

AUG 02 2018

Department of  
Business Oversight

## FRANCHISE DISCLOSURE DOCUMENT

Cobblestone Hotels, LLC  
A Wisconsin Limited Liability Company  
980 American Drive  
Neenah, Wisconsin 54956  
(920) 230-2622  
[www.staycobblestone.com](http://www.staycobblestone.com)



The franchise is for the establishment and operation of a "Key West™" branded lodging facility ("Key West Lodging Facility").

The total investment necessary to begin operation of a Key West Lodging Facility franchised business is between \$2,457,899 and \$7,390,700 for a newly constructed hotel and between \$29,899 and \$620,700 for the conversion of an existing hotel. This includes between \$18,899 and \$30,700 that must be paid to the franchisor or its affiliates(s).

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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different forms, contact the Franchise Department at 980 American Drive, Neenah, WI 54956, (920) 230-2622.

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 accountant.

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

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

Issuance Date: July 31, 2018

## STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit B to this disclosure document for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOUR BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise.

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN WISCONSIN. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN WISCONSIN THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT WISCONSIN LAW GOVERNS THE FRANCHISE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$2,457,899 TO \$7,390,700 FOR A NEWLY CONSTRUCTED HOTEL. THIS AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDERS' EQUITY AS OF DECEMBER 31, 2017, WHICH IS \$1,960,634.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

**We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of this franchise.**

See the following state effective date summary page for state effective dates.

## STATE EFFECTIVE DATES

The following states require that the 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 disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

| State      | Effective Date | State        | Effective Date |
|------------|----------------|--------------|----------------|
| California |                | North Dakota | N/A            |
| Hawaii     | N/A            | Rhode Island | N/A            |
| Illinois   | N/A            | South Dakota | N/A            |
| Indiana    | N/A            | Virginia     | N/A            |
| Maryland   | N/A            | Washington   | N/A            |
| Michigan   | N/A            | Wisconsin    | July 31, 2018  |
| Minnesota  | N/A            |              |                |

In the states listed below, the effective date (and issuance date) of this disclosure document is July 31, 2018.

|                      |               |                |
|----------------------|---------------|----------------|
| Alabama              | Kentucky      | North Carolina |
| Alaska               | Louisiana     | Ohio           |
| Arizona              | Maine         | Oklahoma       |
| Arkansas             | Massachusetts | Oregon         |
| Colorado             | Mississippi   | Pennsylvania   |
| Connecticut          | Missouri      | South Carolina |
| Delaware             | Montana       | Tennessee      |
| District of Columbia | Nebraska      | Texas          |
| Florida              | Nevada        | Utah           |
| Georgia              | New Hampshire | Vermont        |
| Idaho                | New Jersey    | West Virginia  |
| Iowa                 | New Mexico    | Wyoming        |
| Kansas               |               |                |

**NOTICE REQUIRED  
BY  
STATE OF MICHIGAN**

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

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

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



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

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

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

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

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

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

Any questions regarding this notice should be directed to the Department of Attorney General, Consumer Protection Division (Attention: Franchise Section), G. Mennen Williams Building, 1st Floor, 525 W. Ottawa Street, Lansing, Michigan 48909, Telephone (517) 373-7117.

**NOTE: THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR WHO LOCATE THEIR FRANCHISES IN MICHIGAN.**

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### **Exhibits**

|           |                                                                                         |
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| Exhibit A | Application for Key West™ Franchise                                                     |
| Exhibit B | List of State Agencies and Agents for Service of Process                                |
| Exhibit C | Our Financial Statements                                                                |
| Exhibit D | Franchise Agreement                                                                     |
| Exhibit E | Central Reservation System Technology Addendum                                          |
| Exhibit F | Property Management System Technology Addendum                                          |
| Exhibit G | State Specific Addenda to the Franchise Disclosure Document and the Franchise Agreement |
| Exhibit H | Tables of Contents of Franchisor's Manuals                                              |
| Exhibit I | List of Current Franchisees                                                             |
| Exhibit J | General Release Form                                                                    |
| Exhibit K | Disclosure Document Receipts                                                            |

## ITEM 1: THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

### The Franchisor, its Parent, and Affiliates

Unless the context otherwise requires, all references to "we," "our" or "us" means Cobblestone Hotels, LLC, and all references to "you" refer to the person or entity who is granted the right to operate a lodging facility identified by or associated with the trademarks listed in Item 13 of this disclosure document under a Franchise Agreement. If you are a corporation, limited liability company, partnership, or any other type of legal entity, certain of the provisions of the Franchise Agreement also will apply to, and be binding on, certain of your owners.

The state agencies and our agents for service of process are listed in Exhibit B.

We are a Wisconsin limited liability company which was organized on January 7, 2012. We do not have a parent corporation. We are currently doing business under the Key West™, Centerstone™, Boarders Inn and Suites by Cobblestone®, Cobblestone Hotel & Suites® and Cobblestone Inn & Suites® brand names. Our principal business address is 980 American Drive, Neenah, Wisconsin 54956.

We or our predecessors have offered franchises of the same type of business that is offered under this disclosure document since 1993. Our first predecessor is Key West Inns, Inc., an Alabama corporation ("KWI") which formerly franchised hotels and motels under the brand name Key West™. On May 11, 2011, KWI transferred its business to our second predecessor, Vimana Franchise Systems, LLC ("VMS") (formerly known as Hospitality Ventures, LLC prior to an amendment to its certificate of formation changing its name effective November 7, 2011). We purchased the assets of VMS in July 31, 2018, which also included the Centerstone™ brand in addition to the Key West™ brand. Our predecessors, KWI and VMS have ceased business operations and no longer offer franchises in any line of business.

We began offering franchises of the type described in this disclosure document in July 2018, and neither we nor any of our predecessors have ever offered franchises in any other line of business. We have never operated a business of the type described in this disclosure document, but our affiliated companies have owned, operated and managed the operation of lodging facilities since 2002. We do not engage in any other business activities.

Our affiliate, WHG Management, LLC ("WHGM"), is a Wisconsin limited liability company formed on December 5, 2002. Its principal business address is the same as ours. WHGM provides management and operational services to hotel and motel owners. WHGM does not offer and has never offered franchises in any line of business. You may, but are not required to use the services of WHGM in the operation of your business.

Our affiliate, WHG Companies, LLC ("WHG"), is a Wisconsin limited liability company formed on December 18, 2003. Its principal business address is the same as ours. WHG provides management and operational services to hotel and motel owners. WHG does not offer and has never offered franchises in any line of business. WHG manages hotel properties that operate under different names. You may, but are not required to use the services of WHG in the operation of your business.

As of December 31, 2017, there were 22 franchised Key West™ lodging facilities, 8 franchised Centerstone™ lodging facilities, 14 franchised Borders Inn and Suites by Cobblestone®, 3 of which our affiliate WHG manages, 39 franchised Cobblestone Inn & Suites®, 32 of which our affiliate WHG manages, and 29 Cobblestone Hotel & Suites®, 24 of which our affiliate WHG manages.

Our affiliate, Cobblestone Hotel Group, LLC (“CHG”), is a Wisconsin limited liability company formed on March 1, 2007. Its principal business address is the same as ours. CHG owns lodging facilities and provides management and operational services to hotel and motel owners. CHG does not offer and has never offered franchises in any line of business. You are not required to use the services of CHG in the operation of your business. CHG does not offer products or services to franchisees.

Our affiliate, BriMark Builders, LLC (“BriMark”), is a Wisconsin limited liability company formed on December 3, 2007. Its principal business address is the same as ours. BriMark designs, develops, builds, and renovates hotel properties and we do use the products and services it offers. BriMark does not offer and has never offered franchises in any line of business. You may, but are not required to use the products and services of BriMark in the development or operation of your business.

Our affiliate, 980 American Drive, LLC (“980”) is a Wisconsin limited liability company formed on March 16, 2011. Its principal business address is the same as ours. 980 holds title to the fixed assets (i.e. furniture, equipment, property, etc.) with which we support the franchise system. 980 does not offer and has never offered franchises in any line of business. You are not required to use the services of 980 in the development or operation of your business. 980 does not offer products or services to franchisees.

Our affiliate, Cobblestone Hotel Development, LLC (“CHD”) is a Wisconsin limited liability company formed on September 23, 2012. Its principal business address is the same as ours. CHD creates, controls and orchestrates the process of real estate development. CHD does not offer and has never offered franchises in any line of business. You are not required to use the services of CHD in the development or operation of your business. CHD does not offer products or services to franchisees.

Our affiliate, Cobblestone Supply Company, LLC (“CSC”) is a Wisconsin limited liability company formed on May 29, 2014. Its principal business address is the same as ours. CSC supplies furniture, fixtures and equipment and operating supplies and equipment and we do use the products and services it offers. CSC does not offer and has never offered franchises in any line of business. You may, but are not required to use the products and services of CSC in the development and operation of your business.

All of our affiliates provide or may provide services to each other and our franchisees. Consequently, our internal departments and personnel may provide substantially similar services to lodging facilities owned, operated, managed and franchised by our affiliates and may provide

such services on a combined basis (i.e. combined system support, reservations systems, marketing programs).

### **The Franchised Business**

Recognizing a need for high quality lodging facilities in underserved markets, we offer to qualified individuals and entities the right to own and operate a Key West Lodging Facility franchise at an agreed-upon location under our standard form franchise agreement, attached to this disclosure document as Exhibit D (the "Franchise Agreement"). We offer the opportunity for you to build a new Key West Lodging Facility or to convert an existing hotel property.

Key West Lodging Facilities are upper-midscale, high-quality lodging and accommodation services meeting the needs of communities all over the country. They are commonly located in communities with populations in excess of 3,000 that are lacking quality accommodations, as well as in the suburbs of larger communities. Current Key West Lodging Facilities are available in different sizes, with the minimum number of required guest rooms being 29. There is no maximum guest room requirement. The market for your services will depend upon the location of your Key West Lodging Facility as well as its size and other amenities. You will offer services to a broad range of the travelers, customers and businesses, local community members, and will solicit business from conventions and tour and travel groups. At any time during the term of the Franchise Agreement, we have the right to require you to hire a management company approved by us to manage and operate your hotel.

### **Competition**

The businesses with which you will have to compete include national chains and franchises, as well as independently owned hotels and motels offering similar facilities to the same business and leisure travelers. The market for hotel and motel services is developed and the lodging industry is highly competitive. Your ability to compete in your market will depend upon certain factors, including: the location of your hotel, the location of competing lodging properties, your financial and managerial capabilities, general economic conditions, and other factors. Depending upon the location of your lodging facility, your sales may be seasonal.

### **Industry Specific Laws and Regulations**

Key West Lodging Facilities are subject to laws and regulations which generally apply to all businesses, and it will be your obligation to investigate those laws and regulations and abide by them. In addition, you will need to investigate and abide by all federal and state laws regarding the operation of motels and hotels, including those laws relating to: the liability of innkeepers, the posting of room rates, the registration of guests, and the accessibility to and use of motels and hotels by persons with disabilities. You will also be required to comply with laws and regulations regarding food storage, handling, and preparation. In addition, the payment card industry Data Security Standard is the current standard of security requirements for all merchants or service providers that store, process, or transmit cardholder data. You are responsible for compliance with this standard. You will also need to investigate and determine the existence of local laws and regulations which may apply to your hotel and which may affect the cost to you of constructing

and/or operating your lodging facility. Consult with your lawyer about all laws that will apply to you and your lodging facility. Discuss with your architect the requirements of the Americans with Disabilities Act and all state and local accessible facilities laws.

## ITEM 2: BUSINESS EXPERIENCE

### **Chief Executive Officer and Co-Founder – Brian Wogernese**

Brian Wogernese has served as our Chief Executive Officer and Co-Founder since 2007.

### **Chief Financial Officer – Kim Wogernese**

Kim Wogernese has served as our Chief Financial Officer since 2007.

### **Co-Owner – Jeremy Griesbach**

Jeremy Griesbach has been our co-owner since November 2017. Mr. Griesbach also serves as the President of Development for our affiliate, BriMark, since February of 2015. Prior to that, Mr. Griesbach was a Regional Developer for BriMark Builders, LLC since 2011.

### **President of Development – Patrick Mullinix**

Patrick Mullinix has been our President of Development since July 2018. Prior to that, Mr. Mullinix held various positions with Vantage Hospitality since 2002 including Senior Director of Development and Executive Vice President of Development. From September 2013 to October 2016 Mr. Mullinix was the Group President of Value Brands. From October 2016 to July 2018 he was the Senior Vice President of Franchise Development for Red Lion Hotels. Mr. Mullinix is based in Lakeway, Texas.

### **Vice President of Franchise Services – Josie Kilgore**

Josie Kilgore has served as our Vice President of Franchise Services since February of 2012. Prior to January of 2016, Ms. Kilgore was also our Vice President of Procurement since February of 2012.

## 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.

## ITEM 5: INITIAL FEES

### **Initial Fee and Application Fee**

Upon signing the franchise agreement (the "Franchise Agreement"), you must pay us an initial fee of \$15,000 (the "Initial Fee") for a Key West Lodging Facility. All prospective franchisees must complete an application (the "Application") and forward it to us for our review. A copy of the Application is attached to this disclosure document as Exhibit A. When you submit your Application to us, you must pay us an application fee of \$2,000 (the "Application Fee"). The Application Fee is non-refundable; however, if we approve your Application, the Application Fee will be credited against your Initial Fee.

We will approve or reject your Application within 30 days of the date we receive all of the information we require. If we reject your Application, we will send you a letter notifying you of the rejection. If we approve your Application, we will send you a letter of approval along with copies of the Franchise Agreement. You will be required to sign and return the Franchise Agreement to us, along with the remaining balance of the Initial Fee, (i.e. the portion of the Initial Fee in excess of the Application Fee), within 30 days of the date we send the approval letter. If you do not sign and return the Franchise Agreement and any remaining balance of the Initial Fee due within this 30 day period, our approval of your Application will be automatically withdrawn and the Application Fee will be forfeited. If you then elect to continue with your project, you must complete a new Application and pay another Application Fee to us.

The Initial Fee is fully earned upon receipt and is non-refundable. However, we may, in our discretion, give a full or partial refund of the Application Fee and/or Initial Fee under unique circumstances or agree to credit the Application Fee and/or Initial Fee towards the Application Fee and/or Initial Fee of any future application you submit, although we are not required to do so. Refunds are not based on any quantifiable data. We have the absolute right to evaluate each situation on an individual basis.

We may in our discretion agree to reduce or waive the Initial Fee and/or the Application Fee based upon factors we determine justify a reduced fee under the circumstances. We acquired the Key West™ brand on July 31, 2018, so we have no record of any reductions or waivers to Initial Fees prior to that time.

### **Training Fees**

You must participate in our Training Program (defined in Item 11) before you open your lodging facility for business as a Key West Lodging Facility. Pre-opening training fees are \$399 per person up to \$1,200 (3 people) for opening training at our corporate headquarters and \$500 per day up to a maximum of \$4,500 (9 days) for on-site training. Training fees are subject to periodic changes by us in our sole discretion. Your General Manager (defined in Item 15) must successfully complete our Training Program before your hotel opens for business as a Key West Lodging Facility. If your General Manager oversees more than one hotel, one or more assistant managers must also successfully complete the Training Program. You must pay us our Training Fees for each person (including your initial manager and each new manager) who attends our Training

Program within thirty (30) days of receiving our invoice. Your payment for this is typically not refundable (see Item 7 and Item 11).

### **Property Management System**

If you choose to use the Property Management System we offer, you must pay to us \$7,000 for the Property Management System software and its installation (see Items 7, 8 and 11). This fee does not include the hardware you must purchase from third-party suppliers (See Items 8 and 11). This fee is typically not refundable. This fee is due prior to receiving the software. You are not required to use the Property Management System we offer.

### **Reservation System Fees**

You must pay to us \$2,000 for the Central Reservation System software and its installation (see Items 7, 8 and 11). This fee does not include the hardware you must purchase from third-party suppliers (See Items 8 and 11). This fee is typically not refundable. This fee is due prior to receiving the software.

### **Cobblestone Rewards Program Initialization Fee**

You must pay to us \$1,000 for our expenses associated with initializing your property's access to the Cobblestone Rewards Program (see Items 7, 8 and 11). This fee is typically not refundable. This fee is due prior to the initialization of the program.

## **ITEM 6: OTHER FEES**

| Type of Fee | Amount                                                                                                                                                                                                                                         | Due Date                                                                                                      | Remarks (See Note 1)                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Monthly Fee | When you sign the Franchise Agreement, you have an option of choosing:<br>(i) \$1.50 per day multiplied by the number of guest rooms at the Franchised Location, calculated based on a 30 day month or (ii) 5% of monthly Gross Room Revenues. | Unless otherwise provided by our Franchise Agreement, payable on or before the 10 <sup>th</sup> of next month | You must pay this fee in order to operate your hotel using the "Key West™" brand name. "Gross Room Revenues" include all revenues, net of discounts, from the rental, sale, use or occupancy of guest rooms and meeting rooms at your Key West Lodging Facility, including cash and credit transactions, whether or not collected. Gross Room Revenues do not include taxes required by law or revenues from telephone calls, sundries, or vending machines. |



| Type of Fee                                               | Amount                                                                                                                                                                  | Due Date                                                                                                      | Remarks (See Note 1)                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Marketing Fund Fee                                        | \$0.50 per day multiplied by the number of guest rooms at the Franchised Location, calculated based on a 30 day month.                                                  | Unless otherwise provided by our Franchise Agreement, payable on or before the 10 <sup>th</sup> of next month | These fees are contributed to the Marketing Fund                                                                                                                                                                                                                                                                                              |
| Interest                                                  | 18% Annual Percentage Rate                                                                                                                                              | Immediately upon receiving invoice                                                                            | You must pay interest on any delinquent sums owed to us.                                                                                                                                                                                                                                                                                      |
| Transfer Fee                                              | \$2,500                                                                                                                                                                 | Prior to our approval of the transfer                                                                         | You must generally pay a transfer fee to us if you transfer your Franchise Agreement, the material asset associated with your Key West Lodging Facility, or controlling interest in your stock or other outstanding ownership interests.                                                                                                      |
| Quality Assurance Inspections                             | You must pay for all lodging expenses incurred by our inspectors when conducting a quality assurance inspection. This cost ranges from \$500 to \$1,000 per inspection. | Immediately upon receiving invoice                                                                            | We have the right to inspect your Key West Lodging Facility at all reasonable times to evaluate whether you are complying with the Rules and Regulations.                                                                                                                                                                                     |
| Guest Complaint Resolution Fee                            | Cost to compensate a dissatisfied guest, plus a processing fee of \$180 for every complaint received by us.                                                             | Immediately upon receiving invoice                                                                            | You will be billed a \$180 processing fee for every complaint received by us.                                                                                                                                                                                                                                                                 |
| Administrative Expenses Associated with Advisory Services | Will vary under circumstances                                                                                                                                           | Immediately upon receiving invoice                                                                            | We will render, upon written request by you, advisory services pertaining to guest service and operation of your Key West Lodging Facility. You will be responsible for all reasonable administrative and out-of-pocket expenses and other fees for certain services or training that are incurred by us in rendering such advisory services. |

| Type of Fee                   | Amount                                                                                                                                                                                                                                                                            | Due Date                                | Remarks (See Note 1)                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Re-evaluation Fee             | \$1,750                                                                                                                                                                                                                                                                           | On or before the date established by us | If we or our agent are refused access to conduct a quality assurance evaluation, or if your Key West Lodging Facility fails a quality assurance evaluation you must pay us our then current reevaluation fee for each follow-up inspection conducted by us or our agent and reimburse agent for the out of pocket travel expenses incurred. This fee is subject to change. |
| Re-Instatement Fee            | \$1,500 if your right to access to any intranet or extranet system or other computer network or system which we have established or administer (such as the central reservations system or property management system) is disabled due to your breach of your Franchise Agreement | Before reconnection                     | If your access to intranet, extranet or other computer networks is suspended as provided in Article 6(V)(9) of your Franchise Agreement you will be required to pay the reconnect fee once you have remedied your breach.                                                                                                                                                  |
| Conference Meeting Attendance | Currently the cost for each person to attend our conference is \$499. In addition, you must pay for travel, lodging, meals, and incidental expenses incurred by your employees and you in attending the conference. These fees are subject to change at our discretion.           | Prior to conference or meetings.        | Your managers must, at your expense, attend certain meetings, webinars, and conference. Your manager is required to attend our annual conference. You must pay us our prescribed fees for these meetings and conference regardless of whether your manager attends.                                                                                                        |

| Type of Fee                           | Amount                                                                                                                                                                                                                                                                                                                                                     | Due Date                                                                    | Remarks (See/Note 1)                                                                                                                                                                                                                                                               |
|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ongoing Training Fee                  | \$399 per person up to a maximum of \$1,200 (3 people) for ongoing training at our corporate headquarters and \$500 per day up to a maximum of \$4,500 (9 days) for on-site training. You must pay all travel, wages, lodging and other related expenses for trainees and, for on-site training, for our staff. This can cost between \$1,000 and \$5,000. | The Training Fee payable to us is due 30 days after receipt of our invoice. | Ongoing training is generally optional; however, we reserve the right to institute mandatory training programs as we determine to be necessary.                                                                                                                                    |
| Technology Support Fees               | \$100 per hour if you require technical support.                                                                                                                                                                                                                                                                                                           | Immediately upon receiving invoice                                          |                                                                                                                                                                                                                                                                                    |
| Technology Interface Fees             | \$185 per month.                                                                                                                                                                                                                                                                                                                                           | Immediately upon receiving invoice                                          | If you choose to use the Property Management System we offer, this is a mandatory fee assessed for the purpose of connecting your Property Management System to the Point of Sale System and Cobblestone Rewards Program.                                                          |
| Technology Interface and Support Fees | \$45 per month plus \$100 per hour if you require technical support                                                                                                                                                                                                                                                                                        | Immediately upon receiving invoice                                          | If you choose to use the Property Management System we offer, this is a mandatory fee assessed for the purpose of connection your Property Management System to the Cobblestone Rewards Program.                                                                                   |
| Cobblestone Rewards Program           | \$100 per month or 9% of Qualifying Revenue per month, whichever is greater, a one-time start-up fee of \$500 to our third-party provider plus \$1,000 to us for our administrative costs.                                                                                                                                                                 | Immediately upon receiving invoice                                          | You must participate in the Cobblestone Rewards Program. "Qualifying Revenue" is all revenue related to room bookings by guests that are members of the Cobblestone Rewards Program including all items such as breakfast and service fees but does not include vat and sales tax. |

| Type of Fee                                                   | Amount                                                                                                                                                                                                                        | Due Date                                                                                                                                             | Remarks (See Note 1)                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Marketing Platform Fee                                        | 15% of all revenue derived through the Sojern marketing platform.                                                                                                                                                             | Immediately upon receiving invoice                                                                                                                   | You must participate in the Sojern marketing platform. The fee is payable monthly and is based on the number of bookings your property receives through the platform.                                                                                                                                                                                                                                                                                               |
| Promotional Programs                                          | Will vary under the circumstances                                                                                                                                                                                             | Immediately upon guest booking or invoice                                                                                                            | You must participate in and honor the terms of any discount or promotional program (including any room discounts or discount rate codes) that are applicable to your Key West Lodging Facility, or any other lodging facilities we own, operate, manage or franchise.                                                                                                                                                                                               |
| Reservation Fees for the Central Reservations System or "CRS" | One time set-up fee of \$2,000 and ongoing monthly fees of \$750.                                                                                                                                                             | Immediately upon receiving invoice                                                                                                                   | You must use SynXis for connectivity to GDS/IDS, Guest Connect Booking Engine, Mobile Booking Engine and integration with your PMS. You are required to sign a CRS Technology Addendum for this purpose at the time you sign the Franchise Agreement.                                                                                                                                                                                                               |
| Central Travel Agent Commission Program                       | As negotiated with third-party providers and is subject to change. There is a \$50 annual fee for the Travel Industry ID Reservation Processing subscription. There is a \$.50 commission per reservation through the system. | Payable through Automated Clearing House (ACH) or Electronic Funds Transfer (EFT), bi-monthly. Frequency of commission process is subject to change. | You must make certain payments to our designated service provider for participation in the Cobblestone Hotels centralized travel agent commission payment program. You must enter into an agreement with the third-party travel agent commission payment service provider designated by us and purchase these commission services. Our designated travel agent commission payment program and your cost of participation and use may be periodically changed by us. |

| Type of Fee                                                                                   | Amount                                                                                                                 | Due Date                            | Remarks (See Note 1)                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cobblestone Reservation Call Center (Cobblestone Toll Free Reservation Line)                  | \$2 per call transferred to the property.                                                                              | Immediately upon receiving invoice  | We currently charge \$2 per call transferred to the property but reserve the right to implement a third party call center at additional cost in the future at our own discretion. No substitutions are permitted.                                                                                                                                                                                                     |
| Maintenance, Support, and Training for Guest High-Speed Internet Access Hardware and Software | As negotiated with third-party providers and is subject to change.                                                     | Per service provider                | You must make complimentary wireless high-speed Internet access available in the guest rooms, lobby, meeting rooms, and hospitality rooms of your Key West Lodging Facility. This requires you to enter into a Property Service Agreement for the purchase of hardware, software, maintenance, support, and training from, and to make certain payment to, third-party vendor.                                        |
| Property Management System Fees "PMS"                                                         | One-time initialization fee of \$7,000. Ongoing fees are \$4.50 per room/per month plus a flat fee of \$140 per month. | Immediately upon receiving invoice. | At your option, you may use SkyTouch for property management, rate management, integrated distribution/channel management and internet booking engine, standard interfaces, point of sale or central reservations interface. You are required to sign a PMS Technology Addendum for this purpose at the time you sign the Franchise Agreement. Included with the SkyTouch system, you receive credit card processing. |
| Attorneys' Fees and Costs                                                                     | Will vary under the circumstances                                                                                      | On demand                           | If we prevail in any judicial proceeding, you must pay our costs and expenses, including attorneys' fees.                                                                                                                                                                                                                                                                                                             |
| Indemnification                                                                               | Will vary under the circumstances                                                                                      | On demand                           | You must reimburse us for claims and expenses arising out of your hotel operations.                                                                                                                                                                                                                                                                                                                                   |
| Insurance                                                                                     | Will vary under the circumstances                                                                                      | On demand                           | If you fail to obtain insurance coverage required by us for your hotel, we may obtain coverage at your expense.                                                                                                                                                                                                                                                                                                       |

| Type of Fee        | Amount                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Due Date  | Remarks (See Note 1)                                                                                                                        |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|---------------------------------------------------------------------------------------------------------------------------------------------|
| Liquidated Damages | If you have not received a discount to Monthly Fees, the Monthly Fees payable to us multiplied by 24 or, if you are within 24 months of the end of the term, the Monthly Fees payable to us multiplied by the number of months remaining the term; or (ii) if you have received a discount to your Monthly Fees, (a) the Monthly Fee payable to us multiplied by 24 or, if you are within 24 months of the end of the term, the Monthly Fees payable to us multiplied by the number of months remaining the term, <u>plus</u> (b) the amount of the discount (i.e. undiscounted Monthly Fee less Monthly Fee actually paid by you) multiplied by the number of months from the Opening Date to the date of termination. | On demand | You must pay us liquidated damages if your Franchise Agreement is terminated for reasons set forth in Article 8 of the Franchise Agreement. |

**Note 1:** All amounts are uniformly imposed by and are payable to us unless otherwise noted. All fees are nonrefundable.

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# ITEM 7: ESTIMATED INITIAL INVESTMENT

## "KEY WEST™" – CONVERSION

### **YOUR ESTIMATED INITIAL INVESTMENT**

| Type of Expenditure                                              | Amount                                                                                                                                                                                                                                                                                                                                                             | Method of Payment | When Due                                                                                                                                                            | To Whom Payment is to be Made |
|------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| Initial Fee                                                      | \$15,000                                                                                                                                                                                                                                                                                                                                                           | Cash, Check       | An Application Fee of \$2,000 is due upon submission of your Franchise Application, but is credited against the Initial Fee when your Franchise Agreement is signed | Us                            |
| Initial Training Fee, Travel, and Living Expenses while Training | \$399 per person up to a maximum of \$1,200 (3 people) for opening training at our corporate headquarters and \$500 per day up to a maximum of \$4,500 (9 days) for on-site training. You must pay all travel, wages, lodging and other related expenses for trainees and, for on-site training, for our staff. This can range in cost between \$1,000 and \$5,000 | Cash, Check       | 30 days after invoice                                                                                                                                               | Us                            |

| Type of Expenditure                                             | Amount              | Method of Payment            | When Due                        | To Whom Payment is to be Made                                                                                                                                                            |
|-----------------------------------------------------------------|---------------------|------------------------------|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Furniture, Fixtures and Equipment (See Note 3)                  | \$0 - \$500,000     | As negotiated with Suppliers | As incurred                     | Suppliers. \$0 if property is in no need of updates to be accepted into the Key West Lodging Facilities brand. \$500,000 would be a max of \$2,500 per room in a property with 200 rooms |
| Exterior Signage                                                | \$10,000 - \$50,000 | As negotiated with Supplier  | As incurred                     | Supplier                                                                                                                                                                                 |
| Hardware, Software, and Installation                            | \$0 - \$20,000      | As negotiated by Supplier    | As incurred                     | Supplier - \$0 if conversion and property's current hardware and software meets our brand requirements.                                                                                  |
| Property Management System Set-Up and Installation              | \$0 - \$7,000       | Cash, Check                  | Prior to receiving the services | Us                                                                                                                                                                                       |
| Reservation System Set-Up and Integration                       | \$2,000             | Cash, Check                  | Prior to receiving the services | Us                                                                                                                                                                                       |
| High-Speed Internet Access Hardware, Software, and Installation | \$0 - \$15,000      | As negotiated by Supplier    | As incurred                     | Supplier. \$0 if property currently has High-Speed Internet Access Hardware and Software is approved by the Key West Lodging Facilities brand.                                           |
| Cobblestone Rewards Administrative Fee                          | \$1,000             | Cash, Check                  | Due Prior to Opening            | Us                                                                                                                                                                                       |



| Type of Expenditure                                      | Amount                                                     | Method of Payment | When Due    | To Whom Payment is to be Made   |
|----------------------------------------------------------|------------------------------------------------------------|-------------------|-------------|---------------------------------|
| Additional Funds - Pre-Opening and 3 Months (See Note 5) | \$0                                                        | As incurred       | As incurred | Employees, Suppliers, Utilities |
| Totals (See Note 6)                                      | \$29,899 to \$620,700 (plus Real Estate costs, see Note 1) |                   |             |                                 |

**"KEY WEST™" – NEW CONSTRUCTION**

**YOUR ESTIMATED INITIAL INVESTMENT**

| Type of Expenditure                                              | Amount                                                                                                                                                                                                                                                                                                                                                             | Method of Payment | When Due                                                                                                                                                     | To Whom Payment is to be Made |
|------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| Initial Fee                                                      | \$15,000                                                                                                                                                                                                                                                                                                                                                           | Cash, Check       | Application Fee of \$2,000 is due upon submission of your Franchise Application, but is credited against the Initial Fee is your signed Franchise Agreement. | Us                            |
| Initial Training Fee, Travel, and Living Expenses while Training | \$399 per person up to a maximum of \$1,200 (3 people) for opening training at our corporate headquarters and \$500 per day up to a maximum of \$4,500 (9 days) for on-site training. You must pay all travel, wages, lodging and other related expenses for trainees and, for on-site training, for our staff. This can range in cost between \$1,000 and \$5,000 | Cash, Check       | 30 days after invoice                                                                                                                                        | Us                            |

| Type of Expenditure                                                                                                                           | Amount                    | Method of Payment                                                    | When Due                                | To Whom Payment is to be Made                                        |
|-----------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|----------------------------------------------------------------------|-----------------------------------------|----------------------------------------------------------------------|
| Real Estate and Site Preparation (See Note 1)                                                                                                 | Not Determined            | As negotiated with Real Estate Seller and Contractors                | As incurred                             | Real Estate Seller and Contractors                                   |
| Building Improvements, including Architect, MES (i.e. contractor or construction team), Civil and Aquatic Engineers, Design Fees (See Note 2) | \$1,800,000 – \$5,500,000 | As negotiated with Contractors, Suppliers, Architects, and Engineers | As incurred                             | Contractors, Suppliers, Architects, MES, Civil and Aquatic Engineers |
| Furniture, Fixtures and Equipment (See Note 3)                                                                                                | \$425,000 - \$1,200,000   | As negotiated with Suppliers                                         | As incurred                             | Suppliers                                                            |
| Exterior Signage                                                                                                                              | \$12,000 - \$50,000       | As negotiated with Supplier                                          | As incurred                             | Supplier                                                             |
| Hardware, Software, and Installation                                                                                                          | \$8,000 - \$20,000        | As negotiated by Supplier                                            | As incurred                             | Supplier                                                             |
| Property Management System and Installation                                                                                                   | \$0 - \$7,000             | Cash, Check                                                          | Prior to receiving the system           | Us                                                                   |
| Reservation System Set-Up and Integration                                                                                                     | \$2,000                   | Cash, Check                                                          | Prior to receiving the services         | Us                                                                   |
| High-Speed Internet Access Hardware, Software, and Installation                                                                               | \$6000 - \$15,000         | As negotiated by Supplier                                            | As incurred                             | Supplier                                                             |
| Opening Inventory (see Note 4)                                                                                                                | \$20,000 - \$60,000       | As negotiated by Supplier                                            | As incurred                             | Supplier                                                             |
| Closing Costs                                                                                                                                 | \$40,000 - \$90,000       | As incurred                                                          | Due Prior to Opening                    | Third Parties                                                        |
| Contingencies                                                                                                                                 | \$50,000 - \$200,000      | As contingencies arise                                               | As agreed with Contractor and Suppliers | Contractors and Suppliers                                            |
| Insurance                                                                                                                                     | \$2,000-\$70,000          | As incurred                                                          | Due Prior to Opening                    | Your Insurance Carriers                                              |

| Type of Expenditure                                            | Amount                                                          | Method of Payment | When Due             | To Whom Payment is to be Made   |
|----------------------------------------------------------------|-----------------------------------------------------------------|-------------------|----------------------|---------------------------------|
| Cobblestone Rewards Administrative Fee                         | \$1,000                                                         | Cash, Check       | Due Prior to Opening | Us                              |
| Addition Funds – Pre-Opening and 3 Months (See Note 5)         | \$75,000 - \$150,000                                            | As incurred       | As incurred          | Employees, Suppliers, Utilities |
| Totals (not including the purchase of real estate)(See Note 6) | \$2,457,899 to \$7,390,700 (plus Real Estate costs, see Note 1) |                   |                      |                                 |

**Note 1:** The cost of acquiring and developing a site for a new Key West Lodging Facility has not been estimated and is not included in the Item 7 table. This cost will vary depending on such factors as location, size, and the local real estate market. For a conversion property, we assume you already own or lease the real estate.

**Note 2:** This cost includes expenses normally incurred in connection with the construction of a new Key West Lodging Facility. We have not built a new prototypical Key West Lodging Facility; therefore, we do not have actual construction costs based on current actual experience. The estimated range for construction costs is based on the experience of our affiliates. Your actual costs may vary considerably as a result of numerous factors.

**Note 3:** The estimated cost for furniture, fixtures, and equipment excludes the Property Management System.

**Note 4:** This estimate is for inventory items such as towels, linens, guest room amenities, paper good and maintenance supplies and equipment.

**Note 5:** If you are converting an existing lodging facility, we do not anticipate that you will incur any additional funds during the first three months that you do not normally incur in the continuing operation of your lodging facility. If you are constructing a new lodging facility, the estimated additional funds are based on our affiliates' experience of owning, operating, and managing Key West Lodging Facilities, of your pre-opening expenses related to supplies and utilities, including travel, wages, lodging, and other related expenses, and working capital requirements for the first 3 months after your Key West Lodging Facility opens for business. Working capital for the first 3 months includes general operating expenses such as lease payments, payroll, payroll expenses, facility expenses, pest control, security, and maintenance. Your actual costs will depend on factors which include your management skill, experience and business acumen; local economic conditions; the prevailing wage rates; competition in the marketplace; and sales levels reached during the start-up phase of your business. These amounts do not include any estimates for debt service.

**Note 6:** We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation (See Item 10).

**\*\*Except as otherwise noted, none of these costs and expenses are refundable. These costs and expenses associated with converting or building a Key West Lodging Facility are only estimates and your costs may be higher depending on your particular circumstances. You should review these figures carefully with a business advisor, accountant, or attorney before making any decision to purchase a franchise.**

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

### **General Obligations**

You must operate your Key West Lodging Facility according to our standards and specifications as we may establish from time to time in our Cobblestone Rules and Regulations Manual. We will provide you with the Rules and Regulations Manual, as well as any updates to it, in hard copy, electronic format or otherwise by written communication from us. We will provide you with drawings of our interior and exterior Key West Lodging Facility prototypical requirements in hard copy or electronic format.

You must purchase your Key West Lodging Facility's Central Reservation System ("CRS") and, if you choose to use the Property Management System ("PMS") we offer, from our approved suppliers. We do not grant approval of alternative suppliers for the CRS or PMS.

You will have the right and option to purchase all other goods and services from any suppliers you choose, provided that these goods and services conform to our standards of quality and uniformity.

When approving suppliers, including architects, contractors and insurance carriers, our criteria is that the goods and services provided comply with our standards of quality and uniformity. While we do not have written criteria for the approval of architects and contractors, we will provide written criteria regarding our standards of quality and uniformity to you or the suppliers you choose at their request.

The process by which you must request approval of your chosen supplier, architects and contractors begins with you submitting to us information regarding the supplier in writing. Our approval will not be unreasonably withheld if the supplier's products or services meet our standards of quality and uniformity. You will generally receive written notification from us of our determination regarding your proposed supplier within 30 days of receipt of your request.

If, during the term of your Franchise Agreement, a supplier that you are using no longer complies with our standards of quality and uniformity we may revoke our approval and give you no less than 30 days to find a different supplier that is able to bring your Key West Lodging Facility into compliance with our standards.

Except for the Cobblestone Rewards Program, and the CRS and PMS, you do not have to purchase or lease anything from us or any of our affiliates and neither we nor are our affiliates are the only approved suppliers of any products or services you must purchase; however, we and our affiliates can be suppliers for any goods and services we offer.

## **Ownership in Suppliers**

Our officers, Brian Wogernese and Jeremy Griesbach, own interests in BriMark. BriMark is the sole owner of CSC.

## **Central Reservation System**

You must use the central reservation system provider that we select. In exchange for us arranging for these services to be provided to you, you must execute a Central Reservation System Technology Addendum (see Exhibit E to this disclosure document) and you must pay us the Reservation Fees described in Item 6 of this disclosure document. The CRS services include connectivity to global distribution systems (GDS); online travel agents, website and mobile booking engines, reservation call centers, managing rates and content and revenue management. You must participate in third party reservation systems that we make available, including AMADEUS, GALILEO/APOLLO, SABRE, WORLDSPAN, various Internet reservation services (any of which may change), and all third party reservation services, which include direct connections into our central reservation system. As of the date of this disclosure document Synxis is the only approved supplier of the CRS services (see Item 11). Neither we nor any affiliate is an approved supplier of this CRS service. No alternative suppliers of the CRS will be considered and there are no criteria for approving alternative suppliers. You are required to have computer hardware at your Lodging Facility to use the CRS (see Item 7); however we do not currently require that this be purchased or leased from us, our affiliates, or an approved supplier. At a minimum the computer hardware you are required to purchase consists of one (1) computer terminal at the front desk and one (1) computer terminal for the back office. These terminals can be used for both the CRS and the PMS (described below).

## **Property Management System**

At your option, you may use the property management system provider that we select. In exchange for us arranging for these services to be provided to you, you must execute a Property Management System Technology Addendum (see Exhibit F to this disclosure document) and you must pay us the Property Management Fees described in Item 6 of this disclosure document. The PMS services include rate management, integrated distribution/channel management and internet booking engine, integrated Rewards Program Feed, standard interfaces, point of sale or CRS interfaces. As of the date of this disclosure document SkyTouch is the only approved supplier of the PMS services (see Item 11). Neither we nor any affiliate is an approved supplier of the PMS services. No alternative suppliers of the PMS will be considered and there are no criteria for approving alternative suppliers. You are required to have computer hardware at your Key West Lodging Facility to use the PMS (see Item 7); however we do not currently require that this be purchased or leased from us, our affiliates, or an approved supplier. At a minimum the computer hardware you are required to purchase consists of one (1) computer terminal for every 50 rooms. These terminals can be used for both the PMS and the CRS (described above).

## **Proportion of Your Initial Investment and Ongoing Expenses**

We estimate that your required purchases and leases from the approved and designated suppliers of the Cobblestone Rewards Program, Central Reservation System and Property Management System will represent (i) approximately 0.1% to 0.4% of your initial investment for a newly constructed hotel and approximately 1.5% to 17% for a conversion (see Item 7); and (ii) approximately 15% to 30% of your ongoing monthly expense for either a newly constructed hotel or a conversion (see Item 6).

## **Items we Derive Revenue From**

For the year ended December 31, 2017, our revenues from the sale of goods and services to franchisees was \$1,173,973, or 38% of our total revenues of \$3,109,472. Except for the Cobblestone Rewards Program, the CRS and the PMS, you do not have to purchase or lease anything from us.

For the year ended December 31, 2017, our affiliate, CSC, received revenues from the sale of goods and services to franchisees in the amount of \$163,809, or 3% of its total revenues of \$5,029,879. You are not required to purchase or lease anything from CSC.

Other than as disclosed above, we derived no revenue or other material consideration as a result of required franchisee purchases or leases during the fiscal year ended December 31, 2017. Similarly, other than as disclosed above, no suppliers make payments to us from franchisee purchases.

If we do receive funds from unaffiliated third-party suppliers as a result of purchases franchisees are required to make, it will be used to offset the expenses of our Annual Conference.

## **Purchasing or Distribution Cooperatives**

Neither we nor our franchisees have established any purchasing or distribution cooperatives ad of the fiscal year ended December 31, 2017.

## **Material Benefits**

We attempt to negotiate purchase arrangements with third party suppliers (including price terms) for the benefit of all, Key West Lodging Facilities, Centerstone™, Boarders Inn and Suites by Cobblestone®, Cobblestone Inn & Suites® and Cobblestone Hotel & Suites® branded hotels,, including those owned by franchisees. We do not provide material benefits to you (including renewal rights or the right to open additional Key West Lodging Facilities) based on your purchase of particular goods and services or on your purchases of particular products or services or your use of particular suppliers. However, purchases of goods or services that do not meet our standards in violation of the Franchise Agreement will entitle us to, among other things, terminate your Franchise Agreement.

## Insurance

Each Cobblestone property is required to adhere to all of the following insurance related terms, limits, coverage; policies and procedures, which we reserve the right to change at any time in our discretion:

|                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Carrier Requirements:                      | Minimum AM Best Rating,<br>Alpha Rating: A-<br>Financial Category: VI                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Insurance Coverage and Limit Requirements: | <u>General Liability:</u> <ul style="list-style-type: none"><li>▪ All General Liability Limits Apply on a Per-Location Basis</li><li>▪ Three (3) stories or less: Per Occurrence: \$2,000,000</li><li>▪ Four (4) stories or more: Per Occurrence: \$3,000,000</li><li>▪ Additional Insured listing for Cobblestone Hotels LLC</li><li>▪ Cyber Liability and Data Breach coverage - \$100,000</li></ul> <u>Worker's Compensation:</u> <ul style="list-style-type: none"><li>▪ Statutory Limits</li><li>▪ Employee: \$500,000</li><li>▪ Each Accident: \$500,000</li><li>▪ Disease Policy Limit:\$500,000</li><li>▪ Waiver of Subrogation listing for Cobblestone Hotels LLC</li></ul> <u>Employment Practice Liability:</u> <ul style="list-style-type: none"><li>▪ Each Occurrence: \$250,000</li></ul> <u>Automobile Liability:</u> <ul style="list-style-type: none"><li>▪ Hired and Non-Owned Auto coverage must be included</li><li>▪ Three (3) stories or less: Combined Single Limit: \$2,000,000</li><li>▪ Four (4) stories or more: Combined Single Limit: \$3,000,000</li></ul> <u>Liquor Liability:</u> <p>Required on any property that charges in any way for alcoholic beverages. Each Occurrence: \$1,000,000</p> <u>Umbrella Policy:</u> \$2,000,000 Minimum |

All insurance policies must be issued by carriers approved by us. Such carriers will be approved in the same way suppliers are approved (see above). Your insurance must contain such types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe from time to time, must name us and our affiliates as additional insureds, must provide for 30 days prior written notice to us of any material modification, cancellation or expiration of such policy and must include such other provisions as we may require periodically.

