

FRANCHISE DISCLOSURE DOCUMENT



FRANCHISOR:

Magnuson Franchising, LLC
200 N. Mullan Road Suite 220
Spokane Valley, WA 99206
509-747-8713
sales@magnusonhotels.com
www.magnusonhotelsworldwide.com

We offer franchises to existing hotel operators who wish to convert their hotel to a “Magnuson Grand™” or “Magnuson Hotels®” hotel. The total investment necessary to convert to a franchised “Magnuson Grand™” or “Magnuson Hotels®” hotel ranges from \$167,000 to \$370,000 (not including occupancy costs for real estate, or the costs the hotel owner already incurs operating its existing hotel). This amount includes \$10,000 that must be paid to us or our affiliates.

This franchise disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this franchise disclosure document and all accompanying agreements carefully. You must receive this franchise disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payments 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 for you. To discuss the availability of disclosures in different formats, contact Melissa Magnuson at Magnuson Franchising, 200 N. Mullan Road, Suite 220, Spokane Valley, WA 99206, (509) 747-8713.

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

Buying a franchise is a complex investment. The information in this franchise 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 franchise disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

ISSUANCE DATE: March 29, 2022

STATE COVER PAGE

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits E-1 and E-2.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Magnuson business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Magnuson franchisee	Item 20 or Exhibits E-1 and E-2 lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this franchise disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

Certain states require that the following risks be highlighted:

1. **Dispute Resolution:** The franchise agreement requires you to resolve disputes with us in Washington. Out of state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate or litigate with the franchisor in Washington than in your own state.
2. **No Operating History:** The franchisor is at an early stage of development and have a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Financial Condition:** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
4. **Minimum Performance:** You must maintain minimum performance levels. Your inability to maintain these levels may result in termination of your franchise and loss of your investment.

There may be other risks concerning this franchise. Certain states may require other risks to be highlighted. Check the "state specific addenda" to see whether your state requires other risks to be highlighted.

**THE FOLLOWING PROVISIONS APPLY ONLY TO
TRANSACTIONS GOVERNED BY
THE MICHIGAN FRANCHISE INVESTMENT LAW**

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment 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.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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 the notice should be directed to:

State of Michigan
Consumer Protection Division
Attention: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48909
Telephone: 517-373-7117

Note: Despite subparagraph (f) above, we intend, and we and you agree to fully enforce the arbitration provisions of the Franchise Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions. We will seek to enforce this section as written.

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ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The franchisor is Magnuson Franchising, LLC (“we,” “us,” or “our”). “You” or “your” means the person to whom we grant a franchise. If you are a corporation, partnership, limited liability company, or other business entity, certain provisions of our franchise agreement also will apply to your Owners (as defined in Item 15).

Franchisor

We are a Washington limited liability company. Our principal business address is 200 N. Mullan Road Suite 220, Spokane Valley, WA 99206. Our principal telephone number is 509-747-8713. Our agents for service of process are listed on Exhibit D. We operate under our corporate name, and we may sometimes use the name “Magnuson™”, “Magnuson Hotels®”, “Magnuson Grand™” or “Magnuson Worldwide”. We do not use any other name. We do not currently own or operate any Branded Hotels (defined below). We began offering franchises for Branded Hotels in January 2022.

Parents, Predecessors, and Affiliates

We have no predecessors. Our parent company is Magnuson Company, L.L.C. (“Magnuson Company”), which is a Washington limited liability company that shares our principal business address. Magnuson Company provides us certain corporate and administrative functions. Magnuson Company also owns the intellectual property rights to the Licensed Brand (defined below) and Licensed System (defined below) and has licensed us the right to use the Licensed Brand and Licensed System and to sublicense them to franchisees.

Magnuson Company has entered into certain agreements with third-party hotel owners, including to offer such hotel owners management and marketing services on the Magnuson Cloud PMS (defined below) (together “Affiliate Hotels”). However, Magnuson Company has not and does not offer franchises for Branded Hotels of the type described in this franchise disclosure document. Magnuson Company has also never operated a Branded Hotel.

We have no affiliates who offer franchises in any line of business. Other than Magnuson Company, we have no affiliates who provide products or services to our franchisees.

Description of Business

We offer and grant franchises to own and operate hotel facilities (“Branded Hotels”) under the “Magnuson Hotels®” or “Magnuson Grand™” name, trademarks, logos, and associated indicia of each brand (each a “Licensed Brand”). Branded Hotels operate using distinctive and proprietary system of methods, procedures, designs, standards, and we may improve, substitute, further develop, or otherwise modify periodically (together, the “Licensed System”). We call the Branded Hotel that you will operate “your Hotel”. You must comply with all of our mandatory specifications, standards, operating procedures, and rules that we periodically prescribe for operating Branded Hotels in general or the Hotel in particular (“Brand Standards”).

If you wish to acquire a franchise for a Branded Hotel, you must sign a franchise agreement with us to acquire the right to own and operate a Branded Hotel using the Licensed Brand and the Licensed System (the “Franchise Agreement”). Your Hotel will have the number of Guest Rooms indicated in

your Franchise Agreement. “Guest Rooms” are each rentable unit in your Hotel consisting of a room, suite, suite of rooms, or other guest accommodation, the entrance of which is controlled by the same key. Our current form of Franchise Agreement is attached as Exhibit A.

Currently, we only grant franchises to qualified persons that already own and operate a hotel property (your “Incumbent Hotel”), and that wish to convert that Incumbent Hotel to a Branded Hotel. We will consider whether to grant a franchise for any particular Incumbent Hotel, and which Licensed Brand to grant to such Incumbent Hotel, based on criteria we periodically establish, such as the size, location, layout, number of guest rooms, appearance, guest demographics, business ratings, the experience and financial condition of the owner and other factors. Currently, we offer the Licensed Brand for Magnuson Grand™ to Incumbent Hotels with facilities such as restaurants, spa, or convention centers, and the Licensed Brand for Magnuson Hotels® to Incumbent Hotels that do not offer such facilities. But we may change the criteria for either Licensed Brand in the future.

We will provide you access to our central reservation system during the term of your Franchise Agreement (“Magnuson Cloud PMS”). You must make 100% of your total number of Guest Rooms available for sale at all times on the Magnuson Cloud PMS. We will also have the sole and exclusive right to list your Hotel and Guest Rooms with online travel agents, global distribution systems, and other online booking websites, non-online travel agents, corporate partnerships, travel consortia, travel management companies, global sales agents or other third-party booking agencies or directories or advertising channels of any kind (each, a “Third-Party Distribution Channel”).

Market and Competition

The market for your services will depend on your property’s location and size and its type of operation, including whether it is a resort, conference center, or hotel for frequent business travelers. In general, you will compete with national and international hotel and motel chains and independently operated local hotels and restaurants offering similar types of hotel rooms and food and beverage services to the same clientele. Your convention and meeting facilities will also compete with national, international, and independent hotels and convention centers in other regions. If you are operating a spa, you will also compete with other spa concepts, wellness centers, and other businesses offering similar services.

Laws, Rules and Regulations

Certain aspects of operating a Branded Hotel are regulated by federal, state, and local laws, rules and ordinances. For example, regulations may apply to the use of linens, towels, glassware, food preparation and service; posting of rules or prices near the registration area; proof of identification for guest check in; retention of certain records; refusing service or accommodation to guests; overbooking; non-smoking areas; telephone service charges; limiting recovery for loss of personal property and provision of safes or deposit boxes; fire safety; occupancy room taxes; and innkeeper liability laws. If you are operating a spa, you should be aware that many states have laws requiring the licensing or certification of spa professionals, such as cosmetologists, nail technicians, estheticians, and massage therapists. Some states also have laws that restrict the types of services and treatments these professionals can provide under their specific licenses.

In addition to regulations applicable to hotels specifically, you must also comply with laws generally applicable to all businesses, including laws relating to compensation of employees (including minimum wage and overtime requirements), business licensure, zoning, real estate and occupational

permitting, construction permitting, accessibility for persons with disabilities, sales and use tax, food service, alcohol service and licensing, and health and safety.

There may also be other laws applicable to your Hotel. You should consult an attorney and consider all of these laws and regulations when evaluating your purchase of a franchise.

ITEM 2

BUSINESS EXPERIENCE

Melissa Magnuson, Chair of the Board

Ms. Magnuson co-founded the Magnuson Hotels brand and has been the Chair of the Board of Magnuson Company since its inception in 2002, and our Chair of the Board since our inception in March 2021.

Thomas R. Magnuson, Chief Executive Officer

Mr. Magnuson co-founded the Magnuson Hotels brand and has been the Chief Executive Officer of Magnuson Company since its inception in 2002, and our Chief Executive Officer since our inception in March 2021.

Jérémie Dardard, Chief Operating Officer

Since March 2022, Mr. Dardard has served as Chief Operating Officer of Magnuson Company and us. Mr. Dardard joined the revenue management team at Magnuson Company in April 2018, and previously served as leader of the UK revenue team from April 2018 to September 2018, as Global Lead Revenue Manager from September 2018 to February 2021, as Global Head of Revenue Management from February 2021 to March 2021, and as Global Head of Corporate Revenue Strategy from March 2021 to March 2022. Prior to April 2018, he managed operations at the Millennium Hotels at Chelsea Football Club in London, UK for 16 years.

Adnan Malik, Global Head of Distribution and Revenue Operations

Since March 2021, Mr. Malik has served as Global Head of Technology Operations for Magnuson Company and us. Mr. Malik joined the Magnuson Company team in August 2018, and previously served as Global Lead Revenue Manager from August 2018 to November 2019, and Global Head of Technology Operations from November 2019 to March 2021. Prior to August 2018, he managed revenue and reservations at Dorsett Shepherds Bush and Dorsett City Hotel in London, UK from October 2016 to July 2018.

Russ Erickson, Controller:

Mr. Erickson has been the financial controller for Magnuson Company since December 2020, and of us since our inception in March 2021. From June 2013 to December 2020 he was the vice president for finance and administration at Courseco Golf Management Co. in Petaluma, California.

ITEM 3

LITIGATION

In the Matter of Determining Whether there has been a violation of the Franchise Investment Protection Act of Washington by Magnuson Company, L.L.C., Order No. S-20-2917-20-CO01, November 10, 2020. The Washington Department of Financial Institutions entered a consent order with Magnuson Company, in which the Department found that Magnuson Company had engaged in the sale of franchises without having provided franchise disclosure documents or registered with the Department. The order directed Magnuson Company to pay investigative costs of \$2,500, and to cease and desist from any sales of franchises in violation of the Washington Franchise Investment Protection Act.

ITEM 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

You must pay us an initial franchise fee equal to \$10,000 when you sign your Franchise Agreement. The initial franchise fee is not refundable under any circumstances.

ITEM 6

OTHER FEES

Type of Fee	Amount	Due Date	Remarks (see Note 1)
Continuing Fee	8% of Gross Room Revenue	Payable to us monthly by the invoice due date	See Note 2.
GDS Booking Fees	Currently, \$11.00 per GDS booking	Payable to us monthly by the invoice due date	These fees are subject to change.
Distribution Channel Fees	Reimbursement of all fees (currently estimated: 10% for GDS reservations, or 15% to 20% for other channels)	Payable to Third-Party Distribution Channel (or reimbursed to us on invoiced date if we pay fees directly)	These fees are commissions charged by Third-Party Distribution Channels. You are required to pay these directly to the Third-Party Distribution Channel, but if we pay any such amounts for any reason, you must reimburse us. These fees are subject to change.

Type of Fee	Amount	Due Date	Remarks (see Note 1)
Insufficient Funds Fee	\$25 per occurrence	As invoiced	You must pay this fee for any payment that you issue us that is returned or declined for any reason.
Interest Charges	1% per month or the maximum rate allowed by applicable law	As incurred	Payable on all overdue amounts.
Conversion Violation	\$1,000 per month	Payable monthly by the invoice due date	You must pay this fee if you fail to successfully convert your Incumbent Hotel to a Branded Hotel in compliance with Brand Standards by the deadline identified in your Franchise Agreement.
Standards Violation	\$2,000 per month	Payable monthly by the invoice due date	You must pay this fee if you fail to operate your Hotel in full compliance with Brand Standards at any time after you have converted to a Branded Hotel.
Re-booking Fee	200% of the booking fee, or the cost of alternate accommodation, whichever is higher	As incurred	If you fail to honor a confirmed reservation, you must rebook the guest at alternate accommodations, and if you fail to do so, you must pay us this fee for each reservation that was unfulfilled.
Guest Relations Reimbursement	Our direct costs	When Invoiced	If we are contacted by a guest of your Hotel who wishes to lodge a complaint, we have the right to address the complaints, including by refunding money to the complaining guest or incurring other costs, in which case you must reimburse us for these amounts.
Reinspection Fee	Reimbursement of our expenses	As incurred	If any inspection of your Hotel reveals violations of Brand Standards, you must reimburse us our cost of any re-inspection or follow-up visits to determine if all violations are cured, including vendor fees, travel expenses, room and board, and compensation of our employees.
Insurance Certificate Fee	\$250 per month	As incurred	Payable if you fail to provide us certificates of your insurance by the applicable due date.
Audit Costs	Reimbursement of all audit costs	As incurred	If any audit discloses an understatement of Gross Room Revenue.

Type of Fee	Amount	Due Date	Remarks (see Note 1)
Enforcement Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Prevailing party in a proceeding is entitled to collect damages, costs and expenses, including arbitration and court costs and reasonable attorneys' fees.
Re-Activation Fee	Currently, \$750 per occurrence	As invoiced	We may suspend our services to you, including de-activating your Hotel from the Magnuson Cloud PMS, Online Presences and Third-Party Distribution Channels if you are in default. If we re-activate your Hotel after you cure your defaults, we may charge this re-activation fee. Subject to change.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us for any claims, damages, expenses or costs that we incur arising from the operation of your Hotel.
Termination Damages	Will vary under circumstances	Within 15 days of termination	If the Franchise Agreement is terminated early by us because of your breach, or by you without cause, you must pay us the continuing fees that you would have owed us from the date of termination until the earlier of the scheduled expiration of your Franchise Agreement or the first anniversary of the termination date (calculated based on your fees in the preceding 12 months, or if you have not operated for 12 months, the average of all Branded Hotels for such 12 months).
De-Identification Reimbursement	Will vary under circumstances	As incurred	If you fail to comply with post-termination obligations, we may take whatever action to cure the deficiencies, and you must reimburse us for all costs and expenses.

1. Except as otherwise noted in this Item 6, all fees are imposed and collected by and payable to us. They are nonrefundable unless otherwise noted. We may negotiate fees so these fees may not always be applied uniformly. All payments are due to us on the invoice due date. Payment will be processed either via ACH or credit card on the invoice due date unless payment has already been made. We may modify the method of payment in the future with reasonable notice to you, and you must make all payments due under your Franchise Agreement in the manner we designate from time to time and in accordance with our payment instructions. You must sign and deliver to us the documents we require to authorize us to withdraw all amounts due from your account via ACH or to charge your credit card on file with us. Despite any designation you make, we may apply any of your payments to us or our affiliates to any of your past due indebtedness to us or our affiliates.

2. You must report all Gross Room Revenue (defined below) on the Magnuson Cloud PMS, including any Gross Room Revenue from direct business such as walk-in and cash transactions. If you fail to report your Gross Room Revenue or misreport your Gross Room Revenue, then all fees calculated under your Franchise Agreement by reference to Gross Room Revenue will be calculated based on 110% of the average monthly Gross Room Revenue of the three prior months. There is no limitation on the period of time for which we may calculate fees in this manner, which may continue for so long as we do not have access to accurate reports of Gross Room Revenue from you. We are not required to reimburse you for any overpaid fees on the basis of this method of calculating fees. "Gross Room Revenue" means all revenues derived from the sale or rental of Guest Rooms, including amounts attributable to breakfast (where the Guest Room rate includes breakfast); resort fees, urban fees and similar fees; late cancellation fees, guaranteed no-show revenue and credit transactions, whether or not collected, at the actual rates charged; less allowances for any Guest Room rebates and overcharges. Gross Room Revenue does not include taxes collected directly from patrons or guests. Group booking rebates, if any, paid by you or on your behalf to third-party groups for group stays must be included in, and not deducted from, the calculation of Gross Room Revenue.

ITEM 7

YOUR ESTIMATED INITIAL INVESTMENT

ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE ¹	Amount	Method of Payment	When Due	To Whom Payment is to be made
Initial Franchise Fee	\$10,000	Lump Sum	Upon signing Franchise Agreement	Us
Signage and Branded Supplies ²	\$3,000 - \$40,000	As incurred	Before opening	Your suppliers
Insurance ³	\$2,000-\$10,000	As incurred	Before opening	Your insurance carriers
Professional Fees ⁴	\$2,000-\$10,000	As incurred	Before opening	Your attorneys and accountants
Additional Funds – 3 Months ⁵	\$150,000-\$300,000	As incurred	Before opening	Your suppliers, consultants, banks, etc.
TOTAL ESTIMATED INITIAL INVESTMENT ⁶	\$167,000-\$370,000			

Explanatory Notes

The fees paid to us are not refundable. Fees paid to third parties may or may not be refundable, depending on the terms of your agreements with those third parties.

- As described in Item 1, we currently only offer franchises to existing hotel operators who wish to convert to a Branded Hotel, therefore you will already own or lease the premises of your Hotel when you sign the Franchise Agreement. For that reason, the table above does not include an estimate of any real estate prices, rent, security deposits, or other occupancy costs. It also does not include the cost of any equipment, furniture, fixtures, services, or other costs that you would already be incurring to operate your Incumbent Hotel. However, you must continue to incur all such costs to operate your Hotel after you convert it to a Branded Hotel. Local market conditions, changes in the economy and inflation will also contribute to your costs.
- These costs reflect the cost of converting your Incumbent Hotel to a Branded Hotel, including signage and branded supplies. The range provided above is based on a number of factors that will impact the cost of conversion, including the location, type, quantity and size of exterior signs, the size, specifications and condition of your Hotel, and the costs of supplies and labor in your region. Signs include freestanding signs and primary identification for the building. The costs include installation, freight, foundation, and wiring. You must install, display, and maintain signage displaying or containing the Licensed Brand and other distinguishing characteristics that comply with our Brand Standards.

