requirement for a franchisee to consent to termination or liquidated damages to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, all references to the Franchisee paying termination or liquidated damages in Item 17(i) of the Franchise Disclosure Document and in Sections 15 and 16 of the Franchise Agreement are deleted.

8. The Commissioner has held that covenants restricting competition are contrary to Section 9-08-06 of the North Dakota Century Code, and are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. To the extent any covenants restricting competition in the Franchise Agreement is contrary to Section 9-08-06 of the North Dakota Century Code or Section 51-19-09 of the North Dakota Franchise Investment Law they are deleted and Item 17(r) of the Franchise Disclosure Document is amended to state so.

9. Item 5 is amended by adding the following:

> "The collection of initial franchise fees will be deferred until the franchisor has fulfilled its initial pre-opening obligations and the franchisee has commenced doing business pursuant to the Franchise Agreement."

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE RHODE ISLAND FRANCHISE DISCLOSURE ACT

Section 19-28.1-14 of the Rhode Island Franchise Investment Act, as amended by the laws of 1991, provides that "A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE VIRGINIA RETAIL FRANCHISING ACT

Notwithstanding anything to the contrary in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Virginia.

The following paragraph is added to the State Cover Page:

> "THE FRANCHISOR IS AT AN EARLY STAGE OF DEVELOPMENT AND HAS A LIMITED OPERATING HISTORY. THIS FRANCHISE IS LIKELY TO BE A RISKIER INVESTMENT THAN A FRANCHISE IN A SYSTEM WITH A LONGER OPERATING HISTORY."

The following paragraph is added at the end of Item 17:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE WASHINGTON FRANCHISE INVESTMENT LAW

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Washington.

1. If any of the provisions in the Franchise Disclosure Document, Franchise Agreement, or Area Development Agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act (the "Act"), the provisions of the Act will prevail over the inconsistent provisions of the Franchise Disclosure Document, Franchise Agreement, or Area Development Agreement with regard to any franchises sold in Washington.

2. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

3. The State of Washington's policy pursuant to its Administrative Regulations pertaining to releases is as follows:

> A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

4. Item 5 is amended to add the following: All initial fees and payments owed by franchisees described in this Item 5 are deferred until the franchisor completes its preopening obligations under the Franchise Agreement and the franchisee is open for business.

5. Item 17 is amended to add the following:

> "These states have statutes which limit the franchisor's ability to restrict your activity after the Franchise Agreement has ended: California Business and Professions Code Section 16,600, Florida Statutes Section 542.33, Michigan Compiled Laws Section 445.771 *et seq.*, Montana Codes Section 30-14-201, North Dakota Century Code Section 9-08-06, Oklahoma

Statutes Section 15-217-19, Washington Code Section 19.86.030. Other states have court decisions limiting the franchisor's ability to restrict your activity after the Franchise Agreement has ended.

A provision in the Franchise Agreement which terminates the franchise upon bankruptcy of the franchise may not be enforceable under Title 11, United States Code Section 101.

The following states have statutes which restrict or prohibit the imposition of liquidated damage provisions: California [Civil Code Section 1671], Indiana [1C 23-2-2.7-1(10)], Minnesota [Rule 2860.4400J], South Dakota [Civil Law 53-9-5]. State courts also restrict the imposition of liquidated damages. The imposition of liquidated damages is also restricted by fair practice laws, contract law, and state and federal court decisions."

6. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

7. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

8. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

9. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

10. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

State Addenda to Franchise Agreement

MULTI-STATE AMENDMENT
TO FRANCHISE AGREEMENT
(FOR THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI)

This Amendment pertains to franchises sold in the states that have adopted as law the NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements (the "SOP") and is for the purpose of complying with the statutes and regulations of such states. Signing this Amendment where the SOP, because applicable jurisdictional requirements are not met, does not apply, does not subject the parties to the provisions of the SOP. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

Franchisor and Franchisee hereby agree that the Franchise Agreement dated _____ _____, 20__, will be amended as follows:

1. The following language is added immediately before the signature block of the Franchise Agreement:

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

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

Franchisor: LG AS Franchisor LLC a Delaware limited liability company	Franchisee: _____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

CALIFORNIA AMENDMENT
FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of California that are subject to the California Franchise Investment Law (the "Act") and is for the purpose of complying with California statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated _____, _____, hereby agree that the Franchise Agreement will be amended as follows:

1. Section 310.114.1 of the California Corporation Code applies to the Franchise Agreement.

2. The following language is added as new Section 22.14 of the Franchise Agreement:

"Notwithstanding anything to the contrary in this Agreement, to the extent required by California Corporations Code Section 31512.1, any provision in this Agreement, the franchise disclosure document, and any other acknowledgement, questionnaire, or other writing, disclaiming or denying: (a) representations made by Franchisor or its personnel or agents to Franchisee before entering into the Franchise Agreement; (b) reliance by Franchisee on any representations made by Franchisor, or its personnel or agents; (c) reliance by Franchisee on the franchise disclosure document; or (d) violations of any other provision of the California Franchise Investment Law; is void and will not be enforced by Franchisor."

Dated: _____

Franchisor:	Franchisee:
LG AS Franchisor LLC	
a Delaware limited liability company	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

ILLINOIS AMENDMENT
TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of Illinois that are subject to the Illinois Franchise Disclosure Act (the "Act") and is for the purpose of complying with Illinois statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated _____, 20__, hereby agree that the Franchise Agreement will be amended as follows:

1. Illinois law governs the Franchise Agreement.

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

3. Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

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

6. The second sentence of Section 4.1 of the Franchise Agreement is hereby deleted and replaced with the following:

   The Initial Franchise Fee and any other fees and payments owed by Franchisee to Franchisor or its Affiliates are deferred until Franchisor completes its pre-opening obligations under this Agreement, and are due and payable upon such date as Franchisor completes its pre-opening obligations under this Agreement."

Dated: _____, 20_____

Franchisor: LG AS Franchisor LLC a Delaware limited liability company	Franchisee: _____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

MARYLAND AMENDMENT
TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of Maryland that are subject to the Maryland Franchise Registration and Disclosure Law (the "Act") and is for the purpose of complying with Maryland statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

Franchisor and Franchisee hereby agree that the Franchise Agreement dated _____, 20_____, will be amended as follows:

1. The following language is added to the end of Section 4.1 of the Franchise Agreement:

   "Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement."

2. The following language is added to the end of Section 2.2(C) and 19.6(H) of the Franchise Agreement:

   ", except that the general release provisions shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

4. The following language is added to the end of Section 17.1 of the Franchise Agreement:

   "Franchisee may bring a lawsuit in Maryland for claims arising out of the Maryland Franchise Registration and Disclosure Law."

5. The following language is added to the end of Section 17.9 of the Franchise Agreement:

   "all claims arising under the Maryland Franchise Registration and Disclosure Law shall be commenced within three (3) years after the grant of the franchise."