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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 Franchise Agreement                                                                                                                                                                             | Disclosure Document Item                                                                                    |
|----|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| a. | Site Selection and acquisition/lease                    | Art. 18                                                                                                                                                                                                    | Items 11 and 12                                                                                             |
| b. | Pre-Opening purchases/lease                             | Art. 18                                                                                                                                                                                                    | Items 5, 8, and 11                                                                                          |
| c. | Site development and other pre-opening requirements     | Art. 18                                                                                                                                                                                                    | Items 6, 7, 11, and 12                                                                                      |
| d. | Initial and ongoing training                            | Art. 11                                                                                                                                                                                                    | Items 6, 7, and 11                                                                                          |
| e. | Opening                                                 | Art. 11(D)                                                                                                                                                                                                 | Item 11                                                                                                     |
| f. | Fees                                                    | Art. 4(A), 5(A), 5(B), 5(C), 6(E), 6(F), 6(P), 6(V), 6(W), 6(X), 11(A), 13(A), 18(G), the Property Management System Technology Addendum and the Central Reservation System Technology Addendum, Exhibit G | Items 5, 6, and 11<br>Exhibits E, F and G to this disclosure document, Exhibit A to the Franchise Agreement |
| g. | Compliance with standards and policies/operating manual | Art. 6                                                                                                                                                                                                     | Item 11                                                                                                     |
| h. | Trademarks and proprietary information                  | Art. 3, 7(D), 7(E)                                                                                                                                                                                         | Items 13 and 14                                                                                             |
| i. | Restriction on products/services offered                | Art. 6(J)                                                                                                                                                                                                  | Items 8 and 16                                                                                              |
| j. | Warranty and customer service requirements              | Art. 11, 12                                                                                                                                                                                                | Item 11                                                                                                     |
| k. | Territorial development and sales quotas                | Not Applicable                                                                                                                                                                                             | Not Applicable                                                                                              |
| l. | Ongoing product/service purchases                       | Art. 6(J), 6(K), the Property Management System Technology Addendum and the Central Reservation System Technology Addendum                                                                                 | Items 6, 8, 16, and Exhibits E and F                                                                        |
| m. | Maintenance, appearance, and remodeling requirements    | Art. 6(F), 6(L), 6(P)                                                                                                                                                                                      | Item 11                                                                                                     |
| n. | Insurance                                               | Art. 14                                                                                                                                                                                                    | Item 8                                                                                                      |



|    | Obligation                                | Section in Franchise Agreement | Disclosure Document Item |
|----|-------------------------------------------|--------------------------------|--------------------------|
| o. | Advertising                               | Art. 6(A), 6(Z) and 6(CC)      | Item 11                  |
| p. | Indemnification                           | Art. 15                        | Item 8                   |
| q. | Owner's Participation/Management/Staffing | Art. 6(O)                      | Item 15                  |
| r. | Records and Reports                       | Art. 16                        | Item 15                  |
| s. | Inspections and Audits                    | Art. 16 and 18                 | Items 11 and 15          |
| t. | Transfer                                  | Art. 17                        | Item 17                  |
| u. | Renewal                                   | Art. 2(B)                      | Item 17                  |
| v. | Post-termination obligations              | Art. 10, 15(c)                 | Item 17                  |
| w. | Non-competition covenants                 | Not Applicable                 | Item 17                  |
| x. | Dispute resolution                        | Art. 19(F), 21                 | Item 17                  |
| y. | Other: Hospitality Portal                 | Art. 6(Z)                      | Item 11                  |
| z. | Rewards Program                           | Art. 6(C)                      | Item 6                   |

#### ITEM 10: FINANCING

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

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

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

##### **Pre-Opening Assistance**

Before you open your Key West Lodging Facility, we will provide you with the following assistance:

(1) We will negotiate your Protected Area (Franchise Agreement §1(A)).

(2) Before signing the Franchise Agreement, we will approve your site in our sole and absolute discretion. We will determine whether to accept or reject your proposed site after considering factors as we deem appropriate, including the general site and neighborhood, demographic information, traffic patterns, access, visibility, site of other lodging businesses (including Key West Lodging Facilities), and size, condition, configuration, appearance and other physical characteristics of the site.

Typically we will approve or reject your site within 30 days of receiving your application and Application Fee.

The Application Fee is currently \$2,000 (see Item 5) and will be credited against your Initial Fee if we approve your application. If we accept the site and your franchise application, we will send you written notice of our acceptance decision.

If we reject your application the Application Fee is non-refundable, and we will not proceed with signing a Franchise Agreement.

We do not generally own the site and lease it to you.

(3) We will provide you with a copy of, or access to, our Rules and Regulations Manual which contains the system standards and specifications for your Key West Lodging Facility, including standards for the furniture, fixtures, and certain equipment used to furnish your Key West Lodging Facility and which contains the mandatory and suggested specifications when using our logo and trademarks to market your Key West Lodging Facility (Franchise Agreement §§ 1(C), 6(H) and 12(A)).

(4) We will provide you with a copy of our approved standard plans for your Key West Lodging Facility (Franchise Agreement §§6(E), 12(A), and 18(C)).

(5) We have the right to approve or reject the architect and contractor which you propose to use to design and/or construct your Key West Lodging Facility (Franchise Agreement §18(C)).

(6) If you are constructing a new Key West Lodging Facility, we will review and approve the detailed plans and specifications for your Key West Lodging Facility which will be prepared at your expense by your architect who has been approved by us. Your approved architect will be required to conform your Key West Lodging Facility to local ordinances and building codes. In addition, you or your contractor will be required to obtain any required permits for the construction or operation of your Key West Lodging Facility. We are not required to assist you in conforming your Key West Lodging Facility to local ordinances and building codes or in obtaining any required permits (Franchise Agreement §18(C)).

(7) If you wish to deviate from one of our standard interior design packages or to use a custom design package, we will review, approve, or provide comments on your interior design package and, following our approval, any subsequent modifications to your package (Franchise Agreement §§6(P) and 18(C)).

(8) We may, in our discretion, periodically inspect your Key West Lodging Facility during construction or conversion, as applicable. However, we are not required to provide assistance in constructing, remodeling, or decorating your Key West Lodging Facility (Franchise Agreement §§6(P) and 18(C)).

(9) We will inspect your Key West Lodging Facility prior to opening (Franchise Agreement §§6(P) and 18(C)).

(10) Provide you with an initial Training Program (see below) (Franchise Agreement §11(A)).

## Post-Opening Assistance

During the operation of your Key West Lodging Facility, we will provide you with the following assistance:

(1) We will loan you a copy or give you access to our confidential operations materials via a private extranet (Hospitality Information Portal ("HIP") or C-Street/Cobblestone Portal) (Franchise Agreement §§6(E) and 12(A)).

(2) We may inspect your Key West Lodging Facility as often as we deem appropriate (Franchise Agreement §6(P)).

(3) We may, in our discretion, protect the "Key West™" name, trademarks and/or copyrights as well as the distinguishing characteristics of a Key West Lodging Facility. We will indemnify and hold you harmless from any damages assessed against you in any action commenced against you if you have been named as a defendant in the action solely as a result of your use of our trademarks and service marks in compliance with your obligations under our Rules and Regulations Manual (Franchise Agreement §3(E)).

(4) We may, in our discretion, hold annual conferences and/or training and motivational programs designed to generate and foster employee awareness, sensitivity, and responsiveness to the customers who patronize your Key West Lodging Facility. Your General Manager is required to attend our conference. You must pay the registration fees established by us for these conferences and programs regardless of whether you attend. Currently the cost for each person to attend our conference is \$499. In addition, you must pay all of the travel, living, and employment-related expenses for you or your staff attending these conferences and programs. These conferences and programs will be held at the location or locations selected by us in our discretion (Franchise Agreement §11(A)).

(5) We may, in our discretion, sponsor one or more loyalty programs to promote and reward the frequent and regular guests of Key West Lodging Facilities. You must, at your expense, participate in all these programs, including our current program, "Cobblestone Rewards" (Franchise Agreement §6(C)).

(6) We will, upon your request, provide you with advisory services related to guest service, property sales, and the operation of your Key West Lodging Facility. You must reimburse us for all reasonable administrative and out-of-pocket expenses incurred by us in providing these services and provide lodging to our representatives at no charge (Franchise Agreement §12(A)).

(7) We will provide you with access to a central reservation system, (comprised of certain centralized reservation services, including Global Distribution Services, email/Internet and generic voice reservation services for your hotel. (Franchise Agreement §6(V)(1) and (2)).

(8) We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products and services. You must participate in and honor the terms of any discount or promotional program

(including any room discounts or discount rate codes) that are applicable to your Key West Lodging Facility, or any other lodging facilities we own, operate, manage or franchise, that we offer to the public on your behalf and any room rate quoted to any guest at the time the guest makes an advance reservation. You will take all action necessary to participate in any discount or promotional programs (Franchise Agreement §6(J)).

(9) We will provide you with information regarding our standards of quality and uniformity upon request by a supplier or you (Franchise Agreement §6(K)).

### **Time of Opening**

We estimate the time from the date you sign the Franchise Agreement to the date you open your Key West Lodging Facility for business to be between 15 to 18 months if your facility is to be newly constructed and 3 to 6 months if you are converting an existing hotel to a Key West Lodging Facility. However, this time estimate may vary depending on numerous factors, including location, construction or renovation schedules, permits, zoning and local ordinances, weather conditions, shortages, delayed installation of equipment, fixtures, and signage, and financing. Your Key West Lodging Facility must be open for business within 6 months of signing your Franchise Agreement if you are converting an existing hotel and within 18 months of signing your Franchise Agreement if you are constructing a new hotel. We may grant you an extension of completion in our discretion.

### **Training**

Your General Manager must successfully complete our Training Program to our satisfaction before you open your hotel for business. If your General Manager oversees more than one hotel, one or more assistant managers must also successfully complete our Training Program. You or other individuals you designate may also attend the Training Program, but are not required to do so. The Training Program consists of up to fifteen (15) days of classroom and on-the-job training for your General Manager on the basic management and operations of a Key West Lodging Facility. Currently we charge \$399 per person for the Opening Training that is conducted at our corporate headquarters and \$500 per day for on-site training, which can be up to 9 days. You are responsible for all travel, wages, lodging, and other related expenses for the trainees and, during on-site training, our staff (Franchise Agreement §11(A)).

As of the date of this disclosure document, training is conducted under the supervision of Josie Kilgore. Ms. Kilgore has been our Vice President of Franchise Services since 2012. Prior to that she was a Regional Director of Operations for our affiliate, WHG, and has over 14 years of operations and training experience in the lodging industry. Periodically we may, from time to time, designate other personnel of Cobblestone who have not less than 3 years' experience in the operation of lodging facilities to assist Ms. Kilgore with the training. The materials used in the Training Program currently include our Rules and Regulations Manual.

Our Training Program must be completed by your General Manager no more than one hundred twenty (120) days prior to the opening of your Key West Lodging Facility and requires that your General Manager be present at our corporate headquarters for no less than 5 days.

After your Key West Lodging Facility opens for business we may require additional training on an as-needed basis if your Key West Lodging Facility is not operating in compliance with our standards, we institute new standards, or you hire employees that are unfamiliar with our standards.

Our Training Program consists of the following:

#### OPENING TRAINING

| <b>Subject Taught</b>  | <b>Hours of Classroom Training</b> | <b>Hours of On-The-Job Training</b> | <b>Location</b> |
|------------------------|------------------------------------|-------------------------------------|-----------------|
| Front Desk Application | N/A                                | Up to 19                            | On Property     |
| Building Management    | N/A                                | Up to 5                             | On Property     |
| Safety and Security    | N/A                                | Up to 2                             | On Property     |
| Revenue Management     | N/A                                | Up to 4                             | On Property     |
| Guest Relations        | N/A                                | Up to 5                             | On Property     |
| Total Hours            | N/A                                | Up to 35                            | On Property     |

#### KEY WEST™ BRAND TRAINING

| <b>Subject Taught</b>      | <b>Hours of Classroom Training</b> | <b>Hours of On-The-Job Training</b> | <b>Location</b>                               |
|----------------------------|------------------------------------|-------------------------------------|-----------------------------------------------|
| Brand Standards            | up to 4                            | NA                                  | Cobblestone Hotels<br>Corporate Headquarters* |
| Sales and Marketing        | 2                                  | NA                                  | Cobblestone Hotels<br>Corporate Headquarters  |
| 1. Referrals               | 1                                  | NA                                  | Cobblestone Hotels<br>Corporate Headquarters  |
| 2. Direct Sales            | 1                                  | NA                                  | Cobblestone Hotels<br>Corporate Headquarters  |
| 3. Reputation Management   | 1                                  | NA                                  | Cobblestone Hotels<br>Corporate Headquarters  |
| 4. Social Media            | 1                                  | NA                                  | Cobblestone Hotels<br>Corporate Headquarters  |
| Revenue Management         | 3                                  | NA                                  | Cobblestone Hotels<br>Corporate Headquarters  |
| Housekeeping               | 1                                  | NA                                  | Cobblestone Hotels<br>Corporate Headquarters  |
| Front Desk                 | 1                                  | NA                                  | Cobblestone Hotels<br>Corporate Headquarters  |
| Property Management System | 8                                  | NA                                  | Cobblestone Hotels<br>Corporate Headquarters  |
| Central Reservation System | 4                                  | NA                                  | Cobblestone Hotels<br>Corporate Headquarters  |
| Cobblestone Rewards        | 1                                  | NA                                  | Cobblestone Hotels<br>Corporate Headquarters  |

|             |    |    |                                              |
|-------------|----|----|----------------------------------------------|
| Total Hours | 28 | NA | Cobblestone Hotels<br>Corporate Headquarters |
|-------------|----|----|----------------------------------------------|

\* The Cobblestone Corporate Headquarters is located at 980 American Drive, Neenah, WI 54956

Training classes are held when necessary, but no later than one month prior to your Lodging Facility opening for business.

After you or your General Manager(s) have successfully completed our management training program, one or more of our representatives will provide (a) up to five (5) days of opening assistance and staff training at your Key West Lodging Facility, and (b) up to four (4) additional days of onsite training as we determined to be necessary. You must either provide complimentary rooms or pay all lodging expenses incurred by our personnel in providing this assistance and training. We will only provide this assistance and training if you have provided us with a copy of the certificate of occupancy for your Key West Lodging Facility. In addition, if your Key West Lodging Facility is not ready to be opened for business when our representative arrives to provide this assistance and training, you must reimburse us for all salary, expenses, and other costs incurred by us and our personnel while they are delayed in providing this opening assistance and on-site training (Franchise Agreement §11(D)).

### **Computer System**

You must use the central reservation system provider that we select. In exchange for us arranging for these services to be provided to you, you must execute a Central Reservation System Technology Addendum (see Exhibit E to this disclosure document) and you must pay us the Reservation Fees described in Item 6 of this disclosure document. The CRS services include connectivity to global distribution systems (GDS), online travel agents, website and mobile booking engines, reservation call centers, managing rates and content and revenue management. You are required to have computer hardware at your Key West Lodging Facility to use the CRS (see Item 7). At a minimum the computer hardware you are required to purchase consists of one (1) computer terminal at the front desk and one (1) computer terminal for the back office. These terminals can be used for both the CRS and the PMS (described below). You must pay us a set-up fee of \$2,000 and \$750.00 per month for your use of the Synxis CRS services.

At your option you may use the PMS provider that we select. In exchange for us arranging for these services to be provided to you, you must execute a Property Management System Technology Addendum (see Exhibit F to this disclosure document) and you must pay us the Property Management Fees described in Item 6 of this disclosure document. The PMS services include rate management, integrated distribution/channel management and internet booking engine, standard interfaces, point of sale or CRS interfaces. You are required to have computer hardware at your Key West Lodging Facility to use the PMS (see Item 7); however we do not currently require that this be purchased or leased from us, our affiliates, or an approved supplier. Currently, excluding hardware, the cost of purchasing, installing, and maintaining the PMS is a one-time setup fee of \$7,000, \$140 per month for the application plus \$4.50 per room per month, and ongoing monthly fees of \$185 for the interfaces required to connect the PMS to the Point-of-Sale system.

At a minimum the computer hardware you are required to purchase consists of one (1) computer terminal at the front desk and one (1) computer terminal for the back office. The hardware you are required to purchase can be used for both the PMS and the CRS (described above) and initial cost of hardware, in addition to the PMS and CRS set-up fees is between \$8,000 and \$20,000 for a newly constructed Key West Lodging Facility and between \$0 and \$20,000 for a conversion.

You must make complimentary wireless high-speed Internet access available in the guest rooms, lobby, meeting rooms, and hospitality rooms of your Key West Lodging Facility. We estimate that this will cost you between \$0 and \$15,000.

In connection with our current CRS and PMS you must sign a Central Reservation System Technology Addendum (see Exhibit E to this disclosure document) and a Property Management System Technology Addendum (see Exhibit F to this disclosure document). If we make future modifications to our CRS and/or PMS, we may require you to enter into one or more agreements with us or one or more third-party vendors designated by us, which agreements shall be in a form established by us from time to time. You may not use any other third-party reservation services or programs or a property management system, except those services and programs approved by us. If you default in your obligations under the Franchise Agreement, we have the right to suspend your participation in the CRS (and other services provided by us) for the duration of your default (Franchise Agreement §§6(V), (W), (X), (Z), and 12(B)).

These requirements may require you to enter into an agreement for the purchase of hardware, software, maintenance, support, and training from, and to make certain payments, as negotiated by you, to third-party vendors. You are required to periodically upgrade your hardware and software to maintain compliance with these standards. We have no control over such third-party vendors and cannot anticipate when such third-party vendors will assess a fee, or what that fee will be for such maintenance, updating, upgrading or support. There are no contractual limitations on the frequency or cost of maintenance or required upgrades or updates. We have independent access to information and data on your computer system. There are no contractual limitations to our right to receive and access this information.

There are no contractual limitations on the frequency and cost of your obligation to purchase or lease computer systems or maintain, repair, upgrade or update your hardware and software.

You must register and actively use our Hospitality Information Portal, C-Street/Cobblestone Portal. This electronic media is the primary method for chain wide communications. Time sensitive information and important correspondence may be provided through the C-Street/Cobblestone Portal and, therefore, must be actively accessed on at least a daily basis by your manager(s) or staff (Franchise Agreement §§6(V), (W), (X), (Z), and 12(B)).

## **Advertising**

Other than the materials we develop with the Marketing Fund Fees, we are not obligated to provide you with marketing or advertising materials. You are permitted and encouraged to develop advertising and promotional materials at your own expense for your own use in local and regional advertising. We must approve the use, style, and form of the word "Key West™" or other registered trademarks or variations of our marks in any advertising, marketing, website, home

page, or other presence on the Internet, public relations, telemarketing or promotional campaign or program. You may not use any advertising or promotional materials or methods until they have received our approval and must immediately discontinue the use of any previously approved advertising or promotional materials or methods we subsequently disapprove. We will not unreasonably withhold our approval. We will generally make a decision on your advertising materials within 14 days after receipt (Franchise Agreement §6(A), (B), (H), and (Z)).

The Cobblestone Franchise Advisory Board ("Board") is an advisory group which provides input to us on various matters, including advertising. The Board consists of corporate and franchisee members and provides a forum for the exchange of ideas and information. The purpose of the Board is to enhance revenue, profits and the perception of the brands for all properties. The Board serves in an advisory capacity only and has no operational or decision-making power. Franchisee members of the Board are elected by franchisees within the regions they represent. Corporate members of the Council are appointed by us. We have the power to change or dissolve the Board at any time. Other than the Board, there is no advertising council composed of franchisees.

### **Cooperative Advertising and Marketing Programs**

We or our designee will however administer a Marketing Fund for the entire Cobblestone system, including "Key West™," "Centerstone™," "Boarders Inn & Suites by Cobblestone®", "Cobblestone Hotel & Suites®" and "Cobblestone Inn & Suites®" branded hotels. The purpose of the Marketing Fund is the creation and development of marketing, advertising, and related programs and materials for the purpose of maximizing general recognition and patronage of the Marks (as defined in Item 13) for the benefit of all properties franchised by us. You must contribute to the Marketing Fund a monthly marketing fee equal to \$0.50 per day multiplied by the number of guest rooms at the Franchised Location, calculated based on a 30 day month (see Item 6).

Currently we use the Marketing Fund for Search Engine Optimization on the Internet. We will have sole control over the creative concepts, content, form, and media placement of all advertising and promotional materials developed with Marketing Fund contributions, and the allocation of Marketing Fund monies to production, placement, or other costs. We may create and place advertising and promotions, and allocate funds, for conducting sales, advertising and marketing programs on a national, regional, or local basis. We may use Marketing Fund contributions in our sole discretion for any purpose relating to sales, marketing or advertising initiatives or programs that we may adopt periodically, including developing, producing, distributing, and placing advertising, engaging in telemarketing/Internet activities, establishing, maintaining, updating and upgrading one or more Web sites, obtaining sponsorships and endorsements, and conducting public relations activities. Advertising and promotional materials developed with Marketing Fund contributions may be either created in-house by our marketing department, or we may retain the services of a national or regional advertising agency. The Marketing Fund will not be used to defray any of our general operating expenses, except for reasonable salaries, administrative costs and overhead we may incur in activities related to the administration of the Marketing Fund and its programs, including preparing advertising and marketing materials and collecting and accounting for contributions to the Marketing Fund.



Although one of the goals of the Marketing Fund is to maximize general recognition and patronage of the Marks (as defined in Item 13) for the benefit of all Cobblestone branded hotels, we cannot assure you that your Key West Lodging Facility will benefit directly or pro rata from the placement of advertising or other expenditure of funds from the Marketing Fund. Although we do not currently do so, we may use Marketing Fund contributions for creating or placing advertisements principally for the solicitation of new franchisees. In addition, we may include in all advertising prepared from Marketing Fund contributions (including Internet advertising and Web site development) information concerning franchise opportunities, and a portion of Marketing Fund contributions may be used to create and maintain one or more Web sites or interior pages on a Web site devoted to advertising franchise opportunities and identifying and screening inquiries and applications submitted by franchise candidates.

The Marketing Fund will be accounted for separately from our other funds, but may be deposited in any of our general accounts and commingled with our other funds. We do not credit the Marketing Fund with interest. We may spend in any fiscal year an amount greater or less than the aggregate contributions of all Cobblestone branded hotels to the Marketing Fund in that year. The Marketing Fund may borrow from us or other lenders to cover deficits in the Marketing Fund. The Marketing Fund may invest any surplus for future use by the Marketing Fund or use Marketing Fund contributions to repay loans made by us or other lenders to the Marketing Fund. The Marketing Fund is not audited, but we will prepare annually a statement of monies collected and costs incurred by the Marketing Fund and furnish you a copy upon your written request. Except as otherwise provided above, we assume no direct or indirect liability or obligation with respect to the maintenance, direction or administration of the Marketing Fund. We do not act as trustee or in any other fiduciary capacity with respect to the Marketing Fund.

Neither we nor our affiliates have any corporate owned locations that contribute to the Marketing Fund. If at any time we, or our affiliates, do have corporate owned locations, those locations will contribute equally to the Marketing Fund at the same rate required by franchisees.

During the fiscal year ended December 31, 2017, the Marketing Fund was allocated 6% for media placement, 5% for administrative expenses, 1% for the brand convention, and 88% for promotional reservation programs.

Every Key West Lodging Facility and the "Centerstone™," "Boarders Inn & Suites by Cobblestone®," "Cobblestone Inn & Suites®" and "Cobblestone Hotel & Suites®" branded lodging facilities must also participate in our Cobblestone Rewards Program, and any other rewards or frequent traveler program we may initiate. Our Cobblestone Rewards Program provides member guests with rewards points that they can apply to a variety of products and services such as airline tickets, hotel stays, and gift cards. Stays are tracked through members' rewards account and redeemed through our third-party rewards services provider, Hospitality Marketing Concepts, LLC ("HMC"). Cobblestone Rewards Program expenses are funded through a separate charge to each "Key West™," "Centerstone™," "Boarders Inn & Suites by Cobblestone®," "Cobblestone Inn & Suites®" and "Cobblestone Hotel & Suites®" branded lodging facility. This charge is currently a one-time fee of \$1,000 for Cobblestone's administrative fees, a one-time fee of \$500 payable to HMC and ongoing fees payable to HMC of the greater of \$100 per month or 9% of qualifying revenue. Qualifying revenue is all revenue related to room bookings by guests that are members of the Cobblestone Rewards Program including all items such as breakfast and service fees but does

not include vat and sales tax (see Item 6). The Cobblestone Rewards Program is administered by us or our affiliate and HMC for our benefit and may be changed at our discretion at any time. Other than the Rules and Regulations Manual and the terms and conditions members must agree to in order to participate in the Cobblestone Rewards Program, there are no written governing documents. Separate financial statements are not maintained for the Cobblestone Rewards Program and it is not audited (Franchise Agreement §6(C)). All Cobblestone Rewards Program funds are used exclusively to reward guests that stay at a Key West Lodging Facility or other "Centerstone™," "Boarders Inn & Suites by Cobblestone®," "Cobblestone Inn & Suites®" and "Cobblestone Hotel & Suites®" branded lodging facilities. None of the Cobblestone Rewards Program funds are spent on new franchise sales, production, media placement, administrative expenses, or any other uses.

You must participate in and honor the terms of any discount or promotional program (including any room discounts or discount rate codes) that are applicable to your Key West Lodging Facility, or any other lodging facilities we own, operate, manage or franchise, that we offer to the public on your behalf and any room rate quoted to any guest at the time the guest makes an advance reservation. You agree that you will take all action necessary to participate in any discount or promotional programs.

Other than the Marketing Fund, Cobblestone Rewards Program, and any promotional programs we may offer, there are currently no other advertising funds we require participation in and you will not be required to participate in any local or regional advertising cooperatives.

### **Rules and Regulations Manual**

We provide all Key West Lodging Facilities with a copy of, or access to, our Rules and Regulations Manual, which contains a total of 37 pages of information regarding the system standards and specifications for the operation of a Key West Lodging Facility, including standards for furniture, fixtures, and equipment and the mandatory and suggested specifications when using our logo and trademarks to market your Key West Lodging Facility. The table of contents to our Rules and Regulations Manual is attached to this disclosure document as Exhibit H. (Franchise Agreement §§6(E), 12(A), and 18(C))

### **Rules and Regulations Manual**

We provide all Key West Lodging Facilities with a copy of, or access to, our Rules and Regulations Manual, which contains a total of 37 pages of information regarding the system standards and specifications for the operation of a Key West Lodging Facility, including standards for furniture, fixtures, and equipment and the mandatory and suggested specifications when using our logo and trademarks to market your Key West Lodging Facility. The table of contents to our Rules and Regulations Manual is attached to this disclosure document as Exhibit H (Franchise Agreement §§6(E), 12(A), and 18(C)).

## ITEM 12: TERRITORY

### **Protected Area**

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 own. We and our affiliates have the right both within and outside of your Protected Area (see next paragraph) to: (1) distribute products or services through alternative channels of distribution (including the Internet or any other existing or future form of electronic commerce) under the "Key West™" trademarks; and (2) license or operate other lodging properties using trade names other than "Key West™" either within your Protected Area, or outside of the Protected Area, even if such lodging properties offer services similar to those offered in your Key West Lodging Facility.

Each Key West Lodging Facility is granted a "Protected Area" for a specific location, which is described in Exhibit A of the Franchise Agreement before it is signed. For as long as your Key West Lodging Facility contains at least the minimum number of guest rooms listed on Exhibit A to the Franchise Agreement and you are not in default of the Franchise Agreement, we will not operate or grant a license or franchise to any third party to operate another Key West Lodging Facility within the geographic region listed as the Protected Area on Exhibit A of your Franchise Agreement until the expiration or earlier termination of the Franchise Agreement. The Protected Area granted under your Franchise Agreement is the only territorial protection granted to you and does not in any way expressly or implicitly grant any other area, market, territorial, or development rights to you or restrict us or our affiliates in any way in the manner in which we and our affiliates may conduct or operate our respective businesses outside the Protected Area. We and our affiliates have the right to issue competing franchises and to directly or indirectly develop and operate competing company-owned businesses under the Key West Lodging Facility trademarks for or at any locations outside of your Protected Area, including locations near the boundaries of your Protected Area.

You may not use alternative channels of distribution such as the Internet, World Wide Web, or other computer networks to solicit reservations without our consent. There are no other restrictions on your advertising or soliciting customers outside your Protected Area. There are no restrictions on us, our affiliates, or other franchisees from advertising or soliciting customers within your Protected Area, and you will not be entitled to any compensation if this occurs.

In determining (i) the minimum number of guest rooms acceptable to remain compliant with the Franchise Agreement, and (ii) the Protected Area, there are no precise objective criteria which can be reviewed and we have no set policy regarding the establishment of the minimum number of guest rooms or Protected Area. There is not a standard minimum Protected Area or number of guest rooms for your market that we grant. We will establish your required minimum number of guest rooms and Protected Area in our sole and absolute judgment based on a variety of factors, including the location and size of your hotel and development patterns and trends in the vicinity of your hotel. If you do not approve of the minimum number of guest rooms or Protected Area established by us, you may, prior to signing your Franchise Agreement, submit information to us supporting your position. If we determine it appropriate, we will then negotiate with you to establish the minimum number of guest rooms and Protected Area to be granted in the Franchise Agreement.

Any 1 or more lodging facilities owned, operated, managed or franchised by our affiliates and other brands of lodging facilities which we may establish or acquire may compete directly with your Key West Lodging Facility and with each other. We will have no liability for any adverse effects these businesses may have on your Key West Lodging Facility. See below, under "Other Channels of Distribution".

We do not grant you any options, rights of first refusal, or similar rights to acquire additional Key West Lodging Facilities within your Protected Area or elsewhere. We do not grant you any option to relocate your franchised business.

Continuation of any Protected Area does not depend on the achievement of a certain sales volume, market penetration, or other contingency and, except in a situation where the number of guest rooms at your Key West Lodging Facility do not meet the minimum requirements listed on Exhibit A to your Franchise Agreement, or you are in default under your Franchise Agreement, we may not alter your Protected Area without your agreement to do so.

### **Other Channels of Distribution**

We and our affiliates operate and/or have licensed others to operate lodging facilities which are identified by the marks "Key West™," "Centerstone™," "Boarders Inn and Suites by Cobblestone®," "Cobblestone Inn & Suites®," and "Cobblestone Hotel & Suites®". Our affiliates also own, operate, and/or manage, and/or have licensed, hotels that operate under other third-party brands and marks owned by companies not affiliated with us or our affiliates. Hotels operating under these brands and marks, may solicit and accept reservations from close proximity of your Key West Lodging Facility, including within your Protected Area. Certain of these hotels are currently or may in the future be located within close proximity to your Key West Lodging Facility.

### **Competing Businesses**

As disclosed in Item 1, we do offer franchises for lodging facilities selling products and services similar to those sold at your Key West Lodging Facility under the "Centerstone™," "Boarders Inn and Suites by Cobblestone®," "Cobblestone Inn & Suites®," and "Cobblestone Hotel & Suites®" brand names and our affiliates own, operate, or manage other types of lodging facilities under other trademarks.

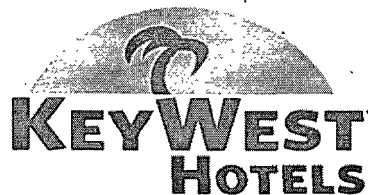
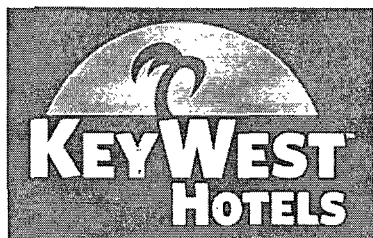
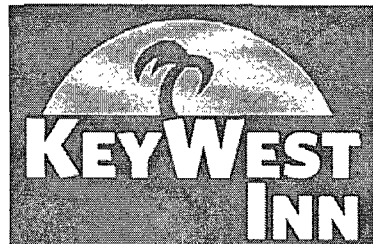
## **ITEM 13: TRADEMARKS**

Our predecessor, KWI's, predecessor, KWI Investments, Inc., applied for registration of the following trademarks on the United States Patent and Trademark Office ("USPTO") Principal Register. On April 5, 1993, KWI Investments, Inc. assigned the trademarks to KWI. On July 31, 2018, KWI assigned the trademarks to our predecessor, VFS. On July 31, 2018, VFS assigned all right, title, and interest in and to the trademarks below to us. Both assignments from KWI to VFS and from VFS to us are in the process of being recorded. The USPTO has added all of the trademarks to its Principal Register. We intend to renew the registrations and to file all appropriate affidavits at the appropriate times.

| Mark                                                                              | Filing Date | Registration No. | Date of Registration |
|-----------------------------------------------------------------------------------|-------------|------------------|----------------------|
|  | 01/05/1990  | 1,647,752        | 06/11/1991           |
| KEY WEST INN                                                                      | 11/11/2009  | 3,810,672        | 06/29/2010           |
|  | 05/13/1997  | 2,272,796        | 08/24/1999           |
| KEY WEST RESORT                                                                   | 11/15/2011  | 4,739,347        | 05/19/2015           |

All required affidavits relating to these Marks have been filed.

We do not have federal registrations for the following trademarks. Therefore, the trademarks do not have as many legal benefits and rights as federally registered trademarks. If our right to use these trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses. We are in the process of applying for registration of these trademarks with the United States Patent and Trademark Office on the Principal Register.



There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or Trademark Administrator of any state, or of any court, nor any pending interference, opposition, or cancellation proceedings or material litigation involving the Marks.

There are no agreements which significantly limit our rights to use or license the Marks in any manner material to the franchise. We have no actual knowledge of either superior prior rights or infringing uses that could materially affect your use of the Marks.

You may only use the trademark in the manner prescribed, directed, and approved by us in writing. If, in our judgment, your use of our trademark infringes upon or demeans the goodwill, standards of quality or uniformity, or business standing associated with our trademark, you will be required to immediately modify your use of the trademark in the manner prescribed by us in writing. You will not use the words "Key West," "Centerstone," "Boarders" or "Cobblestone" in your corporate, partnership, limited liability company, or sole proprietorship name and you will not attempt to register or otherwise obtain an interest in any Internet domain name containing any of our trademarks or any other word, name, or symbol which is similar to or likely to cause confusion with any of our trademarks.

If it becomes advisable at any time for us and/or you to modify or discontinue use of our trademark and/or use one or more additional or substitute trademarks, service marks, or trade dress, you must comply with our directions within a reasonable time after notice. We will have no liability or obligation with respect to any such required modification or discontinuance of any trademark or the promotion of a substitute trademark, service mark, or trade dress.

You must give us prompt written notice of any and all claims or complaints made against or associated with our trademarks and will, without compensation, cooperate in all respects with us in any lawsuits or other proceedings involving our trademarks. We will have sole discretion to take such action as we deem appropriate and will have the right to control exclusively any litigation or USPTO proceeding arising out of any such infringement, challenge or claim or otherwise relating to our trademarks. You must sign any and all documents, render such assistance and do such things as may be advisable in the opinion of our legal counsel to protect our interests in any litigation or USPTO proceeding or otherwise to protect our interest in our trademarks.

We will indemnify you against and hold you harmless from any damages for which you are held liable as a result of a claim that your authorized use of our trademarks according to and in compliance with your Franchise Agreement infringes on the rights of another person provided that you have timely notified us of such claim as required in your Franchise Agreement.

Except as described above, we are not obligated to protect your rights to use our trademarks or to protect you against claims of infringement or unfair competition.

#### ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no patents or pending patent applications that are material to the franchise.

We own certain copyrights in the Manual, marketing materials and other copyright protected items that we use. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Copyright Office but need not do so to protect them. You may use these items as we specify with your franchise and must stop using them if we direct you to do so. Our right to use or license copyrighted items is not materially limited by any other agreement or any known infringing use.

The Franchise Agreement provides that the Manual, our trade secrets, copyrighted materials, methods, techniques and other know-how are proprietary to us and are provided to you in confidence (the "Confidential Information"). You may use the Confidential Information only for

the purposes of operating your franchise. You may not contest our ownership of the Confidential Information.

You will divulge the Confidential Information only to employees who will need to know it to operate your franchise and who agree to maintain such confidentiality. All information, knowledge and know-how which we designate as confidential will be deemed confidential for purposes of the Franchise Agreement, except information which you can demonstrate lawfully came to your attention before our disclosure of it; or which, at the time of our disclosure to you, had lawfully become a part of the public domain, through publication or communication by others; or which, after our disclosure to you, lawfully becomes a part of the public domain, through publication or communication by others.

You may not use our Confidential Information in any other business or capacity other than for your operation of the franchise. You may not make unauthorized copies of our Confidential Information and you must implement all reasonable procedures we prescribe periodically pertaining to the proper use of and to prevent unauthorized use or disclosure of the Confidential Information.

You must also promptly tell us when you learn about the unauthorized use of the Confidential Information. We are not obligated to take any action, but we will respond to your notification of unauthorized use as we think appropriate. We will indemnify you for any loss you sustain as a result of any action brought by a third party concerning your use of this Confidential Information.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the Confidential Information and no agreements currently are in effect that significantly limit our right to use or authorize you to use the Confidential Information. Further, there are no infringing uses actually known to us that could materially affect your use of the Confidential Information in any state.

By signing the Franchise Agreement, you assign to us all tangible media of expression derived from any of our trademarks and Confidential Information, and agree to sign any further assignments that we may request.

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

You (or an individual appointed by you that meets our requirements for experience and management employees (the "Manager")) must actively participate in the management and supervision of your Key West Lodging Facility. Your hotel must at all times be under your (or your Manager's) direct, on premises supervision. Your hotel must also be staffed by a sufficient number of competent and properly trained employees. Although we currently do not have specific educational and experience requirements for the on-site Manager of your Key West Lodging Facility, you or your Manager must attend and successfully complete the required Training Programs prior to commencing to manage your Key West Lodging Facility (see Item 11). At any time during the term of the Franchise Agreement, we have the right to require you to hire a management company approved by us to manage and operate your hotel. As a condition to approving a management company, we may require a representative of the management company

to attend our management training program, including our Training Program at your expense. If you choose to not hire a management company, the General Manager chosen by you must have at least five (5) years of hotel general management experience. Your manager does not have to have any equity interest in your business.

You must implement all reasonable procedures we prescribe periodically to prevent unauthorized use or disclosure of our trademarks and Confidential Information, including the use of nondisclosure agreements with your officers, directors, managers, assistant managers, and other employees.

#### ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The Franchise Agreement provides that you must sell all goods and services that we require. We may, in our discretion and from time to time, change the types of authorized goods and services which you must sell. There are no limits on our rights to make these changes. Furthermore, you are prohibited from offering or selling any goods or services not authorized by us and from using the premises for any other purposes other than the operation of a Key West Lodging Facility. You are not limited in the customers to whom you may sell goods and services. We require that you comply with the standards in our Manual and any other standards we may from time to time modify or implement.

We require that you offer the Cobblestone Breakfast Program Menu (the "Menu") to your customers at no charge. The content of this Menu may be periodically changed by us in our discretion.

You must comply with all of our standards as modified periodically (whether contained in the System Manual or any other communication) relating to the appearance, function, cleanliness or operation of a Key West Lodging Facility, including (a) advertising and promotional programs; (b) reservation systems; (c) appearance and dress of employees; (d) services and products offered to guests; (e) safety, maintenance, appearance, cleanliness, sanitation, standards of services and operation of your Facility; (f) days and hours of operation; and (g) bookkeeping, accounting and recordkeeping systems and forms. Your internet marketing activities must conform to your Franchise Agreement and our Rules and Regulations Manual. You must operate your Key West Lodging Facility in full compliance with all applicable laws, ordinances and regulations, including all laws relating to the safety and security of the guests of your Key West Lodging Facility, and must not discriminate, directly or indirectly, against any guests or potential guests due to their race, color, religion, sex, national origin, or other legally protected classification.

We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products and services.

#### ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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



## THE FRANCHISE RELATIONSHIP

|    | Provision                               | Section in Franchise or Other Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----|-----------------------------------------|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. | Length of the Franchise Term            | Franchise Agreement: §2(A)              | The term is ten (10) years after the date your Key West Lodging Facility opens for business.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| b. | Renewal or Extension of the Term        | Franchise Agreement: §2(B)              | You have no right to renew your Franchise Agreement or to extend the term upon the expiration of its term unless such rights are granted under applicable law. If you wish to continue operating as a Key West Lodging Facility after the expiration of your Franchise Agreement you must sign a new Franchise Agreement, the terms and conditions of which may differ materially from your original Franchise Agreement.                                                                                                                                                                                         |
| c. | Requirements for you to renew or extend | Franchise Agreement: §2(B)              | You have no right to renew your Franchise Agreement or to extend the term upon the expiration of its term unless such rights are granted under applicable law. If you wish to continue operating as a Key West Lodging Facility after the expiration of your Franchise Agreement you must sign a new Franchise Agreement, the terms and conditions of which may differ materially from your original Franchise Agreement.                                                                                                                                                                                         |
| d. | Termination by you                      | Franchise Agreement: §9                 | You may terminate the Franchise Agreement by giving written notice of termination to us if we: (1) violate any material provision of the Franchise Agreement, (2) fail to pay any material and uncontested obligation owed to you, (3) voluntarily file, or have filed against us involuntarily a petition in bankruptcy, or (4) make an assignment for the benefit of our creditors, so long as, in each case, you (a) first give written notice to us setting forth the nature of the alleged violation, and (b) we fail to correct the alleged violation within 30 days of receiving your notice of violation. |
| e. | Termination by us without cause         | Not Applicable                          | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| f. | Termination by us with "Cause"          | Franchise Agreement: §8                 | We may terminate the Franchise Agreement by giving written notice setting forth the basis for termination to you and you fail to correct this basis within 60 days of receiving                                                                                                                                                                                                                                                                                                                                                                                                                                   |

|    | Provision                          | Section in Franchise or Other Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----|------------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                                    |                                         | the notice. This 60-day period is reduced to 10 days where the basis for termination is your failure to pay any amounts due and owing to us and is further reduced to 24 hours where the basis for termination is conduct or acts by you which materially impair the goodwill associated with the "Cobblestone," "Key West," "Centerstone" or "Boarders" names or any of our trademarks or the Cobblestone business system. We may terminate immediately by giving written notice of termination where the basis for termination is the conviction or entry of a guilty plea by you or any of your principals for a charge of committing a felony or violating any law relating to your Key West Lodging Facility or the voluntary abandonment of your Key West Lodging Facility by you.                                                                                                                                                                                                                                                                                                                   |
| g. | "Cause" defined – Curable Defaults | Franchise Agreement: §8                 | Curable defaults include: (1) you fail to open and commence operations of your Key West Lodging Facility when it is ready for occupancy; (2) you violate any material term or condition of (a) the Franchise Agreement, including, but not limited to, failure to timely pay any Monthly Fees, Reservation Fees, or other monetary obligations or fees to us; (b) any of the Manuals; or (c) any other agreement between you and us or any of our affiliates; (3) You or any of your managers, partners, members, directors, governors, officers, or majority stockholders are convicted of, or plead guilty to or no contest to a charge of violating any law relating to your Key West Lodging Facility, or any felony; (4) you fail to conform to our business system or the standards of quality and uniformity for the products and services promulgated by us in connection with the business system; (5) you fail to timely pay any of your uncontested obligations or liabilities due and owing to any of your creditors, including us, or any federal, state, or municipal governmental authority |

|  | Provision | Section in Franchise or Other Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--|-----------|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |           |                                         | (including, if applicable, any taxes); (6) you are deemed insolvent within the meaning of any state or federal law or you or any personal guarantors voluntarily file, or have filed against it/him involuntarily a petition under the United States Bankruptcy Code; (7) you make an assignment for the benefit of creditors or enter into any similar arrangement for the disposition of its assets for the benefit of creditors; (8) any check issued by you is dishonored because of insufficient funds (except where the check is dishonored because of an error in bookkeeping or accounting) or closed accounts; (9) you voluntarily or otherwise commit any act of omission or commission, indicating a willingness, desire, or intent of discontinuing operating your Key West Lodging Facility in accordance with the quality standards, uniformity requirements, and business system as set forth in the Franchise Agreement and the manuals; (10) you are involved in any act or conduct which materially impairs the goodwill associated with any of the Marks or the business system; (11) construction of your Key West Lodging Facility has not commenced within nine (9) months of the Effective Date of the Franchise Agreement; or (12) remodeling, modernizing, redecorating, and renovating of your Key West Lodging Facility has not commenced within six (6) months of the date that you receive our notice specifying the required remodeling, modernization, redecorating, and renovation; (13) you fail for whatever reason to complete construction and open your hotel for business as a Key West Lodging Facility within eighteen (18) months of the commencement of construction for new construction projects or within six (6) months of the Effective Date of your Franchise Agreement for conversion projects; (14) you default on any mortgage, contract for deed, deed of trust, lease, or other similar |

|    | Provision                                  | Section in Franchise or Other Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----|--------------------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                                            |                                         | instrument relating to your Key West Lodging Facility, or otherwise lose possession of all or a significant portion of your hotel; (15) you fail to complete any of the remodeling, modernization, redecoration, or renovations set forth on a property improvement plan provided by us to you by the date or dates in the property improvement plan; (16) you or any of your shareholders, partners, members, or other owners attempt to sell, assign, or otherwise transfer your Franchise Agreement or your Key West Lodging Facility, and/or shares of capital stock, partnership interests, membership interests, or other ownership interests in your company in violation of the requirements of Article 17 of your Franchise Agreement; and/or (17) you intentionally understate or underreport your gross revenue to us.                    |
| h. | "Cause" defined – Non-Curable defaults     | Franchise Agreement: §8                 | Non-curable defaults include: (1) you or any of your managers, partners, members, directors, governors, officers, or shareholders or other owners are convicted of, or plead guilty to or no contest to a charge of violating any law relating to your Key West Lodging Facility, or any felony; (2) you voluntarily or otherwise abandon your Key West Lodging Facility or its franchised business; (3) you are involved in any act or conduct which materially impairs the goodwill associated with any of the Marks or our business system, and you fail to correct the breach within twenty-four (24) hours of receipt of written notice from us of the breach; or (4) you breach your Franchise Agreement, resulting in a notice of default by us, on three (3) or more occasions for the same or a similar breach, within any 36-month period. |
| i. | Your Obligation on Termination/Non-Renewal | Franchise Agreement: §10                | You must (1) pay all amounts due and owing to us, (2) return to us the Rules and Regulations Manual and all advertising materials and other printed materials pertaining to the operation of a Key West Lodging Facility, (3) immediately                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

|  | Provision | Section in Franchise or Other Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--|-----------|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |           |                                         | <p>discontinue the use of all items bearing the "Key West" name or any of the Cobblestone trademarks, (4) remove all signs containing the "Key West" name or any of the Cobblestone trademarks, including the Cobblestone sign (5) cancel all fictitious, assumed or other similar name filings relating to the "Key West" name or any of the Cobblestone trademarks, (6) terminate or assign to us, as we may elect, any Internet website or domain name that identifies you as a current or former Key West Lodging Facility franchisee or that displays the "Key West" name or any of the Cobblestone trademarks, (7) transfer all of your rights to use all telephone numbers and all classified and other directory listings under the "Key West" name to us, (8) alter both the exterior and interior appearance and trade dress of your Key West Lodging Facility so that it will easily be distinguished from the standard appearance and trade dress of a Key West Lodging Facility, (9) discontinue your participation in the Cobblestone Central Reservation System, (10) furnish us within 30 days after the expiration or termination with evidence satisfactory to us of your compliance with your post-termination or post-expiration obligations under the Franchise Agreement, and (11) refrain from operating your hotel under any name which includes the words "Key West" or "Cobblestone" or any roots or derivations of these names. If the Franchise Agreement is terminated by us or if you attempt to wrongfully terminate the Franchise Agreement, you will be required to pay liquidated damages to us where permitted by applicable law. Some states prohibit franchisors from requiring their franchisees to pay liquidated damages. In these states, in lieu of paying liquidated damages, you will be required to pay to us all damages we have sustained or will sustain as a breach of the</p> |

|    | Provision                                                            | Section in Franchise or Other Agreement | Summary                                                                                                                                                                                                                                                                                                 |
|----|----------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                                                                      |                                         | Franchise Agreement, taking into consideration the Fees that would have been payable by you to us during the remaining term of the Franchise Agreement.                                                                                                                                                 |
| j. | Assignment of Contract by Franchisor                                 | Franchise Agreement: §17                | There are no restrictions on our right to assign.                                                                                                                                                                                                                                                       |
| k. | "Transfer" by You- Definition                                        | Franchise Agreement: §17                | Includes transfers of the Franchise Agreement, or the assents associated with your Key West Lodging Facility and changes in ownership.                                                                                                                                                                  |
| l. | Our approval of a Transfer by You                                    | Franchise Agreement: §17                | We have the right to reject or approve all transfers, but will not unreasonably withhold our approval.                                                                                                                                                                                                  |
| m. | Conditions for our approval of a Transfer by You                     | Franchise Agreement: §17                | In order to receive our approval: you must fulfill all your monetary obligations due to us, your Franchise Agreement may not be in default, and the transferee must qualify, complete training, and execute our then current Franchise Agreement and such other ancillary agreements as we may require. |
| n. | Our rights of first refusal to acquire your business                 | Franchise Agreement: §17                | Except for transfers upon your death and changes in ownership that do not result in a change in control, we have the right to match any offer for your Key West Lodging Facility.                                                                                                                       |
| o. | Our option to purchase your business                                 | Franchise Agreement: §17                | Except for transfers upon your death and changes in ownership that do not result in a change in control, we have the right to match any offer for your business.                                                                                                                                        |
| p. | Death or Disability of You                                           | Franchise Agreement: §17(B)             | Subject to compliance with the conditions set forth in Item 17(m) above, your Franchise Agreement may be transferred or bequeathed by you to any person or beneficiary upon your death or permanent disability.                                                                                         |
| q. | Non-competition covenants during the term of the Franchise Agreement | Not Applicable                          | Not Applicable                                                                                                                                                                                                                                                                                          |
| r. | Non-competition covenants after the Franchise is                     | Not Applicable                          | Not Applicable                                                                                                                                                                                                                                                                                          |

|    | Provision                                      | Section in Franchise or Other Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                       |
|----|------------------------------------------------|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | Terminated or Expires                          |                                         |                                                                                                                                                                                                                                                                                                                                                                                               |
| s. | Modification of the Agreement                  | Franchise Agreement: §19(M)             | The Franchise Agreement may only be modified by written agreement signed by you and us. However, we may unilaterally amend the Rules and Regulations Manual and other written materials.                                                                                                                                                                                                      |
| t. | Integration/Merger Clause                      | Franchise Agreement: §19(H)             | Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. Notwithstanding the foregoing, nothing in any franchise agreement is intended to disclaim the express representations made in this disclosure document. |
| u. | Dispute resolution by Arbitration or Mediation | Not Applicable                          | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                |
| v. | Choice of Forum                                | Franchise Agreement: §21(A)             | <p>Litigation must take place in Winnebago County, Wisconsin or in the federal court for the Eastern District of Wisconsin, Northern Division. We may seek injunctive relief in any forum.</p> <p>State law may supersede this provision. See <u>Exhibit G</u> to this disclosure document for State Specific Addenda.</p>                                                                    |
| w. | Choice of Law                                  | Franchise Agreement: §21(A)             | <p>Wisconsin law applies generally, except for applicable franchise laws of other states. State law may supersede this provision.</p> <p>Wisconsin law applies without regard to conflict of law principles. State law may supersede this provision. See <u>Exhibit G</u> to this disclosure document for State Specific Addenda.</p>                                                         |

#### ITEM 18: PUBLIC FIGURES

No public figures are associated with or used to promote the Franchised Business.

#### ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

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

Cobblestone Hotels, LLC does not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Brian Wogernese at 980 American Drive, Neenah, WI 54956, (920) 230-2622, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Item 20 Table No. 1**

**Systemwide Outlet Summary**  
**For years 2015 to 2017**

| Outlet Type   | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---------------|------|----------------------------------|--------------------------------|------------|
| Franchised    | 2015 | 25                               | 24                             | -1         |
|               | 2016 | 24                               | 22                             | -2         |
|               | 2017 | 22                               | 22                             | 0          |
| Company-Owned | 2015 | 0                                | 0                              | 0          |
|               | 2016 | 0                                | 0                              | 0          |
|               | 2017 | 0                                | 0                              | 0          |
| Total Outlets | 2015 | 25                               | 24                             | -1         |
|               | 2016 | 24                               | 22                             | -2         |
|               | 2017 | 22                               | 22                             | 0          |

**Item 20 Table No. 2**

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years 2015-2017**

| State    | Year | Number of Transfers |
|----------|------|---------------------|
| Alabama  | 2015 | 2                   |
|          | 2016 | 2                   |
|          | 2017 | 3                   |
| Florida  | 2015 | 0                   |
|          | 2016 | 0                   |
|          | 2017 | 1                   |
| Georgia  | 2015 | 0                   |
|          | 2016 | 0                   |
|          | 2017 | 2                   |
| Illinois | 2015 | 1                   |
|          | 2016 | 0                   |
|          | 2017 | 0                   |
| Total    | 2015 | 3                   |
|          | 2016 | 2                   |
|          | 2017 | 6                   |

**Item 20 Table No. 3**

**Status of Franchised Outlets  
For years 2015-2017**

| State        | Year | Outlets<br>at Start<br>of Year | Outlets<br>Opened | Terminations | Non-<br>Renewals | Reacquired<br>by<br>Franchisor | Ceased<br>Operations<br>- Other<br>Reasons | Outlets<br>at End<br>of Year |
|--------------|------|--------------------------------|-------------------|--------------|------------------|--------------------------------|--------------------------------------------|------------------------------|
| Alabama      | 2015 | 11                             | 1                 | 1            | 0                | 0                              | 0                                          | 11                           |
|              | 2016 | 11                             | 1                 | 0            | 0                | 0                              | 0                                          | 12                           |
|              | 2017 | 12                             | 0                 | 0            | 0                | 0                              | 0                                          | 12                           |
| Florida      | 2015 | 3                              | 0                 | 0            | 0                | 0                              | 0                                          | 3                            |
|              | 2016 | 3                              | 0                 | 0            | 0                | 0                              | 0                                          | 3                            |
|              | 2017 | 3                              | 0                 | 0            | 0                | 0                              | 0                                          | 3                            |
| Georgia      | 2015 | 3                              | 0                 | 0            | 0                | 0                              | 0                                          | 3                            |
|              | 2016 | 3                              | 0                 | 0            | 0                | 0                              | 0                                          | 3                            |
|              | 2017 | 3                              | 0                 | 0            | 0                | 0                              | 0                                          | 3                            |
| Indiana      | 2015 | 1                              | 0                 | 0            | 0                | 0                              | 0                                          | 1                            |
|              | 2016 | 1                              | 0                 | 0            | 0                | 0                              | 0                                          | 1                            |
|              | 2017 | 1                              | 0                 | 0            | 0                | 0                              | 0                                          | 1                            |
| Michigan     | 2015 | 0                              | 1                 | 0            | 0                | 0                              | 0                                          | 1                            |
|              | 2016 | 1                              | 0                 | 1            | 0                | 0                              | 0                                          | 0                            |
|              | 2017 | 0                              | 0                 | 0            | 0                | 0                              | 0                                          | 0                            |
| Minnesota    | 2015 | 1                              | 0                 | 1            | 0                | 0                              | 0                                          | 0                            |
|              | 2016 | 0                              | 0                 | 0            | 0                | 0                              | 0                                          | 0                            |
|              | 2017 | 0                              | 0                 | 0            | 0                | 0                              | 0                                          | 0                            |
| Mississippi  | 2015 | 2                              | 0                 | 1            | 0                | 0                              | 0                                          | 1                            |
|              | 2016 | 1                              | 0                 | 0            | 0                | 0                              | 0                                          | 1                            |
|              | 2017 | 1                              | 0                 | 0            | 0                | 0                              | 0                                          | 1                            |
| Missouri     | 2015 | 1                              | 0                 | 0            | 0                | 0                              | 0                                          | 1                            |
|              | 2016 | 1                              | 0                 | 1            | 0                | 0                              | 0                                          | 0                            |
|              | 2017 | 0                              | 0                 | 0            | 0                | 0                              | 0                                          | 0                            |
| Pennsylvania | 2015 | 1                              | 0                 | 0            | 0                | 0                              | 0                                          | 1                            |
|              | 2016 | 1                              | 2                 | 3            | 0                | 0                              | 0                                          | 0                            |
|              | 2017 | 0                              | 0                 | 0            | 0                | 0                              | 0                                          | 0                            |
| Tennessee    | 2015 | 1                              | 0                 | 0            | 0                | 0                              | 0                                          | 1                            |
|              | 2016 | 1                              | 0                 | 0            | 0                | 0                              | 0                                          | 1                            |
|              | 2017 | 1                              | 0                 | 0            | 0                | 0                              | 0                                          | 1                            |
| Virginia     | 2015 | 1                              | 0                 | 0            | 0                | 0                              | 0                                          | 1                            |
|              | 2016 | 1                              | 0                 | 0            | 0                | 0                              | 0                                          | 1                            |
|              | 2017 | 1                              | 0                 | 0            | 0                | 0                              | 0                                          | 1                            |
| Total        | 2015 | 25                             | 3                 | 4            | 0                | 0                              | 0                                          | 24                           |
|              | 2016 | 24                             | 3                 | 5            | 0                | 0                              | 0                                          | 22                           |
|              | 2017 | 22                             | 0                 | 0            | 0                | 0                              | 0                                          | 22                           |

**Item 20 Table No. 4**  
**Status of Company Owned Outlets**  
**For years 2015-2017**

| State         | Year | Outlets<br>at Start<br>of Year | Outlets<br>Opened | Outlets<br>Reacquired<br>from<br>Franchisee | Outlets<br>Closed | Outlets<br>Sold to<br>Franchisee | Outlets<br>at End of<br>Year |
|---------------|------|--------------------------------|-------------------|---------------------------------------------|-------------------|----------------------------------|------------------------------|
| All<br>States | 2015 | 0                              | 0                 | 0                                           | 0                 | 0                                | 0                            |
|               | 2016 | 0                              | 0                 | 0                                           | 0                 | 0                                | 0                            |
|               | 2017 | 0                              | 0                 | 0                                           | 0                 | 0                                | 0                            |
| Total         | 2015 | 0                              | 0                 | 0                                           | 0                 | 0                                | 0                            |
|               | 2016 | 0                              | 0                 | 0                                           | 0                 | 0                                | 0                            |
|               | 2017 | 0                              | 0                 | 0                                           | 0                 | 0                                | 0                            |

**Item 20 Table No. 5**  
**Projected Openings as of December 31, 2017**

| State      | Franchise Agreements<br>Signed But Outlet Not<br>Opened | Projected New<br>Franchised Outlet In<br>The Next Fiscal Year | Projected New<br>Company-Owned<br>Outlet In the Next<br>Fiscal Year |
|------------|---------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------|
| California | 0                                                       | 2                                                             | 0                                                                   |
| Florida    | 0                                                       | 4                                                             | 0                                                                   |
| Texas      | 0                                                       | 1                                                             | 0                                                                   |
| Wisconsin  | 0                                                       | 1                                                             | 0                                                                   |

The names, addresses and telephone numbers of all current and former (terminated or cancelled) franchisees are disclosed on Exhibit I of this disclosure document.

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

During the last three fiscal years we have not signed confidentiality clauses with current or former franchisees.

There are no franchisee organizations sponsored or endorsed by us and there are no independent franchisee organizations that have asked to be included in this disclosure document.

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#### ITEM 21: FINANCIAL STATEMENTS

The ending date of our fiscal year is December 31. Attached to this disclosure document as Exhibit C are our audited financial statements for the fiscal years ended December 31, 2015, December 31, 2016 and December 31, 2017 and our unaudited financial statements for that period as of and through June 30, 2018.

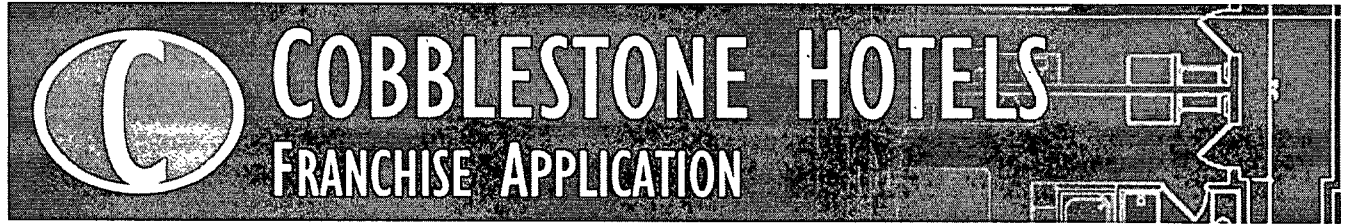
#### ITEM 22: CONTRACTS

The Franchise Agreement is attached as Exhibit D to this disclosure document. Attached as Exhibit J to this disclosure document is our current sample form of general release.

#### ITEM 23: RECEIPTS

You will find copies of a detachable receipt in Exhibit K at the very end of this disclosure document.

EXHIBIT A  
KEY WEST™ APPLICATION



Legal Name: \_\_\_\_\_  
Property Name: \_\_\_\_\_  
Property Address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
Property Phone: \_\_\_\_\_ Property Fax: \_\_\_\_\_  
Property E-mail Address: \_\_\_\_\_  
Property Website: \_\_\_\_\_  
Property General Manager: \_\_\_\_\_

Tax ID Number: \_\_\_\_\_ Jurisdiction of Corporation: \_\_\_\_\_

Type of Entity:

☐ General Partnership      ☐ Individual Proprietor      ☐ Joint Venture  
☐ Limited Partnership      ☐ Corporation      ☐ Trust  
☐ Limited Liability Co.      ☐ Other

**Principal Contact Information**

Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Fax: \_\_\_\_\_  
City/State/Zip: \_\_\_\_\_ Cell Phone: \_\_\_\_\_  
Email Address: \_\_\_\_\_

**Entity Ownership Breakdown** *note: Ownership breakdown must equal 100%. Attach separate sheet if needed.*

Name: \_\_\_\_\_ Title: \_\_\_\_\_  
Address: \_\_\_\_\_ % of Ownership: \_\_\_\_\_  
City/State/Zip: \_\_\_\_\_ Cell Phone: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_  
Address: \_\_\_\_\_ % of Ownership: \_\_\_\_\_  
City/State/Zip: \_\_\_\_\_ Cell Phone: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_  
Address: \_\_\_\_\_ % of Ownership: \_\_\_\_\_  
City/State/Zip: \_\_\_\_\_ Cell Phone: \_\_\_\_\_

### Property Information

ADR (USD): \_\_\_\_\_ Occupancy: \_\_\_\_\_ # of floors: \_\_\_\_\_  
# of rooms: \_\_\_\_\_ # of closed rooms: \_\_\_\_\_  
Room Type: Kings: \_\_\_\_\_ Queens: \_\_\_\_\_ Suites: \_\_\_\_\_  
Corridor Type: Interior: \_\_\_\_\_ Exterior: \_\_\_\_\_ Other: \_\_\_\_\_

### Food & Beverage Facilities/ Amenities

Check all that apply \_\_\_\_\_ Restaurant \_\_\_\_\_ Indoor Pool \_\_\_\_\_ Lounge  
\_\_\_\_\_ Exercise Room \_\_\_\_\_ Outdoor Pool \_\_\_\_\_ Gift Shop  
\_\_\_\_\_ Guest Laundry \_\_\_\_\_ Game Room

Do you own a computer (Y/N): \_\_\_\_\_  
Property Management System: \_\_\_\_\_  
Type of Internet Connection: \_\_\_\_\_ DSL/Fast Access: \_\_\_\_\_ Modem \_\_\_\_\_ Other  
Most Recent QA Score: \_\_\_\_\_ GDS Representation: \_\_\_\_\_  
Year Property Opened: \_\_\_\_\_ If New Construction, proposed opening date: \_\_\_\_\_  
Has property been updated (Y/N): \_\_\_\_\_  
If new ownership, proposed closing date: \_\_\_\_\_  
Please list what, if any, upgrades/additions that were completed:

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### Mortgage Information

Bank/ Mortgage Co.: \_\_\_\_\_  
Contact: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_  
City/State/Zip: \_\_\_\_\_ Account #: \_\_\_\_\_  
Outstanding Principal: \_\_\_\_\_ Maturity Date: \_\_\_\_\_

### Insurance Information

Name of Property & Casualty Insurance Company: \_\_\_\_\_

#### Insurance Agent Information

Company: \_\_\_\_\_ Phone: \_\_\_\_\_  
Name: \_\_\_\_\_ Fax: \_\_\_\_\_  
Address: \_\_\_\_\_  
City/State/Zip: \_\_\_\_\_

The undersigned certifies that the above information given for credit purposes is true and correct, and authorizes Cobblestone Hotels, LLC and its affiliates, any credit bureau or other investigating agency to investigate the references, statements, and other data listed or accompanying this Application. The undersigned authorizes all parties contacted to release credit and financial information requested as part of said investigation.

Cobblestone Hotels, LLC reserves the right, in its sole discretion, to approve or disapprove the Application. Applicant will not be deemed to have been granted a franchise to operate a Cobblestone Hotels lodging facility and there shall be no binding obligations in either party, other than with regard to Application Fee, unless and until both parties have executed the Application and Agreement.

Enclosed with this Preliminary Application is a check for US \$2,000 representing the Application Fee. This fee is **non-refundable** except in the event that Application is not accepted by Cobblestone because of proximity of Applicant's property to another Cobblestone Hotels lodging facility. In that event, Cobblestone will refund the Application Fee. This fee is part of the Cobblestone Hotels Brand Initial Fee.

\_\_\_\_\_  
Applicant's Name (entity or individual, as applicable)

\_\_\_\_\_  
Signature (Authorized Signee)

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

Title: \_\_\_\_\_

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature (Authorized Signee)

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

Title: \_\_\_\_\_

\_\_\_\_\_  
Date

\_\_\_\_\_  
\*make check(s) payable to Cobblestone Hotels, LLC and remit with Application to Cobblestone Hotels, LLC at 980 American Drive, Neenah, WI 54956 (P) 920-230-2622 (F) 866-403-7287

## EXHIBIT B

### LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

#### State Agencies

|                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CALIFORNIA</b><br>Department of Corporations<br>320 West Fourth Street, Suite 750<br>Los Angeles, CA 90013-2344<br>(866) 527-2677                                                                                                                          | <b>NEW YORK</b><br>Office of the New York State Attorney General<br>Attention: Barbara Lasoff<br>Investor Protection Bureau<br>Franchise Section<br>28 Liberty Street<br>New York, NY 10005<br>Phone: (212) 416-8236<br>Fax: (212) 416-6042 |
| <b>HAWAII</b><br>Commissioner of Securities of the State of Hawaii,<br>Department of Commerce and Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, HI 96813<br>(808) 586-2722 | <b>NORTH DAKOTA</b><br>North Dakota Securities Department<br>600 Boulevard Avenue, State Capitol<br>Fifth Floor, Dept. 414<br>Bismarck, ND 58505-0510<br>(701) 328-4712                                                                     |
| <b>ILLINOIS</b><br>Illinois Attorney General<br>500 S. Second Street<br>Springfield, IL 62706<br>(217) 782-4465                                                                                                                                               | <b>OREGON</b><br>Division of Consumer and Business Services<br>Finance and Corporate Securities<br>350 Winter Street N.E.<br>Labor and Industries Building, Room 21<br>Salem, OR 97310<br>(503) 378-4387                                    |
| <b>INDIANA</b><br>Indiana Secretary of State<br>Franchise Section – Securities Division<br>302 West Washington Street, Room E-111<br>Indianapolis, IN 46204<br>(317) 232-6681                                                                                 | <b>RHODE ISLAND</b><br>Securities Division<br>Department of Business Regulation<br>1511 Pontiac Avenue<br>John O. Pastore Complex – Building 69-1<br>Cranston, Rhode Island 02920<br>(401) 222-3048                                         |
| <b>IOWA</b><br>Iowa Securities Bureau<br>Lucas State Office Building, 2 <sup>nd</sup> Floor<br>Des Moines, IA 50319<br>(515) 281-4441                                                                                                                         | <b>SOUTH DAKOTA</b><br>Department of Labor and Regulation<br>Division of Securities<br>124 South Euclid Suite 104<br>Pierre, SD 57501<br>(605) 773-4823                                                                                     |
| <b>KENTUCKY</b><br>Office of Attorney General<br>1024 Capital Center Drive<br>Frankfort, KY 40602<br>(502) 696-5300                                                                                                                                           | <b>TEXAS</b><br>Statutory Document Section<br>Secretary of State<br>P.O. Box 12887<br>Austin, TX 78711<br>(512) 475-1769                                                                                                                    |



|                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>MARYLAND</b><br>Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, MD 21202-2020<br>(410) 576-7042                                                                                                       | <b>UTAH</b><br>Division of Consumer Protection<br>Utah Department of Commerce<br>160 East Three Hundred South<br>P.O. Box 146704<br>Salt Lake City, UT 84114-6704<br>(801) 530-6601                                  |
| <b>MICHIGAN</b><br>Franchise Administrator<br>Consumer Protection Division<br>Franchising Section<br>Michigan Department of Attorney General<br>G. Mennen Williams Building, 1st Floor<br>525 W. Ottawa St.<br>Lansing, MI 48909<br>(517) 373-7117 | <b>VIRGINIA</b><br>State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9 <sup>th</sup> Floor<br>Richmond, VA 23219<br>(804) 371-9051                             |
| <b>MINNESOTA</b><br>Minnesota Department of Commerce<br>Securities Unit<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, MN 55101<br>(651) 296-4026                                                                                        | <b>WASHINGTON</b><br>Department of Financial Institutions<br>Securities Division<br>P.O. Box 9033<br>Olympia, WA 98507-9033<br>(360) 902-8760<br>-or<br>150 Israel Road SW<br>Tumwater, WA 98501                     |
| <b>NEBRASKA</b><br>Nebraska Department of Banking and Finance<br>Commerce Court<br>1230 "O" Street, Suite 400<br>P.O. Box 95006<br>Lincoln, NE 68509<br>(402) 471-3445                                                                             | <b>WISCONSIN</b><br>Division of Securities<br>Department of Financial Institutions<br>P.O. Box 1768<br>Madison, WI 53701<br>-or<br>345 West Washington Avenue<br>Fourth Floor<br>Madison, WI 53703<br>(608) 266-8559 |

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**Agents for Service of Process**

|                                                                                                                                                                                                                                             |                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CALIFORNIA</b><br>Commissioner of Business Oversight<br>320 West Fourth Street, Suite 750<br>Los Angeles, CA 90013-2344                                                                                                                  | <b>NEW YORK</b><br>Attention: New York Secretary of State<br>New York Department of State<br>One Commerce Plaza<br>99 Washington Avenue, 6 <sup>th</sup> Floor<br>Albany, NY 12231-0001<br>(518) 473-2492 |
| <b>HAWAII</b><br>Commissioner of Securities of the State of Hawaii,<br>Department of Commerce and Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, HI 96813 | <b>NORTH DAKOTA</b><br>North Dakota Securities Department<br>Securities Commissioner<br>600 Boulevard Avenue, State Capitol<br>Fifth Floor, Dept. 414<br>Bismarck, ND 58505-0510                          |
| <b>ILLINOIS</b><br>Illinois Attorney General<br>500 S. Second Street<br>Springfield, IL 62706                                                                                                                                               | <b>RHODE ISLAND</b><br>Securities Division<br>Department of Business Regulation<br>1511 Pontiac Avenue<br>John O. Pastore Complex – Building 69-1<br>Cranston, Rhode Island 02920                         |
| <b>INDIANA</b><br>Indiana Secretary of State<br>Franchise Section – Securities Division<br>302 West Washington Street, Room E-111<br>Indianapolis, IN 46204                                                                                 | <b>SOUTH DAKOTA</b><br>Department of Labor and Regulation<br>Division of Securities<br>124 South Euclid Suite 104<br>Pierre, SD 57501                                                                     |
| <b>MARYLAND</b><br>Maryland Securities Commissioner<br>200 St. Paul Place<br>Baltimore, MD 21202-2020<br>(410) 576-7042                                                                                                                     | <b>VIRGINIA</b><br>Clerk of the State Corporation Commission<br>1300 East Main Street, 1 <sup>st</sup> Floor<br>Richmond, VA 23219                                                                        |
| <b>MICHIGAN</b><br>Franchise Administrator<br>Consumer Protection Division<br>Franchising Section<br>Michigan Department of Attorney General<br>G. Mennen Williams Building, 1st Floor<br>525 W. Ottawa St.<br>Lansing, MI 48909            | <b>WASHINGTON</b><br>Department of Financial Institutions<br>Director of Securities Division<br>150 Israel Road SW<br>Tumwater, WA 98501                                                                  |
| <b>MINNESOTA</b><br>Minnesota Department of Commerce<br>Securities Unit<br>Commissioner of Commerce<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, MN 55101                                                                       | <b>WISCONSIN</b><br>Administrator - Division of Securities<br>Department of Financial Institutions<br>345 West Washington Avenue<br>Fourth Floor<br>Madison, WI 53703                                     |

**COBBLESTONE HOTELS, LLC**  
**FINANCIAL STATEMENTS FOR THE YEARS ENDED**  
**DECEMBER 31, 2015, DECEMBER 31, 2016 AND DECEMBER 31, 2017**

**EXHIBIT C TO THE DISCLOSURE DOCUMENT**

THE FRANCHISOR HAS NO FIXED ASSETS (I.E. FURNITURE, EQUIPMENT, PROPERTY, ETC.) WITH WHICH TO SUPPORT THE FRANCHISE SYSTEM.

# **COBBLESTONE HOTELS, LLC**

Néenah, Wisconsin

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2017 and 2016

# COBBLESTONE HOTELS, LLC

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| Statements of Income and Members' Equity | 4            |
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## INDEPENDENT AUDITORS' REPORT

Members  
Cobblestone Hotels, LLC  
Neenah, Wisconsin

We have audited the accompanying financial statements of Cobblestone Hotels, LLC, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of income and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Members  
Cobblestone Hotels, LLC

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cobblestone Hotels, LLC as of December 31, 2017 and 2016 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Baker Tilly Virchow Krause, LLP*

Appleton, Wisconsin  
February 6, 2018

# COBBLESTONE HOTELS, LLC

## BALANCE SHEETS As of December 31, 2017 and 2016

| <b>ASSETS</b>                                |                     |                     |
|----------------------------------------------|---------------------|---------------------|
|                                              | <u>2017</u>         | <u>2016</u>         |
| <b>CURRENT ASSETS</b>                        |                     |                     |
| Cash and cash equivalents                    | \$ 1,989,609        | \$ 1,316,360        |
| Accounts receivable, net                     | 90,633              | 48,532              |
| Interest receivable - members                | 51,220              | -                   |
| Prepaid expenses                             | 13,662              | 2,144               |
| Total Current Assets                         | <u>2,145,124</u>    | <u>1,367,036</u>    |
| <b>PROPERTY AND EQUIPMENT</b>                |                     |                     |
| Computer equipment                           | 1,108               | 1,108               |
| Less: Accumulated depreciation               | (646)               | (425)               |
| Net Property and Equipment                   | <u>462</u>          | <u>683</u>          |
| <b>OTHER ASSETS</b>                          |                     |                     |
| Notes receivable - members                   | <u>2,600,000</u>    | -                   |
| <b>TOTAL ASSETS</b>                          | <u>\$ 4,745,586</u> | <u>\$ 1,367,719</u> |
| <b>LIABILITIES AND MEMBERS' EQUITY</b>       |                     |                     |
| <b>CURRENT LIABILITIES</b>                   |                     |                     |
| Accounts payable                             | \$ 51,717           | \$ 88,499           |
| Accrued payroll                              | 11,932              | 4,364               |
| Note payable, current portion                | 327,626             | -                   |
| Interest payable                             | 7,556               | -                   |
| Related party payable                        | -                   | 2,500               |
| Deferred revenues, current portion           | 166,810             | 302,000             |
| Security deposits                            | -                   | 65,000              |
| Total Current Liabilities                    | <u>565,641</u>      | <u>462,363</u>      |
| <b>LONG-TERM LIABILITIES</b>                 |                     |                     |
| Deferred revenues, net of current portion    | -                   | 5,500               |
| Note payable, net of current portion         | <u>2,219,311</u>    | -                   |
| Total Long-Term Liabilities                  | <u>2,219,311</u>    | <u>5,500</u>        |
| Total Liabilities                            | 2,784,952           | 467,863             |
| <b>MEMBERS' EQUITY</b>                       | <u>1,960,634</u>    | <u>899,856</u>      |
| <b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b> | <u>\$ 4,745,586</u> | <u>\$ 1,367,719</u> |

See accompanying notes to financial statements.



# COBBLESTONE HOTELS, LLC

## STATEMENTS OF INCOME AND MEMBERS' EQUITY For the Years Ended December 31, 2017 and 2016

|                                            | 2017                | 2016              |
|--------------------------------------------|---------------------|-------------------|
| <b>REVENUES</b>                            |                     |                   |
| Franchise fee and management fee revenues  | \$ 1,805,494        | \$ 1,424,682      |
| Reservation system revenue                 | 1,082,035           | 746,583           |
| Convention sponsorship revenue and fees    | 675                 | 173,340           |
| Customer loyalty revenue                   | 35,412              | 76,658            |
| Marketing and call center revenue          | 123,415             | 58,302            |
| Other revenue                              | 11,222              | 6,473             |
| Total Revenues                             | <u>3,058,253</u>    | <u>2,486,038</u>  |
| <b>OPERATING COSTS &amp; EXPENSES</b>      |                     |                   |
| Reservation system                         | 898,208             | 669,959           |
| Salaries and wages                         | 234,566             | 366,997           |
| Convention expense                         | 6,775               | 163,354           |
| Office expense                             | 69,252              | 93,251            |
| Advertising expense                        | 57,848              | 72,210            |
| Professional fees                          | 57,749              | 56,930            |
| Customer loyalty expense                   | 34,160              | 66,148            |
| Bad debt expense                           | 56,166              | 61,070            |
| Rent expense                               | 12,000              | 12,000            |
| Donations expense                          | 1,000               | 15,100            |
| Insurance expense                          | 21,671              | 13,128            |
| Other expenses                             | 15,276              | 9,791             |
| Depreciation expense                       | 221                 | 222               |
| Total Operating Costs & Expenses           | <u>1,464,892</u>    | <u>1,600,160</u>  |
| Operating Income                           | <u>1,593,361</u>    | <u>885,878</u>    |
| <b>OTHER INCOME (EXPENSE)</b>              |                     |                   |
| Interest income                            | 51,220              | -                 |
| Interest expense                           | (28,928)            | -                 |
| Total Other Income                         | <u>22,292</u>       | <u>-</u>          |
| <b>NET INCOME</b>                          | 1,615,653           | 885,878           |
| <b>MEMBERS' EQUITY - Beginning of Year</b> | 899,856             | 744,924           |
| Distributions to members                   | <u>(554,875)</u>    | <u>(730,946)</u>  |
| <b>MEMBERS' EQUITY- END OF YEAR</b>        | <u>\$ 1,960,634</u> | <u>\$ 899,856</u> |

See accompanying notes to financial statements.

# COBBLESTONE HOTELS, LLC

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2017 and 2016

|                                                                      | 2017                | 2016                |
|----------------------------------------------------------------------|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |                     |                     |
| Net income                                                           | \$ 1,615,653        | \$ 885,878          |
| Adjustments to reconcile to net cash flows from operating activities |                     |                     |
| Depreciation                                                         | 221                 | 222                 |
| Bad debt expense                                                     | 56,166              | 61,070              |
| Changes in certain assets and liabilities:                           |                     |                     |
| Accounts receivable                                                  | (98,267)            | (69,570)            |
| Interest receivable - members                                        | (51,220)            | -                   |
| Prepaid expenses                                                     | (11,518)            | 94                  |
| Accounts payable                                                     | (36,782)            | 37,939              |
| Accrued payroll                                                      | 7,568               | (2,950)             |
| Interest payable                                                     | 7,556               | -                   |
| Related party payable                                                | (2,500)             | 5,500               |
| Deferred revenues                                                    | (140,690)           | 17,146              |
| Security deposits                                                    | (65,000)            | 8,000               |
| Net Cash Flows From Operating Activities                             | <u>1,281,187</u>    | <u>943,329</u>      |
| <b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>                       |                     |                     |
| Advances on notes receivable - members                               | <u>(2,600,000)</u>  | <u>-</u>            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                          |                     |                     |
| Principal payments on note payable                                   | (53,213)            | -                   |
| Proceeds from issuance of note payable                               | 2,600,150           | -                   |
| Distributions to stockholders                                        | <u>(554,875)</u>    | <u>(730,946)</u>    |
| Net Cash Flows Used In Financing Activities                          | <u>1,992,062</u>    | <u>(730,946)</u>    |
| <b>Net Change in Cash and Cash Equivalents</b>                       | 673,249             | 212,383             |
| <b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>                 | <u>1,316,360</u>    | <u>1,103,977</u>    |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                       | <u>\$ 1,989,609</u> | <u>\$ 1,316,360</u> |
| <b>Supplemental cash flow disclosures</b>                            |                     |                     |
| Cash paid for interest                                               | \$ 21,372           | \$ -                |

See accompanying notes to financial statements.

## COBBLESTONE HOTELS, LLC

### NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2017 and 2016

---

#### NOTE 1 - Summary of Significant Accounting Policies

---

##### *Nature of Operations*

Cobblestone Hotels, LLC (the company) owns the hotel brands known as "Cobblestone Inn & Suites", "Cobblestone Hotel & Suites" and "Boarders Inn & Suites by Cobblestone" ("hotel brands") and issues franchise agreements to use these hotel brands to other hotel groups. Prior to February 2013, the company issued membership agreements, but now only issues franchise agreements, unless there are extenuating circumstances, and has converted many of its memberships to franchises. To date, the company has sold membership and/or franchise agreements in Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Nebraska, North Dakota, Ohio, Pennsylvania, Tennessee, Texas, Wisconsin, and Wyoming.

The following table summarizes the franchise activity for the company:

|                                           | <u>2017</u> | <u>2016</u> |
|-------------------------------------------|-------------|-------------|
| Franchises at the beginning of the period | 69          | 59          |
| Franchises sold                           | 13          | 11          |
| Franchises converted from members         | 2           | -           |
| Franchises retired                        | <u>(2)</u>  | <u>(1)</u>  |
| Franchises at the End of the Period       | <u>82</u>   | <u>69</u>   |

##### *Cash and Cash Equivalents*

The company defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

The company maintains cash in a bank deposit account which, at times, may exceed federally insured limits. The company has not experienced any losses in such account and believes it is not exposed to any significant risks.

##### *Accounts Receivable*

Accounts receivable consist primarily of amounts due from member and franchised hotels related to the frequent stay program (discontinued in 2017), reservation system fees and monthly membership and franchise fees which are typically collected each month. The company, at times, charges interest at 12% on franchise and membership fees that are not remitted timely (within 30 days of invoice). The company writes off accounts receivable when it determines it is no longer collectible. Management believes an allowance for uncollectible accounts of \$134,236 and \$78,070 is adequate at December 31, 2017 and 2016, respectively.

## COBBLESTONE HOTELS, LLC

### NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2017 and 2016

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#### **NOTE 1 - Summary of Significant Accounting Policies (cont.)**

---

##### *Property and Equipment*

Property and equipment are stated at cost. Major expenditures for property and equipment are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Property and equipment are depreciated using the straight-line method over their estimated useful lives. The estimated useful life is 5 years for computer equipment.

##### *Impairment of Long-Lived Assets*

The Company reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated fair value of the asset is less than the carrying amount of that asset. To date, there have been no such losses.

##### *Debt Issuance Costs*

Debt issuance costs of \$1,667 were incurred in 2017, have been capitalized, and are being amortized over the related debt term using the straight-line method. Accumulated amortization of these costs is \$185 as of December 31, 2017. The unamortized debt issuance costs of \$1,482 are presented net of long-term debt as described in Note 3.

##### *Franchise and Membership Agreements*

The company has entered into membership agreements with hotel groups to allow these operators to use the hotel brand names as well as the inclusion of the operator's hotel on the company's website and its toll free number. The agreements require a monthly fee over the term of the agreement and typically require an upfront initial membership fee. Several membership agreements previously entered into were converted to franchise agreements with no material changes to the original payment terms originally included in the membership agreements. Upon conversion or termination of membership agreements, previously deferred membership revenue of approximately \$6,500 and \$7,750 were recorded as initial franchise fee revenue during the years ended December 31, 2017 and 2016, respectively, since the company had no obligations remaining under the converted or terminated member agreements.

##### *Revenue Recognition*

Initial one-time membership fees were typically required upon signing a membership agreement. These initial fees range from \$0 to \$20,000 and are recognized on a straight-line basis as revenue over the term of the agreement. In addition, the company receives monthly membership fees that are recognized each month of the agreement. In 2017, the final outstanding initial fee related to a membership agreement was recognized as revenue when the member agreement was converted to a franchise agreement.

# COBBLESTONE HOTELS, LLC

## NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2017 and 2016

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### NOTE 1 - Summary of Significant Accounting Policies (cont.)

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#### *Revenue Recognition (cont.)*

Initial one-time franchise fees, ranging from \$10,000 to \$35,000 for Cobblestone branded hotels and \$5,000 to \$20,000 for Boarders branded hotels, are due upon the granting of the franchise and are deferred and not recognized as revenue until all material services and conditions required to be performed by the company have been substantially completed, which is generally considered to be when the new franchisee has completed its training and the hotel is opened. In addition, the company receives monthly franchise fees that are recognized each month of the agreement.

Other revenue items include reservation system revenue, convention sponsorship revenue and fees and other amounts that are incurred on behalf of the franchised locations that are passed through to the franchisees with minimal mark-up including revenue generated from frequent stayer program, advertising revenue generated through booking agents and call center revenue. Revenue is recognized for each of these revenue sources when the service is provided.

The following is a summary of the revenue related to franchise fee and membership fee sources for the years ended December 31, 2017 and 2016:

|                                       | <u>2017</u>         | <u>2016</u>         |
|---------------------------------------|---------------------|---------------------|
| Initial franchise and membership fees | \$ 332,000          | \$ 256,750          |
| Monthly franchise and membership fees | <u>1,473,494</u>    | <u>1,167,932</u>    |
| Total                                 | <u>\$ 1,805,494</u> | <u>\$ 1,424,682</u> |

#### *Deferred Revenue*

Deferred revenue consists of initial membership fees that are being amortized over the term of the membership agreement, initial franchise fees received in which all franchisor obligations have not been met and convention sponsorships fees for future conventions.

#### *Security Deposits*

Security deposits relate to funds received from member and franchise hotels to ensure reimbursement related to the frequent stayer reward program, whereby patrons can submit documentation to receive a cash reimbursement. Security deposit terms are detailed in membership and franchise agreements. In 2017, the program was outsourced to a third party and remaining security deposits were utilized to offset accounts receivable obligations.

#### *Advertising*

Advertising costs are charged to operations when incurred. Advertising expense was \$57,848 and \$72,210 for the years ended December 31, 2017 and 2016, respectively.

## COBBLESTONE HOTELS, LLC

### NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2017 and 2016

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#### **NOTE 1 - Summary of Significant Accounting Policies (cont.)**

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##### *Income Taxes*

The company is treated as a limited liability company (LLC) and taxed as a partnership for federal and state income tax purposes. As such, the company's income, losses, and credits are included in the income tax returns of its members.

The tax effects from an uncertain tax position can be recognized in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position and the jurisdiction taxes of the company and not the members. The company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit and the tax related to the position would be due to the entity and not the owners. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority. The company has no significant uncertain tax positions.

With few exceptions, the company is not subject to U.S. federal, state or local income tax examinations by tax authorities for the years before 2014 for federal purposes and 2013 for state and local purposes. The company is not currently under examination by any taxing jurisdiction.

##### *Estimates*

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

##### *Reclassification*

For comparability, certain 2016 amounts have been reclassified to conform with classifications adopted in 2017.

---

#### **NOTE 2 - Notes Receivable - Members**

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On January 1, 2017, the company entered into \$1,300,000 note receivable agreements with both the majority and minority members with a fixed interest rate of 1.97%. The notes require annual installments of interest only payments beginning December 31, 2017. In addition, in the event that cash distributions are made from the company or affiliated entities, such distributions shall be applied to the principal and interest outstanding until the notes are paid in full but no later than December 31, 2026.

## COBBLESTONE HOTELS, LLC

### NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2017 and 2016

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#### NOTE 3 - Note Payable

---

Note payable consists of the following at December 31, 2017:

|                                                                                                                                                                                                                                                                                          |                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Note payable to a bank originating in August 2017 with initial principal of \$2,600,150 secured by a commercial security agreement, due in monthly payments of \$36,384 including principal and interest. The note accrues interest at a fixed rate of 4.50% and matures in August 2020. | \$ 2,548,419        |
| Less: Unamortized debt issuance costs                                                                                                                                                                                                                                                    | <u>(1,482)</u>      |
| Note payable including current portion                                                                                                                                                                                                                                                   | 2,546,937           |
| Less: Current portion ~                                                                                                                                                                                                                                                                  | <u>(327,626)</u>    |
| Long-Term Portion                                                                                                                                                                                                                                                                        | <u>\$ 2,219,311</u> |

Principal requirements on notes payable for years ending after December 31, 2017 are as follows:

|       |                     |
|-------|---------------------|
| 2018  | \$ 327,626          |
| 2019  | 343,529             |
| 2020  | <u>1,877,264</u>    |
| Total | <u>\$ 2,548,419</u> |

Interest charged to expense related to the note payable on the statement of income and members' equity was \$28,928 for the year ended December 31, 2017. There was no interest for the year ended December 31, 2016.