3. You must obtain and maintain certain types and amounts of insurance (See Item 8). Insurance costs depend on policy limits, types of policies, nature and value of physical assets, Gross Room Revenue, number of employees, wages paid, square footage, location, business contents, and other factors bearing on risk exposure. Insurance providers may require either an annual payment or semi-annual installments. Your insurance costs will vary widely based on the location of your Hotel, the specifications of your Hotel's layout, the number of employees you hire and your own background. You should review the rates in the state in which your Hotel will operate for an estimate of premiums. If you already have the required insurance for your Incumbent Hotel, you may not need to incur additional costs. The range provided is based on a number of factors that will impact the cost of your insurance, including the size and specifications of your Hotel and the coverage rates in your region.
4. We recommend that you consult with an attorney and accountant to advise you in connection with entering into a franchise relationship with us and developing a business plan for your operation of your Hotel. However, the amount of professional fees you incur, will vary based on the number of representatives you engage, the experience and sophistication of those representatives, and the geographic market in which you operate. You may also elect to retain additional business consultants, or other representatives to assist you, which may cause your expenses to be higher than the amounts listed.
5. This item estimates your initial start-up expenses (other than the items identified separately in the table) for your Hotel's first 3 months of operation, including employee wages, utilities, payroll taxes, operating supplies, maintenance and repair, office supplies, as well as working capital for other variable costs. Your costs depend on how closely you follow our Brand Standards; your management skills and experience and business acumen; local economic conditions; the local market for advertisements; the prevailing wage rate; the size and specifications of your Hotel; the employment levels reached during this period; and the costs and fees associated with any financing you obtain.
6. We have based the estimates in this table on Magnuson Company's and our officers' experience in the hotel industry generally and with Affiliate Hotels. We based these estimates on a Branded Hotel that operates with 60 Guest Rooms and your costs may vary if your Hotel has more or fewer Guest Rooms. We also based these estimates on the geographic region in which our headquarters is located (eastern Washington). We do not expect the estimates above to vary materially based on the Licensed Brand of the Branded Hotel. Neither we nor our affiliates not offer financing directly or indirectly for any part of the initial investment.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Specifications for Products, Services and Vendors

We require that all signage and branded supplies that you use for your Hotel comply with our Brand Standards. Prior to your Launch Date, you must deliver to us dimensions and photographs of all signage, billboards, and other structures that display the Licensed Brand. We must approve all signage and displays using the Licensed Brand before they are installed. After installation of all approved signage and displays, and before your Launch Date, you must obtain, at your cost, professional-quality photos of the rebranded Hotel, Guest Rooms and other facilities in your Hotel and deliver such

photographs to us, in the format we request, for use in promoting your Hotel on the Magnusson PMS and any Third-Party Distribution Channel. We may also request that you send us updated professional-quality photographs, at your cost, periodically during the Term.

You must use the Magnuson Cloud PMS licensed by Magnuson Company as your exclusive reservation system. We also require that the point-of-sale or other computer systems that you use at your Hotel meet our Brand Standards for access and use the Magnuson Cloud PMS, including Brand Standards for minimum hardware, software, and connectivity. We also have the sole and exclusive right to list your Hotel and Guest Rooms with Third-Party Distribution Channels. We will make all determinations about where and how to list your Hotel and Guest Room inventory on Third-Party Distribution Channels.

We may periodically make certain marketing or digital advertising materials and services available to you for purchase for an additional cost, though your purchase of such materials and services is optional.

Other than as specified, we do not impose any specifications or restrictions on the products, services, or vendors that you use for your Hotel. Other than as described above, we and our affiliates are not suppliers of services or products to your Hotel. In our last fiscal year, neither we nor our affiliates received any revenue or other material consideration from selling goods to Branded Hotel owners (other than fees described herein), but we may do so in the future. Currently, none of our officers own any interest in any of the approved vendors, other than an interest in our affiliates.

Collectively, the purchases you obtain according to our specifications or from approved or designated vendors represent approximately 15% to 30% of your total purchases to convert your Incumbent Hotel to a Branded Hotel, and 5% to 10% of your total purchases to operate your Hotel after its conversion.

Insurance

You must obtain and maintain the minimum insurance coverage that satisfies our Brand Standards, at your own expense. Currently, we require the following types of minimum coverage: (i) comprehensive general liability insurance insuring against claims for bodily and personal injury, and death and property damage, caused by or occurring in conjunction with the operation of your Hotel or otherwise in conjunction with the conduct of business by you pursuant to the Franchise, with coverage of not less than \$1,000,000 per occurrence or claim and annual aggregate; (ii) workers' compensation and employers' liability insurance in amounts prescribed by law; and (iii) any additional policies and insurance coverage that may be required by law; in amounts prescribed by law.

Each insurance policy for liability coverage must name us and any affiliates we designate as additional named insureds, using a form of endorsement that we have approved. All policies must be primary and non-contributory with or excess of any insurance coverage that may be available to an additional insured. You must provide us your initial certificates of insurance prior to your Launch Date. You must also provide us annually a copy of the certificate or other evidence of renewal or extension of each applicable insurance policy. You must provide 30 days' prior written notice to us of a policy's material modification, cancellation, or expiration. Each insurance policy must contain a waiver of all subrogation rights against us, our affiliates and their successors and assigns. If you fail to procure or maintain the required insurance, you must pay us for all related costs (including, premiums) we incur in connection with obtaining insurance coverage to protect us and our affiliates from any losses or claims arising from your operations and your Hotel. In addition to our other remedies and rights under your Franchise Agreement and applicable law, if you have not provided the required insurance

certificates by the due date, you will pay us a \$250 fee per month until you provide the certificates. Your obligation to obtain and maintain the insurance described above is not limited in any way by reason of any insurance we or our affiliates maintain, nor will your performance of such obligations relieve you of any insurance obligations under your Franchise Agreement.

Purchase Agreements and Rebates

Neither we nor our affiliates have negotiated purchase arrangements or price terms for the benefit of franchisees, nor have we established any purchasing or distribution cooperatives. Neither we nor our affiliates derive revenue in the form of rebates, or other consideration from vendors based on your purchases and leases of certain products and services. Neither we nor our affiliates collected any amounts from consideration from vendors based on purchases and leases by franchisees in our last fiscal year. We do not currently provide material benefits to franchisees for purchasing particular products or services or using designated or approved vendors.

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 franchise disclosure document.

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 4 and 6.D of Franchise Agreement	Items 7, 8, and 12
b. Pre-opening purchases/leases	Sections 6.C and 7.I of Franchise Agreement	Items 5, 7, 8, and 11
c. Site development and other pre-opening requirements	Sections 6.B, 6.C, and 7.D of Franchise Agreement	Items 7, 8, and 11
d. Initial and ongoing training	Not Applicable	Item 11
e. Opening	Sections 6.B and 6.C of Franchise Agreement	Item 8, 11
f. Fees	Section 10 of Franchise Agreement	Items 5, 6, 7, and 11
g. Compliance with standards and policies/operating manual	Sections 7.A, 7.B, and 7.D of Franchise Agreement	Items 8, 11, and 16
h. Trademarks and proprietary information	Section 9 of Franchise Agreement	Items 11, 13, and 14

i. Restrictions on products/services offered	Sections 7.A, 7.D, 7.G, and 8 of Franchise Agreement	Items 8, 11, 12, and 16
j. Warranty and customer service requirements	Sections 7.D and 7.G of Franchise Agreement	Item 16
k. Territorial development and sales quotas	Not Applicable	Not Applicable
l. Ongoing product/service purchases	Section 8.B of Franchise Agreement	Items 6, 8 and 11
m. Maintenance, appearance, and remodeling requirements	Sections 6.B, 6.C, 7.C, and 7.D of Franchise Agreement	Items 8 and 11
n. Insurance	Section 7.I of Franchise Agreement	Items 7 and 8
o. Advertising	Sections 6.B, 8.B and 9.B of Franchise Agreement	Items 6, 7, 8, and 11
p. Indemnification	Section 14 of Franchise Agreement	Item 6 and 11
q. Owner's participation/management/staffing	Sections 7.E and 7.F of Franchise Agreement	Items 11 and 15
r. Records and reports	Sections 10.D and 11 of Franchise Agreement	Items 6 and 11
s. Inspections and audits	Section 11 of Franchise Agreement	Item 6 and 11
t. Transfer	Section 16 of Franchise Agreement	Item 17
u. Renewal	Section 17 of Franchise Agreement	Item 17
v. Post-termination obligations	Sections 18.C, 18.D, and 18.E of Franchise Agreement	Item 17
w. Non-competition covenants	Not Applicable	Not Applicable
x. Dispute resolution	Section 20 of Franchise Agreement	Item 17

y. Owner / Guarantees	Section 15.B of Franchise Agreement	Item 15
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ITEM 10

FINANCING

Neither we nor any agent or affiliate offers direct or indirect financing to you, guarantees any of your obligations, or otherwise provides any financing to any owners of Branded Hotels.

ITEM 11

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

Except as listed below, we are not required to provide you with any assistance.

Assistance to Begin Operation of a Branded Hotel

Before you begin operating as a Branded Hotel, we or our designees will:

1. Provide you a copy of our Brand Standards Manual, which includes design guidelines and requirements for signage and branded supplies. Franchise Agreement – Section 7.B.
2. Make one of our revenue managers available to you support you in developing strategies for optimizing rates, inventory, and reviews for your Hotel, though you will have the final decision and the final responsibility for all such strategies. Franchise Agreement – Section 8.A.
3. Review your conversion and approve or disapprove your opening as a Branded Hotel, including reviewing and approving or disapproving all signage and photographs for your Hotel. Franchise Agreement – Sections 6.B and 6.C

Site Selection

We currently only offer franchises to third-party hotel owners who wish to convert their Incumbent Hotel to a Branded Hotel; therefore, you will know the site of your Hotel before you sign the Franchise Agreement with us. Currently, neither we nor our affiliates generally own the sites for Branded Hotels and lease those sites to franchisees.

Opening Requirements

You must convert your Incumbent Hotel to a Branded Hotel by the deadline specified in your Franchise Agreement, which is typically 90 days after signing your Franchise Agreement (we estimate your conversion will take 30-90 days). In connection with the conversion, you must comply with all applicable federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act or similar rules governing public accommodations, and all applicable ordinances, building codes, permit requirements, and lease requirements and restrictions. You may not display any signage or other indicia of the Licensed Brand, advertise or market the Incumbent Hotel as a Branded Hotel, or advertise or market any all Guest Room under the Licensed Brand, without our prior approval

of your launch as a Branded Hotel. The date that your Hotel is listed to accept reservations as a Branded Hotel is your “Launch Date”. Your Launch Date will depend on when you convert your signage, acquire required insurance policies, and meet all of our other criteria to begin operating your Hotel. We may terminate the Franchise Agreement if you fail to convert your Hotel by the applicable deadline.

Assistance During the Operation of Your Hotel

During your operation of your Hotel, we or our designees will:

1. Provide you access to the Magnuson Cloud PMS, to accept and report Guest Room reservations. Franchise Agreement – Section 8.B(1).
2. List your Guest Rooms as available on certain Third-Party Distribution Channels that we select, in our discretion. Franchise Agreement – Section 8.B(2).
3. Continue to make one of our revenue managers available to you support you in developing strategies for optimizing rates, inventory, and reviews for your Hotel, though you will have the final decision and responsibility for all such strategies. Franchise Agreement – Section 8.A.
4. Continue to provide you a copy of our Brand Standards Manual. Franchise Agreement – Section 7.B.
5. Continue to grant you the right to use the Licensed Brand and Licensed System. Franchise Agreement – Sections 9.B.

Brand Standards Manual

We will make our Brand Standards available to you during the term of your Franchise Agreement in one or more separate manuals, as well as electronic files and software, information available on an internet site, and other media, communications, emails and/or other written materials we distribute (collectively, the “Brand Standards Manual”). You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Brand Standards Manual without our approval. At our option, we may make some or all of the Brand Standards Manual available through an Online Presence (defined below). If we do so, you must monitor and access that Online Presence for any updates to the Brand Standards Manual. The Brand Standards Manual currently consists of: (i) the Magnuson Cloud PMS Operating Manual – 40 pages in total (table of contents attached as Exhibit B-1); and (ii) the Magnuson Brand Standards Manual – 20 pages in total (table of contents attached as Exhibit B-2).

Your Advertising.

We do not require you to conduct any specific forms of advertising or promotion for your Hotel, or contribute any amount to a marketing funds or programs that we control. However, if you elect to conduct advertising, you must comply with the Brand Standards in our Brand Standards Manual for use of the Licensed Brand. You must not list your Hotel or any Guest Rooms on any Third-Party Distribution Channel without our prior approval. We may periodically make certain marketing or digital advertising materials and services available to you for purchase for an additional cost, though your purchase of such materials and services is optional.

We do not require you to contribute any amount to or participate in any local or regional advertising cooperative or fund, and/or contribute any amount to marketing that we conduct. We do not have the right to establish any such advertising cooperative or collect such contributions.

Our Advertising.

We have the right to conduct any local, national and/or any other advertising for your Hotel that we elect, including listing your Guest Rooms as available on any Third-Party Distribution Channels we choose. You must cooperate with us in all strategies for promoting your Hotel on Third-Party Distribution Channels, including participating in other related marketing campaigns to increase bookings through the Third-Party Distribution Channels that we select.

We have no obligation to spend any amounts on any specific type of advertising or media (whether local, regional, or national), use any specific source of advertising (for example, in house advertising departments or national or regional agencies), or spend any amount in the area where your Hotel is located. We will have sole control over all creative concepts, materials, administrative functions, finances, and other matters relating to marketing, promotional and advertising programs that we and our affiliates and designees conduct for the Licensed Brand, including your Hotel. You will not have the right to obtain any accounting records or statements regarding our marketing efforts.

Online Presences.

We have the sole right to own and operate any website, domain name, email address, social media account, other online presence, or presence on any electronic medium of any kind associated with the Licensed Brand and/or the Licensed System (“Online Presence”). We may also establish one or more Online Presences for your Hotel, and/or integrations between any such Online Presences and the Magnuson Cloud PMS. We own all such Online Presences and all data generated by them, including login and access credentials and source code, all of which constitutes Confidential Information (as defined below). If you own or operate any Online Presence in connection with your Incumbent Hotel, you must transfer all such Online Presences to us after you sign your Franchise Agreement.

Except as approved by us in writing or specified in the Brand Standards Manual, you may not develop, maintain, or authorize any Online Presence that mentions your Hotel, links to any Online Presence associated with the Licensed Brand or Licensed System, or engage in any promotional or similar activities, whether directly or indirectly, through any Online Presence. If we approve the use of any such Online Presence in the operation of your Hotel, you may develop and maintain such Online Presence only in accordance with our guidelines, including our guidelines for posting any messages or commentary on other third-party websites, as described in the Brand Standards Manual. At our request, at your cost, you must grant us access to each such Online Presence, and take whatever action we request to evidence our ownership of or exclusive rights in such Online Presence.

Advertising Council.

We do not currently maintain an advertising council composed of franchisees to advise us on advertising policies.

Computer System

As described further in Item 8 and above, beginning on your Launch Date, we will provide you access to our central reservation system during the Term (“Magnuson Cloud PMS”). The Magnuson Cloud

PMS is a cloud-based software system that allows Branded Hotels to manage Guest Room inventory and reservations. The Magnuson Cloud PMS will generate and store data from your Hotel's operations, such as the types and availability of Guest Rooms, and other data from your point-of-sale system such as existing and historic reservations, the revenue of your Hotel, and customer data. You must list your Hotel and its Guest Rooms exclusively on the Magnuson Cloud PMS as your central reservation system. You must ensure that the point-of-sale or other computer systems that you use at your Hotel meet our Brand Standards for access and use the Magnuson Cloud PMS, including Brand Standards for minimum hardware, software, and connectivity. Provided that they meet our minimum Brand Standards, you may purchase the components of your computer systems from any vendor of your choosing, and it may be any brand or model you select. We do not expect that you will incur any additional expenses in acquiring and installing any computer systems, because your Incumbent Hotel will likely already have all necessary printers, back-office software, internet services, anti-virus software, cyber-security services and software, and similar components.

We may modify such Brand Standards for your computer systems periodically, and you must update your computer systems to comply with our modified Brand Standards promptly after you receive notice. There are no contractual limitations on the frequency and cost of this obligation, and we need not reimburse you for these costs; however, we do not currently estimate that you will incur any ongoing costs for maintaining or upgrading your computer systems, other than such upgrades and maintenance that you elect to undertake in your own discretion and/or associated with operating the computer systems in the ordinary course of business. Neither we nor our affiliates have any contractual obligation to provide ongoing maintenance, repairs, upgrades, or updates to your computer systems. All maintenance, repair, upgrade, and update obligations of the third-party vendors selling or licensing you components of your computer systems will be determined by your contract with that vendor.

You must comply with all applicable terms and conditions for the use of the Magnuson Cloud PMS, otherwise we may disable access to the Magnuson Cloud PMS by you or by one or more of your users. We will have independent access to the Magnuson Cloud PMS at all times and we may collect and retain from the Magnuson Cloud PMS any and all data concerning your Hotel. You must cooperate with us and provide us any assistance we require to access and retrieve data from the Magnuson Cloud PMS on your point-of-sale or other computer systems at your Hotel.

You must implement all administrative, physical, and technical safeguards necessary to protect any personal information of your employees, customers and other individuals in accordance with applicable law and industry best practices. You must maintain appropriate data protection policies, controls, and arrangements to manage all customer and third-party data transfers for the purposes of data processing activities. If you become aware of a suspected or actual breach of security or unauthorized access involving any such customer data and personally identifiable information, you will be required notify us immediately and specify the extent to which such information was compromised or disclosed and also comply with all relevant government authorities or law enforcement agencies as the case may be in the event of a data theft incident.

Revenue Management Support

Subject to reasonable scheduling and time constraints, we will make one of our revenue managers available to support you in developing strategies for optimizing rates, inventory, and reviews for your Hotel. However, unless dictated by our Brand Standards, you will have the final decision and the final responsibility for all such strategies. We estimate that revenue management support could include up to 100 hours of support prior to your Launch Date. We do not provide an estimate of the amount of

revenue management support after your Launch Date. You are not required to obtain revenue management support or use the services of our revenue managers if you do not wish to, therefore the amount of revenue management support you receive will also depend on your preferences and the amount of support that you request from the revenue managers that we make available to you.

Other Training

Other than revenue management support described above, the information we provide you in the Brand Standards Manual, we do not currently have any obligation to provide additional training programs or services available to you. You are also responsible for providing training to all your personnel. You are not obligated under your Franchise Agreement to attend any mandatory training.