6. The following language is added to Sections 14.4 and 22.6 of the Franchise Agreement:

"Representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

7. The last sentence of Section 12.1 is replaced with the following:

"Franchisor only reviews proposed sites for compliance with System standards."

8. The last sentence of Section 22.11 is deleted.

9. Sections 24.1, 24.2 and 24.3 are removed.

10. The third paragraph of the Franchise Agreement is hereby deleted in it's entirety.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

Franchisor: LG AS Franchisor LLC a Delaware limited liability company	Franchisee: _____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

MINNESOTA AMENDMENT
TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of Minnesota that are subject to the Minnesota Franchise Act (Minn. Stat. Sec. 80C.1 et seq., the "Act") and is for the purpose of complying with Minnesota statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated _____, 20__, hereby agree that the Franchise Agreement will be amended as follows:

1. Section 3.3 of the Franchise Agreement is amended to add the following language.

   "The Minnesota Department of Commerce requires the Franchisor to indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee's use of the tradename infringes trademark rights of the third party. Franchisor indemnifies Franchisee against the consequences of Franchisee's use of the tradename in accordance with the requirements of the license, and, as a condition to indemnification, Franchisee must provide notice to Franchisor of any such claims within ten (10) days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim."

2. Section 13.2 of the Franchise Agreement are amended to read as follows:

   "At the election of Franchisor, Franchisor may terminate the Agreement effective upon the expiration of 90 days after giving of written notice in the event Franchisee defaults, and does not cure to Franchisor's reasonable satisfaction within the 60-day notice period, in the performance of any other covenant or provision of this Agreement, including without limitation, the obligation to pay when due any financial obligation to Franchisor, the obligation to make reports and provide information when due hereunder, or failure to maintain any of the standards or procedures prescribed for the Franchised Business in this Agreement, the Manual or otherwise; provided, however, that Franchisee shall be entitled to notice and opportunity to cure any such default only once in any six month period, and any subsequent occurrence of the same or substantially similar default within such six month period shall entitle Franchisor, at its option, to terminate this

Agreement effective immediately upon the giving of notice and without opportunity to cure."

and

"With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement."

3. Franchisor will protect the Franchisee's right granted hereby to use the Marks or will indemnify the Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

5. The second-to-last paragraph of Section 17.1 of the Franchise Agreement is amended as follows:

"Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by laws of the jurisdiction."

6. Minn. Rule 2860.4400J. prohibits waiver of a jury trial. Accordingly, the last paragraph of Section 17.1 of the Franchise Agreement is amended as follows:

"Nothing contained herein shall limit Franchisee's right to submit matters to the jurisdiction of the courts of Minnesota to the full extent required by Minn. Rule 2860.4400J."

7. Minn. Rule 2860.4400J. prohibits requiring a franchisee to consent to liquidated damages.

8. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.

9. Section 17.9 of the Franchise Agreement is amended to add the following to the end of the Section:

"Any claims pursuant to Minn. Stat. Sec. 80C.17 may be commenced within the time period provided in Minn. Stat. Sec. 80C.17, subd. 5."

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment to the Franchise Agreement as of the day and year set forth above.

Franchisor: LG AS Franchisor LLC a Delaware limited liability company	Franchisee: _____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

NEW YORK AMENDMENT
TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of New York that are subject to the New York Franchise Act (New York State General Business Law, Article 33, Sec. 680 et seq., the "Act") and is for the purpose of complying with New York statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated _____, 20__, hereby agree that the Franchise Agreement will be amended as follows:

1. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20__ that has been signed concurrently with the signing of this Amendment. This Amendment is annexed to and forms part of the Franchise Agreement. This Amendment is being signed because: (a) you are a resident of the State of New York and your Franchise will operate in New York; and/or (b) the offer or sale of the license occurred in New York.

2. The following is added as a new Section 14.5 of the Franchise Agreement:

"Franchisee may terminate this Agreement upon any grounds available at law."

3. The following is added to the end of Section 22.1 of the Franchise Agreement:

"This section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law and the regulations issued thereunder."

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the day and year first above written.

Franchisor:	Franchisee:
LG AS Franchisor LLC a Delaware limited liability company	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

NORTH DAKOTA AMENDMENT
TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of North Dakota that are subject to the North Dakota Franchise Investment Law (the "Act") and is for the purpose of complying with North Dakota statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated _____, 20__, hereby agree that the Franchise Agreement will be amended as follows:

1. Section 2.2 of the Franchise Agreement is amended by deleting Section 2.2 (c) and inserting in its place: "Intentionally Omitted."

2. Section 4.1 of the Franchise Agreement is amended as follows:

   "**INITIAL FRANCHISE FEE**. Franchisee will pay to Franchisor an Initial Franchise Fee of $35,000. The Initial Franchise Fee will be due and payable on the date Franchisor has fulfilled its pre-opening obligations and the Hotel is open for business. The Initial Franchise Fee is fully earned upon receipt and is nonrefundable."

3. Section 13.3 of the Franchise Agreement is amended as follows:

   "Remedies Upon Termination. If the Franchise is terminated, and in addition to the obligations of the Franchisee as otherwise provided herein, Franchisor shall retain the full amount of any fees heretofore paid to Franchisor and Franchisee shall continue to remain liable to Franchisor for any and all damages which Franchisor has sustained or may sustain by reason of such default or defaults and the breach of the Franchise Agreement on the part of the Franchisee for the unexpired Term of the Franchise Agreement."

4. Sections 15 and 16 of the Franchise Agreement are amended by deleting any obligation of Franchisee to consent to paying termination or liquidation damages.

5. Section 16.2 of the Franchise Agreement is amended by adding the following: "Covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code may be unfair, unjust, or inequitable within the intent of Section 51-19-09 of the Act."

6. Section 17.1 of the Franchise Agreement is deleted.

7. Section 17.6 of the Franchise Agreement is deleted.

8. Section 17.10 of the Franchise Agreement is amended as follows:

"In the event either party incurs legal fees or costs or other expenses to enforce any obligation of the other party hereunder, or to defend against any claim, demand, action or proceeding by reason of the other party's failure to perform or observe any obligation imposed upon that party by this Agreement, then the prevailing party shall be entitled to recover from the other party the amount of all legal fees, costs and expenses, including reasonable attorneys' fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action or proceeding to enforce any obligation of the other party hereunder or thereafter or otherwise."

9. The laws of the State of North Dakota supersede any provisions of the Franchise Agreement, the other agreements or North Carolina law if such provisions are in conflict with North Dakota law.

10. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the Franchisee to agree to jurisdiction or venue, in a forum outside of North Dakota, is deleted from any Franchise Agreement issued in the State of North Dakota.

Dated: _____, 20__

Franchisor: LG AS Franchisor LLC a Delaware limited liability company	Franchisee: _____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

RHODE ISLAND AMENDMENT
TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of Rhode Island that are subject to the Rhode Island Franchise Investment Act (the "Act") and is for the purpose of complying with Rhode Island statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated _____, 20__ hereby agree that the Franchise Agreement will be amended as follows:

1. Section 19-28.1-14 of the Rhode Island Franchise Investment Act, as amended by the laws of 1991, provides that "A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

Dated: _____, 20__.