---

#### NOTE 4 - Deferred Revenue

---

Deferred revenue consists of the the following at December 31:

|                                                            | <u>2017</u>       | <u>2016</u>       |
|------------------------------------------------------------|-------------------|-------------------|
| Unamortized initial membership fees                        | \$ -              | \$ 6,500          |
| Initial franchise fees received in which obligations exist | 135,000           | 301,000           |
| Convention sponsorship and attendee fees                   | <u>31,810</u>     | <u>-</u>          |
| Total                                                      | <u>\$ 166,810</u> | <u>\$ 307,500</u> |

Initial membership fees are being amortized over the term of the membership agreements. Revenue recognition typically begins when the hotel is opened under the new hotel brand name. In 2017, all remaining membership agreements than included initial membership fees were converted to franchise agreements.

# COBBLESTONE HOTELS, LLC

## NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2017 and 2016

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### NOTE 4 - Deferred Revenue (cont.)

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Initial franchise fees will be recognized when all obligations of the franchise agreements are met which is expected to occur in 2018. Convention sponsorship and attendee fees will be recognized as revenue in conjunction with the year to which the conventions relates.

All estimated future recognition of this revenue is expected to occur in 2018.

---

### NOTE 5 - Related Party Transactions

---

Entities related through common ownership have outstanding accounts receivable and payable with the company that are derived from franchise fees owed from hotels wholly owned by a related party or amounts collected by the company on behalf of the related entity that have yet to be paid to the related entity. At December 31, 2017, no amount was outstanding. As of December 31, 2016, accounts payable from related parties of \$2,500 was outstanding.

The company has franchise agreements with ten and seven hotel groups that are majority owned by the members of the company as of December 31, 2017 and 2016, respectively. These agreements account for revenue of \$51,329 and \$27,800 for the years ended December 31, 2017 and 2016, respectively. The agreements with the related party hotels run through June 2030.

The members of the company also have ownership interest in certain hotels groups for which the company has membership and franchise agreements, however, these ownership interests are at a minority level and are typically below 10%.

The company has a lease agreement with a related entity for use of their office facilities. See Note 6 for further information.

The company does not guarantee the debt of any of the related parties.

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### NOTE 6 - Leases

---

The company currently utilizes shared office space with other related parties. This office space is owned by a related entity with common ownership. In January 2016, the company entered into an agreement with the related entity that requires monthly rent payments of \$1,000. The lease term was set to expire in December 2017 if notice was given by either party prior to 90 days before the expiration of the lease term. However, no such notice was given and the lease, as a result, was renewed for one additional year through December 2018. The property taxes, insurance and normal maintenance costs of the facilities are paid for by the lessor. Total rent expense for each of the years ended December 31, 2017 and 2016 was \$12,000.

Future minimum lease payments under noncancelable operating leases are as follows:

|      |                  |
|------|------------------|
| 2018 | <u>\$ 12,000</u> |
|------|------------------|



## COBBLESTONE HOTELS, LLC

### NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2017 and 2016

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#### NOTE 7 - Retirement Plan

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The company started a 401(k) plan in 2015 for all employees who have completed at least one year of service with the company. The company matches 100% of the first 3% of employee compensation along with a 50% match of employee contributions between 3% and 5% of employee compensation. The matching contribution to the 401(k) plan for December 31, 2017 and 2016 was \$1,763 and \$4,004, respectively.

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#### NOTE 8 - Subsequent Events

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The company has evaluated subsequent events through February 6, 2018 which is the date that the financial statements were approved and available to be issued for events requiring disclosure or recording in the company's financial statements.

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#### NOTE 9 - New Accounting Pronouncements

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During May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During 2016 and 2015, the FASB issued various amendments to ASU No. 2014-09. Topic 606 (as amended) is effective for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The company may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The company has not yet determined the impact Topic 606 (as amended) will have on the company's financial statements.

During February 2016, the FASB issued ASU No 2016-02, "Leases (Topic 842)." ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize on the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU No. 2016-02 is effective for annual periods beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The company has not yet determined the impact that ASU No. 2016-02 will have on the company's financial statements.

**COBBLESTONE HOTELS, LLC  
FRANCHISE AGREEMENT**

**EXHIBIT D TO THE DISCLOSURE DOCUMENT**

**FRANCHISE AGREEMENT**

between

**COBBLESTONE HOTELS, LLC**

980 American Drive

Neenah, WI 54956

(920) 230-2622

and

---

NAME(S) OF FRANCHISEE

---

STREET

---

CITY, STATE, ZIP CODE

---

(AREA CODE) TELEPHONE NUMBER

**FRANCHISED LOCATION:**

---

STREET

---

CITY, STATE, ZIP CODE

---

(AREA CODE) TELEPHONE NUMBER

DATE OF FRANCHISE AGREEMENT: .

---

**FRANCHISED NAME:**

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**COBBLESTONE HOTELS, LLC  
FRANCHISE AGREEMENT**

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Exhibit A – Hotel Specific Information

Attachment 1 – Closing Addendum

Attachment 2 – New Construction ADA Certification Form

**COBBLESTONE HOTELS, LLC  
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the "Agreement") is made, entered into and effective this day of \_\_\_\_\_ (the "Effective Date"), by and between COBBLESTONE HOTELS, LLC, a Wisconsin limited liability company (the "Franchisor"), and \_\_\_\_\_ (the "Franchisee").

**RECITALS:**

WHEREAS, Franchisor, as the result of the expenditure of time, skill, effort and money, has developed and owns a distinctive system for developing, operating and promoting lodging facilities identified by the "Key West™" trademark (the "Mark") and all Confidential Information (as defined in Article 7(A)) related thereto (collectively the "Business System");

WHEREAS, the distinguishing characteristics of the Business System include, but are not limited to, business methods, designs, trade dress, decor, color schemes and arrangements, and the Confidential Information, all of which Franchisor may improve, further develop or otherwise modify from time to time;

WHEREAS, the Business System is identified by the Mark, which is owned by Franchisor and Franchisor grants to qualified individuals and entities the right to operate a single hotel under the Mark, using the Business System; and

WHEREAS, Franchisee has submitted an application to Franchisor for the right to operate a hotel under the Mark, using the Business System, at the Franchised Location, as defined in Article 1(A), and Franchisor has approved Franchisee's application based on all of the information and representations made by Franchisee in the franchise application.

**AGREEMENT:**

In consideration of the foregoing and the mutual covenants and consideration below, Franchisor and Franchisee agree as follows:

**ARTICLE 1: FRANCHISED LOCATION; GRANT OF FRANCHISE**

(A) Franchised Location and Protected Area. Franchisor hereby grants to Franchisee a nonexclusive and personal license to operate one (1) hotel in conformity with the Business System and using the Mark, at the location listed on Exhibit A to this Agreement (the "Franchised Location"). For as long as the Franchised Location contains at least the minimum number of guest rooms listed on Exhibit A to this Agreement and Franchisee is not in default of this Agreement, Franchisor shall not itself operate or grant a license or franchise to any third party to operate another lodging facility using the Franchised Name, as defined in Article 1(B) below, within the geographic region listed as the Protected Area on Exhibit A to this Agreement (the "Protected Area") until the expiration or earlier termination of this Agreement. The limited Protected Area granted under this Agreement is the only territorial protection granted to Franchisee and does not in any way expressly or implicitly grant any other area, market, territorial, or development rights to Franchisee or restrict Franchisor or its affiliates in any way in the manner in which Franchisor and its affiliates may conduct or operate their respective businesses outside the Protected Area. Franchisor and its affiliates have the right to issue competing

franchises and to directly or indirectly develop and operate competing company-owned businesses under the Mark for or at any locations outside of the Protected Area, including locations near the boundaries of the Protected Area. Further, Franchisor and its affiliates have the right both within and outside of the Protected Area to: (1) distribute products or services through alternative channels of distribution (including the Internet or any other existing or future form of electronic commerce) under the Mark; and (2) license or operate other lodging properties using trade names other than the Mark, as applicable, either within the Protected Area, or outside of the Protected Area, even if such lodging properties offer services similar to those offered at the Franchised Location.

(B) Franchised Name. Franchisee will operate the Franchised Location under the name listed as the "Franchised Name" on Exhibit A to this Agreement (the "Franchised Name") and will not operate the Franchised Location under any other name without Franchisor's prior written permission. Franchisor has the right to require Franchisee to change the Franchised Name by giving written notice to Franchisee pursuant to Article 3(C) hereof if Franchisor determines that Franchisee's use of the Franchised Name may cause confusion in the market place. Within ninety (90) days of receiving such notice, Franchisee shall, at its expense, change all signage and materials bearing the Franchised Name so as to conform to the new Franchised Name. The Franchised Location shall conform to the requirements for the use of the Franchised Name set forth in the Rules and Regulations (as defined in Article 1(C) below), as the same may be revised, modified and/or supplemented from time to time by Franchisor in its sole discretion.

(C) Conditions of Franchise. Franchisee hereby, for the entire term of this Agreement, undertakes the obligation to operate a hotel at the Franchised Location under the Business System using the Mark in strict compliance with the terms and conditions of this Agreement and the standards, plans, specifications, policies, procedures and techniques that Franchisor has developed relating to the design, construction, development and operation of hotel using the Mark and Business System, all of which may be changed by us at Franchisor's option and which include, but are not limited to; (1) recommended business practices; (2) requirements for advertising and sales literature; (3) standards for guest service; (4) sales techniques and procedures; (5) management, operational and accounting procedures; and (6) standards and specifications for quality, design, warranties, appearance, function and performance (collectively, the "Rules and Regulations"). The rights and privileges granted to Franchisee by Franchisor under this Agreement are applicable only to the single location designated as the Franchised Location, are personal in nature, and may not be used elsewhere or at any other location by Franchisee. Franchisee represents to Franchisor that neither Franchisee nor any of its owners are a party to any agreement that would prevent the Franchisee from entering into this Agreement or operating a hotel using the Mark at the Franchised Location, including, but not limited to, a franchise agreement with a different hotel brand.

## ARTICLE 2: TERM OF FRANCHISE

(A) Term. The term of this Agreement shall commence on the Effective Date and shall continue thereafter until the date which is ten (10) years after the date the Franchised Location opens for business under the Mark (the "Opening Date"), subject to earlier termination as set forth herein. This Agreement will not be enforceable until it has been signed by both Franchisee and Franchisor.

(B) No Rights upon Expiration. Upon the expiration of the term of this Agreement, neither Franchisee nor Franchisor will have the right to renew or to extend the term of this Agreement, or to enter into a new franchise agreement, whether upon the terms of this Agreement or any other terms. In those jurisdictions where Franchisor is required by law to offer Franchisee the opportunity to renew its

franchise (or if Franchisor in its sole discretion chooses to do so), Franchisee acknowledges and agrees that Franchisor may condition any such offer to renew upon: (1) Franchisee having complied with all of the material provisions of this Agreement or any other agreement between Franchisee and Franchisor or its affiliates, including the payment of all monetary obligations owed by Franchisee; (2) Franchisee having given Franchisor written notice at least one hundred eighty (180) days before the end of the term of this Agreement of its desire to renew; (3) Franchisee's written agreement to remodel, modernize, redecorate, and renovate the Franchised Location and to replace and modernize the furniture, fixtures, supplies, and equipment used in the Franchised Location so that the Franchised Location complies with the Rules and Regulations, Plans and Specifications (as defined in Article 6(E)) and reflects the then-current image intended to be portrayed by Franchisor; (4) to the extent permitted by applicable law, Franchisee's execution of a general release, in a form prescribed by Franchisor, releasing Franchisor and its affiliates and their respective officers, directors, managers, agents, representatives, and employees from any and all claims by Franchisee and its related parties; (5) Franchisee's execution of Franchisor's then-current form of Franchise Agreement, the terms of which may differ materially from the terms of this Agreement, including greater or additional fees payable to Franchisor; (6) payment of Franchisor's then-current Initial Fee; and (7) any other reasonable conditions of renewal as Franchisor may communicate to Franchisee following Franchisee's notice.

### ARTICLE 3: FRANCHISOR'S RIGHT TO LICENSE THE MARKS AND BUSINESS SYSTEM

(A) Right To Franchise Mark. Franchisor warrants that it has the right, except as otherwise provided herein, to license the Mark and Business System to Franchisee. Any and all improvements made by or on behalf of Franchisee relating to the Mark or the Business System will become the sole and absolute property of Franchisor. Franchisor will have the sole and exclusive right to register and protect all such improvements in its name. Franchisee shall assign and transfer its rights in and to any such improvements to Franchisor pursuant to a bill of sale or assignment in such form as Franchisor may reasonably require. Franchisee will not be entitled to, and hereby expressly waives, any right that it may have to be compensated by Franchisor for any such improvements to the Mark and/or Business System. Franchisee's right to use and identify with the Mark and the Business System will exist concurrently with the term of this Agreement and such use by Franchisee will inure exclusively to the benefit of Franchisor.

(B) Conditions to License of Mark. Franchisee's nonexclusive and personal right to use the Franchised Name as the name of the Franchised Location and its right to use the Mark and the Business System applies only to the Franchised Location and such rights will exist only so long as Franchisee fully performs and complies with all of the terms and conditions of this Agreement. Franchisee will not have or acquire any rights in any of the Mark or the Business System other than the right of use as provided herein. Franchisee will have the right to use the Mark and the Business System only in the manner prescribed, directed, and approved by Franchisor in writing. If, in the judgment of Franchisor, the acts of Franchisee infringe upon or demean the goodwill, standards of quality or uniformity, or business standing associated with the Mark or the Business System, then Franchisee will, upon written notice from Franchisor, immediately modify its use of the Mark and the Business System in the manner prescribed by Franchisor in writing. Franchisee expressly understands and acknowledges that Franchisor is the owner of all rights, title, and interest in and to the Mark and the Business System, and the goodwill associated with and symbolized by the Mark and the Business System. The Mark is valid and serve to identify Franchisor as the source of origin of the goods and services provided under the Business System. Any and all goodwill associated with the Mark and the Business System will incur exclusively to Franchisor's benefit and upon the expiration or termination of this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of

the Mark and the Business System. Franchisee will at no time take any action whatsoever to contest Franchisor's Mark and Business System and the goodwill associated therewith and will not allege any ownership in the Mark or the Business System.

(C) Substitution of Mark. If Franchisor, in its sole discretion, determines that the modification of the Mark or substitution of New Mark will be beneficial to the Business System, Franchisor reserves the right to modify the Mark or to substitute new or different trademarks, trade names, service marks, copyrights, decor, graphics, slogans, signs, logos, interior and exterior building designs, commercial symbols, and/or color combinations, (hereinafter referred to collectively as the ("New Mark")), to identify the hotels operating under the Business System. In that event, upon receipt of written notice from Franchisor, Franchisee will, at its expense, immediately make all modifications to the Mark specified by Franchisor in the written notice, and if so specified, Franchisee will cease using the Mark and commence using the New Mark within a time frame set by Franchisor in its sole discretion.

(D) Adverse Claims. If there is a claim by any party that its rights to any or all of the Mark are superior to those of Franchisor and if Franchisor's attorneys are of the opinion that such claim is legally meritorious, or if there is an adjudication by a court of competent jurisdiction that any party's rights to any or all of the Mark (hereinafter referred to as the "Conflicting Mark") are superior to those of Franchisor, then upon receiving written notice from Franchisor, Franchisee will, at its expense, immediately discontinue use of the Conflicting Mark and, if so specified, Franchisee will as soon as reasonably possible, commence using the New Mark designated by Franchisor in writing in connection with the operation of the Franchised Location, including on all signs, and in connection with all advertising, marketing, and promotion thereof. Franchisee will not make any changes or amendments whatsoever to the Mark or the Business System unless approved by Franchisor in writing.

(E) Defense or Enforcement of Rights to Mark. Franchisee will have no right to, and will not, without the written consent of Franchisor, defend or enforce any rights associated with the Mark or the Business System in any court or other proceedings for or against imitation, infringement, prior use, or for any other claim or allegation. Franchisee will give Franchisor prompt written notice of any and all claims or complaints made against or associated with the Mark and the Business System and will, without compensation for its time and at its expense, cooperate in all respects with Franchisor in any lawsuits or other proceedings involving the Mark or the Business System. Franchisor will have the sole and absolute right to determine whether it will commence any action against or defend any action by any third party involving the Mark or the Business System and the cost and expense of all such actions incurred by Franchisor, including attorneys' fees, specifically relating to the Mark or the Business System will be paid by Franchisor.

(F) Franchisee's Right to Participate In Litigation. Franchisee may, at its expense, retain an attorney to represent it individually in all litigation and court proceedings involving the Mark and/or the Business System, and will do so with respect to matters involving only Franchisee (i.e. not involving Franchisor or its interests); however, Franchisor and its legal counsel will control and conduct all litigation involving the Mark and/or the Business System except as expressly provided for herein. Franchisor will have no liability to Franchisee for any costs that Franchisee may incur in any litigation or other proceedings involving the Mark and/or the Business System and Franchisee will pay for all costs, including attorneys' fees that it may incur in any litigation or proceedings arising as a result of matters referred to under this Article 3.



(G) Tender of Defense. If Franchisee is named as a defendant or party in any action involving the Mark and/or the Business System and if Franchisee is named as a defendant or party solely because the plaintiff or claimant is alleging that Franchisee does not have the right to use the Mark and/or the Business System licensed by Franchisor to Franchisee at the Franchised Location pursuant to this Agreement, then Franchisee will have the right to tender the defense of the action to Franchisor within ten (10) days of receiving service of the summons and complaint in the action. Franchisor will, at its expense, defend Franchisee in the action. Franchisor will indemnify and hold Franchisee harmless from any damages assessed against Franchisee in any such actions resulting solely from Franchisee's use of the Mark and/or the Business System at the Franchised Location if Franchisee has tendered the defense of the action to Franchisor as herein required.

#### ARTICLE 4: INITIAL FEE; APPROVAL OF FRANCHISEE

(A) Initial Fee. Franchisee will pay Franchisor an initial fee of fifteen thousand and no/100 dollars (\$15,000) (the "Initial Fee"). Any application fee paid by Franchisee to Franchisor shall be credited against the Initial Fee. The remaining balance of the Initial Fee is due and payable in full on the date this Agreement is executed by Franchisee. The Initial Fee is fully earned when this Agreement is signed by Franchisee and Franchisor and is not refundable in full or in part. Franchisee further acknowledges that any application fee paid by Franchisee will not be refunded under any circumstances and Franchisor is not liable to Franchisee for any expenses incurred in the application process.

#### ARTICLE 5: OTHER FEES

(A) Monthly Fee. In addition to the Initial Fee, for the term of this Agreement Franchisee shall, as elected by the Franchisee on Exhibit A to this Agreement, pay to Franchisor a monthly fee of either (i) \$1.50 per guest room per day calculated based on a 30-day month. For purposes of example and illustration only, if the Franchised Location has 45 guest rooms the Monthly Fee payable by Franchisee is:  $45 \text{ guest rooms} * \$1.50 * 30 \text{ days} = \$2,025 \text{ per month.}$ ; or (ii) 5% of monthly Gross Room Revenues generated by the Franchised Location ("Monthly Fee"). "Gross Room Revenues" include all revenues, net of discounts, from the rental, sale, use or occupancy of guest rooms and meeting rooms at the Franchised Location, including cash and credit transactions, whether or not collected. Gross Room Revenues do not include taxes required by law or revenues from telephone calls, sundries, or vending machines.

(B) Reservation Fees. Franchisee shall, for the entire term of this Agreement, pay to Franchisor reservation fees (the "Reservation Fees"). Reservation Fees are subject to change from time-to-time by Franchisor upon thirty (30) days' prior written notice to Franchisee in connection with changes in the out-of-pocket costs and expenses and overhead incurred by Franchisor in providing reservation services to its franchisees. In addition to the Reservation Fees payable to Franchisor, Franchisee shall pay all the pass-through fees imposed by third-party vendors in providing reservation services to Franchisee, which pass-through fees are subject to change from time-to-time.

(C) Marketing Fund Fee. In addition to the Initial Fee, for the term of this Agreement Franchisee shall pay to Franchisor a monthly fee of \$0.50 per guest room per day calculated based on a 30-day month ("Marketing Fund Fee"). For purposes of example and illustration only, if the Franchised Location has 45 guest rooms the monthly Marketing Fund Fee payable by Franchisee is:  $45 \text{ guest rooms} * \$0.50 * 30 \text{ days} = \$675.00 \text{ per month.}$

(D) Franchisee's Obligation to Pay. Franchisee's obligation to pay Franchisor the Monthly Fees, Reservation Fees, Marketing Fund Fee, and other amounts under the terms of this Agreement will be absolute and unconditional and will remain in full force and effect until the term of this Agreement has expired or until this Agreement is terminated by Franchisee in strict accordance with the terms and conditions set forth in this Agreement and applicable law notwithstanding any provision of this Agreement to the contrary. Franchisor shall have the right to commence a legal action against Franchisee in a court of competent jurisdiction to collect any amounts due and payable by Franchisee to Franchisor hereunder, including, but not limited to Monthly Fees and Reservation Fees, without terminating this Agreement.

(E) Date Payable. Unless otherwise provided in the Rules and Regulations, the Monthly Fee, Reservation Fees, and Marketing Fund Fee payable by Franchisee must be paid to and received by Franchisor on or before the tenth (10th) day of each month for the preceding month.

#### ARTICLE 6: QUALITY CONTROL, UNIFORMITY AND STANDARDS REQUIRED OF THE FRANCHISEE

(A) Identification of Business. Franchisee will operate its Franchised Location so that it is clearly identified by and advertised under the Franchised Name. However, the use, style, and form of the Mark or other registered trademarks or variations of marks in any advertising, marketing, Internet website, or Electronic Presence (as defined in Article 6(Z)), public relations, telemarketing or promotional campaign or program must have the prior written approval of Franchisor. Franchisee will use the Mark on all materials, articles, and supplies used in connection with the Franchised Location in the identical combination and manner prescribed by Franchisor in the Rules and Regulations or otherwise 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, and other notice marking requirements required by applicable law or by Franchisor.

(B) Franchisee's Name. Franchisee will not use the Mark, or any derivative thereof, in its corporate, partnership, limited liability company, or sole proprietorship name and Franchisee will not attempt to register or otherwise obtain an interest in any Internet domain name containing any of the Mark or any other word, name, or symbol which is similar to or likely to cause confusion with any of the Mark. Franchisee will hold itself out to the public as an independent contractor operating its Franchised Location pursuant to a franchise granted by Franchisor. Whenever practical, franchisee will clearly indicate on Franchisee's business checks, stationery, purchase orders, folios, business cards, invoices, receipts, promotional materials, and other written materials, as well as on any home page, Internet website, or other Electronic Presence, that Franchisee is a franchisee of Franchisor and an independent licensee of Franchisor. Franchisee will take all necessary steps, including those from time to time reasonably requested by Franchisor to minimize the chance of a claim being made against Franchisor for anything that occurs at the Franchised Location or for acts omissions or obligations of Franchisee or anyone associated or affiliated with Franchisee or the Franchised Location. Such steps, for example, include displaying a sign at the front desk of the Franchised Location and in each guest room which is clearly visible to the general public indicating that the Franchised Location is independently owned and operated as a franchised business. Franchisee will file for a "Certificate of Assumed Name", or similar state form, in the manner required by law so as to notify the public that Franchisee is operating its Franchised Location as an independent business pursuant to this Agreement.

(C) Loyalty Programs. At all times during the term of this Agreement, Franchisee shall, at its expense, participate in all programs now or at any time hereafter sponsored by Franchisor to promote

and reward the frequent and regular guests of hotels operating under the Mark or any other trademarks or trade names owned by Franchisor (the "Loyalty Programs"). All such Loyalty Programs and the costs and terms of Franchisee's participation shall be set forth in the Rules and Regulations. Franchisee shall take all action necessary to fully participate in all such Loyalty Programs, including, but not limited to, paying fees to Franchisor and third-party vendors, entering into agreements with Franchisor and/or third-party vendors, providing information to Franchisor and/or third-party vendors and purchasing equipment, software and/or services. All such agreements shall be in such form as Franchisor may require from time to time. Franchisor reserves the right, at any time and from time to time, to modify the terms of its Loyalty Programs, discontinue one or more of its Loyalty Programs, and/or establish or implement one or more new Loyalty Programs for frequent and regular guests. Franchisee acknowledges that the cost of its participation in any such modified or new Loyalty Programs may be different or greater than that incurred by Franchisee under Franchisor's Loyalty Programs in effect as of the Effective Date of this Agreement.

(D) Guest Referral and Loyalty. Franchisee shall use every reasonable means necessary to encourage and promote the use of hotels operating under the Mark and Business System by the traveling public and never divert or attempt to divert any business or customer of the Franchised Location or any other hotel using the Mark and Business system to any competitor or do anything injurious or prejudicial to the goodwill associated with the Mark or the Business System. Franchisee agree to display on the premises of the Franchised Location all brochures, including brochures for all Loyalty Programs, system directories, display boards, lobby showcase maps, and promotional materials supplied by Franchisor for use at hotels using the Mark, the Business System, or any other trademarks or trade names owned by Franchisor.

(E) Site and Building Standards and Specifications. The Franchised Location must conform to (1) Franchisor's then-current approved standard plans and specifications consisting of conceptual drawings, including floor plans, elevations, and general details for the development of working drawings for a hotel operating under the Mark using the Business Systems ("Plans and Specifications"); (2) Franchisor's minimum design and standards and specifications as set forth in the Rules and Regulations; and (3) the Detailed Plans, as defined in Article 18(C) hereof. Franchisee will not add any guest rooms or make any architectural, structural, design, or decorating changes to the interior or exterior of the Franchised Location without Franchisor's prior written approval, which approval shall not be unreasonably withheld. The furniture, fixtures, and equipment used in the Franchised Location must conform to the Rules and Regulations, the Plans and Specifications and to the standards of quality and uniformity established by Franchisor from time to time. Any interior design plan Franchisee proposes must be approved by Franchisor in writing, which approval shall not be unreasonably withheld.

(F) Remodeling and Redecoration of Business. Franchisee will, from time to time, make the reasonable capital expenditures necessary to remodel, modernize, redecorate, and renovate its Franchised Location and will purchase and replace the furniture, fixtures, supplies, equipment, and amenities used in the Franchised Location so that the Franchised Location will be compliant with the Rules and Regulations, Plans and Specifications, and reflect the then-current image intended to be portrayed by Franchisor. Franchisee will be required to complete such remodeling, modernization, redecoration, and renovation of its Franchised Location and the purchase and replacement of its furniture, fixtures, supplies, equipment, and amenities within the time periods established by Franchisor in its sole discretion. All remodeling, modernization, redecoration, and renovation of the Franchised Location and all purchases and replacements of the furniture, fixtures, supplies, and

equipment must conform to the Rules and Regulations and Plans and Specifications and must be approved by Franchisor in writing, which approval shall not be unreasonably withheld. If Franchisee wishes to deviate from Franchisor's Rules and Regulations and/or Plans and Specifications, Franchisor must approve Franchisee's design plans, which approval shall not be unreasonably withheld.

(G) Compliance with Standards. Franchisee agrees to maintain the standards of quality and uniformity required by Franchisor for all products and services and acknowledges and agrees that the terms and conditions of this Agreement, the Rules and Regulations and the Plans and Specifications are necessary to assure that all hotels using the Mark and Business System will be uniform in nature and will sell and dispense quality products and services to the public. Franchisee will use the Mark and the Business System, and will operate its Franchised Location in strict compliance with the Rules and Regulations, the Plans and Specifications, and any other standards, operating procedures, specifications, requirements, and instructions adopted, amended, and/or deleted by Franchisor from time to time. Franchisee understands and agrees that due to presently unforeseen changes in competitive circumstances, changes in the needs and desires of customers, technological innovations and/or changes in the image intended to be portrayed by hotels using the Mark and Business System, Franchisor may need to modify the Mark and/or Business System in order that it best serve the interests of Franchisor, Franchisee, and other franchisees using the Mark and Business System. Without limiting the generality of the foregoing, Franchisor may, in its sole discretion, adopt, amend, and/or delete standards, operating procedures, specifications, requirements, and instructions relating to information technology, including computer hardware and software relating to the management and operation of, and the CRS (as defined in Article 6(V)) and the PMS (as defined in Article 6(W)), for hotels using the Mark and Business System, the requirements for which shall be prescribed by the Franchisor in the Rules and Regulations or otherwise in writing. Franchisee will conform to all guest service procedures and standards prescribed by Franchisor in the Rules and Regulations or otherwise in writing.

(H) Compliance with the Rules and Regulations. Franchisor will provide Franchisee with access to or use of one copy of each of the documents comprising the Rules and Regulations, Plans and Specifications, and all other standards and specifications required by Franchisor, as may be modified, deleted, or otherwise altered at any time by Franchisor in its sole and absolute discretion. Franchisee will conform to the common image and identity created by the products and services associated with the Mark and Business System which are portrayed and described by the Rules and Regulations and Plans and Specifications and Franchisee will conform to all changes and modifications to the Rules and Regulations and/or Plans and Specifications made by Franchisor and provided or made available to Franchisee that are deemed by Franchisor necessary to: (1) improve the standards of service or the products offered for sale under the Mark and Business System; (2) protect the goodwill associated with the Mark and Business System; (3) improve the operation or efficiency of the Franchised Location; and/or (4) market the products and services associated with the Mark and Business System. Franchisee shall fully and timely comply with all of the provisions of the Rules and Regulations as the same may be revised from time to time by Franchisor in its sole discretion, including, but not limited to, paying any and all fees and other charges provided for in the Rules and Regulations.

(I) Compliance with Applicable Law. Franchisee will, at its expense, comply with all applicable federal, state, city, local, and municipal laws, ordinances, rules, and regulations pertaining to the purchase, construction, renovation, remodeling, and/or operation of the Franchised Location, including, but not limited to, the Americans with Disabilities Act of 1990 (42 U.S.C.A. § 12101 et. seq.) (the "ADA") and any and all applicable federal and state laws, codes and regulations relating to

employees, and/or the environment. Franchisee will, at its expense, be absolutely and exclusively responsible for determining the licenses and permits required by law for the construction, renovation, and/or operation of the Franchised Location, for qualifying for and obtaining all such licenses and permits, and for maintaining all such licenses and permits in full force and effect. In the event Franchisee receives any complaint, claim, or other notice alleging a failure to comply with applicable law, including the ADA, Franchisee shall provide Franchisor with a copy of such notice within five (5) days after receipt thereof.

(J) Limitations on Products and Services/Promotions. Franchisee will sell only those products and services at its Franchised Location that have been approved by Franchisor in writing and will offer for sale at its Franchised Location all products and services prescribed from time to time by Franchisor. Without limiting the generality of the foregoing, Franchisee, each day, must provide its guests with a free continental breakfast consisting of such food and beverage items as Franchisor may prescribe from time to time in the Rules and Regulations. To the fullest extent permitted by applicable law, we reserve the right to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products or services. You must participate in and honor the terms of any discount or promotional program (including any room discounts or discount rate codes) that are applicable to your Key West Lodging Facility, or any other lodging facilities we own, operate, manage or franchise, that we offer to the public on your behalf and any room rate quoted to any guest at the time the guest makes an advance reservation. You agree that you will take all action necessary to participate in any discount or promotional programs.

(K) Suppliers. Except for the CRS and PMS (as each term is defined in Article 6(V)), Franchisee will have the right and option to purchase all goods and services from any suppliers Franchisee chooses, provided that the goods and services purchased conform to Franchisor's Rules and Regulations and Plans and Specifications. Upon request by a supplier or Franchisee, Franchisor will provide information regarding its standards. Franchisor shall have the right to receive and retain marketing allowances, royalties, commissions and/or other payments or consideration from suppliers in connection with the sale of goods and services to Franchisor and/or Franchisor's franchisees, including Franchisee.

(L) Maintenance. Franchisee will, at its expense, maintain, repair, paint, and keep in a clean and sanitary condition the interior, the exterior, and the grounds of the Franchised Location, and will replace all floor coverings, wall coverings, light fixtures, curtains, sheets, bedspreads, pillows, linens, room furnishings, wall hangings, fixtures, and other decor items as such items become worn-out, soiled, or in disrepair. All mechanical equipment must meet the quality standards set forth in the Rules and Regulations and Plans and Specifications. Any replacement equipment, decor items, and supplies must comply with Franchisor's then-current Rules and Regulations and Plans and Specifications.

(M) Payment of Taxes. Franchisee will be absolutely and exclusively responsible and liable for the prompt payment of all federal, state, city, and local taxes, including, but not limited to, individual and corporate income taxes, sales and use taxes, franchise taxes, gross receipt taxes, employee withholding taxes, FICA taxes, unemployment taxes, inventory taxes, personal property taxes, real estate taxes, and all other taxes payable in connection with the Franchised Location (hereinafter referred to as "Taxes"). Franchisor will have no liability for any Taxes that arise or result from the operation of the Franchised Location and Franchisee will indemnify Franchisor for any such Taxes that may be assessed or levied against Franchisor.

(N) Reimbursement of Franchisor for Taxes. If any sales, use, franchise, gross receipts, privilege, doing business, business, and occupation, Taxes or other charge that can be reasonably considered a tax are imposed upon Franchisor by any taxing authority based upon the Gross Revenues, receipts, sales, business activities, or operations generated by the Franchised Location or upon the Initial Fee, Monthly Fees, Reservation Fees, and/or other amounts payable to Franchisor hereunder, then Franchisee will reimburse Franchisor for the amount of such taxes. However, in no event will Franchisee be required to reimburse Franchisor for any income tax imposed upon Franchisor. Franchisee will be notified in writing when Franchisor is entitled to reimbursement for the payment of such taxes and, in that event, Franchisee will pay Franchisor the amount specified within ten (10) days of receipt by Franchisee of written notice from Franchisor.

(O) Business Hours; Personnel. The Franchised Location will be open for business twenty-four (24) hours a day, 365 days a year, unless Franchisor, in its sole discretion, authorizes Franchisee to be open fewer hours due to economic or other business considerations. The Franchisee shall appoint a single individual who meets the then-current requirements for experience and management qualifications, as provided in the Rules and Regulations, to personally oversee the on-premises management of the Franchised Location and supervise Franchised Location employees (the "General Manager"). Franchisee will have a sufficient number of adequately trained and competent personnel on duty at all times to guarantee efficient service to Franchisee's customers. All persons employed by Franchisee must practice good personal hygiene and must wear clean and neat standard attire or uniforms as required by the Rules and Regulations.

(P) Franchisor's Inspection Rights. Franchisor and its agents will have the absolute right to examine, inspect, and take photographs and videos of the interior and exterior of the Franchised Location at all reasonable times, to examine representative samples, goods, and paper products sold or used at the Franchised Location and to evaluate whether Franchisee is complying with the Rules and Regulations and Plans and Specifications. Franchisee is responsible for lodging expenses incurred by Franchisor's inspectors. Such examinations and inspections may include periodic quality assurance evaluations of the Franchised Location by Franchisor and its employees, agents, and representatives. Franchisor will have the right to use all photographs and videos of the Franchised Location for such purposes as Franchisor deems appropriate, including, but not limited to, use in advertising, marketing, and promotional materials. 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 of Franchisor for the use of such photographs or videos for advertising, marketing, and promotion of Franchisor or the Business System.

If Franchisee is entering into this Agreement in connection with the conversion of an existing hotel or motel into a lodging facility using the Mark and Business System Franchisor will inspect such existing hotel or motel to determine the remodeling, modernization, redecoration, and renovations that Franchisee will be required to make to its existing hotel or motel and to identify the furniture, fixtures, supplies, equipment, and amenities that must be purchased and replaced for the existing hotel or motel to comply with the Rules and Regulations and the Plans and Specifications. Franchisor will generate a property improvement plan setting forth such required remodeling, modernization, redecoration, and renovations required to be made and the furniture, fixtures, supplies, equipment, and amenities required to be purchased and replaced as well as the timetable for completing the same.

If the Franchised Location fails to comply with the Rules and Regulations and/or the Plans and Specifications, Franchisor may require Franchisee to take all steps necessary to correct any deficiencies within the times that Franchisor may establish. Franchisee must pay Franchisor one thousand seven

hundred fifty and no/100 dollars (\$1,750) ("Re-Evaluation Fee") each time Franchisor or its agent conducts a special on-site quality assurance re-evaluation if: (1) Franchisor or its employees, agents, or representatives were previously denied access to the Franchised Location; (2) the Franchised Location has failed a regular quality assurance evaluation; and/or (3) Franchisor must inspect to verify that deficiencies noted in a quality assurance evaluation report have been corrected or completed by the required dates. Franchisee must also reimburse Franchisor for the out-of-pocket travel expenses incurred by Franchisor and its agents in connection with such quality assurance re-evaluations. Payment of the Re-Evaluation Fee and reimbursement for out-of-pocket expenses are payable to Franchisor immediately upon receipt of invoice.

(Q) Credit Cards. Franchisee will honor all credit, charge, and cash cards required or approved by Franchisor. Prior to honoring any unapproved credit, charge, or cash cards. Franchisee must obtain the written approval of Franchisor, which approval shall not be unreasonably withheld. Franchisee shall, at its expense, comply with all information security standards published by the Payment Card Industry Security Standards Council 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.

(R) Default Notices. Franchisee will immediately deliver to Franchisor a copy of any notice of default received from any mortgagee, trustee under any deed of trust, contract for deed vendor, lessor, or any other party with respect to the real estate for the Franchised Location, and copies of all written notifications of any lawsuits, consumer claims, employee claims, federal or state administrative or agency proceedings or investigations, or other claims, actions or proceedings relating to the Franchised Location and, upon request from Franchisor, Franchisee will provide such additional information as may be required by Franchisor regarding the alleged default, lawsuit, claim, action, or proceeding or any subsequent action or proceeding in connection with the alleged default, lawsuit, claim, action, or proceeding.

(S) Sale of Securities to the Public. If Franchisee is an entity and intends to sell any of its securities to the public, then Franchisee will provide Franchisor with a copy of the proposed offering circular or prospectus for its review at least ten (10) days prior to the time that the offering circular or prospectus is first filed with any state securities commission or the United States Securities and Exchange Commission or is distributed to members of the investing public. Franchisor will have the absolute right to attend all "due diligence" meetings held in preparation for the offer to sell Franchisee's securities to the public, and Franchisee will give Franchisor at least two (2) business days' prior written notice of such meetings. Franchisee will not offer its securities using the Mark, any other trademarks or trade names owned by Franchisor, or any names deceptively similar thereto. Franchisee will not have the right to sell any of its securities to the public or to any other person or entity until Franchisee has complied in all respects with all applicable provisions of this Agreement, including the applicable provisions of Article 17.

(T) Meeting Attendance. Franchisee's General Manager shall, at Franchisee's sole cost and expense, attend such meetings sponsored by Franchisor as Franchisor may from time to time reasonably require. Such meetings shall include Franchisor's convention and such training and motivational programs conducted by Franchisor that are designed to generate employee awareness, sensitivity, and responsiveness to the customers who patronize the Franchised Location. Franchisee shall pay Franchisor the registration fees for such meetings and conventions reasonably imposed by Franchisor regardless of whether Franchisee's General Manager attends the meetings or conventions.

(U) Property Ownership and Management. Franchisee shall at all times during the term of this Agreement own (as opposed to lease) the Franchised Location, including the real property and the improvements thereto. Franchisee will obtain the prior written approval of Franchisor, and will submit copies of proposed management agreements to Franchisor, prior to the appointment of a management company to operate the Franchised Location. At any time during the term of this Agreement, Franchisor has the right to require Franchisee to hire a management company approved by Franchisor to manage and operate the Franchised Location. Franchisor may require a representative of the management company to attend Franchisor's management training program, at Franchisee's expense. Franchisor may require Franchisee to replace its management company or General Manager with a qualified replacement approved by Franchisor upon ninety (90) days' prior notice. If Franchisee chooses not to hire a management company, the General Manager chosen by Franchisee must have at least five (5) years of hotel general management experience.

(V) Technology Systems.

(1) Franchisee shall use exclusively for the Franchised Location the central reservations system and services that are designated by Franchisor for the Business System, including but not limited to global distribution services ("GDS"), Internet services, and staycobblestone.com reservation services (collectively the "CRS"). Franchisee must participate in third party reservation systems that Franchisor makes available, including AMADEUS, GALILEO/APOLLO, SABRE, WORLDSPAN, various Internet reservation services (any of which may change), and all third party reservation services, which include direct connections into the CRS. The CRS may also include certain merchant programs, such as Expedia, that purchase room nights wholesale from you and re-sell to guests, and certain opaque programs, such as Priceline, that sell room nights at a discounted rate to guests. We will also provide you with access to a property management system for rate management, integrated distribution/channel management and internet booking engine, standard interfaces, point of sale or CRS interfaces (Franchise Agreement §6(V)(1) and (2)) Franchisee shall pay all Fees imposed by third-party vendors and Franchisor in connection with the provision of the CRS and related services. Franchisee shall enter into agreements, if any, with Franchisor and/or designated third-party vendors as may be required in connection therewith. The terms and conditions of any such agreements shall be as Franchisor determines or negotiates in its reasonable business judgment. Franchisee must provide all un-sold or unreserved rooms for sale through the CRS and may only close out inventory according to the procedures established from time to time by Franchisor. Franchisee must purchase, install and maintain, at Franchisee's expense, the equipment and software required in connection with the current CRS and any future system. Franchisee must at all times follow all operating rules and procedures related to the CRS as may be set forth in the Rules and Regulations. Franchisor does not warrant or guarantee that Franchisee will receive any specific volume, percentage, or number of reservations from any reservation system sponsored or maintained by Franchisor. So long as Franchisor or its designee maintains a toll-free telephone number, a reservation website, or any other broadly accessible reservation mechanism for the public's use in making reservations at hotels using the Marks and Business System (including the Franchised Location), Franchisee shall not use or promote any alternative toll-free telephone number, website, or reservation mechanism for the Franchised Location.

(2) Franchisor may at any time require that Franchisee purchase, lease, or otherwise acquire, at Franchisee's expense, a computerized hospitality property management



system/computer (the "PMS") which has been designated by Franchisor and must install all upgrades and patches according to the timetables and specifications established by Franchisor from time to time. Until such time as Franchisor requires Franchisee to use a particular PMS, Franchisee may use the PMS of its choice so long as such PMS meets the minimum requirements set forth in the Cobblestone Rules and Regulations Manual. Franchisee must enter into such agreements with the Franchisor and/or with vendors designated by Franchisor in connection with the purchase, installation, maintenance, training and support of any required PMS and the related software as Franchisor may require from time to time, as set forth in more detail in the Rules and Regulations. All such agreements shall be in such form as Franchisor may require from time to time. Franchisee may not load any software on the server and workstations for the PMS that has not been specifically approved in writing by Franchisor. Franchisee will at all times permit Franchisor to access and use the records and information on Franchisee's PMS, either by direct access, by telephonic modem access, by providing disk copies, or by such other means as may be prescribed from time to time by Franchisor. Franchisee will, at its sole expense, obtain and maintain at all times during the term of this Agreement, such other computer or information processing hardware, software, and other equipment as may from time to time be required by Franchisor for use in the Franchised Location. If Franchisor identifies specific computer hardware, software, and other equipment that must be purchased by Franchisee, Franchisee must purchase such specifically identified hardware, software, and other equipment without substitution. However, where Franchisor requires that Franchisee purchase, lease, or otherwise acquire certain computer hardware, software, and other equipment, but does not specifically identify the hardware, software, or other equipment to be purchased, all such hardware, software, and other equipment must be compliant with the Rules and Regulations. The firewall and related components must be connected and operating at all times to protect the integrity of the system and may not be modified, allowed to be altered, reconfigured or reset.

(3) Franchisee expressly understands and agrees that Franchisor shall not be liable for any loss or damage whatsoever (direct, indirect, punitive, actual, consequential, incidental, special, or otherwise) resulting from any omission in the content or performance of, or any inability to access or use the CRS and/or PMS and/or other services, regardless of the basis upon which liability is claimed, even if Franchisor has been advised of the possibility of such loss or damage. Franchisor makes no representation or warranty, express or implied, that the CRS and/or PMS and/or other services will meet Franchisee's requirements or that they will be uninterrupted, timely, secure, or error free; nor does Franchisor make any warranty as to the results that may be obtained from the use of the centralized reservation and property management systems and services or as to the accuracy, completeness, timeliness, or reliability of any information obtained through or posted on such systems or services. Franchisor shall not be responsible for any problems or technical malfunctions of the CRS and/or PMS and/or other services, including any problems or technical malfunctions of any telephone network or lines, computer on-line systems, servers, Internet access providers, computer equipment, software, or any combination thereof, including any injury or damage to the computer of Franchisee or any other person as a result of using the CRS and/or PMS and/or other services. Franchisee acknowledges that the CRS, PMS and other services are being provided to Franchisee "as-is".

(4) In the event of any failure of the CRS or PMS, or any part thereof, or any failure of the hardware installed by Franchisor or vendors to perform as a result of Franchisor's or vendors' installation of such hardware, the only liability of Franchisor or any vendors, and

Franchisee's sole and exclusive remedy, shall be use by Franchisor of commercially reasonable efforts to correct the failure or cause vendors to correct the failure.