ITEM 12

TERRITORY

You will not receive an exclusive territory under the Franchise Agreement. You may face competition from other franchisees, from outlets that we own or from other channels of distribution or competitive brands that we control. We and our affiliates retain all rights with respect to the placement of Branded Hotels and any other business activities in any manner or in any location, regardless of the nature or location of the business activities or their customers, including any business offering or selling products or services that are similar to, the same, or competitive with, those that Branded Hotels customarily offer or sell, and/or including the right to be acquired by or acquire any other business, including businesses competitive with Branded Hotels, and/or including business activities including through alternative distribution channels such as the internet.

You may operate the Branded Hotel only from the premises of the Incumbent Hotel we approve when you sign the Franchise Agreement, and may use such premises solely for the operation of your Hotel. You may not relocate your Hotel or operate your Hotel at a location other than the address indicated on your Franchise Agreement. You have no options, rights of first refusal, or similar rights to acquire additional franchises. If you wish to obtain an additional franchise location, you must enter into a separate Franchise Agreement for that location.

There are no limitations on your or our ability to solicit customers in any location. However, you may not engage in any promotional or similar activities through any Online Presence without our prior approval. We also have the exclusive right to list your Hotel and Guest Rooms with any Third-Party Distribution Channel. We have no obligation to pay you to exercise any of these rights.

Neither we nor our affiliates currently operate, franchise, or have plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to a Branded Hotel. However, Magnuson Company has entered into agreements with certain third-party Affiliate Hotel owners to provide marketing services on the Magnuson Cloud PMS. Each of these Affiliate Hotels offer products and services that are similar to those offered by Branded Hotels, and which are competitive with Branded Hotels. These Affiliate Hotels may operate, or solicit or accept orders at any location. If a conflict should arise between any Affiliate Hotel and any Branded Hotel, we will analyze the conflict and take any action we deem appropriate.

ITEM 13

TRADEMARKS

Magnuson Company owns the following trademarks (“Trademarks”), which have been registered and/or applied for on the Principal Register of the U.S. Patent and Trademark Office:

Mark	Application / Registration No.	Application / Registration Date
Magnuson Hotels	Reg. No. 3,688,282	August 18, 2008
Magnuson Grand	App. No. 97164441	December 9, 2021
Magnuson	App. No. 97164407	December 9, 2021
	App. No. 97164430	December 9, 2021
	App. No. 97164420	December 9, 2021
	App. No. 97164433	December 9, 2021

We do not have a federal registration for each of our principal trademarks. Therefore, such trademarks do not have many legal benefits and rights as a federally registered trademark. If our right to use an unregistered trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

All required affidavits of use and renewals will be filed in a timely manner. There is presently no effective determination of the U.S. Patent and Trademark Office, the Trademark Trial & Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding or any pending material litigation involving our principal Trademarks.

Magnuson Company has licensed us the right to use the Licensed Brand, including the Trademarks, and sublicense the Licensed Brand to third-parties, pursuant to the terms of a license agreement between Magnuson Company and us dated January 4, 2022 (the “Licensing Agreement”). The Licensing Agreement has a perpetual term but may be terminated by Magnuson Company upon ninety days’ notice if we breach the Licensing Agreement, and upon six months’ notice in the absence of a breach. We are permitted, under the Licensing Agreement, to provide you a license to use the Licensed Brand in connection with hotel and hotel-related services, and the advertising, marketing, distribution, and sale of such services. To use the Licensed Brand for other services, we would need written authorization from Magnuson Company. The Licensing Agreement does not otherwise limit our right to use or license the Licensed Brand in a manner material to you. If Magnuson Company terminates the Licensing Agreement, we will lose our ability to license the Principal Marks to you, and we will require you to change to substitute trademarks.

We will sublicense you the right to use the Licensed Brand, including the Trademarks, and the Licensed System under your Franchise Agreement, strictly to operate your Hotel in compliance with the terms of your Franchise Agreement and our Brand Standards. You have no right to sublicense or assign your right to use the Licensed Brand or Licensed System. You must give the notices of registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law. You must use and display the Licensed Brand in the style and graphic manner we describe in the Brand Standards Manual. You may not use any other trademarks, service marks, commercial symbols, other than the Licensed Brand, to identify or operate your Hotel. You are solely responsible for de-identifying your Incumbent Hotel and disassociating it from any other prior brand or system.

If we decide to modify or discontinue the use of any component of the Licensed Brand or Licensed System, you must, at your expense, comply with our directions to modify or otherwise discontinue the use of the Licensed Brand or Licensed System, as we direct, within a reasonable time after our notice to you. All provisions of your Franchise Agreement relating to the Licensed Brand and Licensed System apply to any additional components of the Licensed Brand and Licensed System that we develop and/or authorize you to use from time to time. You may not at any time contest or assist any other person in contesting the validity of any registration for the Licensed Brand or the Licensed System, or our or our affiliates' rights to the Licensed Brand or Licensed System.

We know of no superior rights or infringing uses that could materially affect your use of the Trademarks in any state.

You must immediately notify us in writing of any third-party infringement of or challenge to any of our copyrights or any of the Licensed Brand or Licensed System, or of any claim by any person of any rights in or to the Licensed Brand or Licensed System of which you become aware. You may not communicate with anyone except us, our affiliates, and our respective counsel in connection with any such infringement, challenge or claim and agree that we will have the sole right to determine whether an infringement, challenge or claim exists, and if so, to exclusively control any litigation or any other proceeding arising out of any such infringement, challenge, or claim. You must cooperate with and assist us with the initial and any follow up investigation of the alleged infringement of or challenge to our or our affiliates' intellectual property rights. You must sign any documents, render any assistance, and do any acts that we or our affiliates believe are necessary or advisable to protect or maintain our interests in any litigation or proceeding related to such intellectual property rights or to otherwise protect, maintain or perfect our interests in such intellectual property rights. Neither we nor our affiliates will have any obligation to defend the Licensed Brand or Licensed System from valid claims of prior use or of lawful concurrent use by others, and/or otherwise take any affirmative action when notified of these claims. Under the Franchise Agreement, we are not required to reimburse you for any costs you incur in connection with any such claims, proceedings, or challenges.

You must not contest, or assist any other person in contesting, the validity of our and Magnuson Company's rights and ownership of the Licensed Brand, including the Trademarks. Your use of the Licensed Brand and Trademarks and any goodwill established by that use are exclusively for our and Magnuson Company's benefit.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any patents that are material to the franchise. We have not filed any patent applications that are material to the franchise. We claim copyrights in the Brand Standards Materials, all Online Presences associated with the Licensed Brand and Licensed System, and all other materials that incorporate components of the Licensed Brand or Licensed System. We also claim copyrights in the Magnuson Cloud PMS and its related APIs. We have not registered these copyrights with the United States Registrar of Copyrights.

There currently are no effective adverse determinations regarding the copyrighted materials. No agreement limits our right to use or allow others to use the Confidential Information (defined below) or the copyrighted materials. We know of no infringing uses of the copyrighted materials which could materially affect your using the copyrighted materials. We need not protect or defend the copyrighted materials. We may control any action involving the copyrighted materials, even if you bring the matter to our attention. We need not participate in your defense nor indemnify you for damages or expenses in a proceeding involving the copyrighted materials.

Our copyrighted materials include the Brand Standards Manual and other information and materials that we and our affiliates deem confidential and proprietary relating to the relating to developing and operating Branded Hotels, the Licensed Brand, and the Licensed System, including: (1) the Brand Standards and the Brand Standards Manual and any login or access credentials you use to access the Brand Standards Manual, (2) the terms of any Franchise Agreement and any related agreement, (3) any software or technology which is proprietary to us or the System, including the Magnuson Cloud PMS, and including digital passwords and identifications and any source code of, and data, reports, and other information or materials generated by, the software or similar technology, (4) the operating results and financial performance of Branded Hotels, (5) information generated by, or used or developed in, your Hotel's operation, including Guest Information and any analytics, buying habits, preferences, demographic information and related information; and (8) any other information designated as confidential or proprietary by us (together "Confidential Information").

All Confidential Information will be owned by us. You will not acquire any interest in Confidential Information, other than the right to use it as we specify in operating your Hotel during the term of your Franchise Agreement, and that Confidential Information is disclosed to you only on the condition that you will protect it. Any unauthorized use or disclosure of the Confidential Information would be an unfair method of competition and will result in irreparable harm to us and our affiliates. You and your Owners must, and must cause each of your respective spouses, immediate family members, affiliates, and assigns to: (a) not use the Confidential Information for any purpose other than the operation of your Hotel; (b) keep confidential and not disclose the Confidential Information to any person other than those of your employees and representatives who need to know such Confidential Information for the purpose of assisting you in operating your Hotel; (c) adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including by restricting its disclosure and/or by requiring persons who have access to the Confidential Information to execute a non-disclosure and non-competition that we approve; and (d) not sell, trade or otherwise profit in any way from the Confidential Information.

All ideas, concepts, techniques, or materials relating to a Branded Hotel and/or the Licensed System created by you, your Owners, or your employees (or for you, your Owners, or your employees),

whether or not protectable intellectual property, must be promptly disclosed to us and will be our sole and exclusive property, part of the Licensed System, and works made-for-hire for us. To the extent that any item does not qualify as a “work made-for-hire” for us, you hereby waive all moral rights in that item, assign ownership of that item, and all related rights to that item, to us and agree to take whatever action (including signing assignment or other documents) we request to evidence our ownership or to help us obtain intellectual property rights in the item.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Management of Your Hotel

You are solely responsible for the management of your Hotel. You may not delegate any of your responsibilities under your Franchise Agreement to any other person, including affiliates of yours, or enter into any concession, lease, management company, or similar arrangement with any other person for operation of any portion of your Hotel or to offer or operate any business activities at or in connection with your Hotel without our prior written consent. You must timely pay all third-party suppliers, lenders, landlords and other parties relating to your Hotel, at your own cost, and ensure that your Hotel is operational at all times in accordance with your Franchise Agreement.

You must identify one of your Owners in your Franchise Agreement who is a natural person, to supervise the day-to-day operation of your Hotel on a full-time basis (your “Managing Owner”). Your Managing Owner will be authorized to deal with us on your behalf for all matters that may arise with respect to your Hotel and/or your Franchise Agreement. Any decision made by the Managing Owner will be final and binding on you and we will be entitled to rely solely on the decision of the Managing Owner without discussing the matter with any other party. We will not be held liable for any actions based on any decisions or actions of the Managing Owner.

You are solely responsible for all decisions relating to employees, agents, and independent contractors that you may hire or retain for your Hotel. Any employee, agent, or independent contractor that you hire or retain will be your employee, agent, or independent contractor, and not our or our affiliates’ employee, agent, or independent contractor. You are exclusively responsible for all salary, wages, benefits, taxes, and other costs and expenses associated with each of your employees, agents and independent contractors, and no act or omission by us or any of our affiliates to protect the Licensed Brand or Licensed System will result in an employer, joint-employer or co-employer relationship with your employees or staff, or shifts any employment related responsibilities from you to us. We may require that any employee, agent, or independent contractor who will have access to Confidential Information, to execute a non-disclosure agreement to protect the Confidential Information.

Obligations of Your Owners.

If you acquire your franchise as a legal business entity, each person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you, including any person who has any other legal or equitable interest, or the right to acquire any legal or equitable interest, in the revenue, profits, rights, or assets in of you, your Franchise Agreement or your Hotel (each an “Owner”) and their respective spouses must execute a guaranty in the form we prescribe, agreeing to be personally bound, jointly and severally, by all provisions of your Franchise Agreement

and any ancillary agreements between you and your Owners and us and/or our affiliates. Our current form of guaranty is attached as an exhibit to your Franchise Agreement. If you entered into your Franchise Agreement as an entity, your Hotel will be the only business that such entity operates, unless we approve you to acquire and operate additional Branded Hotels pursuant to additional Franchise Agreements between us and you. You and your Owners must also maintain organizational documents at all times that state that your Franchise Agreement restricts the issuance and transfer of any of your ownership interests, and all certificates and other documents representing your ownership interests will bear a legend referring to your Franchise Agreement's restrictions.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must make 100% of your total number of Guest Rooms available for sale on the Magnuson Cloud PMS, at all times, and you must not take a Guest Room out of available inventory for longer than 14 days without our prior written approval.

We have the sole and exclusive right to list your Hotel and Guest Rooms with Third-Party Distribution Channels. We will make all determinations about where and how to list your Hotel and Guest Room inventory on Third-Party Distribution Channels. If you have any account with any Third-Party Distribution Channel for your Guest Rooms as of the Effective Date, you must transfer exclusive control of such accounts to us. You must not list your Hotel or any Guest Rooms with any Third-Party Distribution Channel without our prior written approval.

You must honor all confirmed reservations for your Hotel made through the Magnuson Cloud PMS and/or any Third-Party Distribution Channel. If you are for any reason unable to honor any confirmed reservations, you must find that guest an alternate accommodation in accordance with our Brand Standards. If you fail to rebook any guest, you must pay us an amount equal to twice the amount of the booking fee for the confirmed reservation for the Guest Room that was unfulfilled or the cost of alternate accommodation that we or our affiliates provide to such guest, whichever is higher.

You must maintain a minimum average customer rating on social, travel, or similar directories, websites, or services we designate (currently, 3.4 of 5 stars for Magnuson Hotels®, and 3.6 of 5 stars for Magnuson Grand™) ("Minimum Customer Rating"). If your Hotel falls below the Minimum Customer Rating, we may terminate your Franchise Agreement.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 3 of Franchise Agreement	5 years from the Effective Date
b. Renewal or extension of the term	Sections 3 and 17 of Franchise Agreement	After the initial 5-year term, the Franchise Agreement will be automatically renewed for one successive five-year term, unless you notify us of your election not to renew at least 90 and not more than 180 days before the expiration of the term or subject to applicable law, we notify you prior to the expiration date that we elect not to renew for any reason.
c. Requirements for franchisee to renew or extend	Section 17 of Franchise Agreement	We may condition the grant of a renewal on your satisfaction of certain conditions including: (a) you and your Owners have complied with the terms of all agreements relating to your Franchise, (b) you and your Owners sign a franchise agreement and related documents which may contain terms and conditions that differ materially from those contained in your existing agreements, (c) you and your Owners sign a general release, and/or (d) you must bring your Hotel into compliance with Brand Standards for new Branded Hotels.
d. Termination by franchisee	Section 18.A of Franchise Agreement	You can terminate the Franchise Agreement immediately by written notice if we breach the terms of the Franchise Agreement and fail to remedy such breach within thirty (30) days after receipt of written notice of such breach.
e. Termination by franchisor without cause	Not Applicable	The Franchise Agreement does not provide for termination without cause.
f. Termination by franchisor with cause	Section 18.B of Franchise Agreement	We may terminate the Franchise Agreement immediately upon notice to you if you commit any of the defaults listed in the Franchise Agreement.
g. "Cause" defined- curable defaults	Section 18.B of Franchise Agreement	(i) 72 hours to cure health, safety or sanitation violation or unsafe operations; and (ii) 30 days to cure any other defaults that are not subject to sooner termination.

Provision	Section in Franchise Agreement	Summary
h. “Cause” defined-non-curable defaults	Section 18.B of Franchise Agreement	(i) material misrepresentation or omission in acquiring the franchise; (ii) abandonment or failure to actively operate your Hotel for more than 3 consecutive days of operation or 10 days of operation in the aggregate during any 12-month period; (iii) you or any of your Owners make or attempt to make any transfer without our written approval; (iv) you or any of your Owners are or have been convicted of or plead guilty or no contest to a felony or other criminal charge; (v) you lose the right to occupy the premises of the Hotel; (vi) unauthorized use or disclosure of any Confidential Information or violation of restrictive covenants of non-disparagement and non-interference; (vii) any immediate health or safety concern for the Hotel’s customers or employees; (viii) you understate your Gross Room Revenue 3 times or more during the Term or by more than 3% on any one occasion; (ix) you or your owners make an assignment for the benefit of creditors, admit in writing your insolvency or inability to pay debts, or you or your Owners consent to the appointment of a receiver, trustee, or liquidator for all or the substantial part of your property; (x) 3 or more separate violations of Franchise Agreement within any 12 month period, for any obligation under your Franchise Agreement, or 2 or more violations in any 12 month period for the same obligation under your Franchise Agreement; and (xi) your Hotel falls below the Minimum Customer Rating.
i. Franchisee’s obligations on termination/nonrenewal	Sections 18.C and 18.D of Franchise Agreement	You must immediately: (1) close the Hotel for business; (2) remove all components of the Licensed Brand from your Hotel and take other actions to dissociate from the Licensed Brand; (3) cease to identify yourself or your business as a current or former Branded Hotel or franchise owner and take the action required to cancel or assign all assumed name or similar registrations relating to the Licensed Brand; (4) return all Confidential Information; (5) cease using and either disable or instruct the registrar of any Online Presence associated with the Licensed Brand to transfer exclusive control and access of that Online Presence to us; and (6) comply with all other Brand Standards we establish from time to time and applicable law. If we terminate because of your breach or you terminate without cause, you must also pay us Termination Damages.
j. Assignment of contract by franchisor	Section 16.A of Franchise Agreement	No restriction on our right to assign; we may assign without your approval and without notice.

Provision	Section in Franchise Agreement	Summary
k. “Transfer” by franchisee—defined	Section 16.B of Franchise Agreement	Includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, encumbrance, mortgage, or pledge, including transfer by reason of merger, consolidation, issuance of additional securities, death, disability, divorce, insolvency, encumbrance, foreclosure, surrender or by operation of law.
l. Franchisor approval of transfer by franchisee	Section 9.B of Franchise Agreement	We have the right to approve all transfers of your Franchise Agreement, your franchise rights, all or a substantial portion of the assets of your Hotel, and/or any direct or indirect ownership interest in you or your Owners.
m. Conditions for franchisor approval of transfer	Section 16 of Franchise Agreement	We may condition our approval of any transfer on any terms and criteria we establish, including: (i) you must apply in writing requesting our consent and provide us all information or documents we request about the transferee and its owners, (ii) you, your Owners and the transferee and its owners must sign all of the documents we require in connection with a transfer including a release of any and all claims (except for claims which cannot be released or waived pursuant to an applicable law) against us and our affiliates, (iii) you and your Owners must be and have been in full compliance with all agreements related to your franchise, (iv) the transferee and its owners must sign our then-current form of franchise agreement and related documents, and (v) you must provide us evidence that appropriate measures have been taken to effect the transfer as it relates to the operation of the Hotel, including, by transferring all necessary licenses, insurance policies, and material agreements.
n. Franchisor’s right of first refusal to acquire franchisee’s business	Not Applicable	Not Applicable
o. Franchisor’s option to purchase franchisee’s business	Not Applicable	Not Applicable
p. Death or disability of franchisee	Section 9.C of Franchise Agreement	Upon your or any Owner’s death or permanent disability, your or such Owner’s interest must be sold or transferred to an approved person within 6 months.