Franchisor: LG AS Franchisor LLC a Delaware limited liability company	Franchisee: _____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

VIRGINIA AMENDMENT
TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of Virginia that are subject to the Virginia Retail Franchising Act (the "Act") and is for the purpose of complying with Virginia statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated _____, 20__, hereby agree that the Franchise Agreement will be amended as follows:

1. Section 13.1 of the Franchise Agreement is amended by adding the following language to the beginning of the Section:

"§13.1-564 of the Virginia Retail Franchising Act provides that it is unlawful for a franchisor to cancel a franchise without reasonable cause."

Dated: _____, 20__

Franchisor: LG AS Franchisor LLC a Delaware limited liability company	Franchisee: _____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

WASHINGTON AMENDMENT
TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of Washington that are subject to the Washington Franchise Investment Protection Act (the "Act") and is for the purpose of complying with Washington statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated _____, 20__ hereby agree that the Franchise Agreement will be amended as follows:

1. The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with Franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with Franchisor including the areas of termination and renewal of your license.

2. In the event of a conflict of law, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

3. A release or waiver of rights executed by a Franchisee shall not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial may not be enforceable.

4. Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

5. Section 1.1 of the Franchise Agreement is amended by adding the following: "In this Section a site is deemed "redundant" if the general area in which the site is located becomes saturated with extended-stay hotel lodging alternatives in a similar hotel class to those offered by Brand Hotels, or if there is a sudden decrease in population.

6. Section 4.1 of the Franchise Agreement is amended by replacing it in its entirety with the following: "**INITIAL FRANCHISE FEE**. Franchisee will pay to Franchisor an Initial Franchise Fee of $35,000. The Initial Franchise Fee will be due and payable on the date Franchisor has fulfilled its pre-opening obligations and the Hotel is open for business. The Initial Franchise Fee is fully earned upon receipt and is nonrefundable."

7. Section 8.4 of the Franchise Agreement is amended by deleting from the first sentence the following "(even where Indemnitee's negligence or other wrongful conduct is

alleged)" and adding in its place "(even where Indemnitee's negligence or other wrongful conduct is alleged, except for in the case of Indemnitee's gross negligence or willful misconduct)"

8. Section 16.3 of the Franchise Agreement is amended by adding the following: "This Section shall not apply to the extent prohibited by applicable law."

9. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

10. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

11. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

12. Sections 24.1 through 24.4 of the Franchise Agreement are hereby amended by deleting them in their entirety.

13. The undersigned hereby acknowledges receipt of this amendment.

Dated: _____, 20__.

Franchisor:	Franchisee:
LG AS Franchisor LLC a Delaware limited liability company	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

EXHIBIT G

Form Release of Claims

FORM RELEASE OF CLAIMS

THIS IS A CURRENT RELEASE FORM THAT GENERALLY WILL BE USED WITH OR INCORPORATED INTO A SEPARATE AGREEMENT. THIS FORM IS SUBJECT TO CHANGE OVER TIME.

For and in consideration of the Agreements and covenants described below, LG AS Franchisor LLC ("ASA"), _____ ("Franchisee") and _____ ("Guarantors") enter into this Release of Claims ("Agreement").

RECITALS

A. ASA and Franchisee entered into an ASA Franchise Agreement dated _____, _____.

B. [NOTE: Describe the circumstances relating to the release.]

AGREEMENTS

1. Consideration. [NOTE: Describe the consideration paid.]

2-3. [NOTE: Detail other terms and conditions of the release.]

4. **Release of Claims**.

A. Definitions.

1. ASA Parties: Franchisor, and each of its officers, directors, attorneys, affiliates, agents, employees, shareholders, successors and assigns.

2. Franchisee Parties: Franchisee and each of the Guarantors, and each of their heirs, executors, administrators, trustees, agents, partners, employees, affiliates, attorneys, successors and assigns.

B. The Franchisee Parties release and forever discharge the ASA Parties of and from any and all past, present, and future claims, demands, obligations, actions and causes of action at law or in equity, whether arising by statute, common law, or otherwise, including claims for negligence, that they may now have, hereafter have, or claim to have, that arise out of or relate to the franchise relationship, the development or operation of any franchised store, the sale of any franchise, or any franchise or development agreement between Franchisor and Franchisee.

C. The Franchisee Parties hereto specifically and expressly contemplate that this release of claims covers all of their claims, including those known and unknown claims

for known and unknown injuries and/or damages, and those for expected and unexpected consequences.

5. **General**. No amendment to this Agreement or waiver of the rights or obligations of either party shall be effective unless in writing signed by the parties. This Agreement is governed by the laws of the State of North Carolina without regard to conflicts of laws principles. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. This Agreement contains the entire agreement and understanding of the parties concerning the subject matter of this Agreement. **[For Releases Subject to the Washington Francise Investment Protection Act, add:** This Agreement does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.] [NOTE: Detail other miscellaneous provisions.]

FRANCHISEE:	LG AS FRANCHISOR LLC
BY: _____	BY: _____
NAME: _____	NAME: _____
TITLE: _____	TITLE: _____
DATE: _____	DATE: _____

PERSONAL GUARANTORS:

BY: _____

NAME: _____

TITLE: _____

DATE: _____

BY: _____

NAME: _____

TITLE: _____

DATE: _____

EXHIBIT H

Comfort Letter

COMFORT LETTER

_____, 20___

Name and
Address
Of Bank

To Whom It May Concern:

This Comfort Letter Agreement ("Agreement") is made on _____, 20__, by and between LG AS Franchisor LLC, a Delaware limited liability company, ("Franchisor"), and _____ ("Lender"). Franchisor and Lender may be referred to collectively herein as the "Parties".

This letter references a certain agreement between Franchisor and _____ ("Franchisee" and/or "Borrower"), dated _____, 20___ (the "Franchise Agreement'), which grants Franchisee the right to operate an extended-stay hotel (the "Franchised Location") at _____ (the "Approved Location"), and a [Loan Agreement - INSERT CORRECT TITLE] (together with any collateral agreements thereto, the "Loan Agreement"), dated _____ 20__, between Lender and Franchisee, pursuant to which, Lender is lending to Franchisee the principal sum of $_____ (the "Loan") to acquire real property and construct the Location at the Approved Location, which Location will be operated as a Franchised Location under the Franchise Agreement.

At Franchisee's request, and in order to induce Lender to enter into the Loan Agreement and the Loan, Franchisor and Lender agree to the terms and conditions set forth herein.

1. Notice of Default and/or Termination.

A. By Franchisor. At the same time and in the same manner that written default notices are sent to Franchisee under the Franchise Agreement, Franchisor shall give Lender written notice of any event of default or breach under the Franchise Agreement (a "Default Notice"). Franchisor shall also provide Lender with any termination notice, at the same time and in the same manner that a termination notice is sent to Franchisee under the Franchise Agreement, (a "Termination Notice").