(5) All guest and franchisee information that is obtained as part of the CRS, PMS, Interface, Customer Satisfaction Systems (as defined in Article 6(AA)), Cobblestone Rewards Programs, or other programs or services must remain confidential. Neither Franchisor nor Franchisee may transfer, sell, copy, disclose, or allow any person(s), firm, or entity to view or access this information for any reason, except as may be required by a court of law. Guest information may be used by Franchisor or Franchisee for the purpose of marketing as allowed under applicable laws; provided, however, in no event may Franchisee use any guest information for any purpose unrelated to the operation of its Franchised Location.

(6) Guest data and credit card information must be protected and safeguarded to ensure privacy, protection from theft, piracy, or unauthorized use. 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) Guest information and data may be used for legitimate business purposes by Franchisor to provide analysis of guest history, buying patterns, and for marketing and sales purposes. Guest data and information remains the property and responsibility of Franchisee, but must be made available to Franchisor.

(8) Franchisor may, in its sole discretion, modify, replace, or discontinue the CRS, PMS or any component thereof at any time during the term of this Agreement, upon ninety (90) days' prior written notice to Franchisee. Franchisee must promptly adhere to any such modifications, including the payment of new or modified fees, provided that the amount of such fees are determined in a manner that is applied uniformly among franchisees of Franchisor required to participate in the CRS and PMS. Franchisee acknowledges that the cost of its participation in any such new or modified CRS and/or PMS may be different or greater than that incurred by Franchisee under the current systems.

(9) Upon the occurrence of a default of this Agreement by Franchisee, Franchisor, without limiting in any way of Franchisor's other rights under Article 8 or remedies, may suspend Franchisee's participation in the CRS, PMS and/or other services sponsored or maintained by Franchisor, regardless of whether Franchisor has issued a Notice of Breach under Article 8(B). Such suspension shall be for the duration of Franchisee's default and Franchisor shall have the right to charge Franchisee a reinstatement fee of one thousand five hundred and no/100 dollars (\$1,500) upon reinstatement of services ("Reinstatement Fee").

(X) Travel Agent Commission Payment Program. Franchisee shall participate in all programs established by Franchisor from time to time for paying commissions to travel agents. In connection with such programs, Franchisee shall enter into such agreements with Franchisor and/or third-party vendors designated by Franchisor, which agreement shall be in such form(s) as Franchisor may determine. Franchisor has the right to modify its current or any future travel agent commission payment program at any time during the term of this Agreement upon ninety (90) days' prior written notice to Franchisee. Franchisee may not participate in any third-party travel agent commission payment program that has not been approved by Franchisor.

(Y) Security. Notwithstanding any provision of this Agreement or the Rules and Regulations or any other material provided to Franchisee by Franchisor, (1) Franchisee shall be solely responsible for all safety and security measures taken at the Franchised Location and for ensuring the safety and security of Franchisee's guests, customers, agents, employees, and invitees; (2) Franchisor shall have no control over any such safety or security measures taken or not taken by Franchisee; (3) any inspections of the Franchised Location by Franchisor are not being undertaken for the purpose of insuring the safety or security of Franchisee's guests, customers, agents, employees, and invitees. Franchisee shall be solely responsible for (1) determining the level of exterior lighting; (2) determining the type of locks to install in guest rooms; (3) determining the type, location and monitoring of any surveillance equipment; and (4) otherwise ensuring the safety and security of the Franchised Location.

(Z) Internet and Phone Lines. Franchisee shall not be permitted to use any of the Mark or other word, name, symbol, or logo which is confusingly similar to any of the Mark in any website, home page, or other presence on the Internet (collectively, an "Electronic Presence") without Franchisor's prior, express written consent, which may be granted or denied in Franchisor's sole discretion. Franchisor's official website is protected by copyrights and Franchisee is not authorized to utilize its contents, in whole or in part, in the development of other websites or an Electronic Presence. If Franchisor approves Franchisee's Electronic Presence, such Electronic Presence will be subject to ongoing review by Franchisor for content, proper trademark usage, accuracy, quality, current content, and consistency. Franchisor reserves the right to require changes to or removal of an Electronic Presence or postings that do not meet the above review criteria. In addition, Franchisor may require that Franchisee include in any such Electronic Presence a hypertext or other direct link to any Electronic Presence maintained by Franchisor. Franchisee agrees that it shall not attempt to register or otherwise obtain any interest in any Internet domain name containing any of the Mark or any other word, name, symbol, or devise which is likely to cause confusion with any of the Mark. Franchisee must purchase, lease, or otherwise acquire, at Franchisee's expense, the hardware, software, maintenance, training and support for wireless hospitality grade High Speed Internet Access ("HSIA"), including all specifications for static IP addresses and such number of telephone and facsimile transmission lines dedicated exclusively for use with the CRS and PMS as Franchisor may prescribe from time to time. Franchisee shall make complimentary HSIA available in all of the guest rooms, meeting rooms, and hospitality rooms, and shall also provide a station with a personal computer in the lobby or business center for complimentary guest use, all as set forth in greater detail in the Rules and Regulations. The HSIA which is made available by Franchisee must satisfy Franchisor's requirements, standards, and specifications as set forth in the Rules and Regulations and system operating requirements, which may be changed by Franchisor from time to time in its sole discretion. Franchisee must register and actively use Franchisor's Hospitality Information Portal ("C-Street") and acknowledges that this electronic media is the primary method for chain wide communications. Time sensitive information and important correspondence may be provided through C-Street and, therefore, must be actively accessed on at least a daily basis by Franchisee or Franchisee's manager(s) or staff. If Franchisor, in its sole discretion, believes that there are a significant number of telephone calls or data transfers to the Franchised Location which are not being answered or delivered in a timely fashion. Franchisee shall, upon being notified in writing by Franchisor, add additional telephone lines, call waiting, voicemail, and/or other features to resolve the problem.

(AA) Customer Satisfaction Systems. Franchisee shall comply with the Rules and Regulations concerning comment cards, emails, telephone calls, letters, and other communications received from guests. Franchisee shall participate in all customer satisfaction systems sponsored or maintained by Franchisor (the "Customer Satisfaction Systems"). Franchisee shall take all actions

necessary to fully participate in the Customer Satisfaction Systems and will follow all procedures related to the Customer Satisfaction Systems, as the same may be changed from time to time by Franchisor. Franchisor reserves the right, at any time and from time to time to modify the terms and conditions of the Customer Satisfaction Systems, discontinue on or more of such systems, and/or establish or implement one or more new Customer Satisfaction Systems, which may include, without limitation, a fee assessed for guest complaints.

(BB) Technology Services. Franchisor has the right to provide to Franchisee (either directly or through a designated third-party provider) and to require Franchisee to purchase from Franchisor certain maintenance, training and support services for the PMS and/or CRS, certain firewall and anti-virus services and protection, certain connection services, including the generation of email confirmation and thank you notes to guests, and other services. Franchisee shall purchase such services from Franchisor and pay Franchisor the fees and charges established by Franchisor for these services from time to time, all as to be set forth in the Rules and Regulations. Unless otherwise provided in the Rules and Regulations, such fees and charges shall be payable by Franchisee upon receipt of Franchisor's invoices for the same. Franchisor has the right, at any time, to modify the terms and conditions under which it provides such services or discontinue the provision of services, and Franchisee must promptly adhere to any such modifications.

(CC) Marketing Fund. Franchisor will administer the fund that Franchisee's Marketing Fund Fees are applied to (the "Marketing Fund"). Franchisor may use Marketing Fund contributions in its sole discretion for any purpose relating to sales, marketing or advertising initiatives or programs that Franchisor may adopt from time to time, including sales, marketing or advertising initiatives or programs that we may adopt periodically, including developing, producing, distributing, and placing advertising, engaging in telemarketing/Internet activities, establishing, maintaining, updating and upgrading one or more Web sites, obtaining sponsorships and endorsements, and conducting public relations activities. Franchisor may, at its option, elect to administer the Marketing for the combined benefit of one or more types of Cobblestone branded hotels, including "Key West™," "Cobblestone Hotel & Suites®," and "Cobblestone Inn & Suites®." The Marketing Fund will not be used to defray any of Franchisor's general operating expenses, except for reasonable salaries, administrative costs and overhead Franchisor may incur in activities related to the administration of the Marketing Fund and its programs, including preparing advertising and marketing materials and collecting and accounting for contributions to the Marketing Fund.

Franchisor will have sole control over the creative concepts, content, form, and media placement of all advertising and promotional materials developed with Marketing Fund Fees, and the allocation of Marketing Fund monies to production, placement, or other costs and may, among other things, in Franchisor's sole discretion create and allocate funds for conducting advertising and marketing programs on a national, regional or local basis. Franchisor may use the Marketing Fund contributions for creating or placing advertisements that are principally for the solicitation for new franchisees. Additionally, Franchisor may include in all advertising prepared from Marketing Fund contributions (including Internet advertising) information concerning franchise opportunities, and a portion of Marketing Fund contributions may be used to create and maintain one or more Web sites or interior pages on Web sites devoted to advertising franchise opportunities and identifying and screening inquiries and applications submitted by franchise candidates.

Although one of the goals of the Marketing Fund is to maximize general recognition and patronage of the Marks for the benefit of all Cobblestone branded hotels Franchisor cannot assure Franchisee that its Franchised Location will benefit directly or pro rata from the placement of advertising.

Marketing Fund Fees payable pursuant to this Agreement will be contributed to the Marketing Fund. The Marketing Fund will be accounted for separately from Franchisor's other funds, but its funds may be deposited in any of Franchisor's general accounts and commingled with Franchisor's other funds. Franchisor shall not be obligated to credit the Marketing Fund with interest. Franchisor may spend in any fiscal year an amount greater or less than the aggregate contributions of all Cobblestone branded hotels to the Marketing Fund in that year. The Marketing Fund may borrow from Franchisor or other lenders to cover deficits in the Marketing Fund. The Marketing Fund may invest any surplus for future use by the Marketing Fund or use Marketing Fund monies to repay loans made to the Marketing Fund by Franchisor or other lenders. Franchisor will prepare annually a statement of monies collected and costs incurred by the Marketing Fund and furnish Franchisee with a copy upon Franchisee's written request. Except as otherwise expressly provided in this Article 6(CC), Franchisor assumes no direct or indirect liability or obligation with respect to the maintenance, direction or administration of the Marketing Fund. Franchisor does not act as trustee or in any other fiduciary capacity with respect to the Marketing Fund.

#### ARTICLE 7: CONFIDENTIAL INFORMATION

(A) Confidential Information. For purposes of this Agreement, "Confidential Information" shall include Franchisor's proprietary and confidential information relating to the development and operation of a hotel using the Mark and Business system, including, but not limited to: (1) site selection criteria for such hotels; (2) sales, marketing and advertising programs for, and information pertaining to hotels using the Mark and Business System; (3) the CRS, PMS and Customer Satisfaction Survey; (4) all information, knowledge, and know-how, including, without limitation, drawings, materials, equipment, methods, procedures, specifications, techniques, computer programs, systems, and other data which Franchisor copyrights or designates as confidential and proprietary, including, but not limited to, information on suppliers, goods and services, Rules and Regulations, and Plans and Specifications; (5) knowledge of operating results and financial performance of hotels using the Mark and Business System, other than hotels Franchisee owns; (6) training programs and all other information relating to the management and operation of hotels using the Mark and Business System; (7) computer systems and software programs; (8) all information pertaining to guests of hotels using the Mark and Business System, including the Franchised Location, regardless of whether collected by Franchisor, Franchisee or third parties, through the CRS, on the Internet, at the Franchised Location or otherwise; and (9) knowledge, or know-how concerning the Business System or the methods of operation of a hotel using the Mark and Business System.

(B) Protecting Confidential Information. Franchisor will disclose parts of the Confidential Information to Franchisee solely for its use in the operation of the Franchised Location. The Confidential Information is proprietary and includes Franchisor's trade secrets. During the term of this Agreement and thereafter: (a) Franchisee, or any of its owners, shareholders, members, officers, directors, employees, agents or representatives, may not use the Confidential Information in any other business or capacity (Franchisee acknowledges such use is an unfair method of competition); (b) Franchisee shall exert its best efforts to maintain the confidentiality of the Confidential Information; (c) Franchisee, or any of its owners, shareholders, members, officers, directors, employees, agents or representatives may not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other form; and (d) Franchisee shall implement all reasonable procedures Franchisor prescribes from time to time pertaining to the proper use of, and to prevent unauthorized use or disclosure of, the Confidential Information, including the use of nondisclosure agreements with Franchisee's officers, directors, managers and assistant managers and the delivery of such agreements to Franchisor.

## ARTICLE 8: FRANCHISOR'S TERMINATION RIGHTS

(A) Conditions of Breach. In addition to the other rights of termination contained herein, Franchisor will have the right and privilege to terminate this Agreement if (1) Franchisee fails to open and commence operations of its Franchised Location when it is ready for Franchisee's occupancy; (2) Franchisee violates any material term or condition of (a) this Agreement, including, but not limited to, failure to timely pay any Monthly Fees, Reservation Fees, or other monetary obligations or fees to Franchisor; (b) any of the Manuals; or (c) any other agreement between Franchisor on the one hand and Franchisee or any of its affiliates on the other hand; (3) Franchisee or any of its managers, partners, members, directors, governors, officers, or majority stockholders are convicted of, or plead guilty to or no contest to a charge of violating any law relating to the Franchised Location, or any felony; (4) Franchisee fails to conform to the Business System or the standards of quality and uniformity for the products and services promulgated by Franchisor in connection with the Business System; (5) Franchisee fails to timely pay any of its uncontested obligations or liabilities due and owing to any of its creditors, including Franchisor, or any federal, state, or municipal governmental authority (including, if applicable, any taxes); (6) Franchisee is deemed insolvent within the meaning of any state or federal law or Franchisee or any of the personal guarantors voluntarily file, or have filed against it/him involuntarily a petition under the United States Bankruptcy Code; (7) Franchisee makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors; (8) any check issued by Franchisee is dishonored because of insufficient funds (except where the check is dishonored because of an error in bookkeeping or accounting) or closed accounts; (9) Franchisee voluntarily or otherwise commits any act of omission or commission, indicating a willingness, desire, or intent of Franchisee to discontinue operating its Franchised Location in accordance with the quality standards, uniformity requirements, and Business System as set forth in this Agreement and the Manuals (hereinafter referred to as "Abandons"); (10) Franchisee is involved in any act or conduct which materially impairs the goodwill associated with any of the Mark or the Business System; (11) construction of the Franchised Location has not commenced at the Franchised Location within nine (9) months of the Effective Date; or (12) remodeling, modernizing, redecorating, and renovating of the Franchised Location has not commenced within six (6) months of the date that Franchisee receives Franchisor's notice specifying the required remodeling, modernization, redecorating, and renovation; (13) Franchisee fails for whatever reason to complete construction and open its Franchised Location for business as a Cobblestone branded hotel within eighteen (18) months of the commencement of construction for new construction projects or within six (6) months of the Effective Date of this Franchise Agreement for conversion projects; (14) Franchisee defaults on any mortgage, contract for deed, deed of trust, lease, or other similar instrument relating to the Franchised Location, or otherwise loses possession of all or a significant portion of the Franchised Location; (15) Franchisee fails to complete any of the remodeling, modernization, redecoration, or renovations set forth on a property improvement plan provided by Franchisor to Franchisee by the date or dates set forth in such property improvement plan; (16) Franchisee or any of its shareholders, partners, members, or other owners attempt to sell, assign, or otherwise transfer this Agreement, Franchisee's Business Assets (as hereinafter defined) and/or shares of capital stock, partnership interests, membership interests, or other ownership interests in Franchisee in violation of the requirements of Article 17; and/or (17) Franchisee intentionally understates or underreports its Gross Revenue to Franchisor. For purposes of this Article 8(A) Franchisee will not be deemed to have commenced construction until: (i) with respect to a newly constructed hotel Franchisee has, at a minimum, completed the building foundation and be framing; or (ii) with respect to the remodeling or renovation of an existing hotel. Franchisee has, at a minimum, removed all furniture, fixtures, and

equipment that Franchisor has not approved to be retained at the premises and commenced substantial remodeling.

(B) Notice of Default. Franchisor will not have the right to terminate this Agreement unless and until: (1) written notice setting forth the nature of the alleged breach has been delivered to Franchisee by Franchisor; and (2) after receiving the notice Franchisee fails to correct the alleged breach within the period of time specified by applicable law. In the event that applicable law does not specify a time period to correct an alleged breach, then Franchisee will have sixty (60) days after receipt of notice to correct the alleged breach, except where such notice states that Franchisee is delinquent in the payment of any fees or other payments payable to Franchisor pursuant to this Agreement or otherwise, in which case Franchisee will have ten (10) days after receipt of such notice to correct the breach by making full payment (including interest as provided for herein) to Franchisor. If Franchisee fails to correct the alleged breach set forth in the notice within the applicable period of time, then this Agreement may be terminated by Franchisor as provided in this Agreement. For the purposes of this Agreement, an alleged breach of this Agreement by Franchisee will be deemed to be "corrected" if both Franchisor and Franchisee agree in writing that the alleged breach has been corrected. If Franchisor has agreed in this Agreement or in an amendment or addendum hereto to charge Franchisee Monthly Fees, Reservation Fees, and/or any other fees or charges that are less than the corresponding fees or charges payable by the Franchisee to Franchisor pursuant to the Franchisor's standard form of franchise agreement in use by Franchisor as of the Effective Date, then notwithstanding any provision of this Agreement or any such amendment or addendum to the contrary, upon Franchisee's receipt of Franchisor's written notice of default, the Monthly Fees, Reservation Fees, and other fees and charges payable by Franchisee to Franchisor pursuant to this Agreement shall increase to the rate of such fees and charges payable by the Franchisee to Franchisor pursuant to Franchisor's standard rates, as set forth in the then-standard Franchise Agreement and then-current Franchise Disclosure Document.

(C) Notice of Termination. If Franchisor has timely complied with the notice provisions of Article 8(B) hereof and if Franchisee has not corrected the alleged breach set forth in the written notice within the time period specified in Article 8(B), then Franchisor will have the absolute right to terminate this Agreement by giving Franchisee written notice.

(D) Grounds for Immediate Termination. Notwithstanding any provision of this Agreement to the contrary franchisor will have the absolute right and privilege, unless precluded by applicable law, to immediately terminate this Agreement if: (1) Franchisee or any of its managers, partners, members, directors, governors, officers, or shareholders or other owners are convicted of, or plead guilty to or no contest to a charge of violating any law relating to the Franchised Location, or any felony; (2) Franchisee voluntarily or otherwise abandons its Franchised Location or its franchised business (including by compliance with Article 9, below); (3) Franchisee is involved in any act or conduct which materially impairs the goodwill associated with any of the Mark or the Business System, and Franchisee fails to correct the breach within twenty-four (24) hours of receipt of written notice from Franchisor of the breach; or (4) Franchisee breaches this Agreement, resulting in a Notice of Default by Franchisor, on three (3) or more occasions for the same or a similar breach, within any 36-month period.

(E) Notice of Immediate Termination. In the event Franchisor has grounds for immediate terminate, as provided in Article 8(D) above, then Franchisor will have the absolute right to terminate this Agreement by giving Franchisee written notice.

(F) Liquidated Damages. If this Agreement is terminated by Franchisor pursuant to this Article 8, Franchisee acknowledges that Franchisor will be substantially damaged by the loss of prospective fees and other amounts payable to Franchisor and that the actual amount of damages will be difficult, if not impossible, to ascertain. Therefore, upon such termination, Franchisee shall pay to Franchisor upon demand as liquidated damages and not as a penalty:

- i. if Franchisee has not received a discount to its Monthly Fees, the Monthly Fees payable to Franchisor multiplied by twenty-four (24) or, if franchisee is twenty-four (24) months of the end of the term of this Agreement, the Monthly Fees payable to Franchisor multiplied by the number of months remaining in such term; or
- ii. if Franchisee has received a discount to its Monthly Fees, (a) the Monthly Fee payable to Franchisor multiplied by twenty-four (24) or, if Franchisee is within twenty-four (24) months of the end of the term of this Agreement, the Monthly Fees payable to Franchisor multiplied by the number of months remaining in such term, plus (b) the amount of the discount (i.e. undiscounted Monthly Fee less Monthly Fee actually paid by Franchisee) multiplied by the number of months from the Opening Date to the date of termination.

#### ARTICLE 9: FRANCHISEE'S TERMINATION RIGHTS

(A) Conditions of Breach. Franchisee will have the right and privilege to terminate this Agreement, if: (1) Franchisor violates any material provision, term or condition of this Agreement; (2) Franchisor fails to timely pay any material non-contested and liquidated obligations due and owing to Franchisee; (3) Franchisor voluntarily files or has filed against it involuntarily, a petition under the United States Bankruptcy Code; or (4) Franchisor makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors.

(B) 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; (1) written notice setting forth the nature of the alleged breach has been delivered to Franchisor by Franchisee; (2) Franchisee is itself in material compliance with this Agreement at the time of the notice; and (3) Franchisor fails to correct the alleged breach or violation within thirty (30) days after receipt of the written notice. If Franchisor fails to correct the alleged breach within thirty (30) days after receiving written notice, then this Agreement may be terminated by Franchisee as provided for in this Agreement. If Franchisor's alleged breach is not reasonably capable of being cured within thirty (30) days, Franchisor will be deemed to have cured for purposes of this Article 9(B) as long as Franchisor commences its cure within thirty (30) days after receipt of Franchisee's notice and pursues such cure to its completion with reasonable diligence under the circumstances.

(C) Notice of Termination. If Franchisee has timely complied with the notice provisions of Article 9(B) hereof and if Franchisor has not corrected the alleged breach set forth in the written notice within the time period specified in Article 9(B), then Franchisee will have the absolute right to terminate this Agreement by giving Franchisor written notice.



## ARTICLE 10: FRANCHISEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION

(A) Termination of Use of Mark; Other Obligations. If this Agreement expires or is terminated for any reason, the Franchisee will: (1) unless Franchisor requests return of materials as provided below, immediately destroy and certify the destruction of all Confidential Information within five (5) days after expiration or termination of this Agreement, pay all amounts due and owing to Franchisor under this Agreement or otherwise; (2) if requested by Franchisor, immediately return to Franchisor by first class prepaid United States mail all Confidential Information; (3) within ten (10) days after expiration or termination date, discontinue the use of all items bearing the Mark or that otherwise identifies or is related to the Mark or Business System; (4) within ten (10) days after the expiration or termination date, remove all signs containing any of the Mark and cease all use of the distinctive sign shape; (5) within ten (10) days after the termination date, terminate or assign to Franchisor, as Franchisor may elect, any Internet website, domain name, or URL that identifies Franchisee as currently or formally associated with Franchisor or that displays any of the Mark; (6) take such action to comply with all other applicable provisions of this Agreement; and (7) furnish to Franchisor within (30) days of the termination date or expiration date, evidence satisfactory to Franchisor of Franchisee's compliance with the post-termination or post expiration obligations contained in this Agreement, on or before the deadlines set forth in this Article. Upon expiration or termination of this Agreement, for any reason, Franchisee's right to use the Mark and Business System and to participate in any CRS or PMS will terminate immediately and Franchisee shall surrender all reservations made for the Franchised Location prior to the effective date of such expiration or termination and will honor all rates quoted at the time such reservations were made. In addition, Franchisor shall have the right, without liability to Franchisee, to notify customers holding reservations that the Franchised Location may no longer be associated with the Mark and Business System at the time of their stay.

(B) Alteration of Franchised Location. If this Agreement expires or is terminated for any reason or if the Franchised Location ever ceases to use the Mark and Business System, then Franchisee will, at its expense, promptly alter, modify, and change both the exterior and interior appearance and trade dress of the Franchised Location so that it will be easily distinguished from the standard appearance and trade dress of a hotel using the Mark and Business System. At a minimum, such changes and modifications to the Franchised Location will include; (1) repainting and, where applicable, recovering both the exterior and interior of the Franchised Location with colors which are not identified with the Mark and Business System, including removing any distinctive colors and designs from the walls; (2) removing any and all fixtures and other decor items which are unique to the Mark and Business System and replacing them with decor items not of the general type and appearance customarily used in hotels using the Mark and Business System; (3) removing all exterior and interior signs bearing the Mark; and (4) immediately discontinuing use of the approved graphics, employee uniforms, wall décor items, and window decals, and refraining from using any items which are confusingly similar.

(C) Transfer of Telephone Numbers and Directory Listings. Upon the expiration or termination of this Agreement by Franchisor, Franchisor will have the absolute right to notify the telephone company and all listing agencies (including all internet travel sites) of the expiration or termination of Franchisee's right to use all telephone numbers and all classified and other directory listings under the Mark 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 Franchised Location. Franchisee acknowledges that Franchisor has the absolute right and interest in and to all such telephone numbers and listings associated with the Mark, and Franchisee hereby authorizes Franchisor to direct

the telephone company and all listing agencies to transfer all telephone numbers and directory listings to Franchisor or its assignee if this Agreement expires or is terminated for any reason whatsoever. The telephone company and all listing agencies may accept this Agreement as evidence of the exclusive rights of Franchisor to such telephone numbers and directory listings and this Agreement will constitute the authority from Franchisee for the telephone company and listing agency to transfer all telephone numbers and directory listings to Franchisor upon expiration or termination of this Agreement. In addition, upon the termination or expiration of this Agreement, Franchisor shall have the right to notify and instruct the publishers of any and all telephone and other directories which contain a listing for the Franchised Location to remove any reference to the Mark in Franchisee's listings. Franchisee will not make any claims or commence any actions against the telephone company or the listing agencies for complying with this provision.

#### ARTICLE 11: TRAINING PROGRAM; OPENING ASSISTANCE

(A) Training. Franchisor will provide the management training program (described in the Rules and Regulations) for Franchisee's General Manager at such location or locations as may be designated by Franchisor to educate, familiarize, and acquaint him or her with the operations of a hotel operating under the Mark and Business System.

The management training program will include both classroom and on-the-job instruction on basic operations, purchasing management, cost control management, and other topics selected by Franchisor. The training program will be scheduled by Franchisor in its sole discretion and must be completed no more than one hundred twenty (120) days prior to the Opening Date. Franchisee's General Manager must successfully complete the management training program, prior to commencing operations at the Franchised Location, unless this requirement is waived by Franchisor in writing in its sole discretion. Franchisee must pay Franchisor its then-current management training fee for each person (including the initial General Manager and each new General Manager) who attends Franchisor's management training program within thirty (30) days of receiving Franchisor's invoice for the same. Franchisee must pay all travel, wages, lodging, and other related expenses for trainees and for on-site training, for Franchisor's staff. Training fees are subject to change by Franchisor from time-to-time in its sole discretion. If Franchisee does not serve as its own General Manager, franchisee must attend Franchisor's owner's orientation program that is provided by Franchisor from time-to-time. Franchisee must at its expense provide its General Manager and all front desk staff with a minimum of seven days training from the third party PMS provider; and this training must be completed approximately two (2) weeks prior to the opening of the Franchised Location.

(B) Changes in Management Personnel. Franchisee will promptly notify Franchisor in writing of any personnel changes in the management positions of the Franchised Location. If Franchisee hires a new General Manager who has not successfully completed Franchisor's management training program, then unless the successful completion of such program is waived by Franchisor in writing in its sole discretion, Franchisor will require the new General Manager to register to attend Franchisor's management training program prior to the time that he or she will be allowed to manage the Franchised Location and to thereafter successfully complete the management training program as soon as reasonably practicable.

(C) Payment of Salaries and Expenses. Except as provided in Articles 11(D) and 11(E) and this Article 11(C), during the management training program, Franchisor will pay all salary, expenses and other costs incurred by Franchisor's personnel arising in connection with the training program. All wages, salary, expenses, and other costs, including room, board, and travel expenses, incurred by

Franchisee or its personnel in connection with the management training program or owner's orientation will be paid by Franchisee. In addition, within thirty (30) days of receiving Franchisor's invoice, Franchisee shall pay Franchisor such fees as Franchisor may establish from time to time to cover its out-of-pocket costs and expenses incurred in providing its owner's orientation program to Franchisee.

(D) Opening Assistance. After Franchisee's General Manager has successfully completed Franchisor's management training program, Franchisor will provide up to five (5) days of opening assistance and staff training at the Franchised Location, and up to an additional four (4) days of training at the Franchised Location on the use and operation of the PMS, if applicable. Franchisee must provide Franchisor with a copy of the Certificate of Occupancy for its Franchised Location at least seventy-two (72) hours before Franchisor's representatives are scheduled to arrive at the Franchised Location for on-site training. Training and opening approval will occur only after all conditions set forth in Article 18(F) are satisfied and a copy of the Certificate of Occupancy is received by Franchisor. In the event the Franchised Location is not ready to be opened for business when Franchisor's representatives arrive to provide such opening assistance and on-site training, Franchisee shall reimburse Franchisor upon demand for all salary, expenses, and other costs incurred by the personnel of Franchisor and its agents while they are delayed in providing such opening assistance and on-site training.

(E) Complimentary Rooms. Franchisee shall be required to provide complimentary rooms or pay all lodging expenses incurred by the personnel of Franchisor and its agents in connection with inspections (including quality assurance evaluations and re-evaluations) of the Franchised Location, providing opening assistance and on-site training and marketing and other sales visits to the Franchised Location.

## ARTICLE 12: FRANCHISOR'S OTHER OBLIGATIONS

(A) Business System. Consistent with Franchisor's standards of quality and uniformity Franchisor or its authorized representative will: (1) provide Franchisee with a copy of, or access to, a written summary of all furniture, fixtures, supplies and equipment required for the operation of the Franchised Location; (2) provide Franchisee with a copy of, or access to, a list of approved suppliers of the furniture, fixtures, supplies and equipment, including the standard Sign (as defined in Article 13) required for the Franchised Location; (3) provide Franchisee with a copy of, or access to, a list of approved sources from whom Franchisee can purchase products, printed materials, items, Goods and Services; (4) provide Franchisee with business procedures required for the operation of the Franchised Location, including information in connection with the CRS and PMS; (5) inspect the Franchised Location as often as Franchisor deems necessary and render written reports to Franchisee as deemed appropriate by Franchisor; (6) legally protect the Mark and the Business System for the benefit of all franchisees using the Mark and Business System; (7) render, upon written request by Franchisee, advisory services pertaining to guest service and operation of the Franchised Location (however, all reasonable administrative and out-of-pocket expenses and other fees for certain services or training that are incurred by Franchisor in rendering such advisory service will be paid for by Franchisee); (8) provide Franchisee with a copy of, or access to, the Rules and Regulations, Plans and Specifications, and any continuing supplements and modifications thereto; and (9) provide, upon written request by Franchisee, a copy of Franchisor's then current Plans and Specifications.

## ARTICLE 13: SIGNAGE

(A) Approved Sign. During the term of this Agreement, Franchisee will, at its expense, either lease or purchase the standard free standing sign bearing one of the Marks designated by Franchisor (the "Sign") which will be displayed at the Franchised Location. Franchisee will pay for all costs incurred in connection with the erection and installation of the Sign, including all electrical work, construction of the base and foundation, relocation of the power lines, and all required soil preparation work. The Sign must conform exactly to the Rules and Regulations and Plans and Specifications and must be installed at the Franchised Location in the precise place, location, and manner specified by Franchisor in writing. Franchisee will display only the approved Sign and will not use or display any other signs of any kind or nature at the Franchised Location without obtaining the express written approval of Franchisor prior to their installation or use, which approval shall not be unreasonably withheld.

(B) Payment of Costs and Expenses. Franchisee will, at its expense, be responsible for any and all permits, licenses, repairs, maintenance, utilities, insurance, taxes, assessments, and levies in connection with the erection or use of the Sign.

(C) Modification and Replacement. Franchisee may not alter, remove, change, modify, or redesign the Sign unless approved by this Franchisor in writing. Franchisor will have the right, in its sole discretion, (1) to redesign the sign plans and specifications from time to time during the term of this Agreement, without the approval or consent of Franchisee; (2) to modify the trademark, trade name, service mark, logo, and/or color combinations required to appear on the Sign and/or to substitute a new or different trademark, trade name, service mark, logo, and/or color combination required to appear on the Sign pursuant to Article 3(C); and (3) to require Franchisee, at its expense, to either modify or replace the Sign so that the Sign displayed at the Franchised Location complies with Franchisor's redesigned Rules and Regulations and Plans and Specifications.

## ARTICLE 14: INSURANCE

(A) General Liability Insurance. Franchisee must procure and maintain in full force and effect, at its sole cost and expense, an insurance policy or policies insuring Franchisee, Franchisor, and their respective officers, manager, directors, governors, and employees from and against any loss, liability, claim, or expense of any kind whatsoever, including bodily injury, personal injury, death, property damage, products liability, and all other occurrences resulting from the condition, operation, use, business, and occupancy of the Franchised Location, including the surrounding premises, the parking area, and the sidewalks of the Franchised Location.

(B) Automobile Insurance. Franchisee must also procure and maintain in full force and effect, at its sole cost and expense, automobile liability coverage insuring Franchisee, Franchisor, and their respective officers, managers, directors, governors, and employees from any and all loss, liability, claim, or expense of any kind whatsoever resulting from the use, operation, or maintenance of any automobile or vehicle used by Franchisee or any of its employees in connection with the Franchised Location.

(C) Coverage Limits. Liability coverage for both the general liability coverage and the automobile liability coverage must have limits of two million and no/100 dollars (\$2,000,000) combined single limit. Franchisee must also maintain "all risks" property insurance coverage for the building, machinery, equipment, fixtures, furnishings, and signs at the Franchised Location (including

fire and extended coverage) with limits equal to at least "replacement" cost. Franchisor may, in its discretion, periodically change the types of insurance and/or increase the limits of coverage of the insurance that Franchisee is required to maintain hereunder.

(D) Additional Insured. All insurance policies must name Franchisor as an additional insured on a primary and non-contributory bases. Policies must contain endorsements by the insurance companies waiving all rights of subrogation against Franchisor, and must stipulate that Franchisor will receive copies of all notices of cancellation, nonrenewal, or coverage reduction or elimination at least thirty (30) days prior to the effective date of such cancellation, nonrenewal or coverage change.

(E) Insurance Companies; Evidence of Coverage. All insurance companies providing coverage to Franchisee must have an "A," "A+" or "A-" rating by A.M. Best & Co. and must be licensed in the state where the coverage is provided. Franchisee will provide Franchisor with certificates of insurance evidencing the required insurance coverage no later than the date Franchisee takes possession of the Franchised Location and annually thereafter in connection with the renewal of Franchisee's insurance policies.

(F) Other Insurance. Franchisee will, at its sole cost and expense, procure and pay for all other insurance required by state or federal law, including workers' compensation insurance for its employees, together with all insurance required under any lease, mortgage, deed of trust, contract for deed, or other legal contract in connection with the Franchised Location or the Franchised Location.

(G) Defense of Claims. All liability insurance policies procured and maintained by Franchisee will require the insurance companies to provide and pay for legal counsel to defend any covered legal actions, lawsuits, or claims brought against Franchisee, Franchisor, and their respective officers, managers, directors, governors, and employees.

(H) Material Breach. If Franchisee fails to comply with the provisions of this Article 14, Franchisor will have the right, but not the obligation, to procure on behalf of Franchisee any and all insurance required under this Agreement with the agent and insurance company of Franchisor's choice. Franchisee agrees to cooperate fully with Franchisor in its effort to obtain such insurance policies, promptly execute all forms or instruments required to obtain or maintain any such insurance, and allow any inspections of the Franchised Location that are required to obtain or maintain any such insurance. Franchisor will invoice Franchisee for all costs and expenses incurred by Franchisor to procure the required insurance coverage on behalf of Franchisee and Franchisee shall pay any such invoice in full within ten (10) days of its receipt of the same from Franchisor. Franchisor shall be under no duty to ascertain the existence of or to examine any such policy or to advise Franchisee in the event any such policy shall not comply with the requirements of this Article 14.

#### ARTICLE 15: INDEPENDENT CONTRACTORS; INDEMNIFICATION

(A) Independent Contractors. Franchisor and Franchisee are each independent contractors and, as a consequence, there is no employer-employee or principal-agent relationship between Franchisor and Franchisee. Franchisee will not have the right 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.

(B) Indemnification. Franchisee shall indemnify Franchisor against and shall reimburse Franchisor upon demand for any and all losses, costs, expenses (including without limitation, reasonable attorneys' fees, disbursements of counsel, investigation expenses, expert witness fees, court costs, deposition expenses, and travel and living expenses), liabilities, damages, fines, penalties, charges, assessments, judgments, settlements, claims, causes of action, and other obligations of any nature whatsoever that Franchisor may at any time, directly or indirectly, suffer, sustain or incur, arising out of, based upon or resulting from (1) the breach by Franchisee of its obligations hereunder; (2) the design, construction and/or operation of the Franchised Location; and/or (3) any act, omission, event, or inaccuracy taking place on or about the Franchised Location. Franchisor will always have the right to defend any claim made against it with respect to which it is entitled to indemnification hereunder and Franchisee shall reimburse Franchisor upon demand for any and all costs and expenses, including reasonable attorneys' fees incurred by Franchisor in connection therewith.

(C) Continuation of Obligations. The indemnification and other obligations contained in this Article will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

#### ARTICLE 16: FINANCIAL STATEMENTS, SALES REPORTS, FORMS AND ACCOUNTING

(A) Monthly, Year-To-Date and Annual Financial Statements. Franchisee will, at its expense, provide Franchisor with annual financial statements for the Franchised Location (which exclude from the balance sheet, income statement and statement of cash flow items which are unrelated to the Franchised Location) and, upon request by Franchisor, for Franchisee (which include all balance sheet, income statement, and statement of cash flow items of Franchisee). In addition, Franchisee will, at its expense and upon the written request by Franchisor, provide Franchisor with monthly and year-to-date financial statements for the Franchised Location and/or Franchisee. All such financial statements will (1) consist of a balance sheet, income statement, statement of cash flows, and explanatory footnotes; (2) be verified by Franchisee; (3) be presented in the exact form and format prescribed by Franchisor in writing; and (4) will be categorized according to the chart of accounts prescribed by Franchisor. All such financial statements will be prepared in accordance with generally accepted accounting principles applied on a consistent basis. The monthly and year-to-date financial statements for the preceding month will be delivered to Franchisor within ten (10) days of receiving Franchisor's request and the annual financial statements for Franchisee and/or its Franchised Location will be delivered to Franchisor within ninety (90) days of Franchisee's fiscal year end.

(B) Tax Returns. Franchisee will, within thirty (30) days of receiving a request from Franchisor, furnish Franchisor with signed copies of Franchisee's annual federal, and if applicable, state income tax returns for Franchisee's most recent fiscal year end.

(C) Reports of Gross Revenue Records. Franchisee will maintain an accurate written record of daily Gross Revenues for the Franchised Location and will remit a signed and-verified statement of franchisee's monthly Gross Revenues using such forms as Franchisor may prescribe in writing. The monthly statement of Gross Revenues will accompany Franchisee's Monthly Fee and Reservation Fees and, thus, unless otherwise provided in Franchisor's Manuals, will be delivered to Franchisor on or before the tenth (10th) day of each month for the preceding month. Franchisor may, at its discretion gather daily Gross Revenues, occupancy, and other related information through any computerized or automated information reporting system that Franchisor may establish to Franchisor in the manner and at such frequencies as Franchisor may specify. Franchisee shall participate in all computerized or automated information reporting programs that Franchisor may adopt for use by Cobblestone branded

hotels. Franchisee shall purchase any computer hardware, computer software, and related high-speed Internet access or telephone services necessary to participate in such programs.

(D) Franchisor's Audit Rights. Franchisee and Franchisee's accountants will make all of their books, records, ledgers, work papers, accounts, and financial information, including state and local sales tax reports and federal, state, and local income tax returns (collectively "Financial Records") available to Franchisor at all reasonable times for review and audit by Franchisor or its designee, and the Financial 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 five (5) years.

(E) Waiver by Franchisee. Franchisor will have the right to review the books and records maintained by the vendors or suppliers that supply products, goods, or services to Franchisee regarding the purchases made by Franchisee. This Agreement will serve as evidence of Franchisor's right to review such information and will constitute the authority from Franchisee for its vendors and suppliers to provide such information to Franchisor.

(F) Use and Disclosure of Information. Without limiting any other provision of this Agreement, Franchisor shall have the right to use in any appropriate manner all reports, data and other information that Franchisee submits to Franchisor or that Franchisor obtains. Franchisor shall have the right to disclose such reports, data and other information to third parties, including, but not limited to consultants and existing franchisees. Franchisor's affiliates, third party consultants engaged by the Franchisor or its affiliates, or any of their respective employees will be on an anonymous basis.

(G) Construction Cost Summary. Within sixty (60) days of the Opening Date, Franchisee shall submit to Franchisor a summary of all costs and expenses incurred by Franchisee in acquiring the Franchised Location and in designing and constructing the Franchised Location in such form as Franchisor may prescribe in writing.

(H) Organizational Documents. Franchisee shall, within ten (10) days of receiving a written request from Franchisor, provide Franchisor with true, correct, and complete copies of Franchisee's Articles of Incorporation, Articles of Organization, Bylaws, Operating Agreement, Member Control Agreement, Shareholder Control Agreement, Partnership Agreement, or comparable governing documents or instruments, as well as all amendments thereto. In addition, Franchisee shall, within ten (10) days of receiving a written request from Franchisor, provide Franchisor with a list of all of the shareholders, members, partners, or other equity owners of Franchisee showing the number of shares of stock, percentage interest, or other ownership interest of each such shareholder, member, partner, or other equity owner in Franchisee which is certified as being true, correct, and complete by the President, Chief Executive Officer, Managing Partner, or comparable officer or manager of Franchisee.

## ARTICLE 17: ASSIGNMENT

(A) 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. Franchisor will provide Franchisee with written notice of any such assignment or transfer, and the assignee will be required to fulfill Franchisor's obligations under this Agreement.

(B) Assignment upon Death or Disability of Franchisee. If Franchisee is an individual, then in the event of the death or permanent disability of Franchisee, the Franchisee's right to operate the

Franchised Location pursuant to this Agreement may, subject to compliance with Articles 17(C), (D) and (F) hereof, be assigned, transferred or bequeathed by Franchisee to any designated person or beneficiary.

(C) Approval of Transfer. Subject to the provision of Article 17(B), (D), (E) and (F) hereof, (1) this Agreement; (2) shares of capital stock, partnership interests, membership interests, or other ownership interests in Franchisee or any entity that beneficially owns, directly or indirectly, an interest in Franchisee; or (3) the material assets associated with the Franchised Location (the "Business Assets"), may be sold, assigned, or otherwise transferred by Franchisee or its direct or indirect shareholders, partners, or members only with the prior written approval of Franchisor. Any such purported sale, assignment, or other transfer without the prior written consent of Franchisor shall be void and constitute a material breach of the material provisions of this Agreement and good cause for the termination of this agreement by Franchisor unless Franchisor exercises its rights of first refusal under Article 17(E) hereof. Franchisor will not unreasonably withhold its consent to any sale, assignment, or other transfer of (1) this Agreement; (2) shares of capital stock, partnership interests, membership interest, or other ownership interests in Franchisee or any entity that beneficially owns, directly or indirectly, an interest in Franchisee; or (3) any of the Business Assets provided that Franchisee and the transferee comply with any and all reasonable conditions imposed by Franchisor in its sole discretion, including, but not limited to, the following: (1) all of Franchisee's monetary obligations due to Franchisor have been paid in full, and Franchisee is not otherwise in default under this Agreement; (2) the transferee must demonstrate to Franchisor's reasonable satisfaction that he, she, or it meets Franchisor's managerial standards, financial resources standards, and business standards for new franchisees, possesses a good business reputation and credit rating, and possesses the aptitude and ability to conduct the franchised business (as may be evidenced by prior related business experience or otherwise); (3) the transferee must execute, and cause all parties having a legal or beneficial interest in the transferee to execute Franchisor's then-current standard Franchise Agreement (the "New Franchise Agreement") and such other ancillary agreements as Franchisor may require for the Franchised Location for a term equal to the then unexpired term of this Agreement or such longer period (not to exceed the then-current term applicable to a Cobblestone branded hotel) as Franchisor may establish in its reasonable discretion; (4) the transferee and all of its shareholders, partners, members, or other owners of the transferee and any entity that beneficially owns all or any part of the transferee sign or have signed the personal guaranty included as part of the New Franchise Agreement and agree to be unconditionally bound by the terms and conditions of the New Franchise Agreement or Franchisor's then-current Franchise Agreement; (5) the transferee must assume (a) Franchisee's obligations to Franchisor with respect to any Loyalty Programs sponsored by Franchisor, including, without limitation, Franchisee's obligation to reimburse Franchisor for payments made by Franchisor under any such Loyalty Programs after the effective date of the transfer with respect to nights spent in the Franchised Location prior to such effective date; and (b) Franchisee's obligations with respect to any gift certificates sold or issued by Franchisee prior to the effective date of the transfer; (6) unless otherwise agreed by Franchisor in writing, prior to the date of transfer, the transferee (or its General Manager) have successfully completed Franchisor's management training program and, in connection therewith, the transferee will pay the salaries, fringe benefits, payroll taxes, unemployment compensation, workers' compensation insurance, travel costs, and all other expenses for all persons sent to the training programs, and will pay the training fees referenced in Article 11(A); (7) the transferee must purchase the real estate and building at the Franchised Location; (8) the transferee must agree, in writing, to remodel, modernize, redecorate, and renovate the Franchised Location and to purchase and replace the furniture, fixtures, supplies, equipment, and amenities to be used in the Franchised Location by the dates established by Franchisor so that the Franchised Location will be compliant with the Rules and Regulations and the Plans and Specifications. All such remodeling,



modernizing, redecorating, and renovating shall be conducted in accordance with Article 6(F) hereof; (9) the transferee must demonstrate to Franchisor's reasonable satisfaction that the material terms and conditions of the transfer or assignment, including, without limitation, the price and terms of payment, are not so burdensome as to adversely affect the subsequent operation or financial results of the Franchised Location; and (10) the transferee must agree to continue to operate the Franchised Location using the Mark and Business System for the full unexpired term of this Agreement or such longer period (not to exceed the duration of the New Franchise Agreement applicable to a newly constructed hotel using the Mark and Business System) as Franchisor may establish in its reasonable discretion. While the transferee will not be required to pay the Initial Fee, if any, specified in the New Franchise Agreement, the transferee will be required to make the local advertising expenditures and pay the Monthly Fees, Reservation Fees, and all other fees at the rates specified in the New Franchise Agreement, plus any additional fees not provided for in this Agreement but which are required to be paid to Franchisor or others by the terms of the New Franchise Agreement. Franchisee acknowledges that the terms, conditions, and economics of the New Franchise Agreement may, at that time, vary in substance and form from the terms, conditions, and economics of this Agreement. Specifically, and without limiting the manner in which the terms, conditions, and economics of the New Franchise Agreement may vary from this Agreement, Franchisee acknowledges and agrees that (1) the Monthly Fees, Reservation Fees, training fees, Transfer Fee (as defined in Article 17(D)), and other fees payable to Franchisor under the New Franchise Agreement may be greater than that provided for herein; and (2) the New Franchise Agreement may provide for the payment of fees by the transferee to Franchisor which are not provided for herein. Franchisee further acknowledges and agrees that Franchisor's consent to a transfer or assignment shall not constitute a waiver of any claims that Franchisor may have against Franchisee of its obligations hereunder, nor shall it be deemed a waiver of Franchisor's right to demand full compliance with all of the terms and conditions of this Agreement by the transferee or assignee. Acceptance by Franchisor of any Monthly Fees, Reservation Fees, or any other amounts due and payable hereunder from any third party, including, but not limited to, any transferee or assignee of this Agreement or the Business Assets, shall not constitute Franchisor's consent or approval to such assignment or transfer.