Provision	Section in Franchise Agreement	Summary
q. Non-competition covenants during the term of the franchise	Not Applicable	Not Applicable
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable
s. Modification of the agreement	Section 20.H of Franchise Agreement	No modifications of the Franchise Agreement without the written consent of all parties, but we may change Brand Standards and the Brand Standards Manual any time without your consent or approval.
t. Integration/merger clause	Section 21.F of Franchise Agreement	Only the written terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representation or promise outside the Franchise Agreement may not be enforceable. However, nothing is intended to disclaim the representations we made in this franchise disclosure document.
u. Dispute resolution	Section 20 of Franchise Agreement	Controversies disputes, or claims must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association, to be conducted at a location chosen by the arbitrator that is within 50 miles of our then current principal place of business (currently, Spokane Valley, Washington) (subject to state law)
v. Choice of forum	Section 20.B of Franchise Agreement	Subject to the arbitration requirement, all actions must be brought in a state or federal court of competent jurisdiction closest to our then current place of business (currently, Spokane Valley, Washington) (subject to state law).
w. Choice of law	Section 20.C of Franchise Agreement	Except for the Federal Arbitration Act and other federal law, all matters shall be governed by the law of the state in which your Hotel is located (subject to state law).

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Melissa Magnuson, Magnuson Franchising LLC, 200 N. Mullan Road Suite 220, Spokane Valley, WA 99206, (509) 747-8713 the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary
for Years 2019 to 2021

Type	Year	Hotels at the Start of Year	Hotels at the End of Year	Net Change
Franchised	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Company-Owned	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Total	2019	0	0	0
	2020	0	0	0
	2021	0	0	0

Table 2
Transfers of Hotels to New Owners
For years 2019 to 2021

State	Year	Number of Transfers
All States	2019	0
	2020	0
	2021	0

State	Year	Number of Transfers
Totals	2019	0
	2020	0
	2021	0

Table 3
Status of Franchised Hotels
For years 2019 to 2021

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons
All States	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
Totals	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0

Table 4
Status of Company-Owned Hotels
For years 2019 to 2021

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
All States	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
Totals	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0

Table 5
Projected Openings for 2022

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
FL	0	4	0
GA	0	2	0
MI	0	4	0
TX	0	4	0
Totals	0	14	0

Exhibit E-1 contains a list of the names, addresses and telephone numbers of our current franchisees as of December 31, 2021; and Exhibit E-2 contains a list of the names and last known address and telephone number of each franchisee who had a Franchise Agreement terminated, cancelled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, or who had not communicated with us within 10 weeks of the issuance date of this franchise disclosure document. If you buy this franchise, your contact information may be disclosed to buyers when you leave the franchise system.

We have not sold any franchises as of the date of this franchise disclosure document. Therefore, within the last three years, no franchisees have signed confidentiality clauses. In some instances, however, current and former franchisees may sign provisions restricting their ability to speak openly about their experience with our franchise system. You may wish to speak with current and former franchisee but be aware that not all such franchisees will be able to communicate with you.

As of the date this franchise disclosure document was issued, there were no trademark-specific franchisee organizations that were created, sponsored, or endorsed by us and there were no trademark-specific franchisee organizations that requested to be included in this franchise disclosure document.

ITEM 21

FINANCIAL STATEMENTS

Magnuson Franchising, LLC was organized in March 2021. It has not been in business for three years or more and cannot include all the financial statements required by the FTC Franchise Rule for its last three fiscal years. Attached to this franchise disclosure document as Exhibit C is our audited balance sheet as of December 31, 2021, and the audited statements of operation, cash flow and member's equity for the period from our inception on March 21, 2021 to December 31, 2021.

ITEM 22

CONTRACTS

The following agreements are exhibits attached to this franchise disclosure document:

Exhibit A	Franchise Agreement
Exhibit F	Representation Statement
Exhibit G	Sample General Release
Exhibit H	State Addenda and Riders

ITEM 23

RECEIPTS

Exhibit I contains detachable documents acknowledging your receipt of this franchise disclosure document. Please sign and date each receipt and return one copy to us. Keep the other copy along with this franchise disclosure document.

EXHIBIT A
FRANCHISE AGREEMENT

Unit #:

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT is this Cover Page, the attached Terms and Conditions, and any riders, exhibits, or agreements entered into in connection herewith (together, the “*Agreement*”), entered into by and between **Magnuson Franchising LLC**, a Washington limited liability company, with its principal business address at 200 N. Mullan Road Suite 220 Spokane Valley, WA 99206 (“*we*” “*us*” and “*our*”), and the party identified below (“*you*” or “*your*”) on the Effective Date identified below.

FRANCHISEE			
Franchisee (Legal Entity Name):			
Business Address for Notice:			
Managing Owner (Individual Name and Phone Number):			
AGREEMENT			
Effective Date:		Expiration Date:	
LICENSED BRAND			
<i>(check one – if no option is selected, your Hotel will be a Magnuson Hotel)</i>			
Magnuson Hotels	_____		
Magnuson Grand	_____		
YOUR HOTEL			
Hotel Address:		Conversion Deadline:	
FRANCHISEE OWNERSHIP AND OFFICERS			
Name	Address	Title (if Officer)	Equity % (if Owner)
FEES			
<i>(fees may be subject to change; other fees may apply – please review attached Terms and Conditions)</i>			
Initial Franchise Fee:	\$10,000	Continuing Fee:	8% of Gross Room Revenue
Late Fee:	1% of overdue amount	Re-activation Fee:	\$750 per occurrence
GDS Booking Fee (subject to change):	\$11.00 per booking paid direct to us	GDS Commission (subject to change):	10% paid directly to Third- Party Distribution Channel
Other Distribution Channel Fees (subject to change): You must directly pay or reimburse us for all fees			

IN WITNESS WHEREOF, THE PARTIES HEREBY EXECUTE AND DELIVER THIS AGREEMENT AND AGREE TO BE BOUND HEREBY.

MAGNUSON FRANCHISING LLC, a
Washington limited liability company

Franchisee Legal Entity Name

Sign: _____

Name: _____

Title: _____

Sign: _____

Name: _____

Title: _____

DATED: _____

DATED: _____

TERMS AND CONDITIONS

Your Franchise will be governed by: (1) the terms outlined on the Cover Page of this Agreement, (2) these Terms and Conditions, (3) the Exhibits attached hereto, and (4) any attached Riders or Addenda (if applicable), all of which together constitute the entire understanding of the parties, and all references to this Agreement will include each of the foregoing components.

1. Background. We and our affiliates have developed—and will continue to develop and modify—the hotel brand that we are licensing to you for the operation of hotels (“*Branded Hotels*”). We and our affiliates use and promote, and license others to use and promote, certain trademarks, service marks, trade dress, and other commercial symbols and indicia of operating Branded Hotels, which have gained and will continue to gain public acceptance and goodwill, and we and our affiliates may create, use, and license other trademarks, service marks and commercial symbols to identify the Branded Hotels in the future (collectively, as it relates to the Licensed Brand indicated on the Cover Page of this Agreement, the “*Licensed Brand*”). Branded Hotels will operate using distinctive and proprietary business formats, methods, procedures, designs, layouts, standards, and specifications, all of which we may improve, substitute, further develop, or otherwise modify from time to time (collectively, as it relates to the Licensed Brand, the “*Licensed System*”).

2. Grant of Franchise. Subject to the provisions of this Agreement, we grant to you the right to operate a Branded Hotel (your “*Hotel*”) using the Licensed Brand and Licensed System (your “*Franchise*”), subject to the terms of this Agreement. You agree at all times during the Term (defined below) to perform your obligations under this Agreement faithfully, honestly, and diligently, and to use your best efforts to operate and promote your Hotel in accordance with the terms of this Agreement.

3. Term of Franchise. The term of this Agreement will begin on the Effective Date and will continue for a period of **five (5)** years from the Effective Date, unless terminated earlier pursuant to the provisions of this Agreement; provided, that subject to the terms of Section 17, the term of this Agreement will automatically renew upon the expiration of the initial term for one additional successive **five (5)** year term (the initial term and any renewal term, together, the “*Term*”). Termination or expiration of this Agreement will constitute termination or expiration of your Franchise, and the limited license to use the Licensed Brand and Licensed System conferred by this Agreement

4. Location of Hotel. Your Franchise gives you the right to operate a single Branded Hotel only at the address indicated on the cover page of this Agreement (the “*Premises*”). You may not operate or establish any business of any kind using the Licensed Brand or the Licensed System from any location other than the Premises whatsoever. You may not relocate your Hotel to any location other than the Premises. You further agree not to conduct, or permit any other person to conduct, any business or activity at the Premises other than your Hotel’s business, as authorized by this Agreement, without our prior written approval of such additional business or activity.

5. No Territory. You expressly acknowledge and agree that absolutely no territorial rights or protections of any kind are afforded to you under this Agreement. As such, we and our affiliates retain all rights with respect to the location of Branded Hotels and any other business activities in any manner or in any location whatsoever, regardless of the nature or location of such business activities or their customers, and including any business offering or selling products or services that are similar to, the same as, or competitive with, those that Branded Hotels customarily offer or sell.

6. Conversion of Hotel.

6.A. Incumbent Hotel. You represent and warrant to us that: (1) you have the lawful right to occupy the Premises for a term no less than the Term; (2) the hotel that you currently operate at the Premises (the “*Incumbent Hotel*”), each of the guest rooms (each consisting of a room, suite, suite of rooms, or other guest accommodation, the entrance of which is controlled by the same key, each a “*Guest Room*”), and the Premises are in good working condition for use as a hotel, and there are no material structural, electrical, plumbing, HVAC, mechanical, sprinkler or other system defects; (3) the use of the Premises, all Guest Rooms, and the operation of the Incumbent Hotel do not violate any applicable law, regulation, ordinance, permit, covenant, restriction, easement, license, permit, or agreement; (4) your execution of this Agreement and conversion of your Incumbent Hotel to, and operation of your Hotel as, a Branded Hotel will not violate or constitute a breach of any of your, your affiliates’ or Owners’ obligations, covenants or agreements to or with any third-party; and (5) you have no reason to believe that the conversion of your Incumbent Hotel to, or operation of your Hotel as, a Branded Hotel would cause any of the foregoing representations to be untrue during the Term.

6.B. Conversion. You agree to convert the Incumbent Hotel to a Branded Hotel by the deadline specified on the Cover Page, or if no date is specified on the Cover Page, within **ninety (90) days** of the Effective Date. In connection with the conversion, you must comply with all applicable federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act or similar rules governing public accommodations, and all applicable ordinances, building codes, permit requirements, and lease requirements and restrictions. You may not display any signage or other indicia of the Licensed Brand, advertise or market the Incumbent Hotel as a Branded Hotel, or advertise or market any all Guest Room under the Licensed Brand, without our prior approval of your launch as a Branded Hotel. The date that your Hotel is listed to accept reservations as a Branded Hotel is your “*Launch Date*”.

6.C. Signage and Photos. In connection with converting your Incumbent Hotel, prior to the Launch Date, you must deliver to us dimensions and photographs of all signage, billboards, and other structures that display the Licensed Brand. We must approve all signage and displays using the Licensed Brand before they are installed. After installation of all approved signage and displays, and before your Launch Date, you must obtain, at your cost, professional-quality photos of the rebranded Premises, Guest Rooms and other facilities in your Hotel and deliver such photographs to us, in the format we request, for use in promoting your Hotel on the Magnusson PMS and any Third-Party Distribution Channel (each defined below). We may also request that you send us updated professional-quality photographs, at your cost, periodically during the Term.

6.D. Lease Obligations. You are solely responsible for ensuring that the terms of your lease or other occupancy agreement for the Premises permits you to comply with this Agreement, including the right to display signage for the Licensed Brand, the right for our representatives to enter the premises to exercise our rights under this Agreement, and your obligation to de-identify the Premises and cease operating as a Branded Hotel upon termination or expiration of your Franchise.

7. Hotel Operations.

7.A. Brand Standards.

(1) You agree at all times to operate and maintain your Hotel according to all of our mandatory specifications, standards, operating procedures, and rules that we periodically prescribe for operating Branded Hotels in general or your Hotel in particular, as we periodically modify and supplement them (“*Brand Standards*”).

(2) Brand Standards may regulate any aspects of operating and maintaining your Hotel that we determine to be useful to preserve or enhance the Licensed Brand and/or Licensed System, including: (1) use and display of the trademarks, tradenames, logos, or other indicia of the Licensed Brand; (2) maintaining a minimum average customer rating on social, travel, or similar directories, websites, or services we designate (currently, 3.4 of 5 stars for Magnuson Hotels, and 3.6 of 5 stars for Magnuson Grand Hotels) (“*Minimum Customer Rating*”); (3) issuing and honoring gift cards, gift certificates and similar items, and participating in loyalty programs, revenue enhancement programs, and rate strategies; (4) customer service standards and policies, and quality assurance or customer satisfaction programs; (5) product and service development programs, including participation in market research and testing; (6) accepting credit and debit cards, other payment systems, currencies, and check verification services; (7) prohibiting certain practices that we determine are misleading or detrimental to the Licensed System, such as incremental fees for services that guests would normally expect to be included in the Guest Room rate; or (8) imposing minimum or maximum prices or other pricing requirements permitted by applicable law.

(3) Although we retain the right to establish and periodically modify Brand Standards, you are solely responsible for the management and operation of your Hotel and for implementing and maintaining Brand Standards at your Hotel, at your sole cost. We may change the Brand Standards from time to time in our sole discretion. You will be required to make any changes to your operations or your Hotel promptly upon receiving notice from us of the modified Brand Standards.

(4) You acknowledge and agree that uniformity might not be possible or practical under varying conditions, and that we specifically reserve the right to vary Brand Standards for any Branded Hotel based on the peculiarities of any condition that we consider important to successful operation. We may choose not to authorize similar variations or accommodations to you.

7.B. Brand Standards Manual. We will make our Brand Standards available to you during the Term in one or more separate manuals, as well as electronic files and software, information available on an internet site, and other media, communications, emails and/or other written materials we distribute (collectively, the “*Brand Standards Manual*”). You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Brand Standards Manual without our approval. At our option, we may make some or all of the Brand Standards Manual available through an Online Presence (defined below). If we do so, you agree to monitor and access that Online Presence for any updates to the Brand Standards Manual.

7.C. Other General Maintenance. In addition to complying with Brand Standards, you must regularly clean, repaint and repair the interior and exterior of the Premises, repair or replace damaged, worn out or obsolete furniture, fixtures and equipment and otherwise maintain the condition of your Hotel and the Premises to meet industry standards of professionalism, cleanliness, sanitation, efficiency, and pleasant ambiance.

7.D. Compliance with Laws / Good Business Practices. You must secure and maintain all required licenses, permits, and certificates relating to the operation of your Hotel and must at all times operate your Hotel in full compliance with all applicable laws, ordinances, and regulations. You also agree to comply and assist us in our compliance efforts with any and all laws and regulations relating to Branded Hotels. You are solely responsible for determining what actions must be taken by you to comply with all laws, orders and/or regulations, and we have provided you no recommendations, advice, or legal counsel on any such matters. You agree to comply with our website privacy policy, as it may be amended periodically. You agree to comply with any requests to return or delete customer’s personal information, whether requested by us or directly by the customer, as required by applicable data sharing and privacy laws. Your Hotel must adhere to the highest standards of honesty, integrity,

fair dealing, and ethical conduct in all dealings with customers, suppliers, us, and the public. Promptly upon receipt, you agree to provide us a copy of any and all notices you receive from any person, entity or governmental authority claiming that you (or your affiliates or representatives) have violated any laws, regulations, permits, licenses, agreements or other committed any other breach, default or violation in connection with your Hotel.

7.E. Management.

(1) You are solely responsible for the management of your Hotel. You may not delegate any of your responsibilities under this Agreement to any other person, including affiliates of yours, or enter into any concession, lease, management company, or similar arrangement with any other person for operation of any portion of your Hotel or to offer or operate any business activities at or in connection with your Hotel without our prior written consent. You must timely pay all third-party suppliers, lenders, landlords and other parties relating to your Hotel, at your own cost, and ensure that your Hotel is operational at all times during the Term in accordance with this Agreement.

(2) You must identify one of your Owners on the Cover Page of this Agreement who is a natural person, to supervise the day-to-day operation of your Hotel on a full-time basis (your “*Managing Owner*”). You acknowledge and agree that your Managing Owner is authorized to deal with us on your behalf for all matters whatsoever that may arise with respect to your Hotel and/or this Agreement. Any decision made by the Managing Owner will be final and binding on you and we will be entitled to rely solely on the decision of the Managing Owner without discussing the matter with any other party. We will not be held liable for any actions based on any decisions or actions of the Managing Owner. You represent and agree that the person acting as your Managing Owner has full power and authority to enter into this Agreement and any other documents to which you are a party, and to make binding decisions on your behalf. The execution and delivery by your Managing Owner of this Agreement has been duly authorized by all requisite corporate action.

7.F. Hotel Personnel. You are solely responsible for all decisions relating to employees, agents, and independent contractors that you may hire or retain for your Hotel. You agree that any employee, agent, or independent contractor that you hire or retain will be your employee, agent, or independent contractor, and not our or our affiliates’ employee, agent, or independent contractor. You are exclusively responsible for all salary, wages, benefits, taxes, and other costs and expenses associated with each of your employees, agents and independent contractors, and no act or omission by us or any of our affiliates to protect the Licensed Brand or Licensed System will result in an employer, joint-employer or co-employer relationship with your employees or staff, or shifts any employment related responsibilities from you to us. We may require that any employee, agent, or independent contractor who will have access to Confidential Information, to execute a non-disclosure agreement to protect the Confidential Information.