B. By Lender. At the same time and in the same manner that Lender is required to give written default notices to the Franchisee, under the Loan Agreement (a "Lender Default Notice"), Lender shall also give Franchisor written notice of any event of default or breach or termination under the Loan Agreement.

2. Default Under the Loan/Lender Foreclosure.

A. Lender Acquisition and Assumption.

1. **Franchisor** hereby agrees that, if Lender acquires the Property from the current Franchisee through foreclosure, a deed in lieu of foreclosure, or through any other exercise of its rights under the Loan Agreement ("**Lender Acquisition**"), and if the Franchise Agreement has not yet otherwise been terminated by Franchisor, and if the Lender desires to continue to operate the property as a Franchised Location, Lender shall assume Franchisee's rights and obligations under the Franchise Agreement ("**Lender Assumption**"), subject to the terms of this Agreement, by giving written notice to Franchisor of its intention to assume Franchisee's rights and obligations under the Franchise Agreement (the "**Assumption Notice**"), together with the payment of a Three Thousand Dollar $3,000.00 processing fee.

2. The Assumption Notice shall be delivered to Franchisor no later than ten (10) calendar days after Lender Acquisition. Franchisor may require the submission by Lender of its organizational documents, ownership structure and evidence of compliance with Franchisor' then-current insurance standards, in connection with the submission of the Assumption Notice. For purposes of this Agreement, the Property shall be deemed to be acquired by the Lender effective immediately upon the execution of a deed in lieu of foreclosure, order of a court, or any other act of transferring ownership of the Property to Lender.

B. Management. Within ten (10) days of Lender's assumption of the Franchise Agreement, rather by delivery of the Assumption Notice or by its Deemed Assumption (defined below), Lender must select a management company to manage the Property from a list recommended by Franchisor or engage Franchisor' affiliate, _____, or such other management company as Franchisor may approve in its reasonable discretion, to operate the Property. Lender shall be responsible for the fees and costs associated with the placement of qualified management company. Such management company, or a successor reasonably acceptable to Franchisor, shall continue to manage the Property during such time as Lender is in possession of and operating the Property under the Franchise Agreement or any successor franchise agreement entered into in accordance with the provisions of this Agreement, as applicable.

C. Default Under the Loan/Lender Foreclosure in conjunction with Default Under the Franchise Agreement.

1. In addition to the requirements set forth above in this Paragraph 2, as a condition to the consummation of a Lender Assumption or Deemed Assumption, Lender will be required to: (i) promptly cure (subject to Paragraph 3 D) any uncured breach or default under the Franchise Agreement existing at the time of Lender Assumption, relating to quality, service or other deficiency in the Franchisee's performance or obligations under the Franchise Agreement (excluding defaults that are personal to the Franchisee and cannot be cured by the Lender, as defined below); and (ii) pay any and all past due royalties or funds due the Franchisor and its affiliates.

D. Non-monetary Defaults Requiring Possession of Premises to Cure.

1. In the event of a breach or default under the Franchise Agreement which the Lender is unable to cure absent its possession, control, or ownership or of the Property, Lender shall have such an additional time period to cure said default as Franchisor may, in its reasonable discretion, grant to Lender. In no event shall the additional time period exceed one hundred twenty (120) days after Lender's acquisition of possession, control, or ownership of the Property, and it shall further be subject to that:

a) Lender immediately commences, and diligently prosecutes to completion, proceedings to obtain possession, control or ownership of the Property, as may be necessary to enable Lender to cure Franchisee's default under the Franchise Agreement; and

b) following its acquisition of possession, control or ownership of the Property, Lender shall diligently proceed to cure all defaults, except for personal and non-curable defaults (as defined below) within the time period granted by Franchisor, and shall thereafter perform all obligations of the Franchisee under the Franchise Agreement.

2. "Diligently proceed to cure" shall include the physical renovation work necessary at the Property to comply with Franchisor requirements under the Franchise Agreement and/or Franchisor's brand standards. A "Personal and Non-Curable" default shall include a default that occurred prior to the Lender's acquisition of possession, control, or ownership of the Property that is personal to the Franchisee (i.e. bankruptcy, failure to provide adequate notice, moral turpitude, failure to maintain company status, etc.) and is unrelated to operation of the Property.

E. Failure to Assume.

Lender's failure to timely deliver an Assumption Notice shall be deemed an assumption of the Franchise Agreement and all of its terms and conditions with the exception of Article 15.12 regarding liquidated damages (the "Deemed Assumption"), and entitle Franchisor to proceed in the ordinary course of business to pursue its legal rights and remedies under the Franchise Agreement and this Agreement. Such rights include, but are not limited to Franchisor' right, but not the obligation, to immediately terminate the Franchise Agreement. Lender shall be immediately required to begin performing the obligations of Franchisee under the Franchise Agreement.

F. Rejection

Should Lender acquire possession, control or ownership of the Property but elect not to exercise its right to assume the Franchise Agreement, Lender shall immediately comply with Franchisor' request to perform the obligations of the Franchisee under the Franchise Agreement with regard to the de-identification and/or de-branding of the Property and shall indemnify, defend and hold Franchisor and its affiliates harmless from and against any loss, claim or other liability of any kind arising from or in connection with the operation of the Property from the time of Lender's rejection until such de-identification and de-branding has been completed. Lender's obligations under this Paragraph shall survive any termination of this Agreement and nothing in

this Agreement shall limit Franchisor's rights, if any, to pursue its legal rights and remedies for any unauthorized use of Franchisor's trademarks, service marks, or systems.

G. Management During Receivership.

In the event that Lender gains any right to control the Property or revenues from the Property via the appointment of a Receiver or otherwise, Lender shall comply with all terms and provisions of the Franchise Agreement, including all monetary obligations arising under the Franchise Agreement, specifically, but not limited to the payment of royalties and outstanding fees due Franchisor and/or its affiliates.

3. Assignment and Transferability.

A. Lender and Franchisee represent, warrant and covenant to the Franchisor that that the Franchise Agreement has been collaterally assigned, pledged, or granted as a security interest or otherwise transferred to the Lender or its affiliates. Franchisee further represents and covenants that the granting of the Loan Agreement will not cause the Franchisee to violate any financial covenants contained in the Franchise Agreement. Neither the Lender nor the Franchisee shall have the right or authority to sell, convey, assign or in any manner transfer any rights hereunder or under the Franchise Agreement without the written consent of Franchisor, and in accordance with the provisions of the Franchise Agreement, including its confidentiality provisions.

B. Notwithstanding anything to the contrary contained herein, Lender may transfer its rights under the Franchise Agreement to a wholly owned subsidiary, as approved in writing by Franchisor, for the purposes of operating and maintaining the Property pursuant to the requirements herein and under the Franchise Agreement and for a period of time as designated in Paragraph 6 below.

C. Notwithstanding anything to the contrary contained herein, this Agreement may be assigned to any subsequent holder or holders of the Loan without Franchisor's consent; provided the Loan is assigned to a commercial bank, investment bank, pension fund, finance company, insurance company, or other entity engaged in the business of making loans and any fund managed by any of the foregoing.