(D) Transfer Fee. If, pursuant to the terms of Article 17(B) or 17(C), (1) this Agreement or the Business Assets is/are directly or indirectly sold, assigned, transferred, or bequeathed to another person or entity; or (2) if Franchisee is an entity, over fifty percent (50%) of the direct or indirect beneficial ownership of Franchisee is directly or indirectly transferred to another person or entity, then Franchisee will pay Franchisor a transfer fee of two thousand five hundred and no/100 dollars (\$2,500) ("Transfer Fee"). Notwithstanding the foregoing, if Franchisee is an entity and fifty percent (50%) or less of the direct or indirect beneficial ownership of Franchisee is being directly or indirectly transferred to another person or entity, then Franchisee shall not be required to pay Franchisor a Transfer Fee in connection with such transfer.

(E) Franchisor's Rights of First Refusal. Notwithstanding any provisions of this Agreement to the contrary, neither Franchisee nor its shareholders, partners, members, or other owners shall, except as provided in Articles 17(B) hereof, directly or indirectly sell, assign, or otherwise transfer in one or a series of related transactions this Agreement, all or substantially all of the Business Assets and/or over fifty percent (50%) of the issued and outstanding shares of capital stock, partnership interests, membership interests, or other ownership interests in Franchisee unless it/he/they shall have first (1) given Franchisor a written notice setting forth all of the material terms and conditions of the proposed transaction; and (2) offered to sell, assign, or otherwise transfer this Agreement or such Business Assets, capital stock, partnership interests, membership interests, or ownership interests to Franchisor, as the case may be, on the same terms and conditions. Franchisor shall have thirty (30)

days from its receipt of Franchisee's notice to exercise its rights of first refusal contained in this Article 17(E) by giving written notice of such exercise to Franchisee. If Franchisor does not exercise its rights of first refusal contained in this Article 17(E), Franchisee shall remain subject to the terms and conditions of Article 17(C), (D) and (F) and shall have ninety (90) days within which to consummate the transaction on the terms and conditions set forth in the notice to Franchisor. If Franchisee does not consummate the transaction within a ninety (90) day period, then Franchisee must again comply with the terms of this Article 17(E) prior to any sale or transfer.

(F) Documentation. Notwithstanding any provision of this Agreement to the contrary, no transfer or assignment of this Agreement or the Business Assets will be valid or effective until Franchisor has received the duly signed legal documents which its legal counsel deems necessary to properly and legally document the transfer or assignment of this Agreement as provided for in this Article 17.

(G) Security Interest. This Agreement and the franchise 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.

#### ARTICLE 18: SITE SELECTION, BUILDING PLANS AND SPECIFICATIONS

(A) Site Selection. Franchisee will be solely responsible for selecting the site for the Franchised Location, for purchasing the real estate and constructing or remodeling the building for the Franchised Location for a term equal to the term of this Agreement. Accordingly, no provision of this Agreement may be interpreted to impose any obligation upon Franchisor to locate a suitable site for the Franchised Location, to assist Franchisee in the selection of a suitable site for the Franchised Location, or to provide any assistance to Franchisee in the purchase of the Franchised Location.

(B) Site Approval; Feasibility Study. Franchisee will not purchase, lease, or otherwise acquire possession of a site for the Franchised Location until the proposed site has been approved by Franchisor. Franchisee acknowledges that neither Franchisor's approval of the proposed site for the Franchised Location nor any assistance that may be provided by Franchisor in the selection or review of the site will be deemed to be a representation, warranty, or guaranty by Franchisor regarding the potential financial success of the Franchised Location operated at that site, and Franchisee assumes all business and economic risks associated with the site. Franchisor will have the right to require Franchisee to obtain, at Franchisee's expense, an economic feasibility study for the proposed site of the Franchised Location. Any feasibility study required by Franchisor will be completed by an expert mutually agreed upon by Franchisor and Franchisee.

(C) Compliance with Plans and Specifications. Franchisee shall take any and all action necessary to cause the development, construction, renovation, furnishing, and equipping of its Franchised Location (collectively, "Construction Work") to be performed in strict compliance with: (1) Franchisor's then-current Plans and Specifications; (2) Franchisor's Rules and Regulations Manual; (3) the Detailed Plans (as hereinafter defined); and (4) all applicable federal, state, and local laws, codes, and regulations, including, but not limited to, the applicable provisions of the ADA. Franchisor will provide to Franchisee a copy of Franchisor's then-current Rules and Regulations and Plans and Specifications. Franchisee acknowledges that neither the Rules and Regulations, nor the Plans and Specifications contain all of the requirements of any federal, state, or local law, code, or regulation, including those concerning the ADA or similar governing public accommodations for persons with disabilities. In addition, such Rules and Regulations and Plans and Specifications do not contain the

requirements of, and shall not be used for, construction drawings or other documentation necessary to obtain permits or authorization for the Construction Work. Rather, Franchisee shall, at its sole cost and expense, cause complete and detailed building plans and specifications for the Construction Work, including, but not limited to, site plans, civil engineering plans, structural, mechanical, and electrical plans, and Franchisee's proposed furnishings, fixtures, equipment, signs, furniture, and building finishes (collectively, the "Detailed Plans") to be prepared and certified by a licensed architect. Prior to submission of the Detailed Plans to Franchisor as hereinafter provided, Franchisee shall furnish Franchisor with the resume of the architect, whom Franchisee desires to retain to prepare the Detailed Plans and such additional information and detail concerning the architect's training, experience, and financial responsibility as Franchisor may request. Franchisee may not use an architect to prepare its Detailed Plans who is not willing and able to provide the certification of ADA compliance hereinafter provided for. The Detailed Plans shall not be approved and the Construction Work shall not be commenced until Franchisor has approved the architect who is to prepare the Detailed Plans and such architect has provided Franchisor with such certification of ADA compliance. Prior to commencement of the Construction Work, Franchisee shall submit to Franchisor the resume of the general contractor and/or any major subcontractors for the Construction Work and such additional information concerning their experience and financial responsibility as Franchisor shall request. Franchisee may not use a general contractor to perform the Construction Work who is not willing to provide the certification of ADA compliance hereinafter provided for. Construction Work, including the ordering of furniture, fixtures, and/or equipment, shall not commence until Franchisor has approved such contractors, which approval may be conditioned on bonding of such contractors. If Franchisee is acting as its own general contractor, Franchisee shall cause its architect to (1) provide Franchisor with three (3) copies of all preliminary and final Detailed Plans for the Franchised Location for review and approval by Franchisor, that such Detailed Plans comply with the ADA and all other related or similar federal, state, or local laws, codes, and regulations. Within fifteen (15) days of receipt of such Detailed Plans and certification of ADA compliance, Franchisor will review the same to determine if they are consistent with Franchisor's then-current Rules and Regulations and Plans and Specifications and will provide Franchisee with written comments and a list of any recommended and/or required changes. If Franchisor requires Franchisee to make changes to its Detailed Plans, Franchisee shall prepare or cause to be prepared revised Detailed Plans to incorporate such required changes. Franchisee shall submit three (3) copies of such revised Detailed Plans to Franchisor and Franchisor will, within fifteen (15) days of receipt thereof, review the same and provide Franchisee with any further written comments and recommended and/or required changes which it may have. Franchisee shall not retain a contractor or commence any Construction Work until its Detailed Plans have been reviewed and approved by Franchisor in writing. Franchisor's review and approval of Franchisee's Detailed Plans shall be limited to determining whether such plans comply with the then-current Rules and Regulations and Plans and Specifications. Such review is not designed to assess compliance of the Detailed Plans with applicable federal, state, or local laws, codes, or regulations, including the ADA, or for ensuring the safety and security of the Franchised Location. Franchisee is solely responsible for ensuring that its Detailed Plans are, and Construction Work is, in full compliance with all federal, state, and local laws, codes, and regulations, including the ADA, and that the Franchised Location is safe and secure. Franchisee's architect shall accept this Agreement as Franchisee's consent, authorization and instruction for such architect to provide three (3) copies of all preliminary and final Detailed Plans for the Franchised Location to Franchisor and to discuss the same with Franchisor's employees or other representatives. In the design and construction of the Franchised Location, Franchisee shall not deviate or vary from the then-current Rules and Regulations and Plans and Specifications or Franchisee's Detailed Plans, which have been approved by Franchisor without, in each instance, the prior written approval of Franchisor, which approval shall not be unreasonably withheld. Any such variances approved by Franchisor shall only apply with respect to the Franchised Location and in no event may Franchisee

incorporate any such variances into any future hotel project using the Mark and Business System, which it may construct pursuant to a separate Franchise Agreement with Franchisor, unless such variance is again approved by Franchisor pursuant to such Franchise Agreement. Any unauthorized variance from the then-current Rules and Regulations, Plans and Specifications, the Detailed Plans, or required shop drawing submittals which have been approved by Franchisor, will be a material breach of this Agreement.

(D) Construction. Franchisee will be solely responsible for ascertaining that the Construction Work for the Franchised Location is in compliance with the then-current Rules and Regulations, Plans and Specifications, the Detailed Plans approved in writing by Franchisor, and all applicable laws, codes, and regulations, including, but not limited to the ADA. Franchisee will be solely responsible for, and will retain a licensed architect for the purpose of, inspecting the Franchised Location during the performance of the Construction Work to ensure that such work is being performed according to the then-current Rules and Regulations, Plans and Specifications, the Detailed Plans which have been approved by Franchisor in writing, and all applicable laws, codes, and regulations, including, but not limited to the ADA. Franchisee will be responsible for complying with all laws and for acquiring, at its expense, all licenses and building permits required in connection with the Construction Work. Franchisee shall not during the term of this Agreement or after the expiration or termination here of directly or indirectly use all or any part of the Rules and Regulations, Plans and Specifications, and/or the Detailed Plans in connection with the construction or remodeling of any hotel, motel, or other lodging property other than a hotel using the Mark and Business System pursuant to a Franchise Agreement.

(E) Inspection During Construction or Renovation. Franchisor may, at its expense, view the Franchised Location during the performance of Construction Work at such times as it deems necessary for the purpose of determining the progress of the Construction Work and to ascertain whether the interior and exterior of the Franchised Location conform to the then-current Rules and Regulations, Plans and Specifications, the Detailed Plans approved in writing by Franchisor, and have or will have the physical appearances of a hotel properly using the Mark and Business System. Neither Franchisor's review or approval of Franchisee's Detailed Plans or shop drawing submittals, nor Franchisor's viewing of the Franchised Location during the performance of Construction Work will be for the purposes of determining that the Construction Work is being performed according to the approved Detailed Plans, in a good workmanlike manner or in compliance with any applicable laws, codes, or regulations, including, but not limited to the ADA. Accordingly, Franchisor will have no responsibility to Franchisee or any other person if the Construction Work is not performed by the contractor (1) in compliance with the Detailed Plans which have been approved by Franchisor; (2) in compliance with applicable laws, codes, or regulations, including, but not limited to the ADA; or (3) in a good workmanlike manner, or if the contractor breaches its contract with Franchisee. Franchisee agrees to promptly replace or change at its expense any Construction Work which does not comply with the then-current Rules and Regulations Manual, Plans and Specifications, the Detailed Plans approved by Franchisor, and/or applicable laws, codes, or regulations, including, but not limited to the ADA.

(F) Pre-Opening Inspection. Franchisee will not open its Franchised Location and commence initial business operation until Franchisor has inspected the Franchised Location and has given Franchisee written approval to open for business. It is expressly agreed that Franchisee will not be permitted to open its Franchised Location for business unless and until: (1) Franchisee's Sign has been installed in accordance with Article 13 hereof; (2) the pool/recreation area and other common areas for the Franchised Location have been completed, are operational, and are "guest ready," (3) the

lobby area, including the front desk, have been finished and fully equipped; (4) at least fifty percent (50%) of the guest rooms have been completed, are fully equipped, "guest ready," and are accessible to Franchisee's customers without having to cross through uncompleted portions of the Franchised Location; (5) all Construction Work which could reasonably be expected to materially diminish the quality of a customer's stay at the Franchised Location has been completed; (6) Franchisee's architect and general contractor has certified to Franchisor, in accordance with the ADA certification in the form attached hereto as Attachment 2, that the Franchised Location complies with the ADA and all other related or similar federal, state, or local laws, codes, and regulations; (7) Franchisor has received from Franchisee all documentation and other items required under this Agreement, including, but not limited to; (a) a signed receipt for Franchisor's Franchise Disclosure Document; (b) an application for a franchise agreement completed and signed by Franchisee; (c) all financial information required under Article 4(B) or elsewhere in this Agreement; (d) the full Initial Fee; (f) any and all site approvals, feasibility studies, architect and contractor resumes, approved plans, and accepted contractor's bids that are required under Article 18 of this Agreement; (g) any organizational documents requested under Article 16(H) of this Agreement; and (h) any certificates of insurance required under Article 14 of this Agreement; and (8) Franchisee's General Manager and other personnel must have satisfactorily completed all training required by Franchisor as outlined in Article 11.

#### ARTICLE 19: ENFORCEMENT; MISCELLANEOUS

(A) Injunctive Relief. Franchisor has the right to petition a court of competent jurisdiction for the entry of temporary and permanent injunctions and orders of specific performance restraining violations and threatened violations of the terms and conditions of this Agreement and/or enforcing the terms and conditions of this Agreement, including, but not limited to, the terms and conditions of this Agreement relating to: (1) Franchisee's improper use of the Mark and/or the Business System; (2) the obligations of Franchisee upon termination or expiration of this Agreement; (3) the sale, assignment, or other transfer of this Agreement, the Business Assets or shares of capital stock, partnership interests, membership interests, or other ownership interests of Franchisee; (4) requiring Franchisee to exhibit the approved Sign during the term of this Agreement and requiring Franchisee to remove the Sign upon the termination or expiration of this Agreement; and (5) any act or omission by Franchisee or Franchisee's employees that, (a) constitutes a violation of any applicable law, ordinance, or regulation, (b) is dishonest or misleading to customers of the Franchised Location or other Cobblestone branded hotels, (c) constitutes a danger to the employees, public, or customers of the Franchised Location, or (d) may impair the goodwill associated with the Mark and/or the Business System. In addition, notwithstanding any provision of Article 9 of this Agreement to the contrary, if Franchisee gives Franchisor any notice of any alleged breach or violation of this Agreement or of any laws that give rise to a claim for damages or the termination of this Agreement in favor of Franchisee, then Franchisor will have the right to immediately commence legal action seeking to enjoin and prevent Franchisee from terminating this Agreement without regard to any waiting period that may be contained in this Agreement. Upon issuance of such injunctive relief against Franchisee, Franchisee will not have the right to terminate this Agreement as provided herein unless and until a court of competent jurisdiction has ruled on the merits that Franchisor has breached this Agreement in the manner alleged by Franchisee, and then only if Franchisor fails to correct the breach determined by the court within thirty (30) days after a final judgment has been entered against Franchisor and all time for appeals by Franchisor expired. Franchisor shall be entitled to obtain any such injunctive relief without the posting of any bond or other security in such action.

(B) 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. Acceptance

by Franchisor of any payment by Franchisee and the failure, refusal, or neglect of Franchisor to exercise any right under this Agreement or to insist upon full compliance by Franchisee of any of its obligations hereunder will not constitute a waiver by Franchisor of any provision of this Agreement. Franchisee must give Franchisor prompt written notice of an alleged breach or violation of this Agreement after Franchisee has knowledge of, 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 (1) year from the date that Franchisee has knowledge of, 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, and 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 or asserting any claim against Franchisor for that alleged breach or violation.

(C) Payments to Franchisor. Franchisee will not for any reason withhold payment of any Monthly Fees, Reservation Fees, or any other payments due to Franchisor pursuant to this Agreement or otherwise. Franchisee will not have the right to "offset" any liquidated or unliquidated amounts allegedly due to Franchisee from Franchisor against the Monthly Fees, Reservation Fees, or any other payment due to Franchisor pursuant to this Agreement or otherwise. Consequently, Franchisee will timely pay all such amounts due to Franchisor regardless of any claims that Franchisee may allege against Franchisor.

(D) Effect of Wrongful Termination. If Franchisor or Franchisee takes any action to terminate this Agreement or to convert the Franchised Location to another business without first complying with the terms and conditions (including written notice and opportunity to cure provisions) of Articles 8 or 10 hereof, as applicable, then such action will not relieve either party of, or release either party from, any of its obligations under this Agreement, and the terms and conditions of this Agreement will remain in full force and effect until such time as this Agreement expires or is terminated in accordance with the provisions of this Agreement and applicable law. If this Agreement is terminated by Franchisor pursuant to Article 8, or if Franchisee breaches this Agreement by attempting to terminate this Agreement other than in full compliance with the terms and conditions of Article 9 hereof, then unless Franchisee pays Franchisor upon demand the Liquidated Damages provided for in Article 8(F) hereof, Franchisor will be entitled to seek recovery from Franchisee of all damages that Franchisor has sustained and will sustain in the future as a result of Franchisee's breach of this Agreement, taking into consideration the Monthly Fees that would have been payable by Franchisee to Franchisor for what would have been the remaining term of this Agreement.

(E) Cumulative Rights. The rights and remedies 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.

(F) Venue and Jurisdiction. Except for injunctive relief sought by Franchisor, which Franchisor may bring in a court of competent jurisdiction in the state where Franchisee resides or has its principal place of business or in which the Hotel is located, Franchisee agrees that the U.S. District Court for the Eastern District of Wisconsin, or if such court lacks jurisdiction, the District Court (or its successor) for Winnebago County, Wisconsin shall be the venue and exclusive forum in which to adjudicate any case or controversy arising from or relating to this Agreement. Franchisee, each of its officers, managers, directors, governors, shareholders, partners, and/or members and any personal

guarantors do hereby submit to the jurisdiction of such courts and waives any objections to either the jurisdiction of or venue in such courts.

(G) Binding Agreement. This Agreement is binding upon the parties hereto and their respective executors, administrators, personal representatives, heirs, permitted assigns, and successors in interest, but nothing in this Agreement is to be construed as an authorization or right of Franchisee to assign, license, franchise, or otherwise transfer its rights or delegate its duties under this Agreement except as expressly permitted in Article 17.

(H) Entire Agreement. The recitals to this Agreement are a part of this Agreement. This Agreement supersedes and terminates all prior agreements, either oral or in writing, between the parties hereto with respect to the subject matter hereof. This Agreement constitutes the entire agreement of the parties, and except for any representations contained in Franchisor's Franchise Disclosure Document or in any exhibits or amendments thereto, there are no other oral or written representations, inducements, promises, understandings, or agreements between Franchisor and Franchisee relating to the subject matter of this Agreement.

(I) Headings; Terms. The headings of the Articles are for convenience only and do not define, limit, or construe the contents of such Articles. The term "Franchisee" as used herein is applicable to one or more persons, a corporation, partnership, limited liability company, or other 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 corporation, partnership, limited liability company, or other entity.

(J) Collection Costs. Franchisee shall reimburse Franchisor for any and all costs and expenses, including, but not limited to, reasonable attorneys' fees, expert witness fees, costs of investigation, court costs, disbursements of counsel, and travel and living expenses, reasonably incurred by Franchisor in collecting any amount due and payable by Franchisee to Franchisor under this Agreement or otherwise, in enforcing the terms and conditions of this Agreement, and/or in pursuing any of its rights and remedies, including, but not limited to, any and all such costs and expenses incurred by Franchisor in (1) collecting any unpaid and past due Monthly Fees, Reservation Fees, and other amounts from Franchisee; and/or (2) seeking equitable relief against Franchisee, including orders of specific performance enforcing the terms and conditions of this Agreement and/or temporary and/or permanent injunctions enjoining violations of the terms and conditions of this Agreement.

(K) Interest. Any amounts payable by Franchisee to Franchisor, including, but not limited to, amounts payable by Franchisee to Franchisor under this Agreement, shall bear interest from the date it is due and until paid in full at the lesser of eighteen percent (18%) per annum or the maximum rate permitted by law in the state in which the Franchised Location is located.

(L) Joint and Several Liabilities. If Franchisee consists of more than one individual or entity, then the liability of all such individuals or entities under this Agreement will be deemed to be joint and several.

(M) 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 subscribed to by a duly authorized manager, officer, governor, director, or partner of Franchisee and the president or other duly authorized manager of Franchisor.

(N) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

(O) Parties in Interest. Nothing expressed or implied in this Agreement is intended or shall be construed to confer any rights or remedies under or by reason of this Agreement upon any person or entity other than Franchisor and Franchisee and their respective heirs, personal representatives, successors, and permitted assigns. Nothing in this Agreement is intended to relieve or discharge debts, liabilities, or obligations of any third person or entity to Franchisor or Franchisee.

#### ARTICLE 20: NOTICES

All notices to Franchisor will be in writing and will be made by personal service upon a manager or governor of Franchisor or sent by prepaid registered or certified United States mail addressed to the Chief Executive Officer of Franchisor at 980 American Drive, Neenah, WI 54956 or such other place as Franchisor may designate. All notices to Franchisee, unless otherwise provided in this Agreement, will (1) be by personal service upon Franchisee (or, if applicable, upon an officer, manager, director, governor or partner of Franchisee); (2) be sent by prepaid registered or certified United States mail addressed to Franchisee at the Franchised Location, or such other address as Franchisee may designate in writing; or (3) be given in such manner as Franchisor may determine in its sole discretion to be reasonably likely to be received by the intended recipient. Notices delivered by a recognized delivery service that requires written receipt will be deemed to have been personally served under this Agreement.

#### ARTICLE 21: GOVERNING LAW AND INTERPRETATION

(A) Governing Law; Severability. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. § 1051 et seq.), this Agreement and the relationship between the parties will be governed by the laws of the state of Wisconsin. 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 unenforceable provisions will be enforced to the extent valid and enforceable. If any applicable law or rule of any relevant 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 of any relevant jurisdiction, any provision of this Agreement or any specification, standard, or operating procedure prescribed by 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 minimum 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. All other provisions of this Agreement shall be enforceable as originally made and entered into upon the execution of this Agreement by Franchisor and Franchisee.



(B) Franchisor's Reasonable Business Judgment. Whenever Franchisor reserves or is deemed to have reserved discretion in a particular area or where Franchisor agrees or is deemed to be required to exercise its rights reasonably or in good faith, Franchisor will have satisfied its obligations whenever Franchisor exercises reasonable business judgment in making its decision or exercising its rights. A decision or action by Franchisor will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor's decision or action is intended, in whole or significant part, to promote or benefit the Business System generally even if the decision or action also promotes a financial or other individual interest of Franchisor. Examples of items that will promote or benefit the Business System include enhancing the value of the Mark, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the Business System. Neither the Franchisee nor any third party (including, a trier of fact) may substitute its judgment for Franchisor's reasonable business judgment.

## ARTICLE 22: ACKNOWLEDGMENTS

(A) Legal Representation. Franchisee acknowledges that this Agreement constitutes a legal document which grants certain rights to and imposes certain obligations upon Franchisee. Franchisee acknowledges that Franchisor recommended to Franchisee that Franchisee should consult an attorney or other advisor prior to the execution of this Agreement to review Franchisor's Franchise Disclosure Document and this Agreement in detail, to review the potential economic benefits, operations, and other business aspects of the Cobblestone branded hotel business, to determine compliance with franchising and other applicable laws, and to advise Franchisee regarding its economic risks, liabilities, obligations, and rights under this Agreement.

(B) Anti-Terrorism Laws. Franchisee represents and warrants that Franchisee, and all persons and entities owning (directly or indirectly) an ownership interest in Franchisee and all personal guarantors: (1) are not, and shall not become, a person or entity with whom Franchisor is restricted from doing business with under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including, but not limited to, those named on OFAC's Specially Designated and Blocked Persons List) or under any statute, executive order (including, but not limited to, the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action; (2) are not knowingly engaged in, and shall not engage in, any dealings or transactions or be otherwise associated with such persons or entities described in (1) above; and (3) are not, and shall not become, a person or entity whose activities are regulated by the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 or the regulations or orders thereunder.

*[Signatures on Following Page]*

IN WITNESS WHEREOF, Franchisor, Franchisee and the shareholders, partners, members, or other owners of Franchisee have respectively signed this Agreement as of the Effective Date.

**FRANCHISOR:**

COBBLESTONE HOTELS, LLC  
a Wisconsin limited liability company

**FRANCHISEE:**

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

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

Name: Brian Wogernese

Title: Managing Member

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

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

Title: \_\_\_\_\_

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

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

EXHIBIT A  
HOTEL SPECIFIC INFORMATION

**1. FRANCHISED LOCATION:**

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(If the exact street address is not known at the time this Agreement is signed, the street address shall be left blank at time of execution and inserted by the parties when it is known. Franchisee shall select the site for the hotel at a location within the Protected Area in accordance with Article 18 of this Agreement.)

**2. FRANCHISED NAME:**

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**3. NUMBER OF ROOMS:**

**4. PROTECTED AREA OF PROTECTION:**

5-mile radius around the Franchised Location

The Protected Area is determined by Franchisor in its sole and absolute discretion. In the event of any inconsistency between this Exhibit and the cover page of the Franchise Agreement, this Exhibit controls.

**5. MONTHLY FEE:** In accordance with Article 5(A) of the Franchise Agreement, Franchisee elects to be charged a Monthly Fee as follows [SELECT ONE]:

☐

\$1.50 per guest room per day calculated based on a 30-day month; or

☐

5% of monthly Gross Room Revenues generated by the Franchised Location

**ATTACHMENT 1 – CLOSING ADDENDUM**

As you know, Franchisee ("you") and Franchisor ("we" or "us") are entering into a Franchise Agreement for the operation of a Key West Lodging Facility. The purpose of this Closing 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 regarding 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 before signing the Franchise Agreement?

Check one: ( ) Yes ( ) No

If no, please comment:

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2. Have you carefully reviewed our Disclosure Document and Franchise Agreement?

Check one: ( ) Yes ( ) No

If no, please comment:

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3. Did you receive a copy of the Franchise Agreement that was substantially the same as the Franchise Agreement that you signed (except for fill-in-the-blank provisions or negotiated changes initiated by you) at least 7 calendar days before the date on which the Franchise Agreement was signed?

Check one: ( ) Yes ( ) No

If no, please comment:

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4. Did you review and understand all the information contained in both the Disclosure Document and Franchise Agreement?

Check one: ( ) Yes ( ) No

If no, please comment:

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5. Were you given the opportunity to consult with an attorney regarding the Disclosure Document and Franchise Agreement?

Check one: ( ) Yes ( ) No

If yes, state your attorney's name and contact info:

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6. Was any representation of any kind made to you that contradicted the statements made in the Disclosure Document?

Check one: ( ) Yes ( ) No

If yes, please comment:

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7. Did any employee or other person speaking on behalf of Cobblestone Hotels, LLC make any statement, promise or representation to you that stated, suggested, predicted or project regarding past or potential sales, revenues, earnings, income or profit levels at any Cobblestone branded hotel, or the likelihood of success at your franchised hotel other than the information contained in Item 19 our Disclosure Document?

Check one: ( ) Yes ( ) No

If yes, please state in detail the nature of the representation:

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8. Do you understand that your franchised hotel will have a limited Protected Area and that Cobblestone Hotels, LLC can and may locate another Cobblestone branded hotel anywhere outside the limited Protected Area and that Cobblestone Hotels, LLC and its affiliates have the right, both within and outside of your Protected Area to: (1) distribute products or services through alternative channels of distribution (including the Internet or any other existing or future form of electronic commerce) under the "Key West™" trademarks; and (2) license or operate other lodging properties using trade names other than the "Key West™" trademarks either within your Protected Area, or outside of your Protected Area, even if such lodging properties offer services similar to those offered at your Cobblestone branded hotel?

Check one: ( ) Yes ( ) No

If no, please comment:

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9. Are you a party to any other agreement that would prevent you from becoming a Cobblestone Hotels, LLC franchisee at the Franchised Location stated in the Franchise Agreement (e.g., a franchise agreement with a different hotel brand)?

Check one: ( ) Yes ( ) No

If yes, please comment:

\_\_\_\_\_  
\_\_\_\_\_  
Your answers are important to us and we will rely on them. By signing this Closing 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.

\*These representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act or the Maryland Franchise Registration and Disclosure Law.

NOTE: If the Franchisee is a corporation, partnership, limited liability company, or other entity, each of its personal guarantors must execute this acknowledgment.

|                         |                         |
|-------------------------|-------------------------|
| Signature               | Signature               |
| Name (printed or typed) | Name (printed or typed) |
| Address                 | Address                 |
| City, State, Zip Code   | City, State, Zip Code   |
| Telephone               | Telephone               |
| Signature               | Signature               |
| Name (printed or typed) | Name (printed or typed) |
| Address                 | Address                 |
| City, State, Zip Code   | City, State, Zip Code   |
| Telephone               | Telephone               |

## ATTACHMENT 2 – NEW CONSTRUCTION ADA CERTIFICATION FORM

### I. Hotel Information

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

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

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

### II. Inspection Questions:

- A. Did you complete the Accessibility Certification Checklist ("ACC") for the place of lodging in section I? ☐ Yes ☐ No
- B. Did you answer "Yes" or "Not Applicable" accurately to all of the questions on the "ACC"? ☐ Yes ☐ No
- C. Did you inspect the place of lodging before completing the "ACC" and this Certification form? ☐ Yes ☐ No
- D. Have you reviewed all of the ADA Regulations in 28 C.F.R, pt. 36 including the Standards for Accessible Design in Appendix A – the ADA Standards- that are applicable to places of lodging? ☐ Yes ☐ No
- E. Does the place of lodging comply with all applicable ADA Standards? ☐ Yes ☐ No

### III. Architect's Certification:

I am either the Architect of Record or an Architect hired to provide advice on the ADA compliance for the place of lodging identified above. By signing below, I certify the answers to the questions on this page and the Accessibility Certification Checklist is true and accurate to the best of my knowledge, information, and belief.

\_\_\_\_\_  
Architect Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Firm

\_\_\_\_\_  
Address

\_\_\_\_\_  
City / State / Zip

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
State Registration Number

**IV. Contractors Certification:**

I am the General Contractor for the place of lodging identified above. By signing below, I certify the answers to the questions on this page and the Accessibility Certification Checklist is true and accurate to the best of my knowledge, information, and belief.

\_\_\_\_\_  
Contractor Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Firm

\_\_\_\_\_  
Address

\_\_\_\_\_  
City / State / Zip

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
State License Number



**CENTRAL RESERVATION SYSTEM TECHNOLOGY ADDENDUM**

**EXHIBIT E TO THE DISCLOSURE DOCUMENT**

TECHNOLOGY ADDENDUM TO FRANCHISE AGREEMENT  
CENTRAL RESERVATION SYSTEM

THIS TECHNOLOGY ADDENDUM TO FRANCHISE AGREEMENT ("Addendum"), made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ ("Effective Date"), by and between Cobblestone Hotels, LLC, a Wisconsin limited liability company ("Cobblestone") and \_\_\_\_\_ ("Franchisee").

RECITALS

WHEREAS, Cobblestone and Franchisee have previously entered into a Franchise Agreement (the "Franchise Agreement") whereby Cobblestone granted Franchisee a license to operate a Cobblestone branded lodging facility at \_\_\_\_\_ ("Franchised Location") using the Cobblestone system;

WHEREAS, pursuant to its rights under Article 6(V)(1) of the Franchise Agreement, Cobblestone requires that Franchisee shall use exclusively for the Franchised Location the central reservations system and services ("CRS") designated by Cobblestone;

WHEREAS, Sabre Hospitality Solutions, a division of Sabre GBL, Inc. ("Sabre") is in the business of offering a central reservation system ("Licensed Software");

WHEREAS, Cobblestone has entered into a Master License Agreement with Sabre ("Cobblestone License"), pursuant to which Sabre has agreed to offer Licensed Software to Cobblestone-branded lodging facilities; and

WHEREAS, Franchisee desires to use the Licensed Software in connection with the operation of the Franchised Location.

NOW THEREFORE, in consideration of the foregoing Recitals, which are incorporated herein and made a part hereof, the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Cobblestone and Franchisee covenant, warrant and agree as follows:

1. **Set-Up Fee.** Franchisee shall remit to Cobblestone when invoiced a one-time fee in the amount of two thousand and no/100 dollars (\$2,000.00) for the costs associated with the initial set-up and implementation of the Licensed Software at the Franchised Location. Initial set-up and implementation includes GDS/IDS, Guest Connect Flex booking Engine, Mobile Booking Engine, and Property Integration with 2-way standard PMS.

2. **Monthly Fee.** Franchisee shall remit to Cobblestone when invoiced a monthly fee in the amount of seven hundred fifty and no/100 dollars (\$750.00) in consideration for Cobblestone granting Franchisee the right to use the Licensed Software at the Franchised Location.

3. **Grant.** Cobblestone hereby grants to Franchisee the right to access the Licensed Software and use the same in the operation of the Property. The rights herein granted to Franchisee are conditioned upon Franchisee's strict compliance with the License Terms and Conditions, a copy of which is attached hereto as Attachment A. Franchisee acknowledges and agrees that, in addition to the other rights granted to Cobblestone under the Franchise Agreement, upon the occurrence of a breach of the License Terms and Conditions or of the Franchise Agreement by Franchisee, Cobblestone has the right to immediately suspend Franchisee's participation in the Licensed Software until such breach has been cured to Cobblestone's reasonable satisfaction.

4. **Term of Grant.** The rights granted hereunder shall be coterminous with that of the Cobblestone License. Notwithstanding the foregoing, the rights granted to Franchisee hereunder shall automatically terminate upon termination or expiration of the Franchise Agreement.

5. **No Warranty.** Franchisee expressly understands and agrees that Cobblestone shall not be liable for any loss or damage whatsoever (direct, indirect, punitive, actual, consequential, incidental, special, or otherwise) resulting from any omission in the content or performance of, or any inability to access or use the Licensed Software, regardless of the basis upon which liability is claimed, even if Cobblestone has been advised of the possibility of such loss or damage. Cobblestone makes no representation or warranty, express or implied, that the Licensed Software will

meet Franchisee's requirements or that they will be uninterrupted, timely, secure, or error free; nor does Cobblestone make any warranty as to the results that may be obtained from the use of the Licensed Software or as to the accuracy, completeness, timeliness, or reliability of any information obtained through or posted on such systems or services. Cobblestone shall not be responsible for any problems or technical malfunctions of the Licensed Software, including any problems or technical malfunctions of any telephone network or lines, computer on-line systems, servers, Internet access providers, computer equipment, software, or any combination thereof, including any injury or damage to the computer of Franchisee or any other person as a result of using the Licensed Software and/or other services. Franchisee acknowledges that the Licensed Software and other services are being provided to Franchisee "as-is".

6. **Indemnification.** In addition to the indemnification obligations of Franchisee under Article 15(B) of the Franchise Agreement, Franchisee shall indemnify Cobblestone against and shall reimburse Cobblestone upon demand for any and all losses, costs, expenses (including without limitation, reasonable attorneys' fees, disbursements of counsel, investigation expenses, expert witness fees, court costs, deposition expenses, and travel and living expenses), liabilities, damages, fines, penalties, charges, assessments, judgments, settlements, claims, causes of action, and other obligations of any nature whatsoever that Cobblestone may at any time, directly or indirectly, suffer, sustain or incur, arising out of, based upon or resulting from the breach by Franchisee of the License Terms and Conditions. Cobblestone will always have the right to defend any claim made against it with respect to which it is entitled to indemnification hereunder and Franchisee shall reimburse Cobblestone upon demand for any and all costs and expenses, including reasonable attorneys' fees incurred by Cobblestone in connection therewith.

7. **Full Force and Effect.** Except as amended by this Addendum, the Agreement and all prior Addendums remain in full force and effect.

8. **Conflict.** In the event of conflict between the terms and conditions of this Addendum and the terms and conditions of the Agreement, the terms and conditions of this Addendum shall control.

9. **Defined Terms.** Capitalized terms used, but not otherwise defined in this Addendum shall be given the meaning given said terms in the Agreement.

IN WITNESS WHEREOF, the parties have executed this Technology Addendum to Franchise Agreement as of the date first written above.

COBBLESTONE HOTELS, LLC  
a Wisconsin limited liability company

FRANCHISEE:

By: \_\_\_\_\_  
Name: Brian Wogernese  
Title: Managing Member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

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

**ATTACHMENT A**  
**Terms and Conditions**

1. Access Rights. SHS grants to Customer for use by Customer's Properties indicated on the Agreement or added to this Agreement at a later time, a limited, nonexclusive license to access and use the SynXis Central Reservation System during the Term. Customer may not sublicense the SynXis CRS unless Customer has received written permission from SHS. This license is revocable in the event of the Termination of this Agreement or in the event of a breach of this Agreement by Customer.

2. SHS Undertakings.

A. SHS will provide Customer with unlimited access to SHS Control Center, on-line tutorials and an initial telephone training session by SHS professionals. Customer will have full usage of customer support and standard reports. Additionally, SHS will provide Customer account management services which are normally and usually provided to a SHS customer at no additional cost. On-site, teleconference, or specially arranged training can be arranged for an additional cost.

B. The set-up and implementation fees indicated on Page 1 include standard implementation services. If Customer requires the services of a Technician for set-up, interface installation, development and professional services, Guest Connect Booking Engine or any API installation or creation of special reports, a charge of \$175 per hour per Technician shall apply plus any necessary travel and lodging expense pursuant to SHS' travel policy. SHS will advise Customer of any such Technician fees prior to performing any work for which these fees apply. The minimum charge for an on-site Technician is \$500.

C. SHS provides a number of standard interfaces to most standard Property Management Systems that allow the electronic transfer of reservation information from the SynXis CRS to the PMS system. Note that additional charges may apply for a nonstandard interface. PMS providers also may assess PMS interface implementation and maintenance charges. The interface cannot become fully functional without the cooperation of Customer's PMS provider and any target operational date for the interface is dependent upon the PMS provider's completion of functionality to receive and process data from SHS.

D. In the event that Customer has requested and SHS has approved an enhancement, the applicable development rates will be applied. Any such requests will follow the SHS development process. Development rates are subject to change at any time.

3. SynXis CRS Training Courses, Property Certification, and Support Fees.

A. Overview. SHS offers training courses to ensure that each person at the Property assigned a log-in ("User") is able to utilize the SynXis CRS effectively. The Support Fee is waived for those Properties that successfully complete Certification Minimums for SynXis CRS Training (achieving "Certification") prior to the first Operational Date for such Property, and maintain Certification status throughout the Term and any Renewal Term. Once achieved, Certification is good for one (1) year from the Operational Date. Certification Minimums will be met for each Property when 75% of log-ins assigned to the Property have successfully completed the assigned Training.

B. Waiver of Support Fee. Should a Property achieve Certification prior to the Operational Date, then SHS will not charge the Support Fee for such Property for one (1) year measured from the Operational Date. After the first year, Properties must meet Re-Certification Minimums each subsequent year, measured from

the anniversary of the Operational Date during the Term and any Renewal Term, in order for the Support Fee to be waived.

C. Commencement of Support Fee. The Support Fee will commence on the Operational Date for those Properties that have not met Certification Minimums, until Certification is achieved. The Support Fee will be charged in full each month, and will not be pro-rated or refunded. Once Certification Minimums are met, SHS will cease charging the Support Fee for the month following the date on which Certification is achieved. Should the Training for Re-Certification not be completed by the anniversary of the Operational Date each subsequent year, then the Support Fee will be imposed until Certification Minimums are met.

D. New, Revised and Terminated Users. New Users at a Property will be required to meet Certification Minimums, but once a Property has been designated as "Certified" then such Certification will remain in place regardless of turnover at the Property, for the remainder of the first year, or subsequent year, as the case may be. Customer is responsible for ensuring that each Property's training roster is current at all times; Customer will send roster changes to SHSTraining@sabre.com, advising of any additions, terminations, or changes to User roles.

4. Billing and Payment. SHS will bill Customer monthly. Failure by SHS to invoice Customer promptly for any SHS Service does not constitute a waiver by SHS of its right to invoice Customer at a later time. Customer agrees to pay SHS for all undisputed charges (which dispute must be raised by Customer in writing to SHS within 30 days of receipt of the invoice) for all Customer's Properties that use SHS Services within thirty (30) days of the date of SHS' invoice. A late charge of 1% per month (or the maximum provided by law, if less) will apply to undisputed past due amounts. A reactivation fee of \$250 per Property will be assessed if service is disconnected due to non-payment. In the event Customer adds a Property as a user or a Property uses a Booking Channel to book reservations or uses any other feature of the SynXis CRS, without notifying SHS of the added Property or of such new use, Customer will pay Set-Up Fees and all Fees and Charges for such use at SHS' standard pricing for such service at the time of use.

5. Term. The initial term of this Agreement is three (3) years commencing on the Effective Date (the "Term"). This Agreement shall automatically renew for successive renewal Terms of three (3) years each unless written notice of termination is given by either party to the other at least ninety (90) days prior to the end of any Term.

6. Exclusivity. Customer agrees to use exclusively SynXis CRS for booking all reservations originating through the Global Distribution System, the Internet Distribution System, and, if using the Guest Connect Booking Engine, the Property's website for all Customer's Properties.

7. Fee Increases. During the Initial three-year Term, SHS will not increase fees under this Section. Thereafter, SHS will increase pricing up to three percent (3%) after each anniversary of the Effective Date during any Renewal Term.

8. Third Party Fees and Fee Increases.

A. The fees and charges for third-party providers, including but not limited to GOS, IDS, switch, Travel Industry ID fees, and connecting interface usage, may be increased at any time those fees and charges to SHS are increased. These increases are in addition to the annual fee increases allowed by the preceding paragraph.

B. Certain third parties may charge SHS for additional services on behalf of Customer during the

implementation process, or for work requested by Customer during the Term of this Agreement. SHS will bill these charges to Customer at our cost.

9. Net Reservation Fees. Reservation fees are calculated on the basis of the total of the reservations made through each booking or delivery channel during a calendar month less cancellations through that channel during the same calendar month ("Net Reservations"), and are billed based on the date the reservation is confirmed. Cancellations must be entered in the booking channel in which the reservation was confirmed in order to be credited. Note that cancellations directed to the reservation center or front desk cannot be credited unless they are entered in the channel in which the reservation was booked. SHS cannot issue Customer credits for reservation fees for no-shows.