7.G. Guest Satisfaction. We may contact any guest(s) of your Hotel at any time for any purpose. We may address any guest complaint received by us, including refunding money to the complaining guest, and incurring other costs, in which case you must reimburse us for these amounts. Subject to applicable law, at our request from time to time, you must send us a list of your guests, including names, addresses, telephone numbers, e-mail addresses, habits, preferences, demographic information, and other information we specify (“*Guest Information*”). Subject to applicable law, we own all Guest Information, and we may use, subject to applicable law, Guest Information in our sole discretion. You also agree to participate in and honor the terms of each of our designated guest loyalty, satisfaction and/or other similar programs that are applicable to the Branded Hotels.

7.H. Data Security. You must implement all administrative, physical, and technical safeguards necessary to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit report information in accordance with applicable law and industry best practices. It is entirely your responsibility (even if we provide you any assistance or guidance) to act as data controller or data processor in respect of customer data and personally identifiable information and confirm that the safeguards you use to protect all such customer data and personally identifiable information comply with all applicable laws and industry best practices related to the collection, access, use, storage, disposal, and disclosure of such personally identifiable information. You agree to maintain appropriate data protection policies, controls, and arrangements to manage all customer and third-party data transfers for the purposes of data processing activities. If you become aware of a suspected or actual breach of security or unauthorized access involving any such customer data and personally identifiable information, you will notify us immediately and specify the extent to which such information was compromised or disclosed. You also agree to follow our instructions regarding curative actions and public statements relating to the breach.

7.I. Insurance. You must maintain, at your sole expense, the coverage required and from insurers meeting our Brand Standards. Each insurance policy for liability coverage must name us and any affiliates we designate as additional named insureds, using a form of endorsement that we have approved. All policies must be primary and non-contributory with or excess of any insurance coverage that may be available to an additional insured. You must provide us your initial certificates of insurance prior to your Launch Date. You must also provide us annually a copy of the certificate or other evidence of renewal or extension of each applicable insurance policy. You must provide 30 days' prior written notice to us of a policy's material modification, cancellation or expiration. Each insurance policy must contain a waiver of all subrogation rights against us, our affiliates and their successors and assigns. If you fail to procure or maintain the required insurance, you must pay us for all related costs (including, premiums) we incur in connection with obtaining insurance coverage to protect us and our affiliates from any losses or claims arising from your operations and your Hotel. In addition to our other remedies and rights under this Agreement and applicable law, if you have not provided the required insurance certificates by the due date, you will pay us a \$250 fee per month until you provide the certificates. Your obligation to obtain and maintain the insurance described above is not limited in any way by reason of any insurance we or our affiliates maintain, nor will your performance of such obligations relieve you of any insurance obligations under this Agreement.

8. Our Platform and Services.

8.A. Revenue Management Support. Subject to reasonable scheduling and time constraints, we will make one of our revenue managers available to support you in developing strategies for optimizing rates, inventory, and reviews for your Hotel. However, you understand that, unless dictated by our Brand Standards, you will have the final decision and the final responsibility for all such strategies, including the rates for all Guest Rooms. Neither we nor our affiliates are making any representations or warranties, express or implied, with respect to pricing for your Guest Rooms, the success or profitability of your Hotel. You expressly understand and agree that attracting and retaining customers for your Hotel will require you to have a high-level of customer services, adhere to Brand Standards, and exert consistent effort to manage and optimize your Hotel's performance. Other than revenue management support described in this Section, we do not currently have any training programs or services available to you. You are also responsible for providing training to all your personnel, including training on our Brand Standards.

8.B. Reservation Services.

(1) Beginning on your Launch Date, we will provide you access to our central reservation system during the Term (“*Magnuson Cloud PMS*”). You must list your Hotel and its Guest Rooms exclusively on the Magnuson Cloud PMS as your central reservation system. You must ensure that the point-of-sale or other computer systems that you use at your Hotel meet our Brand Standards for access and use the Magnuson Cloud PMS, including Brand Standards for minimum hardware, software, and connectivity. You must make 100% of your total number of Guest Rooms available for sale, at all times, and you must not take a Guest Room out of available inventory for longer than 14 days without our prior written approval. You agree that we will have access to the Magnuson Cloud PMS at all times and that we will have the right to collect and retain from the Magnuson Cloud PMS any and all data concerning your Hotel. You agree to cooperate with us and provide us any assistance we require to access and retrieve data from the Magnuson Cloud PMS on your point-of-sale or other computer systems at your Hotel.

(2) We have the sole and exclusive right to list your Hotel and Guest Rooms with online travel agents, global distribution systems, and other online booking websites, non-online travel agents, corporate partnerships, travel consortia, travel management companies, global sales agents or other third-party booking agencies or directories or advertising channels of any kind (a “*Third-Party Distribution Channel*”). We will make all determinations about where and how to list your Hotel and Guest Room inventory on Third-Party Distribution Channels in our sole discretion. You further agree to cooperate with us in all such strategies, including participating in other related marketing campaigns to increase bookings through the Third-Party Distribution Channels that we designate. If you have any account with any Third-Party Distribution Channel for your Guest Rooms as of the Effective Date, you agree to transfer exclusive control of such accounts to us. You must not list your Hotel or any Guest Rooms with any Third-Party Distribution Channel without our prior written approval. You must participate in all program terms and conditions designated by each Third-Party Distribution Channel.

(3) You must honor all confirmed reservations for your Hotel made through the Magnuson Cloud PMS and/or any Third-Party Distribution Channel. If you are for any reason unable to honor any confirmed reservations, you must find that guest an alternate accommodation in accordance with our Brand Standards. If you fail to rebook any guest, you must pay us an amount equal to twice the amount of the booking fee for the confirmed reservation for the Guest Room that was unfulfilled or the cost of alternate accommodation that we or our affiliates provide to such guest, whichever is higher.

(4) You understand that any changes to content, photographs, and information relating to your Hotel or its Guest Rooms may take up to 72 hours to reach all sales channels. We will not issue credits, refunds or other compensation for any losses arising from incorrect information that you provide us, and/or any changes that you request that take effect within 72 hours of your request.

8.C. Other Online Presences.

(1) We reserve the sole right to own and operate any website, domain name, email address, social media account, other online presence or presence on any electronic medium of any kind associated with the Licensed Brand and/or the Licensed System (“*Online Presence*”). We may also establish one or more Online Presences for your Hotel, and/or integrations between any such Online Presences and the Magnuson Cloud PMS. You agree that we own all such Online Presences and all data generated by them, including login and access credentials and source code, all of which constitutes

Confidential Information (as defined below). If you own or operate any Online Presence in connection with your Incumbent Hotel, you must transfer all such Online Presences to us.

(2) Except as approved by us in writing or specified in the Brand Standards Manual, you may not develop, maintain or authorize any Online Presence that mentions your Hotel, links to any Online Presence associated with the Licensed Brand or Licensed System, or engage in any promotional or similar activities, whether directly or indirectly, through any Online Presence. If we approve the use of any such Online Presence in the operation of your Hotel, you may develop and maintain such Online Presence only in accordance with our guidelines, including our guidelines for posting any messages or commentary on other third-party websites, as described in the Brand Standards Manual. At our request, at your cost, you agree to grant us access to each such Online Presence, and to take whatever action we request to evidence our ownership of such Online Presence, or to help us obtain exclusive rights in such Online Presence. We reserve the right to notify any website hosting company, domain registrar, social network, and any other third-party owning or controlling any Online Presence, if any information relating to your Hotel is inaccurate or violates our Brand Standards, and request that they modify such information, and/or remove such information or such Online Presence until it can be corrected.

8.D. Use of Magnuson Cloud PMS. You agree to comply with all terms and conditions applicable to the use of Magnuson Cloud PMS, as designated by us and our affiliates, and/or any third-party that we designate to host, develop, or otherwise support the Magnuson Cloud PMS, in each case as they may be modified from time to time. If you violate any such applicable terms and conditions, we may disable access to the Magnuson Cloud PMS by you or by one or more of your users. WE MAKE NO REPRESENTATIONS OR WARRANTIES THAT THE MAGNUSON CLOUD PMS WILL BE UNINTERRUPTED, FIT FOR A PARTICULAR PURPOSE, OR ERROR-FREE. WE AND OUR AFFILIATES SHALL HAVE NO LIABILITY TO YOU OR YOUR AFFILIATES OR CUSTOMERS FOR ANY DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, EXEMPLARY, PUNITIVE OR SPECIAL DAMAGES ARISING OUT OF THE MAGNUSON CLOUD PMS, OR CONNECTED WITH THE ACTIONS OR OMISSIONS OF THIRD-PARTIES SUPPORTING, DEVELOPING, HOSTING, OR USING THE MAGNUSON CLOUD PMS, INCLUDING MISTAKES OR OMISSIONS IN, OR DELAYS IN TRANSMISSION OF, INFORMATION TO OR FROM YOU AND HOTEL GUESTS, INTERRUPTION IN TELECOMMUNICATIONS, VIRUSES, OR CYBERSECURITY INCIDENTS. IN NO EVENT WILL WE OR OUR AFFILIATES BE LIABLE FOR LOSS OF PROFITS, DATA, OR BUSINESS OPPORTUNITY, ARISING FROM OR RELATED TO THE MAGNUSON CLOUD PMS.

9. Limited License to Use Licensed Brand and Licensed System.

9.A. Ownership and Goodwill. You acknowledge and agree that the Licensed Brand and Licensed System are owned by us or one or more of our affiliates. The Licensed Brand and Licensed System are invaluable assets of us and such affiliates, and all use of the Licensed Brand and Licensed System, and any goodwill established by such use, including the use of the trade, assumed or fictitious name you adopt for your Hotel that includes any use of the Licensed Brand will inure exclusively to the benefit of us or our affiliates that own the Licensed Brand and Licensed System.

9.B. Use of Licensed Brand and Licensed System.

(1) You are hereby granted a limited, non-exclusive license to use the Licensed Brand and Licensed System, during the Term, strictly to operate your Hotel in compliance with the terms of this Agreement and our Brand Standards. You have no right to sublicense or assign your right to use the Licensed Brand or Licensed System. You agree to give the notices of registrations that we specify

and to obtain any fictitious or assumed name registrations required under applicable law. You agree to use and display the Licensed Brand in the style and graphic manner we describe in the Brand Standards Manual. You may not use any other trademarks, service marks, commercial symbols, other than the Licensed Brand, to identify or operate your Hotel.

(2) You are solely responsible for de-identifying your Incumbent Hotel and disassociating it from any other prior brand or system, including as it relates to terminating any existing franchise or similar agreement with any party for your Incumbent Hotel.

(3) You may not use any part of the Licensed Brand or the Licensed System in violation of the terms of this Agreement or our Brand Standards, or in any other manner that we have not expressly authorized in writing. You may not use the Licensed Brand or the Licensed System in connection with any advertising or other communication that promotes or endorses the name, image, or business of a hotel other than your Hotel, including your Incumbent Hotel.

(4) Your unauthorized use of the Licensed Brand and Licensed System would be a breach of this Agreement and an infringement on our and our affiliates rights. Your unauthorized use of the Licensed Brand and Licensed System will cause us and our affiliates irreparable harm for which there is no adequate remedy at law and will entitle us and our affiliates to injunctive relief.

9.C. Notification of Infringement and Claims. You agree to immediately notify us in writing of any third-party infringement of or challenge to any of our copyrights or any of the Licensed Brand or Licensed System, or of any claim by any person of any rights in or to the Licensed Brand or Licensed System of which you become aware. You agree not to communicate with anyone except us, our affiliates, and our respective counsel in connection with any such infringement, challenge or claim and agree that we will have the sole right to determine whether an infringement, challenge or claim exists, and if so, to exclusively control any litigation or any other proceeding arising out of any such infringement, challenge or claim. You agree to cooperate with and assist us with the initial and any follow up investigation of the alleged infringement of or challenge to our or our affiliates' intellectual property rights. You agree to sign any documents, render any assistance, and do any acts that we or our affiliates, in our sole discretion, believe are necessary or advisable in order to protect or maintain our interests in any litigation or proceeding related to such intellectual property rights or to otherwise protect, maintain or perfect our interests in such intellectual property rights. You acknowledge and understand that neither we nor our affiliates will have any obligation to defend the Licensed Brand or Licensed System from valid claims of prior use or of lawful concurrent use by others.

9.D. Changes to Licensed Brand and Licensed System. If we decide, in our sole judgment, to modify or discontinue the use of any component of the Licensed Brand or Licensed System, you agree, at your expense, to comply with our directions to modify or otherwise discontinue the use of the Licensed Brand or Licensed System, as we direct, within a reasonable time after our notice to you. All provisions of this Agreement relating to the Licensed Brand and Licensed System apply to any additional components of the Licensed Brand and Licensed System that we develop and/or authorize you to use from time to time. You may not at any time contest or assist any other person in contesting the validity of any registration for the Licensed Brand or the Licensed System, or our or our affiliates' rights to the Licensed Brand or Licensed System.

10. Your Fees.

10.A. Initial Franchise Fee. When you sign this Agreement, you agree to pay us an initial franchise fee equal to \$10,000 on the Effective Date. You agree that we have fully earned the initial franchise fee upon payment to us and it is not refundable under any circumstances.

10.B. Continuing Fees. On a monthly basis, as invoiced, you must pay us a brand commission of 8% of Gross Room Revenue (defined below). “*Gross Room Revenue*” means all revenues derived from the sale or rental of Guest Rooms, including amounts attributable to breakfast (where the Guest Room rate includes breakfast); resort fees, urban fees and similar fees; late cancellation fees, guaranteed no-show revenue and credit transactions, whether or not collected, at the actual rates charged; less allowances for any Guest Room rebates and overcharges. Gross Room Revenue does not include taxes collected directly from patrons or guests. Group booking rebates, if any, paid by you or on your behalf to third-party groups for group stays must be included in, and not deducted from, the calculation of Gross Room Revenue.

10.C. GDS Booking Fees. For any booking through one of our global distribution system channels (“*GDS*”), you must pay us our then-current GDS fee per booking, which is subject to change (currently, \$11.00 per GDS booking).

10.D. Distribution Channel Fees. You will reimburse us for all fees and expenses that we paid to Third-Party Distribution Channel that are attributable to any reservation generated for your Hotel. The amount of all such fees and expenses are negotiated by us are subject to change at any time. You must also timely pay all commissions and fees generated by any such Third-Party Distribution Channel that generate reservations for your Hotel, all of which remain subject to change.

10.E. Payment. All payments are due to us on the invoice due date. Payment will be processed either via ACH or credit card on the invoice due date unless payment has already been made. We may modify the method of payment in the future with reasonable notice to you, and you must make all payments due under this Agreement in the manner we designate from time to time and in accordance with our payment instructions. You agree to sign and deliver to us the documents we require to authorize us to withdraw all amounts due from your account via ACH or to charge your credit card on file with us. Despite any designation you make, we may apply any of your payments to us or our affiliates to any of your past due indebtedness to us or our affiliates. We may set off any amounts you or your Owners owe us or our affiliates against any amounts we or our affiliates owe you or your Owners. You and your Owners may not withhold payment of any amounts you or they owe us or our affiliates for any reason, including for any alleged nonperformance by us. All payments and reports required by this Agreement shall be sent to us at the address to which you are notified from time to time, or to such other persons and places as we may direct from time to time. All amounts payable by you or your owners to us or our affiliates must be in United States Dollars (\$USD).

10.F. Late Payment and Insufficient Funds. Any payment returned or declined for any reason will result in a fee of \$25, or the highest rate permitted by applicable law. Past due amounts are subject to interest from the due date until paid, at a rate of 1% per month or the maximum rate allowed by applicable law, whichever is lower. We will be entitled to attorney fees and other costs incurred as the result of any default in payment.

10.G. Tax Withholding. If any gross receipts, sales, use, excise, value added or any similar tax is imposed on us or any of our affiliates based on payments made by you related to this Agreement, then you must reimburse us or the affected affiliates for such tax to ensure that the amount we or our

affiliates retain, after paying the tax, equals the net amount of the payments you are required to pay us or our affiliates had such tax not been imposed.

11. Inspections and Audits.

11.A. On Premises Inspections. To determine whether you and your Hotel are complying with this Agreement and all Brand Standards, we and our designated agents or representatives may at all times, with or without prior notice to you, enter the Premises to inspect, observe or monitor your Hotel or its operations, including that our representatives may take video or photographs, remove samples, speak with your Hotel's customers or personnel, access your computers system, or review your books, accounts and records. Additionally, we may contract with third parties to conduct mystery shopper, customer survey or other market research testing, and quality assurance inspections at your Hotel. You agree to cooperate with us fully during the course of these inspections and tests.

11.B. Failures of Brand Standards. If we determine after any inspection of your Hotel that one or more failures of Brand Standards exist, we may re-inspect your Hotel one or more times thereafter in our discretion to evaluate whether such failures have been cured and/or conduct any other follow-up review that we deem is necessary, and you will reimburse all of our costs associated with such re-inspections and follow-up visits, including vendor fees, travel expenses, room and board, and compensation of our employees. Additionally, you agree that: (1) if you fail to successfully convert your Incumbent Hotel to a Branded Hotel in compliance with this Agreement and the Brand Standards within the first 90 days after the Effective Date, you must pay us a monthly fee of \$1,000 until such time as we confirm that your conversion has been completed to our Brand Standards; and (2) after conversion has been completed to our Brand Standards, if you at any time fail to comply with the terms of this Agreement or the Brand Standards, you must pay us a monthly fee of \$2,000 until such time as you regain compliance. The fees and reimbursements payable by you under this Section are not an estimate of our actual damages, or a waiver of any kind of our right to seek additional remedies on the basis of your default, including terminating this Agreement under Section 18, or other damages, remedies, or forms of relief under Section 20.

11.C. Suspension. If you have an outstanding balance on any invoice from us, or you are otherwise in default of any of your obligations under this Agreement or your other agreements with us, in addition to all other remedies, we have the right to suspend any or all of our services to you, including de-activating your Hotel from the Magnuson Cloud PMS and other Online Presences and Third-Party Distribution Channels. If we later elect to re-activate your Hotel on these channels after you cure your defaults, you will owe our then-current re-activation fee (current fee specified on Cover Page) to resume services. The re-activation fee is not an estimate of our actual damages, or a waiver of any kind of our right to seek additional remedies on the basis of your default, including terminating this Agreement under Section 18, or other damages, remedies, or forms of relief under Section 20.

11.D. Financial Reporting.

(1) You agree to report all Gross Room Revenue on the Magnuson Cloud PMS, including any Gross Room Revenue from direct business such as walk-in and cash transactions. If you fail to report your Gross Room Revenue or misreport your Gross Room Revenue, then all fees calculated under this Agreement by reference to Gross Room Revenue will be calculated based on 110% of the average monthly Gross Room Revenue of the three prior months.