4. Immediate Termination of Franchise Agreement. Notwithstanding any provision to the contrary contained herein, Franchisor reserves its right to immediately terminate the Franchise Agreement if, subsequent to a Lender Acquisition, Lender does not comply with the terms and provisions of this Agreement.

5. Transition of Control of the Property. Lender, Franchisee and Franchisor hereby agree to fully cooperate with one another in the event of change of control of the Property as contemplated herein. Said transition shall be conducted efficiently without inconvenience to the guests or employees of the Property and shall be in compliance with any applicable federal or state law or regulation.

6. Intent of this Agreement and Subsequent Sale of the Property.

A. The parties hereto acknowledge that a Lender Assumption or Deemed Assumption, and any subsequent acquisition of the Franchise Agreement by Lender is intended to serve as temporary remedy to lessen the negative impact of a Franchisee/Borrower Default under the Loan on both the Lender and the Franchisor. It is not the Franchisor's desire to maintain a long term franchise relationship with the Lender, and the Lender is not in the business of, and does not intend to be in the business of, operating Franchised Locations.

B. Notwithstanding anything to the contrary herein, in the event of a Lender Acquisition and subsequent Lender Assumption or Deemed Assumption the Lender shall, within eighteen (18) months from the date of the Lender Assumption or Deemed Assumption ("Transfer Period"), in conjunction with the sale, assignment or transfer of the Property, relinquish its rights to the Franchise Agreement to a transferee acceptable to Franchisor.

C. Lender agrees to diligently pursue a qualified third party to affect such transfer and Franchisor agrees that it shall use its resources within the Franchisor's franchise system to aid the Lender in finding a qualified replacement, but makes no guarantee that it will be able to do so.

D. Such Transfer shall be upon all of the terms and conditions of the Franchise Agreement and shall require the proposed new transferee to enter into a new, then current form of Franchise Agreement with Franchisor and to pay to Franchisor the then current Initial Franchise Fee.

E. In the event that Lender would fail to transfer the Franchise Agreement within eighteen (18) months from the date of the Lender Acquisition, Franchisor shall have the right to terminate the Franchise Agreement effective immediately upon written notice to the Lender. Franchisor may extend the Transfer Period, at its sole discretion, upon written request of the Lender, received by Franchisor prior to the expiration of the Transfer Period.

7. Default Under the Franchise Agreement - Lender's Right to Cure. Upon receipt of a default notice, Lender shall have the right, but not the obligation, to cure Franchisee's default or breach, during the notice period granted by Franchisor to Franchisee, if any. Franchisor shall extend, upon Lender's prior written request, Lender's right to cure beyond the cure period established in such default notice (not to exceed an additional five (5) days for a monetary default or ten (10) days for a non-monetary default. The Lender's inability or failure to cure shall not prevent Franchisor from exercising is legal rights and remedies under the Franchise Agreement.

8. Notices. All notices, requests, demands and other communications under this Agreement, including any Notice of Default or Assumption Notice, shall be in writing and shall be served either by personal delivery, by certified mail - return receipt requested, by receipted overnight courier service or by facsimile (with a confirming copy mailed if served only by facsimile), properly addressed as follows:

If to Franchisee: _____
_____
_____
_____
Attn: _____
Facsimile: (___) _____

If to Lender: Bank of _____
_____
_____
_____
Attn: _____
Facsimile: (___) _____

If to Franchisor: _____
_____
_____
_____
Attn: _____
Facsimile: (___) _____

Any party may change its address for purposes of this paragraph by giving the other parties written notice of the new address in the manner provided above. Notices shall be deemed received at the earlier of receipt or three business days after mailing by certified mail or one business day after sending by overnight courier service.

9. Franchisee's and Guarantor's Obligation's. Franchisee and any guarantor(s) of the Franchise Agreement shall not be released from any obligations under the Franchise Agreement or guaranty upon any assumption of the Franchise Agreement by Lender.

10. Subordination. Franchisor hereby acknowledges and agrees that any lien or encumbrance on or any security interest in the Property in favor of Franchisor or its affiliates arising out of or in connection with the Franchise Agreement shall be subordinate to Lender's rights under or with respect to the Loan, including without limitation any lien or encumbrance on the Property securing any such rights of Lender. The foregoing subordination is a subordination of liens, encumbrances and/or security interests, as the case may be, and is not intended to be, and shall not be construed as, a subordination by Franchisor of its right to payments from Franchisee under the Franchise Agreement. Without limiting the generality of the foregoing, it is acknowledged and agreed by the parties hereto that the subordination set forth in this Section 10 shall not hinder or delay Franchisor from pursuing any of its rights under the Franchise Agreement against Franchisee to collect royalties, fees or other amounts due Franchisor under the Franchise Agreement.

Lender hereby acknowledges that its rights under this agreement are subordinate to 1) the rights granted to any other Lender or other third party holding a prior lien against the property which is the subject of this Comfort Letter, and for which Franchisor has executed a Comfort Letter to facilitate the loan; or 2) to any Comfort Letter executed prior to the date hereof, for as long as

that Comfort Letter is in full force and effect, by and between Franchisor and another Lender or third party.

11, Confidentiality and Non-Disclosure. The provisions of this letter agreement shall not be disclosed by Lender or Franchisee to any third party, excepting Franchisee's or Lender's respective employees, directors, officers, agents or legal and financial representatives on a need-to-know basis, and/or unless as required by law or as mutually agreed to by the parties, and/or as part of any due diligence performed as part of the sale or participation of the Loan by Lender. As part of such disclosure, Lender must ensure that third parties are advised of, and agree to be bound by, the terms of this confidentiality provision. Franchisee and Lender further agree not to copy, reproduce or otherwise make available in any form whatsoever to any other person, firm, corporation or business the provisions of this letter agreement.

12. Automatic Termination of Comfort Letter Agreement. This Agreement shall immediately terminate and Lender shall have no rights hereunder if:

a) Lender has been taken over in any manner by any state or federal agency or is in receivership, conservatorship, reorganization, or liquidation, or Lender or any of its officers or directs has entered into or is subject to a cease and desist order or any other formal or informal written agreement with a federal or state agency;

b) Lender no longer holds a valid mortgage or security deed with respect to the Property (other than as the result of a Lender Acquisition); or

c) the Franchise Agreement expires at the end of its term.

13. General. The provisions contained herein are applicable to the Property and the parties hereto only. Issuance and execution of this Agreement or the granting of any conditions provided herein does not constitute and obligation on Franchisor's part to provide the same at any future date.

14. Governing Law and Enforceability. This Agreement shall be construed in accordance with, and governed by, the internal laws of the State of North Carolina, without regard to its conflict of laws rules. The invalidity or unenforceability of any provision of this Agreement shall not invalidate or affect the enforceability of any other provision of this Agreement. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

15. Estoppel. As of the date of this Agreement, Franchisee is in reasonable compliance with the terms and conditions of the Franchise Agreement, there is no pending Notice of Default to the Franchisee and the Franchise Agreement is in full force and effect.