10. Termination. Either party may terminate this Agreement in the event of a material breach by the other party that remains uncured after sixty (60) days following written notice to the defaulting party of the breach. In the event Customer does not pay when due, SHS shall have the right, with at least ten (10) days prior notice to Customer, to suspend access to SHS Services until satisfactory arrangements for the payment of current and future billings is made. If Customer does not use the SynXis CRS within ninety days of the Effective Date, SHS shall have the right to terminate this Agreement or to implement increased pricing. Upon expiration or termination of this Agreement, Customer shall cease to utilize SynXis CRS.

11. Early Termination Fee. Customer will remain liable for all amounts due to SHS under this Agreement if this Agreement is terminated. In the event this Agreement is terminated prior to the expiration of any Term for any reason other than due to a material breach of the Agreement by SHS, Customer agrees to pay a termination fee equal to the average of the monthly payments due under this Agreement multiplied by the number of months remaining in the Term. Customer may remove a Property at any time without penalty, with at least thirty (30) days prior notice to SHS, in the event of any of the following: a) a change of Property ownership, b) Customer is no longer contracted with the Property for management and/or marketing services, or c) the Property becomes franchised with a brand unrelated to Customer.

12. Confirmation of Reservations, Honoring Reservations, Commissions and Customer Service Issues.

A. SHS will offer a Property's rooms for bookings sale under a proprietary Chain Code (currently YX in all GDS's) using the availability, rates and descriptive content supplied or entered into the SynXis CRS by Customer or the Property. SHS will issue a confirmation for all reservation requests made through the GOS, the IDS and Guest Connect Booking Engine, or through any other reservation accepting function of the SynXis CRS at the rates and availability entered or supplied by Customer or a Property. Customer and any Property agree that each has the obligation to keep all hotel information current, up-to-date and accurate in all databases and to keep the holder of a confirmed reservation (or his agent or representative) informed of any developments affecting the reservation.

B. Customer and each Property understand and agree with SHS and with the holder of a reservation confirmed on behalf of a Property through the SHS system, to honor the confirmed reservation at the rate, terms and for

the period of the stay so confirmed. Customer and each Property agree that each will be responsible to obtain comparable accommodations, goods or services, at no greater cost, for any holder of a reservation for whom a booking has been confirmed and for whom no accommodations, goods and/or services are available upon the terms confirmed upon arrival. Customer and each Property also agree to cover the reasonable expenses incurred by the guest in obtaining such accommodations and services. Customer and the Property agree to indemnify and hold SHS harmless from any liability in connection with Customer's or a Property's failure to honor a confirmed reservation, or any costs a holder of a reservation is improperly charged, and in the event SHS makes any payment to or enters into settlement with, a holder of a reservation with respect to a claim that the Customer or a Property failed to provide accommodations, goods or services as confirmed, or charged a holder of a reservation improperly, and Customer and the Property will immediately, on demand, pay such amounts to SHS.

C. Commission payments on rates designated as commissionable should be paid by Customer within 30 to 60 days from guest departure. Customer is responsible for resolving all commission disputes directly with guests, travel agencies, GDS's, and other stakeholders.

D. Customer will work with SHS Customer Care to resolve customer service issues in an expeditious and timely manner. SHS may choose to pay travel agencies, guests, GDS's, or other stakeholders on cases that remain unresolved for more than 45 days. SHS will recoup any monies it pays on behalf of Customer by adding the amount of such payment to Customer's subsequent SHS invoice.

E. If Customer fails to adhere to the above outlined procedures, its distribution may be restricted through one or multiple channels.

13. Proprietary Rights. SynXis® CRS: "SynXis®", "SynXis® Control Center", "Voice Agent" and "Guest Connect™" are included within the definition "SynXis® Central Reservation System" and "SynXis® Services." These terms and other terms are registered trademarks and/or trade names owned and used by SHS. The functions comprised within SynXis CRS are the subject of pending patent applications. SHS claims copyright protection for all software programs and content hosted via SHS' websites. SHS software documentation and copy, including all web page copy and arrangements, are subject to trademark, copyright and patent protection. Customer acknowledges that it acquires no rights or licenses with regard to SynXis CRS, website content, software and copy except as granted under this Agreement. Customer will not allow SynXis CRS to be used by any Property or facility that is not listed on or added to this Agreement and Customer will not alter any software code or use the CRS to avoid payment. Customer will not reproduce or decompile the software code, documentation or any other proprietary technology owned or licensed by SHS.

14. Guest Information. SHS will hold, use and retain Guest Information as disclosed in the current privacy policy displayed on the SHS web site as updated from time to time.

15. Publicity. Customer may use SHS trade names, name and logo when identifying or advertising that Customer uses SHS Services in print or online advertising, press releases or publicity in accordance with the SHS name use policies in effect from time to time. With Customer's prior written consent, SHS may use Customer's name, logo and Property descriptions including

number of rooms and Properties by name in print or online advertising, press releases or publicity. Additionally, Customer grants to SHS a non-exclusive, worldwide, royalty-free license to use digital images, which may include digital film clip(s), animation, audio clip(s) and associated material ("Images") related to a Property (including, but not limited to, a picture that accurately depicts the exterior of the Property and pictures that accurately depict each room type), and the right to allow SHS to re-license or sub-license such to the GDS's, IDS's and others who further distribute the Property description and reservations. Customer warrants that it is the owner or otherwise has the right to provide this license grant and that such Images accurately depict the Property. Customer shall maintain the timeliness and the accuracy of all Images supplied hereunder.

16. Taxes. Customer will be responsible for and will reimburse and indemnify SHS for all taxes or similar charges (including, without limitation, penalties, interest, additions to tax and similar amounts), whether federal, state, local, foreign or otherwise, including without limitation withholding taxes, which are related to this Agreement or to payments made under this Agreement, other than taxes imposed on the net income of SHS (collectively, "Taxes"). All payments due to SHS under this Agreement shall be made free and clear of any Taxes. If Customer is required by law to make any deduction or withholding of Taxes from any payment due to SHS under this Agreement, Customer will (i) timely and properly prepare and submit any necessary filings and remit such Taxes to the appropriate taxing authority, (ii) provide SHS with governmental receipts evidencing Customer's withholding and payment to the appropriate tax authorities in a timely manner and (iii) increase each payment related to this Agreement to the extent necessary to ensure that SHS actually receives the amount that SHS would have received if such payment had not been subject to Taxes.

17. LIMITATION OF LIABILITY. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES (INCLUDING LOSS OF PROFITS, REVENUE OR SAVINGS) ARISING OUT OF CUSTOMER'S USE OF SHS SERVICES WHETHER FOR BREACH OF CONTRACT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE, EVEN IF THE PARTY HAD BEEN ADVISED OF, KNEW OR SHOULD HAVE KNOWN OF THE POSSIBILITY THEREOF. IN NO EVENT WILL THE LIABILITY OF EITHER PARTY FOR ANY REASON EXCEED THE AMOUNT DUE AND PAYABLE TO SHS UNDER THIS AGREEMENT DURING THE 12 MONTH PERIOD IMMEDIATELY PRECEDING THE OCCURRENCE OF THE CLAIM. NO CLAIM MAY BE BROUGHT MORE THAN 24 MONTHS AFTER THE CLAIMING PARTY KNEW OF OR REASONABLY SHOULD HAVE KNOWN OF THE CLAIM, REGARDLESS OF WHETHER SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

18. Mutual and Specific Indemnities. Each party (the "indemnifying party") agrees to indemnify and hold the other (the "indemnified party") harmless against any suit, claim, damages and expense (including reasonable attorneys' fees) by reason of any personal bodily injuries or tangible property damage which the indemnified party may incur as the result of the indemnifying party's gross negligence or willful misconduct in the course of the performance of this Agreement.

19. DISCLAIMER OF WARRANTIES. SHS SERVICES ARE PROVIDED "AS IS". SHS MAKES NO WARRANTY, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. NO REPRESENTATION

OR OTHER AFFIRMATION OF FACT SHALL BE DEEMED A WARRANTY FOR ANY PURPOSE OR GIVE RISE TO ANY LIABILITY OF SHS WHATSOEVER. THE PARTIES AGREE AND ACKNOWLEDGE THAT THIS PROVISION IS MATERIAL TO THE AGREEMENT AND IS A SIGNIFICANT CONSIDERATION IN SHS' WILLINGNESS TO ENTER INTO THIS AGREEMENT

## 20. Confidentiality.

A. The Confidential Information of each party, including SHS, Customer and Customer's Properties, will remain its sole property. All Confidential Information shall be held and protected by the recipient in strict confidence, and shall be used by the recipient only as required to render performance or to exercise rights and remedies under this Agreement. Each party will protect the other party's Confidential Information from unauthorized use, access or disclosure with the same measures that the recipient takes to protect its own proprietary information of like importance, but in no event less than reasonable care. No Confidential Information will be disclosed to any third party by the recipient party without the prior written consent of the disclosing party, except that each party may disclose this Agreement and the other party's Confidential Information to its affiliates and their respective directors, employees, attorneys, agents, auditors, insurers and subcontractors who require access to such information in connection with their employment or engagement and who are obligated to keep such information confidential in a manner no less restrictive than set forth in this Section. The party employing or engaging such persons is responsible and liable for their compliance with such confidentiality obligations. Customer agrees to hold all the terms, fees, prices, transactional and billing details, and contents of this Agreement in strict confidence. Customer may disclose the terms of the Agreement to their responsible employees, advisors and consultants with a bona fide need to know who agree to maintain confidentiality.

B. Required Disclosures. Each party may disclose the Confidential Information of the other party in response to a request for disclosure by a court or another governmental authority, including a subpoena, court order, or audit-related request by a taxing authority, if that party; (i) promptly notifies the other party of the terms and the circumstances of that request, (ii) consults with the other party, and cooperates with the other party's reasonable requests to resist or narrow that request, (iii) furnishes only information that, according to written advice of its legal counsel, that party is legally compelled to disclose, and (iv) uses reasonable efforts to obtain an order or other reliable assurance that confidential treatment will be accorded the information disclosed.

## 21. Governing Law and Compliance with Law.

A. This Agreement and any dispute arising hereunder shall be construed in accordance with the procedural, evidentiary and substantive laws of the State of Texas without regard to principles of conflict of laws. This Agreement will not be governed by the U.N. Convention on the International Sale of Goods, the application of which is expressly excluded. The parties consent to the jurisdiction of, and agree that the exclusive venue for any litigation arising hereunder shall be, the federal or state courts in Tarrant County, Texas. Each party waives any objection which it may have to the laying of venue of any suit, action or proceeding

arising out of or relating to this Agreement in such courts. Notwithstanding anything herein to the contrary, in the event of an actual or threatened breach of the use restrictions placed on the SynXis CRS or related software or the Confidentiality provisions contained herein, the non-breaching party will be entitled, without waiving any other rights and remedies and without obligation to post a bond, to such injunctive or equitable relief as may be deemed proper by a court of competent jurisdiction.

B. Customer agrees to comply with applicable U.S. and foreign laws and regulations in its performance of this Agreement, including import and export laws. Providing services to, or for use by any person, entity or country on the U.S. Department of Commerce Denied Persons List or the U.S. Department of Treasury's lists of Specially Designated Nationals, Specially Designated Narcotics Traffickers or Specially Designated Terrorists is prohibited, and shall be a material breach of the Agreement.

22. **Assignment.** Customer may not assign, transfer, license, sublicense, delegate or otherwise convey any of Customer's rights or obligations under this Agreement without notification to SHS. In the event of any assignment, the assignor shall remain liable for the assignee's continuing performance. This Agreement shall be binding upon, and shall inure to the benefit of, the parties and their respective successors and assigns.

23. **Severability.** In the event that any provision of this Agreement is found invalid or unenforceable pursuant to a judicial decision, the remainder of this Agreement shall remain valid and enforceable.

24. **Survival.** All provisions of this Agreement relating to payment, confidentiality, nondisclosure, and proprietary rights shall survive the Termination of this Agreement.

25. **Notice.** Any notice under this Agreement shall be in writing and shall be deemed given when received and may be delivered (i) by hand, fax or email, (ii) by mail, in Official Government Mail, postage prepaid, or (iii) by overnight delivery service.

26. **Entire Agreement.** This Agreement is the complete agreement of the Parties and supersedes all prior oral or written agreements, contracts, proposals, understandings, offers and discussions. This Agreement may not be modified or altered except by written instrument executed by both Parties.

27. **Third Party Providers.** SHS offers some reservation distribution services through third-party providers that may require Customer to enter into an additional, separate agreement, in order to participate in certain programs or services. Customer acknowledges that participation in such third-party programs or services remains at the discretion of the third-party provider. In addition, SHS may depend on contractual relationships with

third party providers for products and services offered to Customer. In the event that a contract upon which SHS relies for any service or product terminates, SHS will use commercially reasonable efforts to provide such product and/or service itself or through another provider. SHS may, however, suspend or terminate any such product or service, without liability to SHS, if unable to provide a substantially equivalent alternative. Customer shall have no further obligation to pay for any such suspended or terminated product and/or service and Customer may contract directly with another provider for such products and services.

28. **Force Majeure.** No party shall be liable to any other party for any delay or failure to perform due to causes beyond its control including, without limitation, fire, flood, wind, lightning, strike, work stoppage, war, insurrection or terrorist acts, failure of any local, state, national or international telecommunications carrier, GDS, IDS, computer hosting facility or Switch Provider to provide reservation messaging or connectivity, or act of God or public enemy.

29. **Offer Expiration.** This offer for services at the pricing contained herein will be null and void if this Agreement is not signed and returned to SHS within sixty (60) days of issuance.

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**List of SHS Product Descriptions:**

- A. **Subscription Fee for SynXis CRS, Customer Support, and Account Management.** The SynXis CRS and Control Center provide Customer with the basic operating system necessary for reservation management. SHS will also provide Customer with account management services and 24/7 system support.
- B. **Global Distribution System ("GDS") Channel.** This booking channel provides Customer with reservations originating from travel agents and users of the Sabre, Amadeus, and Travelport reservation networks and Internet sites using the GDS. GDS reservations are subject to commission payable by the Property after each completed stay.
- C. **Internet Reservation Channel ("Internet Distribution System" or "IDS").** Connects Customer to Pegasus ADS (alternate distribution system) partners who are online travel agencies and hospitality websites. New sites offered at a later time may have different costs and an addendum may be required. The terms and costs for setting up and maintaining these connections may vary. IDS bookings also involve commissions or merchant discount fees to the originator / OTA.
- D. **Guest Connect Booking Engine.** Allows Customer to receive reservations from Customer's website. Customer may implement URL Tracking Codes at any time (i.e. Google, Yahoo, Overture) for a fee of \$100.00 per implementation. In addition, some SHS partner OTA bookings are booked via the Guest Connect Booking Engine instead of a direct Channel Connect, therefore, the Guest Connect transaction fee will also apply for such OTA's.
- E. **Guest Connect Flex With Mobile Booking Engine.** Includes the Guest Connect Booking Engine plus the mobile template and mobile booking engine. Subsequent shell builds or redesigns are \$899.00 per shell for Guest Connect Flex BE and \$999.00 per shell for Guest Connect Flex With Mobile BE, and include up to 10 hours of Professional Services. Shell builds or Redesigns that require more than 10 hours of Professional Services will be charged at the standard rate of \$175.00/hour for the additional hours.
- F. **Guest Connect Upsell.** Provides the ability to sell room upgrades after a guest's initial booking is confirmed. Once an Upsell sale has been confirmed, Customer will be responsible for paying SHS the corresponding fee, regardless of subsequent changes to the reservation.
- G. **Voice Agent (Direct Entry Channel).** Voice Agent allows Customer to enter bookings from a call center.
- H. **Net Rate Reservation Channel: Priceline Merchant Travelweb Program.** Allows Customer to provide net rates to specified hospitality websites, travel portals and distributors. The transaction fee is waived so long as the fee to SHS is waived.
- I. **Channel Connect.** Manage and distribute availability rates and inventory from the SynXis CRS to online distribution channels including, but not limited to, Online Travel Agencies (OTAs), Wholesalers, Tour Operators and Meta Search companies. Where applicable, receive reservations delivery via the SynXis CRS. May require additional paperwork with the OTA's; bookings may also involve commissions or fees to the originator. Channel Connect online distribution channels are subject to change and SHS reserves the right to revise the available channels for its customers at any time.
- J. **Channel Connect Express.** Manage and distribute availability rates and inventory to online distribution channels including but not limited to Online Travel Agencies (OTAs), Wholesalers, and Tour Operators. Based on the distribution channel's technical readiness and where applicable, receive reservation delivery via the SynXis CRS. Bookings may also involve commissions or fees to the originator.
- K. **Property Integration: 1-Way PMS Delivery Channel.** This SHS interface allows reservations to be electronically delivered from SynXis CRS to most standard Property Management Systems. See Section 2 of the Terms and Conditions for additional charges that may apply to non-standard PMS's or to special Customer requests.
- L. **Property Integration: 2-Way PMS Delivery Channel.** Two-Way PMS integration facilitating the electronic transfer of information between the SynXis CRS and the Customer's PMS, necessary for reservation delivery, as well as rate, availability and stay control updates. See Section 2 of the Terms and Conditions for additional charges that may apply to non-standard PMS's or to special Customer requests.
- M. **Property Integration: 2-Way RMS Integration.** SHS interface allows Customer's Revenue Management System (RMS) to send yield recommendations to the SHS System. The fee includes all maintenance by SHS to the interface. This fee does not include any implementation, licensing or maintenance fees that may be imposed by Customer's RMS Provider.
- N. **Corporate Lead Generation.** Sabre Hotel RFP is an exclusive lead service where corporations seek hotels to participate in their travel programs. Within the tool, Customer can negotiate, organize and report on the Property's corporate contracts.
- O. **Fax Notification of Reservations (Optional).** If Customer desires fax notices of reservations this feature of the SynXis CRS may be used for that purpose. Fax notices may also be sent to Customer if an Email notice is not deliverable, at a fee of \$0.45 per fax.
- P. **Travel Industry ID Reservation Processing Subscription:** SHS subscribes to leading various travel agency profiles for reservation processing, including IATA/TIDs, CLIA and TRUE.
- Q. **Consortia Service Management (Optional).** SHS provides management support and the use of SHS Services, for an annual fee, in connection with certain third party systems to allow Customer to participate in programs chosen by Customer. Participation fees that are set by each program sponsor will be payable by Customer. Due to the nature of this program it involves third party participation. Prices will vary for future years and increases are not limited by the Fee Increases Section of the Terms and Conditions.
- R. **Support for Travel Agent Commission Processing Services (Optional).** SHS monthly Support Fee for Travel Agent Commission Processing Services includes automated reservations data transfer from the SynXis CRS to a third-party commission processing service provider. Payment processing services are available through a separate contract with a third-party provider such as Perot Systems TACS, Pegasus CommissionProcessing, Worldwide Payment Systems, or other future providers. The third-party payment processing services provider will invoice Customer directly for the payment processing services.
- S. **RezTrack.** RezTrack is a tool to help hoteliers' measure online performance in order to manage, plan, and monitor online marketing initiatives such as: optimization efforts for ranking in organic search results, pay-per-click campaigns, referral traffic, media buys, E-mail marketing, or remarketing.

**Definitions.** Defined terms are identified through this Agreement. In addition, the following terms have the following meanings:

- 1. **"Booking Channel"** means a source, mechanism or system generating or sending inquiries and requests for bookings through SynXis CRS. A Booking Channel may include the GDS channel, IDS channel, Channel Connect, SHS' Internet booking engine ("Guest Connect Booking Engine"), direct entry reservations ("Voice Agent") or other source of guests delivered to Customer through the SynXis CRS.
- 2. **"Confidential Information"** means the terms and conditions of this Agreement, any and all applicable IP Rights, proprietary and confidential information of SHS or Customer, their affiliates, subsidiaries, successors or assigns concerning their past, present or future industrial, corporate, and trade secrets, research, development, business activities or affairs, finances, properties, methods of operation, processes and systems, and agreements related to the business of SHS or Customer disclosed under this Agreement. Confidential Information does not include any information that (1) is or becomes generally known to the public, (2) which was in the receiving party's possession or was known by it prior to receipt by the disclosing party, (3) was rightfully disclosed to the receiving party without restriction, or (4) was independently developed by a party without the use of the other party's Confidential Information.
- 3. **"Customer Care"** means customer support provided by SHS.
- 4. **"Guest Information"** is personally identifiable information of a natural person entered into the SynXis CRS with respect to a guest.
- 5. **"Operational Date"** is the date on which reservation messaging is established through the SynXis CRS. For purposes of this Agreement where Customer has more than one Property, the Operational Date is the first Operational Date for any of Customer's Properties.



**PROPERTY MANAGEMENT SYSTEM TECHNOLOGY ADDENDUM**

**EXHIBIT F TO THE FRANCHISE DISCLOSURE DOCUMENT**

TECHNOLOGY ADDENDUM TO FRANCHISE AGREEMENT  
PROPERTY MANAGEMENT SYSTEM

THIS TECHNOLOGY ADDENDUM TO FRANCHISE AGREEMENT ("Addendum"), made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ ("Effective Date"), by and between Cobblestone Hotels, LLC, a Wisconsin limited liability company ("Cobblestone") and \_\_\_\_\_ ("Franchisee").

RECITALS

WHEREAS, Cobblestone and Franchisee have previously entered into a Franchise Agreement (the "Franchise Agreement") whereby Cobblestone granted Franchisee a license to operate a Cobblestone branded lodging facility at \_\_\_\_\_ ("Franchised Location") using the Cobblestone system;

WHEREAS, pursuant to its rights under Article 6(V)(2) of the Franchise Agreement, Franchisee has the option or Cobblestone may require that Franchisee have a Property Management System at the Franchised Location;

WHEREAS, SkyTouch Technology ("SkyTouch") is in the business of offering a proprietary Property Management System ("Licensed Software");

WHEREAS, Cobblestone has entered into a Master License Agreement with SkyTouch ("Cobblestone License"), pursuant to which SkyTouch has agreed to offer Licensed Software to Cobblestone branded lodging facilities; and

WHEREAS, Franchisee desires to use the Licensed Software in connection with the operation of the Franchised Location on the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the foregoing Recitals, which are incorporated herein and made a part hereof, the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Cobblestone and Franchisee covenant, warrant and agree as follows:

1. **Set-Up Fee.** Franchisee shall remit to Cobblestone a one-time fee in the amount of seven thousand and no/100 dollars (\$7,000.00) for the costs associated with the initial set-up and implementation of the Licensed Software at the Franchised Location.
2. **Monthly Fee.** Franchisee shall remit to Cobblestone a monthly fee in the amount of (i) one hundred forty and no/100 dollars (\$140.00) plus (ii) \$4.50 per room/per month in consideration for Cobblestone granting Franchisee the right to use the Licensed Software at the Franchised Location. An additional monthly fee of one hundred eighty-five and no/100 dollars (\$185.00) will also be due and payable if integration with a point of sale system and the Cobblestone rewards Program is necessary.
3. **Grant.** Cobblestone hereby grants to Franchisee the right to access the Licensed Software and use the same in the operation of the Property. The rights herein granted to Franchisee are conditioned upon Franchisee's strict compliance with the License Terms and Conditions, a copy of which is attached hereto as Attachment A. Franchisee acknowledges and agrees that, in addition to the other rights granted to Cobblestone under the Franchise Agreement, upon the occurrence of a breach of the License Terms and Conditions or of the Franchise Agreement by Franchisee, Cobblestone has the right to immediately suspend Franchisee's participation in the Licensed Software until such breach has been cured to Cobblestone's reasonable satisfaction.
4. **Term of Grant.** The rights granted hereunder shall be coterminous with that of the Cobblestone License. Notwithstanding the foregoing, the rights granted to Franchisee hereunder shall automatically terminate upon termination or expiration of the Franchise Agreement.
5. **No Warranty.** Franchisee expressly understands and agrees that Cobblestone shall not be liable for any loss or damage whatsoever (direct, indirect, punitive, actual, consequential, incidental, special, or otherwise) resulting from any omission in the content or performance of, or any inability to access or use the Licensed Software, regardless of the basis upon which liability is claimed, even if Cobblestone has been advised of the possibility of such

loss or damage. Cobblestone makes no representation or warranty, express or implied, that the Licensed Software will meet Franchisee's requirements or that they will be uninterrupted, timely, secure, or error free; nor does Cobblestone make any warranty as to the results that may be obtained from the use of the Licensed Software or as to the accuracy, completeness, timeliness, or reliability of any information obtained through or posted on such systems or services. Cobblestone shall not be responsible for any problems or technical malfunctions of the Licensed Software, including any problems or technical malfunctions of any telephone network or lines, computer on-line systems, servers, Internet access providers, computer equipment, software, or any combination thereof, including any injury or damage to the computer of Franchisee or any other person as a result of using the Licensed Software and/or other services. Franchisee acknowledges that the Licensed Software and other services are being provided to Franchisee "as-is".

6. **Indemnification.** In addition to the indemnification obligations of Franchisee under Article 15(B) of the Franchise Agreement, Franchisee shall indemnify Cobblestone against and shall reimburse Cobblestone upon demand for any and all losses, costs, expenses (including without limitation, reasonable attorneys' fees, disbursements of counsel, investigation expenses, expert witness fees, court costs, deposition expenses, and travel and living expenses), liabilities, damages, fines, penalties, charges, assessments, judgments, settlements, claims, causes of action, and other obligations of any nature whatsoever that Cobblestone may at any time, directly or indirectly, suffer, sustain or incur, arising out of, based upon or resulting from the breach by Franchisee of the License Terms and Conditions. Cobblestone will always have the right to defend any claim made against it with respect to which it is entitled to indemnification hereunder and Franchisee shall reimburse Cobblestone upon demand for any and all costs and expenses, including reasonable attorneys' fees incurred by Cobblestone in connection therewith.

7. **Full Force and Effect.** Except as amended by this Addendum, the Agreement and all prior Addendums remain in full force and effect.

8. **Conflict.** In the event of conflict between the terms and conditions of this Addendum and the terms and conditions of the Agreement, the terms and conditions of this Addendum shall control.

9. **Defined Terms.** Capitalized terms used, but not otherwise defined in this Addendum shall be given the meaning given said terms in the Agreement.

IN WITNESS WHEREOF, the parties have executed this Technology Addendum to Franchise Agreement as of the date first written above.

COBBLESTONE HOTELS, LLC  
a Wisconsin limited liability company

FRANCHISEE:

By: \_\_\_\_\_  
Name: Brian Wogernese  
Title: Managing Member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

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

**ATTACHMENT A**  
**License Terms and Conditions**

## EXHIBIT B – TERMS AND CONDITIONS

The following terms and conditions apply to the Agreement by and between Licensor and Licensee.

1. **Definitions.** Capitalized terms shall have the meanings set forth or referred to in this Section 1, or in the Section in which they first appear in the Agreement.

a. **“Applicable Law”** means all applicable local, state, provincial, federal or international laws, rules or regulations, directives, including without limitation those relating to data privacy, trans-border data flow or data protection (“**Privacy Laws**”).

b. **“Authorized Users”** means the employees and independent contractors of the Licensee who are authorized to use the Licensed Software and Site (as said term is hereinafter defined).

c. **“Cobblestone Hotels”** means Cobblestone Hotels, LLC.

d. **“Cobblestone Properties”** means the hotels that are owned, operated, managed, franchised and/or promoted by Cobblestone Hotels, including the Licensee.

e. **“Controlled Technology”** has the meaning set forth in Section 9 of this Agreement.

f. **“Claim”** has the meaning set forth in Section 17 of this Agreement.

g. **“Documentation”** means all user manuals, technical manuals and any other materials provided by the Licensor, in printed, electronic or other form, that describe the installation, operation, use or technical specifications of the Licensed Software.

h. **“Effective Date”** shall have the meaning set forth in the introductory paragraph of this Agreement.

i. **“Licensed Software”** means the SkyTouch HOS together with any Maintenance Releases, software updates or other software, or API (application programming interface) or other interfaces provided to the Licensee as designated in Table 1 of this Agreement.

j. **“Licensee”** is a Cobblestone Property and shall have the meaning set forth in the introductory paragraph of this Agreement.

k. **“Licensee Content”** has the meaning set forth in Section 11(e) of this Agreement.

l. **“Licensee Indemnified Party”** has the meaning set forth in Section 17 of this Agreement.

m. **“Licensor”** shall have the meaning set forth in the introductory paragraph of this Agreement.

n. **“Licensor Indemnified Party”** has the meaning set forth in Section 17 of this Agreement.

o. **“Maintenance Release”** means any update or release of the Licensed Software that the Licensor may provide to the Licensee from time to time during the Term of this Agreement, that may contain, among other things, error corrections, enhancements or other changes to the user interface, functionality, compatibility, capabilities, performance, efficiency or quality of the Licensed Software, but does not constitute a New Version.

p. **“New Version”** means any new version of the Licensed Software that the Licensor may from time to time introduce and market generally as a distinct licensed product, and which the Licensor may make available to the Licensee at an additional cost under a separate written agreement.

q. **“Open-Source Components”** means any open-source, freeware, shareware or other software having similar licensing or distribution models by which it is subject to license agreement or other enforceable requirements or restrictions, including without limitation under any GNU General Public License or GNU Library or Lesser Public License, or other license agreement that conforms to a standard definition set by the Open Source Initiative.

r. **“Party”** or **“Parties”** shall have the meaning set forth in the introductory

paragraph of this Agreement.

s. **“Personally Identifiable Information”** or **“PII”** shall mean any and all information that can identify an individual, including, but not limited to the examples set forth in Section 3 of this Agreement.

t. **“Retention Period”** shall have the meaning set forth in Section 13(d) of this Agreement.

u. **“Section”** means a section of this Agreement.

v. **“Site”** means [www.skytouchhos.com](http://www.skytouchhos.com)

w. **“SkyTouch HOS”** means the SkyTouch Hotel Operating System™ web-based software as a service (SaaS) available at the Site.

x. **“Term”** means the period of time beginning on the Effective Date and continuing through September 12, 2017, unless terminated earlier in accordance with the terms of this Agreement.

## 2. Scope of Use:

a. **Grant of Rights.** Subject to the terms and conditions in this Agreement, Licensor grants Licensee a non-exclusive, non-transferable, perpetual, limited license during the Term of this Agreement for Licensee and its Authorized Users to use the Licensed Software and the Site solely for Licensee's normal internal business purposes related to managing lodging operations including but not limited to guest reservations, folio management and housekeeping functions so long as such use is in accordance with Applicable Law. Licensee hereby agrees that all software, drawings, diagrams, specifications, documentation and other material relating to the Licensed Software and the use and service of the Site are the confidential and proprietary property of Licensor or its licensors, and Licensee shall acquire no rights in them, except as set forth in this Agreement.

b. **Use Restrictions.** Licensee and its Authorized Users shall not reproduce, duplicate, copy, sell, resell, rent, lease, loan, mirror, frame, sublicense, assign, transfer, disclose, reverse engineer, decompile, disassemble, decode, attempt to gain access to the source code of, adapt or otherwise exploit the Site, the Licensed Software and any portion(s) thereof. Licensee and its Authorized Users hereby agree not to use the Licensed Software and the Site to: (a) transmit spam, bulk or unsolicited communications; (b) pretend to be Licensor or someone else, or spoof Licensor's or someone else's identity; (c) forge headers or otherwise manipulate identifiers (including URLs) in order to disguise the origin of any content transmitted through the Site; (d) misrepresent Licensee's affiliation with a person or entity; (e) disrupt the normal flow of dialogue or otherwise act in a manner that negatively affects other users' ability to use the Licensed Software or the Site; (f) engage in activities that would violate any fiduciary relationship, any Applicable Law, including but not limited to attempting to compromise the security of any networked account or site, operating an illegal lottery or gambling operation, stalking, or making threats of harm, transmitting infringing, libelous or otherwise unlawful or tortious material or malicious code; or (g) collect or store personal data or Personally Identifiable Information about other users unless specifically authorized by such users. Licensor may refuse service, terminate access, and/or cancel transactions at Licensor's discretion without liability to Licensee.

c. **No Interference.** Licensee shall not use any device, software, or other instrumentality to interfere or attempt to interfere with the proper working of the Licensed Software or the Site, and Licensee shall not take any action that imposes an unreasonable or disproportionately large load on Licensor's infrastructure. In addition, Licensee shall not use any robot, spider, other automatic device, or manual process to monitor or copy the Licensed Software, the Site, or Licensor's web pages or the content contained therein, without prior written consent from Licensor. Further, Licensee shall not attempt to gain unauthorized access to the Licensed Software or Site or their related systems or networks.

d. **Licensee Content.** Licensee may not post or transmit any material to the Site that (a) is unlawful, abusive, threatening, violent, harmful, obscene, pornographic, lewd, offensive, racist, defamatory, harassing, or otherwise objectionable to Licensor; (b) might infringe the intellectual property rights, privacy rights, rights of publicity, or other proprietary rights of others; or

contains any viruses, Trojan horses, time bombs, or any other harmful programs or elements; and Licensee may not modify or abridge any functionality of the Licensed Software or the Site. Licensee shall only post or transmit PII via the Licensed Software or Site to the extent that (x) such PII is required to service a guest's stay, (y) it complies with Applicable Law and applicable credit card brand regulations, and (z) such PII is only stored in fields designated to store such PII.

**e. Third Party Software included with the Licensed Software.**

**i. Usage.** Any third party software, including without limitation Microsoft software and Open Source Components, are hereby licensed for use solely in conjunction with the Licensed Software and/or Site in accordance with the terms and conditions set forth in this Agreement. Any use of the Open-Source Components by the Licensee shall be governed by, and subject to, the terms and conditions of the applicable Open-Source Components licenses. On written request to the Licensor, the Licensor shall provide the Licensee with a complete, machine-readable copy of the source code for such Open-Source Components in accordance with the terms of the Open-Source License(s) at no cost to the Licensee.

**ii. Usage Restrictions.** Licensee and its Authorized Users will not undertake any action that may interfere with or diminish intellectual property rights of Licensor or Licensor's licensors (including without limitation Microsoft or the Open Source Component contributors) if applicable: prohibited actions include, but are not limited to: (i) reverse engineering, decompiling and disassembling any software available on the Site (including the Licensed Software) or any component thereof, except and only to the extent such activity is expressly permitted by Applicable Law notwithstanding this limitation and (ii) removing, modifying or obscuring any copyright, trademark, or other proprietary rights notices that appear on the Licensed Software or the Site or that appear during use of the Licensed Software or the Site.

**f. Licensee Compliance.** In connection with use of the Licensed Software and the Site by Licensee and Authorized Users, Licensee shall: (i) only use the Licensed Software in accordance with the Documentation, terms and conditions of this Agreement and Applicable Law; (ii) meet or exceed the system requirements set forth in **Exhibit C** attached hereto and incorporated herein by reference throughout the Term of this Agreement; (iii) use commercially reasonable efforts to prevent unauthorized access to or use of the Licensed Software and the Site; (iv) promptly notify Licensor of any unauthorized access or use of the Licensed Software and the Site; (v) provide access to Licensee's hardware and data transport system to enable Licensor or third-party providers to perform whatever services, support or activities are required to assist Licensee in its use of the Licensed Software and the Site; (vi) have a representative trained in the use of the Licensed Software and the Site available to work with Licensor in any support matters; (vii) maintain appropriate back-up procedures external to the Licensed Software and the Site for reconstruction of lost or altered files, data, or programs; and (viii) update or replace the recommended hardware as required by Licensor in order to accommodate changes to the Licensed Software or the Site.

**g. Authorized Users.** Licensee shall be responsible and liable for any failure by any Authorized User to perform in accordance with this Agreement or to comply with any duties or obligations imposed on Licensee under this Agreement to the same extent as if such failure to perform or comply was committed by Licensee (including without limitation the confidentiality obligations set forth in this Agreement). Licensor shall have the right during the Term of this Agreement to revoke its approval of an Authorized User and to suspend or terminate, at Licensor's sole discretion, such Authorized User's access to the Licensed Software and Site.

**h. Third Party Equipment/Interfaces/Applications.** Licensee and its Authorized Users shall not attach any third party equipment, interfaces or applications to the Licensed Software that have not been tested and approved in advance by Licensor. Licensee shall be solely responsible for its use of any such third party equipment, interfaces or applications and shall indemnify, defend and hold harmless Licensor and Licensor's Indemnified

Parties (as said term is hereinafter defined) from any third party claims relating to such third party equipment, interfaces or applications.

**3. Accessing Personally Identifiable Information.** Licensee and each Authorized User may only access a person's personal information contained in the Licensed Software or Site if such person (a) has a reservation at Licensee's property, (b) previously stayed at Licensee's property, or (c) is interested in making or confirming a reservation at Licensee's property. In all such cases, Licensee may only use such person's Personally Identifiable Information contained in the Licensed Software or Site for the purposes of check-in, check-out, billing and/or reservation confirmation/cancellation and loyalty program-related activities. All other access to Personal Identifiable Information is strictly prohibited. Personally Identifiable Information includes but is not limited to: name, address, telephone number, credit card number, AAA or other membership number, passport, driver's license or other government ID number. To the extent that Licensor obtains PII or Confidential Information while performing the services or activities referenced in **Section 2(f)(v)** above, Licensor shall delete any such obtained PII or Confidential Information upon completion of those services or activities, unless otherwise directed by Licensee.

**4. Fees.**

**a. License Fees.** In consideration of the rights granted to the Licensee under this Agreement, Licensee shall and/or shall cause Cobblestone Hotels to pay, on Licensee's behalf, to Licensor the fees set forth in **Table 1** of this Agreement which is attached hereto and incorporated herein by reference. Licensee acknowledges and agrees that the fees set forth in **Table 1** of this Agreement are being offered to Licensee because Licensee is a Cobblestone Property. If during the Term of this Agreement Licensee's status as a Cobblestone Property ends, the fees set forth in **Table 1** are subject to change.

**b. Payment Terms.** Licensee shall and/or shall cause Cobblestone Hotels, on Licensee's behalf, to pay to Licensor 100% of the initial fees due and owing under this Agreement within thirty (30) days of the Effective Date. Thereafter, all subsequent fees shall be due and payable in accordance with **Table 1** of this Agreement and no later than thirty (30) days of invoice. All payments hereunder shall be in US dollars and made by check or wire transfer.

**c. Late Payment.** Licensee shall and/or shall cause Cobblestone Hotels, on Licensee's behalf, to notify the Licensor in writing of any good faith dispute with any invoice (along with all relevant details regarding the dispute) within ten (10) days from the date of invoice. Invoices for which no such timely notification is received shall be deemed accepted by Licensee and Cobblestone Hotels as true and correct. All undisputed late payments shall bear interest at the lesser of the rate of 1.5% per month or the highest rate permissible under Applicable Law, calculated daily and compounded monthly. In addition to all other remedies available under this Agreement or Applicable Law (which the Licensor does not waive by the exercise of any rights hereunder): (i) the Licensor shall be entitled to suspend the Licensee's use of the Licensed Software and the Site if Licensee and/or Cobblestone Hotels on Licensee's behalf fails to pay any amount when due hereunder; and (ii) if Licensee and/or Cobblestone Hotels on Licensee's behalf fail to remit payment to Licensor in accordance with the terms of this Agreement, Licensee shall remain responsible for payment of all undisputed fees under this Agreement and Licensor shall have the right to seek payment in full from Licensee for all such unpaid fees.

**d. Taxes.** Licensee and/or Cobblestone Hotels, on Licensee's behalf, shall be responsible for all sales, use, excise, value added, and goods and services taxes, and any other similar taxes, duties and charges of any kind imposed by any governmental entity with proper jurisdiction on any amounts payable hereunder; provided, that, in no event shall the Cobblestone Hotels pay or be responsible for any taxes imposed on the Licensor's net income or property.

**5. Maintenance & Support.**

**a. Maintenance.** Licensor shall provide the Licensee with all Maintenance Releases (including updated Documentation) that the Licensor may, in its sole discretion, make generally available to its licensees at no additional

charge. All Maintenance Releases, upon being provided by the Licensor to the Licensee hereunder, shall be deemed Licensed Software subject to all applicable terms and conditions in this Agreement. The Licensee shall not have any right hereunder to receive any New Versions of the Licensed Software that the Licensor may, in its sole discretion, release from time to time. The Licensee may license any New Version that the Licensor generally makes available to its licensees at the Licensor's then-current list price and subject to a separate license agreement, provided that the Licensee is in compliance with the terms and conditions of this Agreement.

**b. Support.** Unless otherwise noted in **Table 1** of this Agreement, telephone and electronic troubleshooting support for the modules and interfaces selected by Licensee in **Table 1** of this Agreement shall be included in the monthly fees set forth therein for such selected modules and interfaces. Such troubleshooting support shall be provided for only those modules and interfaces selected by Licensee in **Table 1** of this Agreement and shall not be provided for any other software, interface, application, system, internet connectivity, etc. Support shall not be provided for issues caused by Licensee's negligence, abuse or misuse of the system, issues caused by or arising from systems or services accessed by Licensee through an interface, or Licensee's inability to meet the requirements set forth in **Exhibit C**. Support does not include training and setup.

#### 6. Training & Setup.

**a. Training & Setup Assistance.** Licensor will provide the Licensed Software training and setup set forth in **Table 1** of this Agreement to Licensee and its Authorized Users only. Licensee may reschedule the training and setup without paying an additional fee by providing Licensor with at least fourteen (14) days prior written notice of the need to postpone the training and setup program. Licensee shall pay Licensor a rescheduling fee in the amount of Two Thousand One Hundred Dollars (\$2,100.00) plus all actual travel expenses if Licensee (a) cancels or postpones a training and setup session with less than fourteen (14) days prior written notice, and/or (b) Licensee's equipment does not meet the standards set forth in **Exhibit C** as of the date such training and setup session is scheduled to begin.

**b. Expenses.** Unless otherwise noted, Licensor shall charge any travel expenses related to training and setup services to Licensee at cost. Licensee shall remit payment for such travel expenses no later than thirty (30) days after Licensee's receipt of Licensor's invoice.

**7. Warranties & Disclaimers.** LICENSOR WARRANTS THAT THE LICENSED SOFTWARE AND THE SITE WILL PERFORM THE FUNCTIONS AND OPERATIONS IN MATERIAL CONFORMANCE WITH THE ONLINE DOCUMENTATION WHEN USED ON THE RECOMMENDED HARDWARE (BUT NO OTHER HARDWARE), PROVIDED LICENSEE AND ITS AUTHORIZED USERS FOLLOW ALL WRITTEN INSTRUCTIONS AND MAKE CORRECTIONS AS DIRECTED, ARE NOT IN DEFAULT UNDER THIS AGREEMENT, AND, IN THE CASE OF NONPERFORMANCE OF LICENSED SOFTWARE, MAKE A REPORT OF SUCH NONPERFORMANCE WITHIN TWO YEARS OF LICENSEE'S DOWNLOAD OF THE LICENSED SOFTWARE. LICENSOR'S SOLE OBLIGATION UNDER THIS WARRANTY SHALL BE TO REMEDY ANY NONPERFORMANCE OF THE LICENSED SOFTWARE OR THE SITE WITHIN A REASONABLE TIME AFTER LICENSEE REPORTS IT TO LICENSOR. LICENSOR DOES NOT PROVIDE ANY WARRANTY OR CONDITION REGARDING THE PERFORMANCE OR FUNCTIONING OF THE LICENSED SOFTWARE, OR THE SITE UNLESS IT IS UTILIZED IN ACCORDANCE WITH THE SPECIFICATIONS FOR THE LICENSED SOFTWARE OR THE SITE ON THE RECOMMENDED HARDWARE. ALL WARRANTIES UNDER THIS PARAGRAPH ARE CONTINGENT UPON PROPER USE OF THE LICENSED SOFTWARE AND THE SITE AND SHALL NOT APPLY IF LICENSEE FAILS TO COMPLY WITH OPERATING INSTRUCTIONS OR MAKES OR PERMITS UNAUTHORIZED ACCESS TO THE LICENSED SOFTWARE OR THE SITE. WARRANTIES UNDER THIS PARAGRAPH SHALL NOT APPLY TO ANY INTERFACE TO THE EXTENT ANY IMPAIRMENT OR LIMITATION ON INTERFACE PERFORMANCE OR

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**10. Usage Audit.** Licensor or its representatives may, in Licensor's sole discretion, audit the Licensee's and each Authorized User's use of the Licensed Software under this Agreement at any time during the Term of this Agreement and for up to one (1) year following the termination of this Agreement, provided that no more than two (2) audits may be conducted in any twelve (12) month period. The Licensee shall fully cooperate with the

Licensor's audit and provide access to records, equipment, information and personnel requested by the Licensor. The Licensor may conduct audits only during the Licensee's normal business hours and in a manner that does not unreasonably interfere with the Licensee's business operations. If the audit determines that Licensee's usage of the Licensed Software exceeded the usage permitted by this Agreement, Licensee shall pay to Licensor all fees due for such excess usage of the Licensed Software, plus any reasonable costs incurred by Licensor in conducting the audit, within thirty (30) days of the date of written notification of the audit results.

**11. Intellectual Property.** No rights are granted to Licensee hereunder other than as expressly set forth in this Agreement.