(2) Within 15 business days after the end of each calendar quarter, you must deliver to us a complete and accurate balance sheet for your Hotel as of quarter-end, and a profit and loss statement and cash flow statement for your Hotel for such quarter and year-to-date. Within 15 business

days after the end of each calendar year, you must deliver to us a complete and accurate balance sheet for your Hotel as of year-end, and a profit and loss statement and cash flow statement for your Hotel for such year.

(3) We reserve the right to undertake periodic financial audits of your financial records. We may carry out these audits without prior notice. You agree to provide us or our authorized personnel unhindered access to your records. Where any audit discloses an understatement of Gross Room Revenue, you must immediately pay us the applicable fees on the understated amount, plus applicable late fees. If the understated amount is equal to or greater than 3% of the monthly Gross Room Revenue, you must pay all related audit fees.

12. Restrictive Covenants.

12.A. Confidential Information.

(1) We possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the “*Confidential Information*”), relating to developing and operating Branded Hotels, the Licensed Brand, and the Licensed System, including: (1) the Brand Standards and the Brand Standards Manual and any login or access credentials you use to access the Brand Standards Manual, (2) the terms of this Agreement and any related agreement, (3) any software or technology which is proprietary to us or the System, including the Magnuson Cloud PMS, and including digital passwords and identifications and any source code of, and data, reports, and other information or materials generated by, the software or similar technology, (4) the operating results and financial performance of Branded Hotels, (5) information generated by, or used or developed in, your Hotel’s operation, including Guest Information and any analytics, buying habits, preferences, demographic information and related information; and (8) any other information designated as confidential or proprietary by us.

(2) All Confidential Information will be owned by us. You will not acquire any interest in Confidential Information, other than the right to use it as we specify in operating your Hotel during the Term, and that Confidential Information is disclosed to you only on the condition that you will protect it. You acknowledge that any unauthorized use or disclosure of the Confidential Information would be an unfair method of competition and will result in irreparable harm to us and our affiliates. You and your Owners therefore agree that during and after the Term you will, and to cause each of your respective spouses, immediate family members, affiliates, and assigns to: (a) not use the Confidential Information for any purpose other than the operation of your Hotel in accordance with this Agreement; (b) keep confidential and not disclose the Confidential Information to any person other than those of your employees and representatives who need to know such Confidential Information for the purpose of assisting you in operating your Hotel in accordance with this Agreement; (c) adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including by restricting its disclosure and/or by requiring persons who have access to the Confidential Information to execute a non-disclosure and non-competition that we approve; and (d) not sell, trade or otherwise profit in any way from the Confidential Information, including by selling any Confidential Information to any third parties.

(3) You agree that you will be responsible for any violation of this requirement by any of your representatives or employees, and/or any other person to whom you provide any Confidential Information. At our request, you must destroy or return any Confidential Information we designate.

(4) Confidential Information does not include information, knowledge, or know-how, which (i) before we provided it to you, had already lawfully become known, or (ii) after we disclosed it to you, lawfully becomes known to the public (without violation an obligation to us or our affiliates). However, anyone who claims that information or materials are not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled.

(5) We are not making any representations or warranties, express or implied, with respect to the Confidential Information. We and our affiliates have no liability to you and your affiliates for any errors or omissions from the Confidential Information.

(6) All ideas, concepts, techniques, or materials relating to a Branded Hotel and/or the Licensed System created by you, your Owners, or your employees (or for you, your Owners or your employees), whether or not protectable intellectual property, must be promptly disclosed to us and will be our sole and exclusive property, part of the Licensed System, and works made-for-hire for us. To the extent that any item does not qualify as a “work made-for-hire” for us, you hereby waive all moral rights in that item, assign ownership of that item, and all related rights to that item, to us and agree to take whatever action (including signing assignment or other documents) we request to evidence our ownership or to help us obtain intellectual property rights in the item.

12.B. Non-Disparagement. During and after the Term, you (and each of your Owners) agree not to, and to cause your respective current and former spouses, immediate family members, shareholders, members, officers, directors, principals, agents, partners, employees, representatives, attorneys, affiliates, successors and assigns not to: (i) disparage or otherwise speak or write negatively, directly or indirectly, of us, our affiliates, any of our or our Licensed Brand, the Licensed System, any Branded Hotel, any business using the Licensed Brand, or any other brand concept operated by us or our affiliates, or (ii) take any other action which would, directly or indirectly, subject any of the foregoing to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact or injure the goodwill of the foregoing, or would constitute an act of moral turpitude.

12.C. Non-Interference. During and after the Term, you (and each of your Owners) agree not to, and to cause each of your respective current and former spouses, immediate family members, shareholders, members, officers, directors, principals, agents, partners, employees, representatives, attorneys, affiliates, successors and assigns not to solicit, interfere, or attempt to interfere with our or our affiliates’ relationships with any customers, franchisees, lenders, vendors, or consultants.

13. Independent Contractors; No Fiduciary. This Agreement does not create a fiduciary relationship between you and us. You are an independent contractor, and that nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner, or employee of the other for any purpose whatsoever. You agree to conspicuously identify yourself in all your dealings with clients, customers, suppliers, public officials, Hotel personnel, and others as the owner of your Hotel pursuant to a Franchise Agreement with us. You may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in our name or on our behalf or represent that your and our relationship is anything other than franchisor and franchise owner.

14. Indemnification.

14.A. Your Obligations. You shall be solely and exclusively responsible for any Claims (defined below) relating to your business, your Franchise, the Premises, the operation of your Hotel, and/or your breach of this Agreement, even if such Claims are brought or filed after transfer, termination, or expiration of this Agreement. You agree to indemnify, defend, and hold us, our

affiliates, and our and their respective owners, directors, officers, employees, agents, successors, and assigns harmless from and against, and to reimburse us and them for, all such Claims.

14.B. Claims. For purposes of this indemnification, “*Claims*” include all obligations, damages (actual, consequential, or otherwise), and costs reasonably incurred in defending any claim against it, including reasonable accountants’, arbitrators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced, and including settlement costs.

14.C. Procedures for Indemnification. Each Indemnified Party may defend any claim against it at your expense (including choosing and retaining its own legal counsel) and agree to settlements or take any other remedial, corrective, or other actions. The indemnified parties have the right to defend any Claims and, in connection therewith, to retain legal counsel of our choice. You agree to cooperate with the indemnified parties in the defense of, and not to settle or compromise, without prior written consent of any indemnified party, any Claims to which it is a party, or which may affect its interests. An indemnified party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim for indemnity. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an indemnified party may recover.

15. Obligations of Owners.

15.A. Your Owners. If you are a legal business entity, you and your Owners represent, warrant, and agree that all ownership interests (legal, equitable, or beneficial) in you are owned in the amount and manner described on the Cover Page. You and your Owners represent, warrant, and agree that you are validly existing and in good standing under the laws of the state of your incorporation or formation, and have the authority to execute this Agreement, and perform your obligations under this Agreement. You and your Owners represent, warrant, and agree to maintain organizational documents at all times that state that this Agreement restricts the issuance and transfer of any of your ownership interests, and all certificates and other documents representing your ownership interests will bear a legend referring to this Agreement’s restrictions. You and your Owners represent, warrant, and agree that all other information about you, if you are an entity, listed on the Cover Page is true and correct in all respects. You agree to notify us promptly if any such information changes, provided that any transfer of ownership in you will remain subject to the terms of Section 16 below.

15.B. Personal Guaranty. Each of your Owners and their respective spouses must execute a guaranty in the form we prescribe, agreeing to be personally bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and your Owners and us and/or our affiliates. Our current form of guaranty is attached hereto.

15.C. Separate Operations. If you entered into this Agreement as an entity, your Hotel will be the only business that such entity operates, unless we approve you to acquire and operate additional Branded Hotels pursuant to additional Franchise Agreements between us and you.

16. Transfer and Assignment.

16.A. Transfers by Us. This Agreement is fully transferable by us and will inure to the benefit of any person or entity to whom it is transferred, or to any other legal successor to our interest in this Agreement. Following the effective date of transfer or assignment, you shall look solely to the transferee or assignee, and not to us, for the performance of all obligations contained in this Agreement.

We will not be required to obtain your consent or provide you with any notice in connection with any such transfer or assignment. You agree to execute any documents and take such other action required or deemed necessary by us or our transferee or assignee to effect such transfer or assignment.

16.B. Transfers by You.

(1) You understand and acknowledge that the rights and duties created by this Agreement are personal to you, and if you are a business entity, your Owners, and that we have entered into this Agreement in reliance upon the individual or collective character, skill, aptitude, business ability, and financial capacity of you or, if applicable, your Owners. Accordingly, neither this Agreement, your Franchise, all or a substantial portion of the assets of the Franchise or Hotel, and/or any direct or indirect ownership interest in you may be transferred by you or your Owners without our prior written approval. For the preceding purposes, “*transfer*” includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, encumbrance, mortgage, or pledge, including transfer by reason of merger, consolidation, issuance of additional securities, death, disability, divorce, insolvency, encumbrance, foreclosure, surrender or by operation of law. Any such assignment, transfer or encumbrance without such approval shall have no effect and shall constitute a breach of this Agreement. A transfer of ownership of your Franchise or your Hotel (or its assets) may only be made in conjunction with a transfer of this Agreement.

(2) We may condition our approval of any transfer on any terms and criteria that we establish, in our sole discretion, including: (1) that you submit an application in writing, providing us all information and documents we request regarding the transferee, its owners, and the transaction, and all such matters satisfy our then-current criteria for transfer approval; (2) you and your Owners and the transferee and its owners sign the documents we require in connection with the transfer, in the form we prescribe, including a general release of all claims against us and our affiliates and agents; (3) you and your Owners are and have been in fully compliance with the terms of this Agreement, and other agreements related to your Franchise; (4) the transferee and its owners sign our then-current form of franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement; and (5) you provide us the evidence we request to show that appropriate measures have been taken to effect the transfer as it relates to the operation of the Hotel, including, by transferring all necessary and appropriate business licenses, insurance policies, and material agreements.

(3) We may review all information regarding your Hotel that you give the transferee, correct or supplement any information that we believe is inaccurate or incomplete, and give the transferee copies of any reports that we have regarding your Hotel and your Franchise.

(4) Our consent to a transfer pursuant is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of your Hotel’s and your Franchise’s or transferee’s prospects of success, or a waiver of any claims we have against you (or your Owners) or of our right to demand the transferee’s full compliance with this Agreement.

16.C. Death, Incompetency, or Permanent Disability. Upon the death, incompetency, or permanent disability (as defined below) of you or any Owner, the executor, administrator, conservator, or other personal representative (hereinafter “*Personal Representative*”) of such person must sell or transfer his/her interest in this Agreement and your Hotel within a reasonable time, not to exceed 6 months from the date of death or determination of incompetency or permanent disability, to a person we have approved. During such time period, your Hotel must remain compliant with the terms of this Agreement, and unless your Hotel is managed by one or more remaining Owners that satisfy our criteria, the Personal Representative will be responsible for appointing a manager we approve to

manage your hotel on a day-to-day basis. Any sale or transfer, including transfers by a will or by inheritance, will be subject to all the terms and conditions for assignments and transfers contained in this Agreement. For purposes of this Agreement, “*incompetency*” or “*permanent disability*” shall mean the inability to perform the usual and customary tasks necessary to operate your Hotel in compliance with the terms and conditions of this Agreement through the remainder of the Term. If requested by us, you or your Personal Representative shall provide us with an opinion from your medical doctor.

17. Renewal.

17.A. Terms of Renewal. After the expiration of the initial 5-year term described in Section 3, the Agreement will be automatically renewed for one additional successive term of 5 years, unless: (1) you notify us at least 90 and not more than 180 days before the expiration of the Term that you are electing not to renew your Franchise; or (2) subject to applicable law, we notify you prior to the expiration date that we are electing not to renew your franchise for any reason.

17.B. Conditions for Renewal. We may condition the grant of a renewal Franchise on your satisfaction of certain conditions that we establish, in our sole discretion, including: (a) that you and your Owners have complied with the terms of this Agreement, and all other agreements relating to your Franchise, and/or with us and our affiliates during their respective terms; (b) that you and your Owners sign a new franchise agreement and related documents we are then using to grant franchises, which may contain provisions that differ materially from those contained in this Agreement, (c) you and your Owners sign a general release of all claims against us and our affiliates and agents, in a form we prescribe, and/or (d) you agree to undertake any and all remodeling, maintenance, expansion, improvements, updates, and/or modifications required to bring your Hotel into compliance with then-applicable Brand Standards for new Branded Hotels.

18. Termination.

18.A. Termination for Breach. Either party may terminate this Agreement immediately by written notice if the other party breaches any terms of this Agreement and the breaching party fails to remedy such breach within 30 days after receipt of written notice of such breach. Any termination by you that does not comply with the terms of preceding sentence will be deemed a termination of this Agreement by you without cause.

18.B. Other Termination by Us. We may also terminate this Agreement immediately upon notice to you if: (1) you or any of your Owners or affiliates made any material misrepresentation or omission in acquiring your Franchise; (2) you abandon your Hotel or notify us that you intend to abandon your Hotel, or fail to actively operate your Hotel for more than 3 consecutive days or more than 10 days in any 12-month period, which will include any day that your Guest Room inventory is below 100% without our prior approval; (3) you or any of your Owners make or attempt to make any transfer in violation of Section 16 of this Agreement; (4) you or any of your Owners are convicted by a trial court of, or pleaded guilty or no contest to, an indictable or hybrid offense; (5) you lose the right to occupy the Premises for any reason, and/or the assets, property or interests in your Hotel are seized, blocked, or subjected to writ, warrant or levy for any reason; (6) you or any of your Owners violate any of the covenants in Section 12 of this Agreement; (7) you violate any health, safety, or sanitation law, ordinance, or regulation, or operate your Hotel in an unsafe manner, and do not begin to cure the violation immediately, and correct the violation within 72 hours after you receive notice from us or any other party (even if any applicable governmental authority issuing you notice of your failure has granted you a longer period of time to cure); (8) you create or allow to exist any condition in connection with your operation of your Hotel that we reasonably determine to present an immediate health or safety concern for the Hotel’s customers or employees; (9) you understate your Gross Room Revenue

3 times or more during the Term or by more than 3% on any one occasion; (10) you or any of your Owners make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due, or you or any of your Owners consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; (11) you or your Owners violate the terms of this Agreement or Brand Standards three or more times in any 12 consecutive month period (or 2 or more times for the same violation in any 12 consecutive month period); and/or (12) your Hotel falls below the Minimum Customer Rating.

18.C. Termination Damages.

(1) If we terminate this Agreement because of your breach or if you terminate this Agreement without cause, you and we agree that it would be difficult, if not impossible, to determine the amount of damages that we would suffer due to the loss or interruption of the revenue stream we otherwise would have derived from your continued payments under this Agreement through the remainder of the Term. Therefore, you and we agree that a reasonable estimate of such damages, less any cost savings we might have experienced (the “*Termination Damages*”), is an amount equal to the net present value of the continuing fees to us that would have become due had this Agreement not been terminated, from the date of termination to the earlier of: (a) 12-months following the date of termination, or (b) the scheduled expiration of the Term. For the purposes of calculating Termination Damages, continuing fees will be calculated based on the average monthly fees payable by you under Section 10.B during the 12 full calendar months immediately preceding the termination date; provided, that if as of the termination date, your Hotel has not been operating as a Branded Hotel for at 12 months, continuing fees will be calculated based on the monthly average of such fees for all Branded Hotels during the our fiscal year immediately preceding the termination date.

(2) You agree to pay us Termination Damages and any and all other outstanding invoices within 15 days after this Agreement is terminated. You and we agree that the calculation of Termination Damages is only intended to reflect damages arising from loss of revenue from continuing fees under Section 10.B, and that nothing herein shall preclude or limit us from recovering any other damages caused by your breach of the Agreement.

18.D. De-Identification. Upon termination or expiration of this Agreement, you and your owners must immediately:

(1) close the Hotel for business to customers and cease to directly or indirectly offer or sell any inventory or services from the Hotel, until you have completed your obligations under this Section to de-identify the Hotel from the Licensed Brand;

(2) cease to directly or indirectly use any component or indicia of the Licensed Brand, or any trade name, trade-mark, service mark or other commercial symbol that indicates or suggests a connection or association with us, in any manner or for any purpose, including at your own expense, to remove from both the interior and exterior of the Premises all materials, signage and components of the Licensed Brand as we determine to be necessary to avoid any association between the Premises and the Licensed Brand or that would, in any way, indicate that the Premises are or were associated with the Licensed Brand;

(3) cease to directly or indirectly identify yourself or your business as a current or former Branded Hotel or as one of our current or former franchise owners (except in connection with other Branded Hotels you operate in compliance with the terms of a valid Franchise Agreement with us) and take the action required to cancel all fictitious or assumed name or equivalent registrations relating to your use of the Licensed Brand;

- (4) return to us or destroy all Confidential Information in the manner we designate;
- (5) cease using and, at our direction, either disable or instruct the registrar of any Online Presence to transfer exclusive control and access of such Online Presence to us or our designee in accordance with our instructions;
- (6) comply with all other Brand Standards we establish from time to time (and all applicable laws) in connection with the de-identification of your Hotel, including as it relates to disposing of Guest Information.

If you fail to take any of the actions or refrain from taking any of the actions described above, we may take whatever action and sign whatever documents we deem appropriate on your behalf to cure the deficiencies, including, without liability to you or third parties for trespass or any other claim, to enter the Premises and remove any signs or other materials reflecting the Licensed Brand from your Hotel. You must reimburse us for all costs and expenses we incur in correcting any such deficiencies. You hereby appoint us your true and lawful attorney-in-fact to take such actions and execute such documents on your behalf as may be required to effect the foregoing purposes.

18.E. Continuing Obligations. All obligations of this Agreement which expressly or by their nature are intended to survive the expiration or termination of this Agreement will continue in full force and effect after its expiration or termination until such obligations are satisfied in full or by their nature expire. Without limiting the generality of the foregoing, the parties expressly acknowledge that each of the following provisions of this Agreement will survive the Agreement's expiration or termination: Section 9.A (Ownership and Goodwill); Section 10 (Fees); Section 12.A (Confidential Information); Section 12.B (Non-Disparagement); Section 12.C (Non-Interference); Section 13 (Independent Contractors; No Fiduciary); Section 14 (Indemnification); Section 18 (Termination); Section 19 (Sanctions and Anti-Bribery); Section 20 (Enforcement); and Section 21 (Miscellaneous).