16. No Representations or Warranties. In no event shall this Agreement or any other circumstances surrounding the financing by Lender be construed to involve (i) any representation by Franchisor that it endorses, approved, recommends or otherwise concurs in the financing; (ii) any guarantee or assurance by Franchisor that it or any other party to the Loan will be able to repay the Loan in accordance with its terms; (iii) any endorsement , approval , recommendation or

concurrence in any financial projections submitted to Lender in connection with the Loan; or (iv) any endorsement, approval or recommendation of the Franchisee's character or reputation.

17. **Entire Agreement**. This is the entire agreement among the parties relating to the subject matter of this Agreement and it supersedes any previous oral or written agreements. This Agreement may be amended only by a writing signed by all parties. This agreement may be executed in counterparts with the same force and effect as if the parties had executed one instrument, and each such counterpart shall constitute an original hereof.

18. **Effectiveness.** This Agreement shall become effective when, and not before, Franchisor receives a fully executed original of the Agreement. If a fully executed original of this Agreement is not received by Franchisor within thirty (30) calendar days of the date of this Agreement this Agreement shall be deemed null and void.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date set forth above.

Lender:

_____

By:_____
Name:_____
Title: _____

Franchisor:
LG AS Franchisor LLC

By: _____
Name:_____
Title: _____

Agreement Approved by:

Franchisee

_____

By: _____
Name:_____
Title: _____

EXHIBIT I

Data Transfer Agreement

EXHIBIT J

Franchise Application

FRANCHISE APPLICATION

Thank you for your interest in a franchise for an Affordable Suites of America™ hotel. Please complete this application in its entirety and provide all additional information requested. A checklist is provided below for your assistance.

CHECKLIST

- ☐ Franchise Disclosure Document (FDD) Acknowledgment of Receipt – If you have not already done so, please return a signed and dated FDD Receipt, documenting the date you received the FDD.
- ☐ If applicable, a copy of the formation and operating documents for the Applicant's legal business entity and, if requested, its parent or sub-entities:

Entity Type	Documents
Corporation:	EIN Number, Articles of Incorporation, Bylaws
General Partnership:	EIN Number, Partnership Agreement
Limited Partnership:	EIN Number, Partnership Agreement
Limited Liability Company:	Certificate of Formation, EIN Number, Articles of Organization, Operating Agreement
Bank:	Bank Formation documents, Bank Management, and Structure documents

- ☐ Each individual Applicant or, if Applicant is an entity, each equity partner owning a 10% or greater interest in the Applicant entity must complete our third-party online diligence verification process (See page 5 of the Application)
- ☐ Site documents, including:
  - Proof of land/site control *(purchase contract, deed, option, or lease)* in the name of the Applicant
  - Plat, survey, or site plan showing the legal boundaries of the site
  - Any codes, covenants, or restrictions for development, if available
- ☐ Ownership information and organizational chart, including:
  - Information for each individual franchisee or, if the proposed franchisee is a legal entity, each sole proprietor, partner, manager, managing tenant in common, and major owner/shareholder (those owning beneficially 10% or more) of the proposed franchisee and its ownership, and any individual that will serve as a guarantor on the Franchise Agreement
  - If the proposed franchisee is a legal entity, a current organizational chart showing the full ownership structure for the proposed franchisee

APPLICATION LETTER

LG AS Franchisor LLC
Attn: ASA Franchising
10801 Monroe Road, Suite 200
Matthews, NC 28105

Applicant:	Proposed Location:

This franchise application letter is being provided by the individual(s) or entity listed above ("Applicant") to LG AS Franchisor LLC ("Franchisor") in connection with the consideration and processing of an application for a franchise license to operate a hotel under the Affordable Suites of America™ brand at the proposed location listed above (the "Hotel").

Applicant understands and acknowledges that Franchisor will rely on the information provided in the franchise application and all documents submitted by Applicant in connection with or in support thereof, including all financial statements and this application letter (collectively, the "Application"). Providing false or misleading information may result in denial of the Application or immediate termination of any resulting agreement(s).

Applicant represents that:

(a) All information contained in the Application is true, correct and complete as of the date hereof, and no material information or facts have been omitted that would cause the Application to be misleading. Applicant will promptly notify Franchisor of any change in the information provided in the Application.
(b) Applicant has authority to submit the Application and to enter into a franchise agreement with Franchisor for the Hotel (the "Franchise Agreement") and any such other documents as are contemplated by the Application.
(c) Neither the Application nor, if approved, the execution of a Franchise Agreement will conflict with any obligations of Applicant, its parent, affiliates, subsidiaries, or owners to other parties. Applicant has not been induced by Franchisor to terminate or breach any agreement with respect to the Hotel or the site.
(d) Applicant has received information concerning the brand and the system (including the appropriate franchise agreement form), and Applicant is familiar with the requirements. If the Application is approved, Applicant will execute and comply with the terms of the Franchise Agreement.
(e) Applicant has or will have legal control over the Hotel site, through fee ownership, leasehold, or purchase contract.

Applicant further understands and acknowledges that:

(a) Franchisor does not enter into oral agreements or understandings with respect to franchises or matters pertaining to the granting of a franchise.
(b) There are no oral agreements or understandings whatsoever between Applicant and Franchisor with respect to the Application or any proposed franchise.
(c) A contract or agreement with respect to a proposed franchise will be effective only upon the mutual execution of the Franchise Agreement.
(d) By submitting the Application, Applicant is authorizing Franchisor to verify the credit history, references, and other financial and background information of the Applicant, the proposed franchisee entity (if different than Applicant), and any co-owners or equity partners holding a 10% or greater interest in

Applicant or the proposed franchisee entity, including background checks for U.S. OFAC compliance. Applicant may be asked to answer questions about their credit history.

(e) If the Application is approved, Applicant will pay an Initial Franchise Fee of $35,000 at the time of execution of the Franchise Agreement. The Initial Franchise Fee will be fully earned upon receipt and nonrefundable and may be invested, commingled with other funds of Franchisor, or otherwise used by Franchisor as it deems appropriate in its discretion.

(f) Franchisor reserves the sole right to approve or deny the Application for any reason it may determine. Applicant will not acquire any rights by virtue of its submission of the Application, whether or not approved. In the event Franchisor denies the Application, Franchisor will have no liability to Applicant. Any expenses incurred by or on behalf of Applicant in connection with the Application or approval of the Application, including costs for acquiring property or designing, constructing, or operating a hotel at the proposed location, are at Applicant's sole risk and are not being made in reliance on any action of Franchisor.

Applicant, jointly and severally (if applicable), agrees to indemnify Franchisor and its affiliates, directors, officers, employees, agents, and representatives and to hold them harmless from all losses, consequently, directly or indirectly incurred (including legal and accounting fees and expenses) or arising from, as a result of, or in connection with the Application or Franchisor's reliance on any representation or information therein. Franchisor may independently take any action it deems necessary in its sole discretion, to protect and defend itself against any threatened action, subject to the undersigned's indemnification, without regard to the expense, forum or other parties that may be involved. Franchisor may, in its discretion, have sole and exclusive control over the defense of any such action (including the right to be represented by counsel of its choosing) and over the settlement, compromise or other disposition thereof.