**a. Licensor's Marks.** Licensee acknowledges that as between the parties SkyTouch™, SkyTouch Technology™, SkyTouch Hotel Operating System™ and SkyTouch Hotel OS™ are the sole property of Licensor and are registered in the U. S. Patent and Trademark Office and other trademark offices around the world. Any use of these trademarks by Licensee requires the prior express written consent of Licensor.

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**e. Licensee Content.** Licensee is solely responsible for the accuracy, quality, integrity and legality of the content it submits and of the means by which it acquired such content (hereinafter referred to as "**Licensee Content**"), and grants to Licensor, its successors and assigns, a non-exclusive, world-wide, royalty free, perpetual, non-revocable license to use or distribute such Licensee Content in any manner consistent with the rights and obligations of Licensor under this Agreement.

**12. Termination.** Licensee's right to access and use the Licensed Software and the Site shall terminate upon termination of this Agreement. In addition, Licensor may terminate Licensee's right to use the Licensed



Software or the Site (a) in the event that Licensee breaches this Agreement;

(b) if Licensee fails to make applicable payments associated with its use of the Licensed Software or the Site as specified in this Agreement; or (c) upon providing Licensee with sixty (60) days prior written notice. In addition to any damages to which it may be entitled, Licensor shall be entitled to reimbursement of all costs relating to the breach of this Agreement, including reasonable attorneys' and witness' fees. Licensee's breach of this Agreement shall also cause irreparable harm to Licensor and its licensors. Licensee agrees that damages may be an inadequate remedy for such breach and, therefore, in addition to its rights and remedies otherwise available at law, Licensor shall be entitled to equitable relief, including both a preliminary/interlocutory and permanent injunction, if such a breach occurs. Licensor waives any requirement for the posting of a bond or other security if Licensor seeks such an injunction.

**13. Effect of Termination.** The termination of this Agreement, for any reason, shall not release either Party from any liability to the other Party, including any payment obligation that has already accrued hereunder. Upon termination of this Agreement, for any reason, the Licensee shall:

a. Immediately discontinue use of the Licensed Software and Site;

b. At Licensor's option and Licensee's expense, return to Licensor or destroy all copies of the Documentation and all materials containing Licensor's Confidential Information;

c. Within ten (10) days of the termination, certify in writing to Licensor that all such copies and materials have been returned or destroyed, and that Licensee's, including Authorized Users', use of the Licensed Software and Site has been discontinued; and

d. Licensor shall retain Licensee Content for ninety (90) days following termination (the "**Retention Period**") subject to the safeguards set forth in this Agreement. Upon expiration of the Retention Period, Licensor shall destroy the Licensee Content.

#### **14. Confidentiality.**

##### **a. Confidential Information. "Confidential Information"**

means (i) the Licensed Software and Site, (ii) any software utilized by Licensor in the provision of the Site, the Licensed Software and its respective source code; (iii) Licensee Content; (iv) each party's business operations or employees which is sensitive, proprietary and/or valuable, and which is not in the public domain, including but not limited to the Documentation, training materials, any information relating to software plans, programming codes, product development, methods of operation, designs, costs, prices, finances, marketing plans, customer lists, business strategies or opportunities, personnel, research, development, trade secrets or know-how that is designated by the disclosing party as "confidential" or "proprietary" or the receiving party knows or should reasonably know is confidential or proprietary; and (v) the terms, conditions and pricing of this Agreement (but not its existence or parties). Confidential Information shall not include any information that: (w) is or becomes lawfully available to the public without breach of any obligation owed to the other party; (x) was known to a party prior to its disclosure by the other party without breach of any obligation owed to the other party; (y) was independently developed by a party without breach of any obligation owed to the other party; (z) is received from a third party without breach of any obligation owed to the other party; or (aa) is disclosed to Cobblestone Hotels in accordance with **Section 18(q)** of this Agreement.

**b. Non-Disclosure.** A party shall not disclose or use any Confidential Information of the other party except as reasonably necessary to perform its obligations or exercise its rights pursuant to this Agreement except with the other party's prior written permission. Each party agrees to protect the Confidential Information of the other party in the same manner that it protects its own Confidential Information of like kind, but in no event using less than a reasonable standard of care.

**c. Compelled Disclosure.** A disclosure by one party of Confidential Information of the other party to the extent required by Law shall not be considered a breach of this Agreement, provided the party so compelled (i) promptly provides the other party with prior notice of such compelled

disclosure (to the extent legally permitted), (ii) takes all steps reasonably necessary to protect the confidentiality of the information, including cooperating in obtaining a protective order and disclosing only that which is required by such order, subpoena, or means of compulsion, and (iii) provides reasonable assistance, at the other party's cost, if the other party wishes to contest the disclosure.

**d. Aggregated Data Use.** Licensor owns the aggregated and statistical data derived from the Licensed Software or Site, including, without limitation, the number of records, the number and types of transactions, configurations, and reports processed and the performance results for the Licensed Software or Site (the "**Aggregated Data**"). Nothing herein shall be construed as prohibiting Licensor from utilizing the Aggregated Data for purposes of operating Licensor's business, provided that Licensor's use of Aggregated Data will not (a) reveal any PII, whether directly or indirectly, or any specific data entered by Licensee or any Authorized User or (b) reveal the identity of or make any reference to Licensee, whether directly or indirectly to a third party. In no event does the Aggregated Data include any PII.

**e. Unauthorized Disclosure.** If either party believes that there has been a disclosure of Confidential Information to anyone other than Licensee, an Authorized User or Licensor, such party must promptly notify the other party. Additionally, each party will reasonably assist the other party in remediating or mitigating any potential damage, including any notification which should be sent to individuals impacted or potentially-impacted, or the provision of credit reporting services to such individuals. Each party shall bear the costs of such remediation or mitigation to the extent the breach or security incident was caused by it.

**f. Remedies.** If a party discloses or uses (or threatens to disclose or use) any Confidential Information of the other party in breach of confidentiality protections hereunder, the other party shall have the right, in addition to any other remedies available, to injunctive relief to enjoin such acts, it being acknowledged by the parties that any other available remedies are inadequate.

#### **15. Representations and Warranties.**

a. Licensee hereby represents and warrants that it is a Cobblestone Property.

b. Each Party represents and warrants that it is an entity duly organized and validly existing in good standing under the laws of the jurisdiction of its organization.

c. Each Party represents and warrants that it has all necessary power and authority to negotiate, execute, deliver and perform its obligations under this Agreement and that the person executing this Agreement on its behalf is authorized to do so.

d. Each party agrees to comply with all Applicable Laws regarding the obligations of each Party hereunder, including, without limitation, all Applicable Laws relating to labor and employment, data privacy, data access and use, and intellectual property.

e. Licensee represents and warrants that with respect to the interfaces it selected in **Table 1** of this Agreement, Licensee has and shall maintain a valid agreement from the applicable third party provider to access and use such third party provider's system and services through the applicable interface with the Licensed Software for as long as Licensee is authorized to use the selected interfaces hereunder.

**16. Limitations on Liability.** LICENSEE EXPRESSLY UNDERSTANDS AND AGREES THAT TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW LICENSOR AND ITS LICENSORS (INCLUDING WITHOUT LIMITATION MICROSOFT), SHALL NOT BE LIABLE FOR ANY INDIRECT, PUNITIVE, CONSEQUENTIAL, INCIDENTAL, SPECIAL, OR EXEMPLARY LOSS OR DAMAGE WHATSOEVER, INCLUDING CLAIMS FOR LOSS OF PROFITS, LOSS OF DATA, AND COSTS OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES RESULTING FROM THIS AGREEMENT, ACCESS TO OR ANY USE OF, OR INABILITY TO USE OR ACCESS, OR RELIANCE ON, OR FUNCTIONING OF, THE

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**17. Indemnification.**

a. Licensee will indemnify, defend and hold Licensor and its officers, directors, employees, shareholders, principals, partners, agents, subsidiaries, affiliates, distributors, franchisees, licensors (including Microsoft and Open Source Components contributors) and licensees and their respective officers, directors, employees and agents (each a "**Licensor Indemnified Party**"), harmless from and against any and all claims, judgments, losses, deficiencies, damages, liabilities, costs, and expenses (including reasonable attorneys' and witness' fees and expenses) incurred by a Licensor Indemnified Party in connection with, arising out of or resulting from any claim, demand, suit, action, or proceeding by a third party (the "**Claim**") against the Licensor Indemnified Party (i) claiming that the Licensee Content provided hereunder infringes or misappropriates the U.S. copyright, patent, trademark or other intellectual property right of such third party; (ii) as a result of Licensee's misrepresentation under or breach of this Agreement; (iii) alleging the negligence or willful misconduct of the Licensee or its Authorized Users; and/or (iv) in connection with the accuracy, reliability, currency or relevancy of any data sent to the SkyTouch Channel Management Solution by Licensee or Licensee's agent. Licensee agrees that it will immediately notify Licensor in writing of the assertion of any claim by a third party or the discovery of any fact upon which the third party intends to base a Claim hereunder. Licensee may settle or compromise a Claim without Licensor's prior approval of any such settlement or compromise *only* if (A) such settlement (x) involves no finding or admission of any breach by Licensor of any obligation to any third party, or (y) does not require the Licensor to acknowledge any liability, wrongdoing or violation of any rule, regulation or statute, (B) such settlement has no effect on any other claim that may be made against Licensor or any defense that Licensor may assert in any such claim, and (C) the sole relief provided in connection with such settlement is monetary damages that are paid in full by the Licensee. Upon Licensee's assumption of the defense of such Claim, Licensor will reasonably cooperate with Licensee in such defense, at the Licensee's expense. Licensor reserves the right to assume the exclusive defense and control of any matter subject to indemnification by Licensee, including the settlement thereof, which shall not excuse Licensee's indemnity obligations. Notwithstanding the foregoing, if Licensor fails to notify Licensee promptly, Licensee will be relieved of its obligations under this **Section 17** only if and to the extent that its ability to defend the Claim is materially prejudiced by such failure. Licensee's indemnification obligations under this **Section 17(a)** will not extend to Claims to the extent such Claims arise out of or result from Licensor's indemnification obligations set forth in **Section 17(b)**.

b. Licensor will indemnify, defend and hold Licensee and as its officers, directors, employees, shareholders, principals, partners, agents, subsidiaries, affiliates, distributors and franchisees, and their respective officers, directors, employees and agents (each a "**Licensee Indemnified Party**"), harmless from and against any and all claims, judgments, losses, deficiencies, damages, liabilities, costs, and expenses (including reasonable attorneys' and witness' fees and expenses) incurred by a Licensee Indemnified Party in connection with, arising out of or resulting from any claim, demand, suit, action, or proceeding by a third party against the Licensee Indemnified Party (i) claiming that the Licensed Software or Site provided by Licensor to Licensee hereunder infringes or misappropriates the U.S. copyright, patent, trademark or other intellectual property right of such

third party; or (ii) alleging the negligence or willful misconduct of the Licensor. Licensor agrees that it will immediately notify Licensor in writing of the assertion of any claim by a third party or the discovery of any fact upon which the third party intends to base a claim hereunder. Licensor may settle or compromise a Claim without Licensee's prior approval of any such settlement or compromise *only* if (A) such settlement (x) involves no finding or admission of any breach by Licensee of any obligation to any third party, or (y) does not require the Licensee to acknowledge any liability, wrongdoing or violation of any rule, regulation or statute, (B) such settlement has no effect on any other claim that may be made against Licensee or any defense that Licensee may assert in any such claim, and (C) the sole relief provided in connection with such settlement is monetary damages that are paid in full by the Licensor. Upon Licensor's assumption of the defense of such Claim, Licensee will reasonably cooperate with Licensor in such defense, at the Licensor's expense. Licensee reserves the right to assume the exclusive defense and control of any matter subject to indemnification by Licensor, including the settlement thereof, which shall not excuse Licensor's indemnity obligations. Notwithstanding the foregoing, if Licensee fails to notify Licensor promptly, Licensor will be relieved of its obligations under this **Section 17** only if and to the extent that its ability to defend the Claim is materially prejudiced by such failure. Notwithstanding the foregoing, the indemnification obligations set forth in this **Section 17(b)** shall not apply to Licensor if the claim relates to, arises out of or results from, in whole or in part:

- i. Any combination of the Licensed Software with any hardware, system or other software not provided or authorized in writing by the Licensor, if such infringement would not have occurred but for such combination;
  - ii. Any modification of the Licensed Software not provided or authorized in writing by Licensor, if such infringement would not have occurred but for such modification;
  - iii. Licensee's or any third party's negligence, abuse, misapplication or misuse of the Licensed Software;
  - iv. Licensee's indemnification obligations set forth in **Section 17(a)**;
  - v. Any Open-Source Components; or
  - vi. Any events or circumstances outside of Licensor's commercially reasonable control (including any third-party interface, application, system, hardware or software bugs, defects or malfunctions).
- c. **THIS SECTION 17 SETS FORTH THE LICENSOR'S SOLE LIABILITY AND ENTIRE OBLIGATION AND THE LICENSEE'S EXCLUSIVE REMEDY FOR ANY ACTION THAT IS BROUGHT AGAINST LICENSEE AND/OR AUTHORIZED USERS HEREUNDER.**

**18. General.**

a. **Governing Law.** For Licensee and all Authorized Users located in the U.S. for purposes of this Agreement Licensee and all Authorized Users create and control the Licensed Software and the Site in the State of Maryland, U.S.A. Accordingly, this Agreement is governed exclusively by the laws of the United States and Maryland law, except the Maryland Uniform Computer Information Transactions Act, which is expressly disclaimed, and without regard to Maryland conflicts of law principles. Licensee agrees that, regardless of any statute or law to the contrary, any claim or cause of action Licensee may have against Licensor arising out of or related to this Agreement must be filed within one (1) year after such claim or cause of action arises or this claim or cause of action will be forever barred.

b. **Waiver of Jury Trial.** Each Party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any legal action arising out of or relating to this Agreement or the transactions contemplated hereby.

c. **Customer Lists/Press Releases.** Licensee hereby grants Licensor the non-exclusive and non-transferable right to use Licensee's name, logo and trademarks, as provided by Licensee to Licensor in Licensor's customer lists. As requested by Licensor, the Parties agree to participate in joint press releases.

d. **Notices.** No notice or demand to the parties to this Agreement shall be binding upon them unless the notice is in writing, refers specifically to this Agreement and is addressed to the addresses set forth on page 1 of this Agreement. Either party may designate a new address for notices by giving written notice of the new address pursuant to this **Section 17(d)**. Notices shall be immediately effective if: (i) delivered personally; (ii) mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or (iii) mailed via overnight air courier.

e. **Governing Language.** The Parties hereto confirm that it is their wish that this Agreement, as well as all other documents relating hereto, including all notices, have been and shall be drawn up in the English language only.

f. **Headings/Interpretations.** The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement. All references to the masculine, neuter, or singular, include the masculine, feminine, neuter, or plural.

g. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission (to which a signed PDF copy is attached) shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

h. **Waiver.** The waiver by Licensor of a breach or right under this Agreement will not constitute a waiver of any subsequent breach or right.

i. **Severability.** If any provision of this Agreement is found to be invalid or unenforceable by a court of competent jurisdiction, such provision shall be severed from the remainder of this Agreement, which will otherwise remain in full force and effect.

j. **Relationship of the Parties.** The Parties are independent contractors and this Agreement does not create a partnership, franchise, joint venture, agency, fiduciary, or employment relationship between the Parties.

k. **Force Majeure.** Licensor shall not be responsible for any delay or failure to provide the Licensed Software or the Site or any associated services, in whole or in part, due to the following factors as they affect Licensor, its licensors, agents or representatives or the Licensed Software or the Site: federal, state or municipal action or regulation; strikes or other labor troubles; fire; damage; delay in transportation; shortages of raw materials, labor, fuel or supplies; sabotage; insurrection, riot or other acts of civil disobedience or public enemy; and failures or interruptions in Internet service or other communication failures.

l. **Assignment.** Licensee shall not assign its rights under this Agreement in whole or in part, without the prior written consent of Licensor. For the purposes of this Agreement, an assignment shall include any assignments resulting from a merger, a transfer of all or substantially all of Licensee's assets, a change of control, or by operation of law.

m. **Attorneys' Fees.** In the event that Licensor finds it necessary to employ legal counsel or to bring an action at law or other proceeding against Licensee to enforce any of the provisions of this Agreement, Licensee agrees to pay Licensor, in addition to any damages for which Licensee may be responsible, all reasonable attorneys' and witness' fees and expenses incurred by Licensor.

n. **Survival.** Sections 1 (Definitions), 2 (Scope of Use), 7 (Warranties & Disclaimers), 8 (Licensee's Security Obligations), 10 (Usage Audit), 11 (Intellectual Property), 13 (Effect of Termination), 14 (Confidentiality), 15 (Mutual Representations and Warranties), 16 (Limitations of Liability), 17 (Indemnification) and 18 (General), shall survive the expiration or termination of this Agreement.

o. **Reservation of Rights.** Any rights not expressly granted to Licensee herein are reserved to Licensor and its licensors.

p. **Amendment.** This Agreement shall only be amended, modified or supplemented by an agreement in writing signed by each Party hereto.

q. **Permissions.** Licensee hereby expressly grants Licensor the right to

disclose to Cobblestone Hotels: a copy of this Agreement (inclusive of all attachments, addenda and schedules), usage data, and invoices relating to the Site, Licensed Software and obligations of Licensee under this Agreement.

## EXHIBIT C – SYSTEM REQUIREMENTS

The following system requirements are required to run the Licensed Software:

### HIGH SPEED INTERNET ACCESS:

1. Dedicated, wired, business grade High Speed Internet Access (“HSIA”). To maintain the integrity of the Licensed Software, the HSIA cannot be shared with guest rooms, common spaces, etc.
2. The minimum required bandwidth is at least 1 Mbps (Up and Down). However, a higher bandwidth of 3 to 5 Mbps (Up and Down) is highly recommended.

### SOFTWARE/HARDWARE REQUIREMENTS:

3. Processor: 3<sup>rd</sup> Generation Intel Core i3 Processor or equivalent, 3.3 GHz or higher
4. Operating System: Windows 7
5. Memory: 4GB RAM minimum
6. Browser: Windows Internet Explorer 8+ (Internet Explorer compatibility mode must be disabled.), Google Chrome Version 25+, Mozilla Firefox Version 19+, or Safari 6+. Javascript must be enabled. Popups for SkyTouch domains must be allowed.
7. Adobe Reader XI (11.0)
8. Antivirus software with current definition updates
9. Rocketport Serial Hub
10. Java Runtime Environment (JRE)

### SYNXIS INTERFACE REQUIREMENTS

11. SynXis Central Reservation System license

**COBBLESTONE HOTELS, LLC  
STATE SPECIFIC ADDENDA TO THE FRANCHISE DISCLOSURE DOCUMENT  
AND  
THE FRANCHISE AGREEMENT**

**EXHIBIT G TO THE DISCLOSURE DOCUMENT**

**ADDENDUM TO  
COBBLESTONE HOTELS, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF CALIFORNIA**

Preliminary Comment: Each provision of this Appendix to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000 - 31516, and the California Franchise Relations Act, Cal Bus. & Prof. Code §§2000 - 20043, are met independently without reference to this Addendum to the Franchise Disclosure Document.

1. Item 3 is amended to reflect that:

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

2. Item 17 is amended by the addition of the following statements:

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination 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. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The California Corporations Code, Section 31125, requires that we give you a disclosure document, approved by the Department of Corporations, before we solicit a proposed material modification of an existing franchise.

The Franchise Agreement contains a liquidated damages clause, under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires the application of the laws and forum of Wisconsin. This provision may be unenforceable under California Law.

The Franchise Agreement requires you to sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). California 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).

3. 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.

4. OUR WEB SITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT [www.corp.ca.gov](http://www.corp.ca.gov).
5. Prospective franchisees are encouraged 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 the State of California.

**ADDENDUM TO  
COBBLESTONE HOTELS, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF CALIFORNIA**

The Cobblestone Hotels, LLC Franchise Agreement between Cobblestone Hotels, LLC and \_\_\_\_\_ (“Franchisee”) dated \_\_\_\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “State Addendum”):

**CALIFORNIA LAW MODIFICATIONS**

1. The California Department of Corporations requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et. seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et. seq. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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

b. The Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

c. The Agreement requires application of the laws of Wisconsin. This provision may not be enforceable under California law.

d. The Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of the California Business and Professions Code, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

***<Signatures on Following Page>***



IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

**FRANCHISOR:**

COBBLESTONE HOTELS, LLC  
a Wisconsin limited liability company

**FRANCHISEE:**

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

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

Name: Brian Wogernese

Title: Managing Member

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

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

Title: \_\_\_\_\_

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

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

**ADDENDUM TO  
COBBLESTONE HOTELS, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF ILLINOIS**

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.

Franchisees rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

**ADDENDUM TO  
COBBLESTONE HOTELS, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF ILLINOIS**

The Cobblestone Hotels, LLC Franchise Agreement between Cobblestone Hotels, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") dated \_\_\_\_\_ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

**ILLINOIS LAW MODIFICATIONS**

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.

Franchisees rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

**FRANCHISOR:**

COBBLESTONE HOTELS, LLC  
a Wisconsin limited liability company

**FRANCHISEE:**

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

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

Name: Brian Wogernese

Title: Managing Member

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

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

Title: \_\_\_\_\_

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

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

**ADDENDUM TO  
COBBLESTONE HOTELS, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MARYLAND**

Item 17 of the Franchise Disclosure Document is amended to include the following paragraph:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the Franchise Disclosure Document is amended to include the following sentence:

A provision in the Franchise Agreement that provides for termination on your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Item 17 of the Franchise Disclosure Document is modified to include the words:

“arising franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

Item 17 is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

**ADDENDUM TO  
COBBLESTONE HOTELS, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF MARYLAND**

The Cobblestone Hotels, LLC Franchise Agreement between Cobblestone Hotels, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") dated \_\_\_\_\_ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

**MARYLAND LAW MODIFICATION**

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD CODE ANN., BUS. REG. Sections 14-201 to 14-233 (2010 Repl. Vol. and Supp. 2010) (the "Law"). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Law.
- b. All 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.
- c. Franchisee may bring a lawsuit in Maryland for claims arising under the Law.
- d. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

***<Signatures on Following Page>***

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

**FRANCHISOR:**

COBBLESTONE HOTELS, LLC  
a Wisconsin limited liability company

**FRANCHISEE:**

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

By: \_\_\_\_\_  
Name: Brian Wogernese  
Title: Managing Member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

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

**ADDENDUM TO  
COBBLESTONE HOTELS, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MINNESOTA**

Item 13 of the Franchise Disclosure Document is amended to state that we will protect your right to use the trademarks, service marks, trade names, logotypes of other commercial symbols ("Marks") or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

The following is added to Item 17 of the Franchise Disclosure Document:

Under Minnesota law and except in certain specified cases, Cobblestone Hotels, LLC must give you 90 days' notice of termination with 60 days to cure. Cobblestone Hotels, LLC also must give you at least 180 days' notice of its intention not to renew a franchise, and sufficient opportunity to recover the fair market value of the franchise as a going concern. To the extent that the Franchise Agreement is inconsistent with the Minnesota law, the Minnesota law will control.

To the extent that any condition, stipulation or provision contained in the Franchise Agreement (including any choice of law provision) purports to bind any person who, at the time of acquiring a franchise is a resident of Minnesota, or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota to waive compliance with the Minnesota Franchises law, such condition, stipulation or provision may be void and unenforceable under the nonwaiver provision of the Minnesota Franchises Law.

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 Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Minn. Rule 2860.4400J. prohibits us from requiring you to consent to liquidated damages and prohibits waiver of a jury trial. If the Franchise Agreement contains a provision that is inconsistent with the Minn. Rule, the provisions of the Franchise Agreement will be superseded by the Minn. Rule's requirements and will have no force or effect.

Minn. Rule 2860.4400J. prohibits us from requiring you to assent to a general release. To the extent that the Franchise Agreement requires you to sign a general release as a condition of renewal or transfer, the Franchise Agreement will be considered amended to the extent necessary to comply with Minnesota law.

Minn. Rule 2860.4400J. prohibits us from requiring you to pay a termination fee. To the extent that the Franchise Agreement requires you to pay a termination fee, the provisions of the Franchise Agreement will be superseded by the Minn. Rule's requirements and will have no force or effect.

**ADDENDUM TO  
COBBLESTONE HOTELS, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF MINNESOTA**

The Cobblestone Hotels, LLC Franchise Agreement between Cobblestone Hotels, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") dated \_\_\_\_\_ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

**MINNESOTA LAW MODIFICATION**

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be mended to be consistent with Minnesota Franchise Act. Minn. Stat. Section 80C.01 et. seq., and the Rules and Regulations promulgated under the Act (collectively the "Franchise Act"). To the extent that the Agreement and/or Franchise Disclosure Document contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Minnesota Department of Commerce requires that franchisors indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's proprietary marks infringes trademark rights of the third party.

b. Minn. Stat. Sec. 80C.14. Subds. 3, 4, and 5 requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act's requirements and shall have no force or effect.

c. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Franchise Act.

d. If the Agreement requires that it be governed by the law of a State other than the State of Minnesota or arbitration or mediation, those provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

e. Any provision that requires the Franchisee to consent to a claims period that differs from the applicable statute of limitations period under Minn. Stat. 80C.1, Subd. 5, may not be enforceable under Minnesota law.

2. 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 Ch. 80C, including your rights to any procedure, forum, or remedies provided for in that law.



3. The Agreement and/or Franchise Disclosure Document is hereby amended to delete all referenced to Liquidated Damages (as defined) in violation of Minnesota law; provided, that no such deletion shall excuse Franchisee from liability for actual or other damages and the formula for Liquidated Damages in the Agreement and/or Franchise Disclosure Document shall be admissible as evidence of actual damages.

4. To the extent required by Minnesota Law, the Agreement and/or Franchise Disclosure Document is amended to delete all references to a waiver of jury trial.

5. All sections of the Agreement and/or Franchise Disclosure Document referencing Franchisor's right to obtain injunctive relief are hereby amended to refer to Franchisor's right to seek to obtain such relief.

6. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Minnesota Law applicable to the provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

**FRANCHISOR:**

COBBLESTONE HOTELS, LLC  
a Wisconsin limited liability company

**FRANCHISEE:**

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

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

Name: Brian Wogernese

Title: Managing Member

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

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

Title: \_\_\_\_\_

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

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

**ADDENDUM TO  
COBBLESTONE HOTELS, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

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

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

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

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

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

3. The following is added to the end of Item 4:

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

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

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

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled **"Termination by franchisee":**

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

7. The following is added to the end of the "Summary" section of Item 17(j), titled **"Assignment of contract by franchisor":**

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

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

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

**ADDENDUM TO  
COBBLESTONE HOTELS, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF NEW YORK**

The Cobblestone Hotels, LLC Franchise Agreement between Cobblestone Hotels, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") dated \_\_\_\_\_ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

**NEW YORK LAW MODIFICATION**

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 to 695 (1989). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Release. If Franchisee is required to execute a release of claims, as provided in Article 2(B) of the Franchise Agreement, or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Sections 680 to 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

b. Governing Law. Article 21(A) of the Franchise Agreement is amended by adding the following sentence at the end of such Article: "The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York."

c. Termination by Franchisee. Article 9 of the Franchise Agreement is hereby amended to add the following sentence at the end of the Article: "Notwithstanding anything contained in this Article 9 to the contrary, Franchisee may terminate the Franchise Agreement on any grounds available by law."

d. Renewal, Extension, Approval of Transfer. Article 2 and Article 17 are amended by adding the following: "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 provision that the non-waiver provisions of the General business Law sections 687.4 and 687.5 be satisfied."

e. Assignment. Article 17 is amended by adding the following sentence at the end of the Article: "However, no assignment will be made except to an assignee who in good faith and judgment of the Franchisor, is willing and financially able to assume the Franchisor's obligations under the Franchise Agreement."

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of New York General Business Law, with respect to each such provision are

met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

COBBLESTONE HOTELS, LLC  
a Wisconsin limited liability company

FRANCHISEE:

By: \_\_\_\_\_  
Name: Brian Wogernese  
Title: Managing Member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

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

**ADDENDUM TO  
COBBLESTONE HOTELS, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF NORTH DAKOTA**

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

- A. Restrictive Covenants: Franchise Disclosure Documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.
- B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.
- C. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
- E. Applicable Laws: Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.
- F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.
- G. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.
- H. General Release: Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.
- I. Fees: Franchisees shall not be required to remit any fees to Cobblestone until such time as Cobblestone has fulfilled all its initial obligations owed to Franchisee under the Franchise Agreement, or other documents, and the Franchisee has commenced doing business pursuant to the Franchise Agreement.

**ADDENDUM TO  
COBBLESTONE HOTELS, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF NORTH DAKOTA.**

The Cobblestone Hotels, LLC Franchise Agreement between Cobblestone Hotels, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") dated \_\_\_\_\_ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

**NORTH DAKOTA LAW MODIFICATION**

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 to 51-19-17 (1995). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, such release shall exclude claims arising under the North Dakota Franchise Investment Law, and such acknowledgments shall be void with respect to claims under the Law.

b. Covenants not to compete during the term of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota Law. If the Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.

c. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the North Dakota Franchise Investment Law.

d. If the Agreement requires that it be governed by the law of a state other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law will control.

e. If the Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.

f. If the Agreement requires payment of a termination penalty, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

g. Any provision that provides that the parties waive their right to a jury trial may not be enforceable under North Dakota law.



h. Any provision that provides that Franchisee consent to a waiver of punitive and exemplary damages may not be enforceable under North Dakota law.

i. Any provision that requires Franchisee to consent to a claims period that differs from the applicable statute of limitations period under North Dakota law may not be enforceable under North Dakota law.

j. Notwithstanding any provision in the Agreement to the contrary, Franchisee shall not be required to remit any fees to Cobblestone until such time as Cobblestone has fulfilled all its initial obligations owed to Franchisee under the Agreement, or other documents, and Franchisee has commenced doing business pursuant to the Agreement.

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of North Dakota Franchise Investment Law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

**FRANCHISOR:**

COBBLESTONE HOTELS, LLC  
a Wisconsin limited liability company

**FRANCHISEE:**

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

By: \_\_\_\_\_  
Name: Brian Wogernese  
Title: Managing Member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

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

**ADDENDUM TO  
COBBLESTONE HOTELS, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF RHODE ISLAND**

The Cobblestone Hotels, LLC Franchise Agreement between Cobblestone Hotels, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") dated \_\_\_\_\_ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

**RHODE ISLAND LAW MODIFICATIONS**

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law Tit. 19 Ch. 28.1 Sections 19-28.1-1 to 19-28.1-34. To the extent that this Agreement contains provisions that re inconsistent with the following, such provisions are hereby amended:

a. If this Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement is void with respect to any claims brought under Rhode Island Franchise Investment Act Sec. 19-21.1-14.

b. If this Agreement requires that it be governed by a state's law, other than the State of Rhode Island, to the extent that such law conflicts with Rhode Island Franchise Investment Act it is void under Section 19-28.1-14.

c. If Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Rhode Island Franchise Investment Act, and such acknowledgments shall be void with respect to claims under the Act.

2. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Rhode Island Franchise Investment Act, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

*<Signatures on Following Page>*

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

**FRANCHISOR:**

COBBLESTONE HOTELS, LLC  
a Wisconsin limited liability company

**FRANCHISEE:**

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

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

Name: Brian Wogernese

Title: Managing Member

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

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

Title: \_\_\_\_\_

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

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

**ADDENDUM TO  
COBBLESTONE HOTELS, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF VIRGINIA**

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17.h. of the Franchise Disclosure Document for Cobblestone Hotels, LLC is supplemented by the following:

“Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

“Any securities offered or sold by the Investor Franchisee as part of the Cobblestone Hotels, LLC franchise must either be registered or exempt from registration under Section 13.1-514 of the Virginia Securities Act.”

**ADDENDUM TO  
COBBLESTONE HOTELS, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF WASHINGTON**

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs at the conclusion of the Item:

The state of Washington has a statute, RCW 19.100.180, which 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.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

The State of Washington has imposed a financial condition that the initial franchise fees will be deferred until the franchisor has fulfilled its initial pre-opening obligations and the franchise is open for business.

**ADDENDUM TO  
COBBLESTONE HOTELS, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF WASHINGTON**

The Cobblestone Hotels, LLC Franchise Agreement between Cobblestone Hotels, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") dated \_\_\_\_\_ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

**WASHINGTON LAW MODIFICATIONS**

1. The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, WA Rev. Code Section 19.100.010 to 19.100.940 (1994). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Washington Franchise Investment Protection Act provides rights to Franchisee concerning non-renewal and termination of the Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. If Franchisee is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Washington Franchise Investment Protection Act; except when the release is executed under a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. If there are provisions in the Agreement that unreasonably restrict or limit the statute of limitations period for claims brought under the Act, or other rights or remedies under the Act, those provisions may be unenforceable.

c. If the Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the State of Washington, the requirement may be unenforceable under Washington law. Arbitration involving a franchise purchased in the State of Washington must either be held in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

d. If the Agreement requires that it be governed by the law of a state other than the State of Washington and there is a conflict between the law and the Washington Franchise Investment Protection Act, the Washington Franchise Investment Protection Act will control.

2. Notwithstanding any provision in the Agreement to the contrary, Franchisee shall not be required to remit any fees to Cobblestone until such time as Cobblestone has fulfilled all its initial obligations owed to Franchisee under the Agreement, or other documents, and Franchisee has commenced doing business pursuant to the Agreement.

3. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Washington law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

**FRANCHISOR:**

COBBLESTONE HOTELS, LLC  
a Wisconsin limited liability company

**FRANCHISEE:**

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

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

Name: Brian Wogernese

Title: Managing Member

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

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

Title: \_\_\_\_\_

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

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

**ADDENDUM TO  
COBBLESTONE HOTELS, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF WISCONSIN**

The Cobblestone Hotels, LLC Franchise Agreement between Cobblestone Hotels, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") dated \_\_\_\_\_ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "State Addendum"):

**WISCONSIN LAW MODIFICATIONS**

1. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary, the Agreement is hereby amended to add the following provision:

For all franchises sold in the State of Wisconsin, the Company will provide Franchisee at least 90 days' prior written notice of termination, cancellation, nonrenewal or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, nonrenewal or substantial change in competitive circumstances and will provide that Franchisee have 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days, the notice will be void. These notice requirements shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the franchise, Franchisee will be entitled to written notice of such default, and will have not less than 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between the Company and Franchisee inconsistent with the Law.

3. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Washington law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

*<Signatures on Following Page>*



IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above,

**FRANCHISOR:**

COBBLESTONE HOTELS, LLC

a Wisconsin limited liability company

**FRANCHISEE:**

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

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

Name: Brian Wogernese

Title: Managing Member

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

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

Title: \_\_\_\_\_

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

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

**COBBLESTONE HOTELS, LLC**  
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EXHIBIT H TO THE DISCLOSURE DOCUMENT

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# EXHIBIT I TO THE DISCLOSURE DOCUMENT

## Key West Lodging Facilities as of December 31, 2017

| Owner/Licensee                      | Property Type   | Street Address              | City          | State | ZIP   | Phone Number   |
|-------------------------------------|-----------------|-----------------------------|---------------|-------|-------|----------------|
| Rahulkumar Modi & Daxaben Modi      | Key West Inn    | 10535 Alabama Hwy 168       | Boaz          | AL    | 35957 | (256) 593-0800 |
| Shru Vishnu, Inc.                   | Key West Inn    | 32210 U.S. Highway 280      | Childersburg  | AL    | 35044 | (256) 378-0337 |
| Maha Laxmi Inc.                     | Key West Inn    | 2045 7th Street South       | Clanton       | AL    | 35045 | (205) 755-8500 |
| Sena, Inc.                          | Key West Inn    | 231 South Greeno Road       | Fairhope      | AL    | 36532 | (251) 990-7373 |
| American Heritage Hospitality Corp. | Key West Inn    | 224 River Road Drive        | Hamilton      | AL    | 35570 | (205) 921-3333 |
| Raghav, Inc.                        | Key West Inn    | 2275 Cobbs Ford Road        | Millbrook     | AL    | 36054 | (334) 309-2004 |
| HD Investment, LLC                  | Key West Inn    | 1040 West S. Blvd.          | Montgomery    | AL    | 36105 | (334) 286-6100 |
| Krishnas, LLC                       | Key West Inn    | 4135 Troy Hwy.              | Montgomery S. | AL    | 36116 | 334-284-3400   |
| Om Ganesh, LLC                      | Key West Inn    | 1207 Highway 21 South       | Oxford        | AL    | 36203 | (256) 835-0185 |
| Dev Jay, LLC                        | Key West Inn    | 2983 Highway 431            | Roanoke       | AL    | 36274 | (334) 863-2100 |
| Viren LLC                           | Key West Inn    | 1800 Highway 72             | Tuscumbia     | AL    | 35674 | (256) 383-0700 |
| Shankar, Inc.                       | Key West Inn    | 4225 U.S. Highway 231 South | Wetumpka      | AL    | 36092 | (334) 567-2227 |
| Pacifica Florida Coastal, LLC       | Key West Inn    | 201 Ocean Drive             | Key Largo     | FL    | 33037 | (305) 451-5081 |
| KRN Hospitality, LLC                | Key West Inn    | 6900 Pensacola Boulevard    | Pensacola     | FL    | 32505 | (850) 477-2333 |
| Southeast Hotels, LLC               | Key West Resort | 199 W Ruby Street           | Tavares       | FL    | 32778 | (352) 508-5344 |
| Sun Moon Enterprises, Inc.          | Key West Inn    | 53 Heritage Street          | Baxley        | GA    | 31513 | (912) 367-6653 |
| Khush 2014, Inc.                    | Key West Inn    | 501 G.I. Maddox Parkway     | Chatsworth    | GA    | 30705 | (706) 517-1155 |
| GBKR Inc.                           | Key West Inn    | 2221 N. Main Street         | La Fayette    | GA    | 30728 | (706) 638-8200 |
| DNBK Inc.                           | Key West Inn    | 1855 Mississippi Street     | Hobart        | IN    | 46342 | (219) 947-7494 |
| AAA Hospitality, Inc.               | Key West Inn    | 11635 Highway 61 North      | Tunica Resort | MS    | 38664 | (662) 363-0021 |
| Rushikha Inc.                       | Key West Inn    | 663 South Willow Avenue     | Cookeville    | TN    | 38501 | (931) 525-1110 |
| Vishal Inc.                         | Key West Inn    | 11845 Jefferson Avenue      | Newport News  | VA    | 23606 | (757) 599-3237 |

## Franchised Key West Lodging Facilities Executed but not Open as of December 31, 2017:

NONE

## **EXHIBIT J**

### **FORMER FRANCHISEES**

The franchisees who have had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the License Agreement during the most recently completed fiscal year are listed on the chart below. There are no franchisees who have not communicated with us within 10 weeks of the disclosure document issuance date.

NONE

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

**GENERAL RELEASE FORM**

EXHIBIT K TO THE DISCLOSURE DOCUMENT

## GENERAL RELEASE FORM

This General Release (this "Release") is made and entered into effective as of \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date") by and among Cobblestone Hotels, LLC, a Wisconsin limited liability company ("Franchisor"), \_\_\_\_\_ ("Franchisee"), and \_\_\_\_\_ ("Principal Owners").

### RECITALS

WHEREAS, Franchisor and Franchisee entered into a Franchise Agreement dated \_\_\_\_\_ (the "Franchise Agreement") (each capitalized term used but not defined herein shall have the meaning assigned to that term in the Franchise Agreement), pursuant to which Franchisee was granted the right and license (the "Franchise") to operate a lodging facility under the Cobblestone system of operation and using certain Cobblestone Marks to be located at \_\_\_\_\_ (the "Facility");

WHEREAS, Franchisee desires, and Franchisor has agreed, to [transfer the Facility]/[renew the Franchise Agreement]; and

WHEREAS, in connection with such [transfer]/[renewal], Franchisor requires a General Release.

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

### RELEASE

1. Franchisee. Franchisee, and its respective officers, directors, employees, successors, assigns, heirs, personal representatives, and all other persons acting on their behalf or claiming under them, past or present, hereby unconditionally release, remise and forever discharge Franchisor, its predecessors, parents, subsidiaries, and affiliates and their respective officers, directors, shareholders, employees, past or present, successors, and assigns (collectively, the "Franchisor Released Parties"), from any and all claims, debts, liabilities, demands, obligations, actions, and causes of action, known or unknown, vicarious, derivative or direct, vested or contingent ("Claims"), which any of them may now have, have ever had, or may hereafter have by reason of any event, transaction, or circumstance, whether under federal, state or local law or otherwise, arising out of or relating to the disclosure, application, negotiation, formation, execution or performance of the Franchise Agreement or arising out of or in any way relating to the Facility from the beginning of time through the date of this Release.
2. Franchisor. Except as otherwise set forth in this Release, Franchisor, for itself and its successors and assigns and all other persons acting on its behalf or claiming under it,

hereby releases and forever discharges Franchisee and its respective officers, directors, employees, successors, assigns, heirs and personal representatives from all Claims which Franchisor may have ever had, now has, or may hereafter have by reason of any event, transaction, or circumstance arising out of or relating to the performance of the Franchise Agreement from the beginning of time through the date of this Release.

**[If Franchisee or any of Franchisee's Principals is located in California: In executing this General Release, Franchisee and Franchisee's Principals hereby waives all rights and benefits which it now has or in the future may have under and by virtue of the terms of Section 1542 of the Civil Code of the State of California, which Section reads as follows:**

**A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.]**

This Release is made in the State of Wisconsin and its provisions shall be governed by and enforced and interpreted under the laws of that State, except that conflicts of law rules shall be excluded.

**IN WITNESS WHEREOF**, the parties have duly executed this Release on this \_\_\_\_ day of \_\_\_\_\_.

**FRANCHISOR:**  
**COBBLESTONE HOTELS, LLC,**  
a Wisconsin limited liability company

By: \_\_\_\_\_  
Name: Brian Wogernese  
Title: Managing Member

**FRANCHISEE:**

\_\_\_\_\_  
[Name]

\_\_\_\_\_  
[Signature]



**COBBLESTONE HOTELS, LLC  
DISCLOSURE DOCUMENT RECEIPTS**

EXHIBIT K TO THE DISCLOSURE DOCUMENT

**RECEIPT**  
**(Franchisee's Copy)**

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 Cobblestone Hotels, LLC offers you a franchise, Cobblestone Hotels, LLC must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Cobblestone Hotels, LLC or its affiliate in connection with the proposed franchise sale. Iowa, New York, Oklahoma and Rhode Island require that Cobblestone Hotels, LLC 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 Cobblestone Hotels, LLC give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Cobblestone Hotels, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal 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 B.

The franchisor is Cobblestone Hotels, LLC, located at 980 American Drive, Neenah, WI 54956. Its telephone number is (920) 230-2622.

**Issuance Date – July 31, 2018**

The following is the name, principal business address, and telephone number of each franchise seller involved in the offer or sale of this franchise:

PLEASE FILL IN THE NAME, PRINCIPAL BUSINESS ADDRESS AND TELEPHONE NUMBER BELOW OF  
EACH PERSON THAT OFFERED TO SELL YOU THIS FRANCHISE

Cobblestone Hotels, LLC 980 American Drive, Neenah, WI (920) 230-2622

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Cobblestone Hotels authorizes the respective state agencies identified on Exhibit B to receive service of process for it in the particular state.

**I received a Disclosure Document dated July 31, 2018 that included the following Exhibits:**

- |                                                             |                                                                                        |
|-------------------------------------------------------------|----------------------------------------------------------------------------------------|
| A. Application for Key West Lodging Facility Franchise      | G. State Specific Addenda to the Franchise Disclosure Document and Franchise Agreement |
| B. List of State Agencies and Agents for Service of Process | H. Table of Contents of our Operations Manual                                          |
| C. Our Financial Statements                                 | I. List of Current Franchisees                                                         |
| D. Franchise Agreement                                      | J. General Release Form                                                                |
| E. Central Reservation System Technology Addendum           | K. Disclosure Document Receipts                                                        |
| F. Property Management System Technology Addendum           |                                                                                        |

Date: \_\_\_\_\_  
(Do not leave blank)

Proposed Location of Hotel: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name and Title

\_\_\_\_\_  
Name of Franchisee Entity

**RECEIPT**  
**(Franchisor's Copy)**

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 Cobblestone Hotels, LLC offers you a franchise, Cobblestone Hotels, LLC must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Cobblestone Hotels, LLC or its affiliate in connection with the proposed franchise sale. Iowa, New York, Oklahoma and Rhode Island require that Cobblestone Hotels, LLC 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 Cobblestone Hotels, LLC give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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| E. Central Reservation System Technology Addendum           | K. Disclosure Document Receipts                                                        |
| F. Property Management System Technology Addendum           |                                                                                        |

Date: \_\_\_\_\_  
(Do not leave blank)

Proposed Location of Hotel: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name and Title

\_\_\_\_\_  
Name of Franchisee