18.F. Termination Not Exclusive Remedy. Termination of this Agreement by us shall not be an exclusive remedy and shall not in any way affect our rights to receive or collect fees, dues or other amounts required to have been paid by you under this Agreement, to enforce the provisions of this Agreement against you or to sue for damages or to pursue any other legal or equitable remedy for a breach of this Agreement by you.

19. Sanctions and Anti-Bribery. You represent, warrant and covenant to us and our affiliates, on a continuing basis, that neither you nor any other person having control over you or your Hotel is subject to any trade, economic or investment sanctions, export controls, anti-terrorism, non-proliferation, anti-money laundering or similar restriction and/or has been convicted of, has pleaded guilty or *nolo contendere* to, or has otherwise been found liable for any violation of any law pertaining to bribery, corruption, money laundering, competition, fraud, trade sanctions or export controls, or human trafficking. You have not obtained and will not obtain, receive, transfer, or provide any funds, property, debt, equity, or other financing related to this Agreement or your Hotel to or from any such person. Any funds received or paid in connection with this Agreement have not been and will not be derived from or commingled with the proceeds of any activities that are proscribed under the laws of the United States. You will notify us immediately if any of the representations and warranties of this Section are or become untrue.

20. Enforcement.

20.A. Arbitration.

(1) All controversies, disputes, or claims between us or any of our affiliates (and our and their respective shareholders, officers, directors, agents, and employees), on the one hand, and you (and your owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to: (1) this Agreement or any other agreement between you (or any of your Owners) and us (or any of our affiliates); (2) your Franchise and/or our relationship with you; (3) the scope or validity of this Agreement or any other agreement between you (or any of your Owners) and us (or any of our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section, which we and you acknowledge is to be determined by an arbitrator, not a court); or (4) any Brand Standard, must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association (the “AAA”). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA’s then current Commercial Arbitration Rules. All proceedings will be conducted at a suitable location chosen by the arbitrator that is within 50 miles of our (or our successor’s or assign’s, as applicable) then current principal place of business (currently, Spokane Valley, Washington). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator’s awards may be entered in any court of competent jurisdiction.

(2) The arbitrator has the right to award or include in his or her awards any relief which he or she deems proper, including money damages, pre- and post-award interest, interim costs and attorneys’ fees, specific performance, and injunctive relief, provided that the arbitrator may not declare any of the trademarks owned by us or our affiliates generic or otherwise invalid, or award any punitive or exemplary damages against any party to the arbitration proceeding (we and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive or exemplary damages against any party to the arbitration proceeding). Further, at the conclusion of the arbitration, the arbitrator shall award to the prevailing party its attorneys’ fees and costs.

(3) In any arbitration proceeding, each party will be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. Each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by any party.

(4) ARBITRATION PROCEEDINGS WILL BE CONDUCTED ON AN INDIVIDUAL BASIS. NO ARBITRATION PROCEEDING MAY BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER ARBITRATION PROCEEDING, (III) JOINED WITH ANY SEPARATE CLAIM OF AN UNAFFILIATED THIRD-PARTY, OR (IV) BROUGHT ON BEHALF OF ANY PARTY BY ANY ASSOCIATION OR AGENT. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy, or claim shall be resolved in a judicial proceeding in accordance with the provisions of this Agreement.

(5) In any arbitration arising as described in this Section, the arbitrator shall have full authority to manage any necessary exchange of information among the parties with a view to

achieving an efficient and economical resolution of the dispute. The parties may only serve reasonable requests for documents, which must be limited to documents upon which a party intends to rely or documents that are directly relevant and material to a significant disputed issue in the case or to the case's outcome. The document requests shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain, and shall not include broad phraseology such as "all documents directly or indirectly related to." No interrogatories or requests to admit shall be propounded unless the parties later mutually agree to their use.

(6) This Section is intended to benefit and bind certain third-party non-signatories. This Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

20.B. Venue. Subject to Section 20.A and the provisions below, we and you agree that all controversies, disputes, or claims between us or any of our affiliates (and our and their respective shareholders, officers, directors, agents, and employees), on the one hand, and you (and your Owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to this Agreement or otherwise as a result of the relationship between you and us must be commenced exclusively in state or federal court closest to our (or our successor's or assign's, as applicable) then-current principal place of business (currently, Spokane Valley, Washington), and the parties irrevocably consent to the jurisdiction of those courts and waive any objection to either the jurisdiction of or venue in those courts. Nonetheless, the parties agree that any of us may enforce any arbitration orders and awards in the courts of the state or states in which you are, or your Hotel is located.

20.C. GOVERNING LAW. ALL MATTERS RELATING TO MEDIATION AND/OR ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE IN WHICH YOUR HOTEL IS LOCATED, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY STATE LAW REGULATING THE OFFER OR SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION.

20.D. Costs and Attorneys' Fees. The prevailing party in any dispute or proceeding shall be entitled to recover from the other party all damages, costs and expenses, including mediation, arbitration and court costs and reasonable attorneys' fees, incurred by the prevailing party in connection with such dispute or proceeding.

20.E. Rights of Parties are Cumulative. Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy which we or you are entitled by law to enforce.

20.F. WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL. EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND

AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS. WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING, BROUGHT BY EITHER OF US.

20.G. Injunctive Relief. Nothing in this Agreement, including the provisions of Section 20.A, bars our right to obtain specific performance of the provisions of this Agreement and injunctive or other equitable relief against threatened conduct that will cause us, the Licensed Brand, the Licensed System, and/or Branded Hotels loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and injunctions. You agree that we may obtain such injunctive relief in addition to such further or other relief as may be available at law or in equity. You agree that we will not be required to post a bond to obtain injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

20.H. Binding Effect. This Agreement is binding on us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Brand Standards Manual and Brand Standards, this Agreement may not be modified except by a written agreement signed by both our and your duly authorized officers.

20.I. LIMITATIONS OF CLAIMS. EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED IN ACCORDANCE WITH THIS AGREEMENT WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS. NO PREVIOUS COURSE OF DEALING SHALL BE ADMISSIBLE TO EXPLAIN, MODIFY, OR CONTRADICT THE TERMS OF THIS AGREEMENT. NO IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING SHALL BE USED TO ALTER THE EXPRESS TERMS OF THIS AGREEMENT.

20.J. CLASS ACTION BAR. WE AND YOU AGREE THAT ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT ANY PROCEEDING BETWEEN US AND ANY OF OUR AFFILIATES, OR OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU (OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES), ON THE OTHER HAND, MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER PROCEEDING, (III) JOINED WITH ANY CLAIM OF AN UNAFFILIATED THIRD-PARTY, OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT.

21. Miscellaneous.

21.A. Severability. Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties. If any covenant is deemed unenforceable by virtue of its scope and/or length of time, but would be enforceable if modified, you and we agree

that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

21.B. Invalid Provisions. If any applicable and binding law, ordinance, rule, or regulation of any jurisdiction requires more notice of this Agreement's termination or of our refusal to enter into a renewal franchise agreement than this Agreement requires, or some other action that this Agreement does not require, or any provision of this Agreement or any Brand Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law, ordinance, rule or regulation will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or Brand Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

21.C. Consents; Waivers. We and you may by written instrument unilaterally waive or reduce any obligation of or restriction on the other under this Agreement, effective on delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective on delivery of 10 days' prior written notice. We and you will not waive or impair any right, power, or option this Agreement reserves (including our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist on the other's compliance with this Agreement, including any Brand Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Branded Hotels; the existence of franchise agreements for other Branded Hotels which contain different provisions from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

21.D. Delegation. We reserve the right to delegate to one or more of our affiliates at any time, any and all of our rights, obligations or requirements under this Agreement, and to require that you submit any relevant materials and documents otherwise requiring approval by us under this Agreement to such designees, in which case approval by such designees will be conclusively deemed to be approval by us. We may revoke any such delegation or designation at any time. You acknowledge and agree that one or more of our designees may operate, license, or otherwise support brands other than the Licensed Brand.

21.E. No Liability to Others. Other than as expressly set forth herein, nothing in this Agreement is intended or deemed to confer any rights or remedies on any person or entity not a party to this Agreement. We will not, because of this Agreement or by virtue of any approvals, advice or services provided to you, be liable to any person or legal entity who is not a party to this Agreement. You understand that you are not a third-party beneficiary of any other franchise agreement between us and other Branded Hotel franchisees and that you have no independent right to enforce the terms of, or require performance under, any other franchise agreement.

21.F. Construction.

(1) The preambles and exhibits are a part of this Agreement which constitutes our and your entire agreement. There are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, your Franchise, or your Hotel. Any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in any Franchise Disclosure Document.

(2) The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs.

(3) References in this Agreement to “we,” “us,” and “our,” with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates, employees, owners, agents and representatives with whom you deal. The term “*affiliate*” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. The term “*control*” means the power to direct or cause the direction of management and policies. The use of the term “*including*” in this Agreement, means in each case “including, without limitation.”

(4) If two or more persons are at any time the owners of your Hotel, whether as partners or joint venturers, or are your guarantors, their obligations and liabilities to us will be joint and several. References to “*Owner*” mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you, including any person who has any other legal or equitable interest, or the right to acquire any legal or equitable interest, in the revenue, profits, rights, or assets in of you, this Agreement or your Hotel. The term “*person*” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity. The term “*your Hotel*” includes all of the assets of the Hotel you operate under this Agreement, including its revenue and the Lease.

21.G. Execution. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same Agreement. This Agreement and all other documents related to this Agreement may be executed by manual or electronic signature.

21.H. Notices. All notices and reports permitted or required to be delivered by the provisions of this Agreement shall be deemed delivered at the time delivered by hand to the recipient party; at the time delivered via electronic transmission, if during ordinary business hours, otherwise the following business day; 1 business day after being placed in the hands of a commercial courier service for overnight delivery, or 3 business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified in writing.

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS (“*Guaranty*”) is given by the persons indicated below who have executed this Guaranty (each a “*Guarantor*”) to be effective as of the date of the Agreement (defined below). In consideration of, and as an inducement to, the execution of that certain Franchise Agreement executed concurrently herewith (as amended, restated, or supplemented, the “*Agreement*”) by and between Magnuson Franchising, LLC (the “**Franchisor**”), and _____ (“**Franchisee**”), each Guarantor hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns that Franchisee will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

Each Guarantor waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed, and (4) any right such Guarantor may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed.

Each Guarantor hereby consents and agrees that: (a) Franchisor may proceed against any Guarantor and/or Franchisee, jointly and severally, including by proceeding against such Guarantor, without having commenced any action, or having obtained any judgment against any other Guarantor or Franchisee; (b) such Guarantor will render any payment or performance required under the Agreement on demand if Franchisee fails or refuses punctually to do so; (c) such Guarantor’s liability will not be contingent or conditioned on pursuit by Franchisor of any remedies against Franchisee or any other person; (d) such Guarantor’s liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement; (e) such Guarantor is bound by the restrictive covenants, confidentiality provisions, and indemnification provisions contained in the Agreement, and any and all provisions that by their terms apply to owners of Franchisee; (f) such Guarantor agrees to be personally bound by the dispute resolution provisions under Article 20 of the Agreement, including the obligation to submit to binding arbitration the claims described in Section 20.A of the Agreement in accordance with its terms.

At Franchisor’s request, each Guarantor agrees to provide the updated financial information to us as may be reasonably necessary to demonstrate his or her ability to satisfy the obligations of the under the Agreement and/or this Guaranty.

This Guaranty will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of the Agreement by a trustee of Franchisee. No Guarantor’s obligations to make payment or render performance in accordance with the terms of this Guaranty nor any remedy for enforcement will be impaired, modified,

changed, released, or limited in any manner whatsoever by any impairment, modification, change, release, or limitation of the liability of Franchisee or its estate.

Guarantors, jointly and severally, agree to pay all costs and expenses (including attorneys' fees) incurred by Franchisor or any of its affiliates in connection with the enforcement of this Guaranty, including any collection or attempt to collect amounts due, or any negotiations relative to the obligations hereby guaranteed.

By signing below, the undersigned spouse of each Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty. Each Guarantor represents and warrants that, if no signature appears below for such Guarantor's spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

Each Guarantor that is a business entity, retirement or investment account, or trust acknowledges and agrees that if Franchisee (or any of its affiliates) is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such Guarantor (or on such Guarantor's account) to its owners, accountholders or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, each of the undersigned has affixed his signature to be effective as of the date of the Agreement.

GUARANTOR(S)	SPOUSE(S)
Name: _____ Sign: _____ Address: _____ _____ _____	Name: _____ Sign: _____ Address: _____ _____ _____
Name: _____ Sign: _____ Address: _____ _____ _____	Name: _____ Sign: _____ Address: _____ _____ _____
Name: _____ Sign: _____ Address: _____ _____ _____	Name: _____ Sign: _____ Address: _____ _____ _____

EXHIBIT B-1

MAGNUSON CLOUD PMS OPERATING MANUAL TABLE OF CONTENTS

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EXHIBIT C
FINANCIAL STATEMENTS

MAGNUSON FRANCHISING LLC
(A Limited Liability Company)
FINANCIAL STATEMENTS
PERIOD FROM MARCH 17, 2021 (INCEPTION)
THROUGH DECEMBER 31, 2021

MAGNUSON FRANCHISING LLC
(A Limited Liability Company)
FOR THE PERIOD FROM MARCH 17, 2021 (INCEPTION)
THROUGH DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Member
Magnuson Franchising LLC

Opinion

We have audited the accompanying financial statements of Magnuson Franchising LLC (a limited liability company) (the "Company"), which comprise the balance sheet as of December 31, 2021, and the related statements of operations and member's equity, and cash flows for the period from March 17, 2021 (inception) through December 31, 2021, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Magnuson Franchising LLC as of December 31, 2021, and the results of its operations and its cash flows for the period from March 17, 2021 (inception) through December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Magnuson Franchising LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Magnuson Franchising LLC's ability to continue as a going concern for a reasonable period of time.

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



CERTIFIED PUBLIC ACCOUNTANTS

Melville, New York
March 24, 2022

MAGNUSON FRANCHISING LLC
(A Limited Liability Company)
BALANCE SHEET
DECEMBER 31, 2021

ASSETS

Current assets:	
Cash	\$ <u>100,444</u>
TOTAL ASSETS	\$ <u>100,444</u>

LIABILITIES AND MEMBER'S EQUITY

Current liabilities:	
Accounts payable and accrued expenses	\$ 21,605
Commitments and contingencies	
Member's equity	<u>78,839</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$ <u>100,444</u>

See accompanying notes to financial statements.

MAGNUSON FRANCHISING LLC
(A Limited Liability Company)
STATEMENT OF OPERATIONS AND MEMBER'S EQUITY
FOR THE PERIOD FROM MARCH 17, 2021 (INCEPTION)
THROUGH DECEMBER 31, 2021

Revenues	\$ -
Selling, general and administrative expenses	<u>21,661</u>
Net loss	(21,661)
Member's equity - beginning	-
Member contributions	<u>100,500</u>
MEMBER'S EQUITY - ENDING	<u>\$ 78,839</u>

See accompanying notes to financial statements.

MAGNUSON FRANCHISING LLC
(A Limited Liability Company)
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM MARCH 17, 2021 (INCEPTION)
THROUGH DECEMBER 31, 2021

Cash flows from operating activities:	
Net loss	\$ (21,661)
Adjustments to reconcile net loss to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Accounts payable and accrued expenses	<u>21,605</u>
Net cash used in operating activities	(56)
Cash provided by financing activities:	
Member contributions	<u>100,500</u>
Net increase in cash	100,444
Cash - beginning	<u>-</u>
CASH - ENDING	<u><u>\$ 100,444</u></u>

See accompanying notes to financial statements.

MAGNUSON FRANCHISING LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS

Magnuson Franchising LLC (the "Company"), a wholly-owned subsidiary of Magnuson Company LLC (the "Parent" or the "Licensor"), was formed on March 17, 2021, as a Washington limited liability company to sell franchises pursuant to a non-exclusive license agreement dated January 4, 2022, between the Company and the Licensor. Pursuant to the Company's standard franchise agreement, franchisees will operate a hotel facility under the "Magnuson" name and system. The Company has not had significant operations from March 17, 2021 (inception) through December 31, 2021.

The Company is a limited liability company and, therefore, the member is not liable for the debts, obligations or other liabilities of the Company, whether arising in contract, tort or otherwise, unless the member has signed a specific guarantee.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Accounts Receivable

Accounts receivable will be stated at the amount the Company expects to collect. The Company will maintain an allowance for doubtful accounts for estimated losses resulting from the inability of some of its franchisees to make required payments. Management will consider the following factors when determining the collectibility of specific franchisee accounts: franchisee creditworthiness, past transaction history with the franchisee, and current economic industry trends. If the financial condition of the Company's franchisees were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company will provide for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has made reasonable collection efforts will be written off through a charge to the valuation allowance and a credit to accounts receivable. Generally, the Company will not require collateral to support accounts receivable. There were no accounts receivable at December 31, 2021.

Concentration of Credit Risk

The Company places its cash, which may at times be in excess of Federal Deposit Insurance Corporation insurance limits, with a major financial institution. Management believes that this policy will limit the Company's exposure to credit risk. The Company has not experienced any losses of such amounts.

MAGNUSON FRANCHISING LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Cost Recognition

The Company will recognize revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("Topic 606"), and will elect to adopt FASB Accounting Standards Update ("ASU") No. 2021-02, *Franchisors - Revenue from Contracts with Customers* (Subtopic 952-606) ("ASU 2021-02"), when revenue-generating activities commence (see Note 3). Topic 606 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company expects that it will derive substantially all its revenue from franchise agreements related to franchise fee revenue, continuing fee revenue, transfer fees and Global Distribution System ("GDS") booking fee revenue. The Company has not executed any franchise agreements and therefore has not recognized any revenue during the period from March 17, 2021 (inception) through December 31, 2021, and through the date these financial statements were available to be issued.

Franchise Fees and Continuing Fees

Contract consideration from franchisees is expected to consist primarily of initial or renewal franchise fees, sales-based continuing fees, GDS booking fees and transfer fees payable by a franchisee for the transfer of their franchise unit to another franchisee. Sales-based continuing fees and GDS booking fees are payable on a monthly basis. Renewal and transfer fees shall be due from franchisees when an existing franchisee renews the franchise agreement for an additional term or when a transfer to a third party occurs, respectively.