This application letter will be governed by the laws of the state of North Carolina, without reference to its choice of law provisions.

For Individual Applicant(s):

Signature: _____

Print Name: _____

Date: _____

Signature: _____

Print Name: _____

Date: _____

Signature: _____

Print Name: _____

Date: _____

For Business Entity Applicant:

Signature: _____

Print Name: _____

Title: _____

Date: _____

Section I – The Applicant

APPLICANT INFORMATION

For individual Applicant(s):

(First Name)	(Middle Name)	(Last Name)
(First Name)	(Middle Name)	(Last Name)
(First Name)	(Middle Name)	(Last Name)

For Business Entity Applicant:

Name of Entity	
Entity Type	State of Formation

☐ If approved, Applicant will be the "franchisee" on the Franchise Agreement

☐ If approved, the "franchisee" will be an entity related to Applicant (i.e. SPE) that will be legally formed before signing the Franchise Agreement

When establishing your business entity, please note that the entity name cannot include any of the Affordable Suites of America™ trade names or marks, or any combination, variation, or abbreviation thereof, or any words confusingly similar thereto.

Authorized Signer(s) for Applicant/Franchisee Entity:

Name	Title
Name (if more than one)	Title
Name	Title

Applicant's Principal Contact (for notices):

Name		
Street Address		
City	State	Zip/Postal Code
Business Phone	Mobile Phone	Fax
Email		

Franchise/Business Experience (attach additional pages, if needed):

Do you expect to have equity partners? ☐ Yes ☐ No

Have you previously owned, operated, or franchised a hotel? ☐ Yes ☐ No

If yes, for each please list the hotel name, brand, whether it was owned, operated or franchised by you, your percentage of ownership (if applicable), and the current status.

_____
_____
_____

Have any of your partners previously owned, operated, or franchised a hotel? ☐ Yes ☐ No

If yes, for each please list the hotel name, brand, whether it was owned, operated or franchised by an equity partner, applicable partner and his/her percentage of ownership (if applicable), and the current status.

_____
_____
_____

Have you previously owned or operated any other type of franchised business? ☐ Yes ☐ No

If yes, for each please list the brand/concept, your position, and your percentage of ownership.

_____
_____
_____

Have any of your equity partners previously owned or operated any other type of franchised business? ☐ Yes ☐ No

If yes, for each please list the brand/concept, applicable partner, his/her position and percentage of ownership.

_____
_____
_____

Have you or your partners ever developed a new construction property? ☐ Yes ☐ No

If yes, for each please describe:

_____
_____
_____

Is or has (i) Applicant, (ii) any direct or indirect owner of the hotel franchise for which this Application is being submitted, or (iii) the proposed hotel site been the subject of a voluntary or involuntary bankruptcy, receivership, foreclosure or other insolvency proceeding either currently pending or filed within the 3-year period immediately preceding this Application? ☐ Yes ☐ No

If yes, please describe:

_____
_____
_____

MANAGEMENT

Anticipated Management of the Hotel:

☐ Self-managed ☐ Third-Party Management ☐ AS Manager LLC (Franchisor's management entity)

If Third-Party, Management Name: _____

Management Address: _____

Management Phone: _____

☐ We have an executed Hotel Management Agreement dated _____

FINANCING INFORMATION

Do you have a loan or loan commitment for this project? ☐ Yes ☐ No

Name of lender(s): _____

Please describe the existing or anticipated financing for this project:

_____

_____

When do you expect to break ground? _____ Capital available to invest: _____

CREDIT REVIEW/BACKGROUND CHECK

Franchisor currently uses a third-party company, BoeFly, Inc., to qualify prospective franchisees. After submitting this Application, Applicant, the proposed franchisee entity (if different than Applicant), and any co-owners or equity partners holding a 10% or greater interest, will receive a link to BoeFly's online bVerify tool. The failure of all required entities and individuals to complete Franchisor's diligence process may result in denial of this Application.

Section II – The Site

Development Type: ☐ New Construction ☐ Conversion

PROPERTY DETAILS

Property Address/Intersection: _____

City: _____ State: _____ Zip Code: _____ County: _____

Phone (if available): _____

Acreage: _____ Site Cost: _____ Site Cost per Sq. Ft.: _____

Current Status of Land: ☐ Owned ☐ Leased ☐ Optioned ☐ Under Contract ☐ Other: _____

If leased, name of lease holder: _____

Is the lease holder related to the Applicant/proposed franchisee? _____

If optioned, when does the option expire? _____

Loan to Value: _____ Amortization and Term: _____ Interest Rate on Loan: _____

Is the site currently zoned for hotel use? ☐ Yes ☐ No

Maximum hieght allowed by zoning code: Feet: _____ Floors: _____

Your submission of this Application and any subsequent review of the site by Franchisor does not constitute site acceptance. Franchisor will convey its acceptance of the site in writing via a fully executed Franchise Agreement. Franchisor makes no representation that your site will be accepted, and if accepted, Franchisor makes no representation that you will be able to obtain final financing and all required building permits for the site.

LOCATION DETAILS

City Population: _____ Distance to Services (grocery, gas, restaurant, etc.): _____

Local attractions (i.e. military bases, healthcare facilities, business hubs, etc.): _____
_____
_____

Local Competitors:

	Hotel Name	Distance from Site (miles)	Room Count	Rate Range	Property Age
(1)					
(2)					
(3)					
(4)					
(5)					

EXISTING HOTEL DETAILS (if applicable)

Current Name: _____

Current Chain Affiliation, if any: _____

Year Built: _____ Original Open Date: _____

Describe any existing facilities (i.e. pool, gym, restaurant, etc.): _____
_____
_____

Hotel Performance (last 5-year period):

Year:	_____	_____	_____	_____	_____
Average Occupancy:	_____	_____	_____	_____	_____
Average Daily Rate:	_____	_____	_____	_____	_____
Average RevPAR:	_____	_____	_____	_____	_____
Gross Rooms Revenue:	_____	_____	_____	_____	_____

BUILD DETAILS

Anticipated Construction/Renovation Start Date: _____

Anticipated Construction/Renovation Completion Date: _____

Estimated Hotel Opening Date: _____

Number of Guest Rooms: _____ Number of Floors: _____

Street Frontage (Sq. Ft.): _____

Section III – The Ownership and Organization

OWNERSHIP STRUCTURE

Using the example below, please provide information for each Principal Owner, meaning any individual or entity who directly or indirectly owns or will own a 10% or greater interest in the franchise or franchisee entity. For each entity listed, please provide information for each sole proprietor, partner, manager, managing tenant in common, and major owner/shareholder (those owning beneficially 10% or more of the stock), as applicable. Attach additional pages, as needed.

If the franchisee will be a legal entity, please also provide a current organizational chart showing the full ownership structure.

Individual/Entity Name	Type of Interest	% Ownership	Business Address	Phone Number	Email
FRANCHISEE ENTITY: Happy Hotels, Inc.					
Doe Hotels, LLC	*General Partner*	*1%*	*14 Peachtree Street, Suite 400 Atlanta, GA 30303*	*(111) 111-1111*	*john.doe@xxxxxx.com*
Hotel Investments, GP	*Limited Partner*	*99%*	*48 Merryville Road Raleigh, NC 27560*	*(222) 222-2222*	*sjones@xxxxxx.com*
Total: 100%					
OWNER ENTITY: Doe Hotels, LLC					
John Doe	*Managing Member*	*45%*	*105 Sweet Lane Sandy Springs, GA 30339*	*(333) 333-3333*	*john.doe@xxxxxx.com*
Jane Doe	*Member*	*35%*	*16 Masters Court Decatur, GA 30334*	*(444) 444-4444*	*jane.doe@xxxxxx.com*
Julian Doe	*Member*	*20%*	*73 Robinson Avenue Raleigh, NC 27560*	*(555) 555-5555*	*julian.doe@xxxxxx.com*
Total: 100%					
OWNER ENTITY: Hotel Investments, GP					
Sally Jones	*General Partner*	*60%*	*9 Joyful Circle Charlotte, NC 28226*	*(777) 777-7777*	*sjones@xxxxxx.com*
Tom Warren	*General Partner*	*40%*	*73 Palmer Road Durham, NC 27703*	*(888) 888-8888*	*twarren@xxxxxx.com*
Total: 100%					

Individual/Entity Name	Type of Interest	% Ownership	Business Address	Phone Number	Email
FRANCHISEE ENTITY: _____					
Total: 100%					
OWNER ENTITY: _____					
Total: 100%					
OWNER ENTITY: _____					
Total: 100%					

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:

California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	May 31, 2024
Maryland	May 10, 2024
Michigan	June 30, 2024
Minnesota	Pending
New York	July 17, 2024
North Dakota	June 6, 2024
Rhode Island	March 21, 2024
South Dakota	April 26, 2024
Virginia	May 16, 2024
Washington	May 3, 2024
Wisconsin	April 29, 2024

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.

EXHIBIT K

Receipts

Receipt

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 LG AS Franchisor LLC ("ASA") offers you a franchise, ASA must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, ASA or its affiliate in connection with the proposed franchise sale. Iowa and New York require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If ASA does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit A.

The franchisor is LG AS Franchisor LLC located at 10801 Monroe Road, Suite 200, Matthews, North Carolina 28105. Its telephone number is (980) 368-8100.

Issuance Date: April 26, 2024.

Affordable Suites' franchise sellers involved in offering and selling the franchise to you are listed on the following page (with address and telephone number).

Affordable Suites authorizes the respective state agencies identified on Exhibit A to receive service of process for us in the particular state.

I have received a disclosure document with an issuance date of April 26, 2024 that included the following Exhibits:

A.	List of Agents to Receive Service of Process	G.	Form of Release of Claims
B.	List of Franchises	H.	Comfort Letter
C.	Financial Statements	I.	Data Transfer Agreement
D.	Franchise Agreement	J.	Franchise Application
E.	Confidentiality and Non-Compete Agreement	K.	Receipts
F.	State Addenda		

Date: _____
(Do not leave blank)

_____
Signature of Prospective Franchisee

_____
Print Name

Copy for Franchisee

Franchise Sellers:

Please check the box by each franchise seller listed below with whom you have had significant contacts in connection with the offer or sale of a ASA franchise to you:

□ Gary DeLapp	10801 Monroe, Road, Suite 200, Matthews, North Carolina 28105, 980-368-8100
□ Sharon Zinser	10801 Monroe, Road, Suite 200, Matthews, North Carolina 28105, 980-368-8100
□ Chris Rutherford	10801 Monroe, Road, Suite 200, Matthews, North Carolina 28105, 980-368-8100
□ Jennifer Kearney	10801 Monroe, Road, Suite 200, Matthews, North Carolina 28105, 980-368-8100
□ Morgan Sickles	10801 Monroe, Road, Suite 200, Matthews, North Carolina 28105, 980-368-8100
□ Guy Lindsey	10801 Monroe, Road, Suite 200, Matthews, North Carolina 28105, 980-368-8100
□ Neil Morris	10801 Monroe, Road, Suite 200, Matthews, North Carolina 28105, 980-368-8100
□ Joe Bickelmann	10801 Monroe, Road, Suite 200, Matthews, North Carolina 28105, 980-368-8100
□ Drew Gilligan	10801 Monroe, Road, Suite 200, Matthews, North Carolina 28105, 980-368-8100
□ Shirley Butterick	10801 Monroe, Road, Suite 200, Matthews, North Carolina 28105, 980-368-8100

Receipt

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 LG AS Franchisor LLC ("ASA") offers you a franchise, ASA must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, ASA or its affiliate in connection with the proposed franchise sale. Iowa and New York require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If ASA does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit A.

The franchisor is LG AS Franchisor LLC located at 10801 Monroe Road, Suite 200, Matthews, North Carolina 28105. Its telephone number is (980) 368-8100.

Issuance Date: April 26, 2024.

Affordable Suites' franchise sellers involved in offering and selling the franchise to you are listed on the following page (with address and telephone number).

Affordable Suites authorizes the respective state agencies identified on Exhibit A to receive service of process for us in the particular state.

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D.	Franchise Agreement	I.	Data Transfer Agreement
E.	Confidentiality and Non-Compete Agreement	J.	Franchise Application
		K.	Receipts

Date: _____
(Do not leave blank)

_____
Signature of Prospective Franchisee

_____
Print Name

Copy for LG AS Franchisor LLC

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to Chris Rutherford by email to crutherford@affordablesuites.com.

Franchise Sellers:

Please check the box by each franchise seller listed below with whom you have had significant contacts in connection with the offer or sale of a ASA franchise to you:

□ Gary DeLapp	10801 Monroe, Road, Suite 200, Matthews, North Carolina 28105, 980-368-8100
□ Sharon Zinser	10801 Monroe, Road, Suite 200, Matthews, North Carolina 28105, 980-368-8100
□ Chris Rutherford	10801 Monroe, Road, Suite 200, Matthews, North Carolina 28105, 980-368-8100
□ Jennifer Kearney	10801 Monroe, Road, Suite 200, Matthews, North Carolina 28105, 980-368-8100
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□ Neil Morris	10801 Monroe, Road, Suite 200, Matthews, North Carolina 28105, 980-368-8100
□ Joe Bickelmann	10801 Monroe, Road, Suite 200, Matthews, North Carolina 28105, 980-368-8100
□ Drew Gilligan	10801 Monroe, Road, Suite 200, Matthews, North Carolina 28105, 980-368-8100
□ Shirley Butterick	10801 Monroe, Road, Suite 200, Matthews, North Carolina 28105, 980-368-8100