The Company's primary performance obligation under the franchise agreement includes granting certain rights to the Company's intellectual property, in addition to a variety of services relating to opening a franchise unit. Those services include site selection, training and other such activities commonly referred to collectively as "pre-opening activities." Pre-opening activities consistent with those under ASU 2021-02 will be recognized as a single performance obligation. For all other pre-opening activities, if any, the Company will determine if a certain portion of those pre-opening activities provided is not brand specific and provides the franchisee with relevant general business information that is separate from the operation of a company-branded franchise unit. The portion of pre-opening activities that is not brand specific will be deemed to be distinct as it provides a benefit to the franchisee and is not highly interrelated to the use of the Company's intellectual property, and will therefore be accounted for as a separate performance obligation. All other pre-opening activities are expected to be highly interrelated to the use of the Company's intellectual property and will therefore be accounted for as a single performance obligation, which will be satisfied by granting certain rights to use the Company's intellectual property over the term of each franchise agreement.

MAGNUSON FRANCHISING LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Cost Recognition (Continued)

Franchise Fees and Continuing Fees (Continued)

The Company will estimate the stand-alone selling price of pre-opening activities using an adjusted market assessment approach. The Company will first allocate the initial franchise fees and the fixed consideration under the franchise agreement to the stand-alone selling price of the pre-opening activities and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to pre-opening activities, other than those included under ASU 2021-02, which are not brand specific will be recognized when those performance obligations are satisfied. Consideration allocated to pre-opening activities included under ASU 2021-02 will be recognized when those performance obligations are satisfied.

Initial and renewal franchise fees allocated to the right to access the Company's intellectual property will be recognized as revenue on a straight-line basis over the term of the respective franchise agreement.

Continuing fees will be earned as a percentage of franchisee gross sales ("sales-based continuing fees") over the term of the franchise agreement, as defined in each respective franchise agreement. Franchise continuing fees which represent sales-based continuing fees that are related entirely to the use of the Company's intellectual property will be recognized as franchisee sales occur and the continuing fee is deemed collectible.

Other Revenues

The Company will recognize revenue from other fees and other services provided to the franchisees as a single performance obligation, when the services are rendered.

Incremental Costs of Obtaining a Contract

The Company will capitalize direct and incremental costs, principally consisting of commissions, associated with the sale of franchises and amortize them over the term of the franchise agreement.

Disaggregated Revenues

The Company will derive its revenues from franchisees located throughout the United States. The economic risks of the Company's revenues will be dependent on the strength of the economy in the United States, and the Company's ability to collect on its contracts. The Company will disaggregate revenue from contracts with customers by timing of revenue recognition by type of revenue, as it believes this will best depict how the nature, amount, timing and uncertainty of revenue and cash flows will be affected by economic factors.

MAGNUSON FRANCHISING LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company is a single-member limited liability company and is therefore considered a disregarded entity for income tax purposes. Accordingly, no provision has been made for income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the member, who is responsible for any taxes thereon.

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information, including the technical merits of those positions, available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change. There were no uncertain tax positions at December 31, 2021.

Franchised Outlets

The following data reflects the status of the Company's franchised outlets as of December 31, 2021:

	<u>2021</u>
Franchises sold	-
Franchises purchased	-
Franchised outlets in operation	-
Franchisor-owned outlets in operation	-

Recently Issued but Not Yet Effective Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). This update requires all leases with terms greater than 12 months to be recognized on the balance sheet through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. In July 2018, FASB also issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*, and ASU No. 2018-11, *Leases: Targeted Improvements*. These updates provide narrow amendments to clarify how to apply certain aspects of the new lease standard and options regarding transition. This option will not require prior periods to be restated at the adoption date. In June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (842): Effective Dates for Certain Entities*, which amended the effective date for ASU 2016-02 and related amendments. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2021. The Company is currently evaluating the effect of ASU 2016-02 on its financial statements and related disclosures.

Subsequent Events

The Company has evaluated subsequent events through March 24, 2022, the date on which these financial statements were available to be issued. Except as disclosed in Note 4, there were no material subsequent events that required recognition or additional disclosure in the financial statements.

MAGNUSON FRANCHISING LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3. RECENTLY ISSUED ACCOUNTING STANDARDS

Revenue from Contracts with Customers

In January 2021, FASB issued ASU 2021-02, which permits franchisors that are not public business entities, to elect a practical expedient to account for pre-opening services provided to its franchisees as distinct from the franchise license if the pre-opening services are consistent with those included in ASU 2021-02. This accounting policy election would recognize, when satisfied, all those pre-opening services as a single performance obligation. This standard is effective in interim and annual periods beginning after December 15, 2020, with early adoption permitted. As mentioned in Note 2, the Company will elect to adopt this ASU upon commencement of its revenue-generating activities.

Variable Interest Entities

In October 2018, FASB issued ASU No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*, which no longer requires nonpublic companies to apply variable interest entity guidance to certain common control arrangements. This standard is effective for fiscal years ending after December 15, 2020, with early adoption permitted. The Company has elected to adopt and apply the alternative accounting and disclosures for certain variable interest entities provided to private companies pursuant to U.S. GAAP. The Company has determined that related parties, as described in Note 4, meet the conditions under the standard, and accordingly, is not required to include the accounts of related parties in the Company's financial statements.

NOTE 4. RELATED-PARTY TRANSACTION

License Agreement

On January 4, 2022, the Company entered into a non-exclusive license agreement with the Licensor for the use of the registered name "Magnuson" (the "license agreement"). Pursuant to the license agreement, the Company acquired the right to sell "Magnuson" franchises, and the right to earn franchise fees, continuing fees and other fees from franchisees. In accordance with the license agreement, the Company will be required to pay the Licensor a license fee in an amount mutually determined by the parties, resulting from the use or exploitation of the Licensed Property, as defined. There was no license fee expense for the period from March 17, 2021 (inception) through December 31, 2021.

EXHIBIT D

STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

CALIFORNIA

Department of Financial Protection &
Innovation:
Toll Free: 1 (866) 275-2677

Los Angeles

Commissioner of Financial Protection &
Innovation
320 West 4th Street
Suite 750
Los Angeles, California 90013
(213) 576-7505

Sacramento

Commissioner of Financial Protection &
Innovation
2101 Arena Blvd.
Sacramento, CA 95834
(916) 445-7205

San Diego

Commissioner of Financial Protection &
Innovation
1455 Frazee Road, Suite 315
San Diego, California 92108
(619) 610-2093

San Francisco

Commissioner of Financial Protection &
Innovation
One Sansome Street, Suite 600
San Francisco, California 94104-4428
(415) 972-8559

HAWAII

(state administrator)

Business Registration Division
Securities Compliance Branch
Department of Commerce
and Consumer Affairs
P.O. Box 40
Honolulu, Hawaii 96810
(808) 586-2727

(agent for service of process)

Commissioner of Securities of the State of
Hawaii
Department of Commerce and Consumer
Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2744

ILLINOIS

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

INDIANA

(state administrator)

Indiana Secretary of State
Securities Division, E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

(agent for service of process)

Indiana Secretary of State
200 West Washington Street, Room 201
Indianapolis, Indiana 46204
(317) 232-6531

MARYLAND

(state administrator)

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6300

(agent for service of process)

Maryland Securities Commissioner
at the Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

(state administrator)

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building
525 West Ottawa Street
Lansing, Michigan 48909
(517) 373-7117

(agent for service of process)

Michigan Department of Commerce,
Corporations, Securities, and Commercial
Licensing Bureau
P.O. Box 30018
Lansing, Michigan 48909

MINNESOTA

(state administrator)

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

(agent for service of process)

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

NEW YORK

(state administrator)

NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st Fl
New York, NY 10005
(212) 416-8222

(agent for service of process)

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001
(518) 473-2492

NORTH DAKOTA

(state administrator)

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

(agent for service of process)

Securities Commissioner
600 East Boulevard Avenue
State Capitol - Fifth Floor
Bismarck, North Dakota 58505
(701) 328-4712

OREGON

Department of Business Services
Division of Financial Regulation
350 Winter Street, NE, Room 410
Salem, Oregon 97310-3881
(503) 378-4387

RHODE ISLAND

Department of Business Regulation
Division of Securities
John O. Pastore Complex Building 69-1
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9645

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Second Floor
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

(state administrator)

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

(agent for service of process)

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

WASHINGTON

(state administrator)

Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033
(360) 902-8760

(agent for service of process)

Director
Department of Financial Institutions
Securities Division
150 Israel Road, S.W.
Tumwater, Washington 98501

WISCONSIN

(state administrator)

Securities and Franchise Registration
Wisconsin Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-0448

(agent for service of process)

Office of the Secretary
Wisconsin Department of Financial Institutions
P.O. Box 8861
Madison, Wisconsin 53708-8861
(608) 261-9555

EXHIBIT E-1
LIST OF FRANCHISEES

**FRANCHISED OUTLETS
AS OF DECEMBER 31, 2021**

None

EXHIBIT E-2

LIST OF FRANCHISEES WHO LEFT THE SYSTEM

**FRANCHISEES WHO LEFT THE SYSTEM
IN THE FISCAL YEAR ENDED DECEMBER 31, 2021**

None

EXHIBIT F
REPRESENTATIONS STATEMENT

REPRESENTATIONS STATEMENT

The purpose of this Statement is to demonstrate Magnuson Franchising, LLC (“Franchisor”) that the person(s) signing below (“I,” “me” or “my”), whether acting individually or on behalf of any legal entity established to acquire the franchise rights, (a) fully understands that the purchase of a Magnuson Hotel® or Magnuson Grand® franchise to operate as a Magnuson Hotel® or Magnuson Grand® - branded hotel is a significant long-term commitment, complete with its associated risks, and (b) is not relying on any statements, representations, promises or assurances that are not specifically set forth in Franchisor’s Franchise Disclosure Document and Exhibits (collectively, the “FDD”) in deciding to purchase the franchise. In that regard, I represent to Franchisor and acknowledge that:

I understand that buying a franchise is not a guarantee of success. Purchasing or establishing any business is risky, and the success or failure of the franchise is subject to many variables such as my skills and abilities (and those of my partners, officers, employees), the time my associates and I devote to the business, competition, interest rates, the economy, inflation, operation costs, location, lease terms, the market place generally and other economic and business factors. I am aware of and am willing to undertake these business risks. I understand that the success or failure of my business will depend primarily upon my efforts and not those of Franchisor.	INITIAL:
I received a copy of the FDD, including the Franchise Agreement, at least 14 calendar days (10 business days in Michigan and New York) before I executed the Franchise Agreement. I understand that all of my rights and responsibilities and those of Franchisor in connection with the franchise are set forth in these documents and only in these documents. I acknowledge that I have had the opportunity to personally and carefully review these documents and have, in fact, done so. I have been advised to have professionals (such as lawyers and accountants) review the documents for me and to have them help me understand these documents. I have also been advised to consult with other franchisees regarding the risks associated with the purchase of the franchise.	INITIAL:
Neither the Franchisor nor any of its officers, employees or agents (including any franchise broker) has made a statement, promise or assurance to me concerning any matter related to the franchise (including those regarding advertising, marketing, training, support service or assistance provided by Franchisor) that is contrary to, or different from, the information contained in the FDD.	INITIAL:
My decision to purchase the franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by the Franchisor or any of its officers, employees or agents (including any franchise broker), including as to the likelihood of success of the franchise.	INITIAL:
I have made my own independent determination as to whether I have the capital necessary to fund the business and my living expenses, particularly during the start-up phase.	INITIAL:

PLEASE READ THE FOLLOWING QUESTION CAREFULLY. THEN SELECT YES OR NO AND PLACE YOUR INITIALS WHERE INDICATED.

INITIAL:

Have you received any information from the Franchisor or any of its officers, employees or agents (including any franchise broker) concerning actual, average, projected or forecasted sales, revenues, income, profits or earnings of the franchise business (including any statement, promise or assurance concerning the likelihood of success)?

☐ Yes ☐ No (Initial Here: ____)

If you selected "Yes," please describe the information you received on the lines below:

Prohibited Parties Clause. I acknowledge that Franchisor, its employees and its agents are subject to U.S. laws that prohibit or restrict (a) transactions with certain parties, and (b) the conduct of transactions involving certain foreign parties. These laws include, without limitation, U.S. Executive Order 13224, the U.S. Foreign Corrupt Practices Act, the Bank Secrecy Act, the International Money Laundering Abatement and Anti-terrorism Financing Act, the Export Administration Act, the Arms Export Control Act, the U.S. Patriot Act, and the International Economic Emergency Powers Act, and the regulations issued pursuant to these and other U.S. laws. As part of the express consideration for the purchase of the franchise, I represent that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been listed on:

1. the U.S. Treasury Department's List of Specially Designated Nationals;
2. the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders;
3. the U.S. State Department's Debarred List or Nonproliferation Sanctions; or
4. the Annex to U.S. Executive Order 13224.

I warrant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been: (i) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (ii) is owned or controlled by terrorists or sponsors of terrorism. I warrant that I am now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by me to Franchisor were legally obtained in compliance with these laws.

I further covenant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, will, during the term of the Franchise Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

If the hotel that you will operate is located in Maryland or if you are a resident of Maryland, the following shall apply: Any acknowledgments or representations of the franchisee which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the

Franchise Law 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.

California franchisees are not required to complete this Representations Statement. If any California franchisee completes this Representations Statement, Franchisor will destroy, disregard, and will not rely on such Representations Statement.

If the hotel that you will operate is located in Washington or if you are a resident of Washington, the following shall apply: Nothing in this Representation Statement will waive any liability that we may have under the Washington Franchise Investment Protection Act, RCW 19.100.

FRANCHISEE:

MAGNUSON FRANCHISING LLC, a
Washington limited liability company

Franchisee Legal Entity Name

Sign: _____

Sign: _____

Name: _____

Name: _____

Title: _____

Title: _____

DATED: _____

DATED: _____

EXHIBIT G
SAMPLE GENERAL RELEASE

MAGNUSON FRANCHISING, LLC

GRANT OF FRANCHISOR CONSENT AND RELEASE

Magnuson Franchising, LLC (“we,” “us,” or “our”) and the undersigned person(s) (“you” or “your”) are currently parties to a franchise agreement (the “**Franchise Agreement**”) dated _____ (the “**Agreement**”). You have asked us to take the following action or to agree to the following request: _____

_____. We have the right under the Agreement to obtain a general release from you and your owners as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you and your owners give us the release and covenant not to sue provided below in this document. You and your owners are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above. Capitalized terms not defined herein will have the meaning in the Franchise Agreement.

You and your Owners, jointly and severally, on behalf of each of themselves and their respective affiliates, representatives, spouses and immediate family members, successors and assigns (the “**Releasing Parties**”) hereby fully and forever unconditionally release and discharge us and our affiliates, and our and their respective current and former parents, subsidiaries, franchisees, owners, agents, insurers, employees, officers, directors, successors, assigns, guarantors and other representatives (the “**Franchisor Parties**”) of and from any and all claims, obligations, debts, proceedings, demands, causes of action, rights to terminate and rescind, liabilities, losses, damages, and rights of every kind and nature whatsoever, whether known or unknown, suspected or unsuspected, at law or in equity, which any of the Releasing Parties has, had, or may have against any of the Franchisor Parties, from the beginning of time to the date hereof, including arising from or relating to the Agreement or the relationship of the Releasing Parties with any of the Franchisor Parties (together, “**Claims**”). You and your Owners, jointly and severally, on behalf of each of themselves and the other Releasing Parties, further covenant not to sue any of the Franchisor Parties on any of the Claims released by this paragraph and represent that you and they have not assigned any of the Claims released by this paragraph to any individual or entity.

IF THE FRANCHISE YOU OPERATE UNDER THE AGREEMENT IS LOCATED IN CALIFORNIA OR ANY OF THE RELEASING PARTIES IS A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

SECTION 1542 ACKNOWLEDGMENT. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY YOU OR THE RELEASING PARTIES. YOU RECOGNIZE THAT YOU OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE FRANCHISOR PARTIES OF WHICH YOU, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH YOU, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS YOUR

INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE YOU, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT YOU, HIM, HER, OR IT FROM ASSERTING IT AGAINST THE FRANCHISOR PARTIES. IN FURTHERANCE OF THIS INTENTION, YOU, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

YOU ACKNOWLEDGE AND REPRESENT THAT YOU HAVE CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT YOU UNDERSTAND ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENT THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

If the franchise you operate under the Agreement is located in Maryland or if any of the Releasing Parties is a resident of Maryland, the following shall apply:

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

If your Hotel is located in Washington or if you are a resident of Washington, the following shall apply:

Any general release provided for hereunder shall not apply to any liability under the Washington Franchise Investment Protection Act.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, you have executed and delivered this Agreement on the date stated below.

FRANCHISEE

OWNERS

Entity Name

Individual Name

Sign: _____

Name: _____

Title: _____

DATED: _____

Sign: _____

DATED: _____

Individual Name

Sign: _____

DATED: _____

EXHIBIT H
STATE ADDENDA AND RIDERS

**ADDITIONAL DISCLOSURES FOR THE
FRANCHISE DISCLOSURE DOCUMENT OF
MAGNUSON FRANCHISING, LLC**

The following are additional disclosures for the Franchise Disclosure Document of Magnuson Franchising, LLC required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise law applies to you.

CALIFORNIA

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

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

3. NEITHER WE, OUR PARENT, PREDECESSOR OR AFFILIATE NOR ANY PERSON IN ITEM 2 OF THE FRANCHISE DISCLOSURE DOCUMENT IS SUBJECT TO ANY CURRENTLY EFFECTIVE ORDER OF ANY NATIONAL SECURITIES ASSOCIATION OR NATIONAL SECURITIES EXCHANGE, AS DEFINED IN THE SECURITIES EXCHANGE ACT OF 1934, 15 U.S.C.A SECTIONS 78A ET SEQ., SUSPENDING OR EXPELLING SUCH PERSONS FROM MEMBERSHIP IN THAT ASSOCIATION OR EXCHANGE.

4. OUR WEBSITE, www.magnusonhotelsworldwide.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

5. The following language is added to the end of Item 6:

The highest rate of interest allowed by California law is 10% annually.

6. The following paragraphs are added at the end of Item 17:

The Franchise Agreement requires you to sign a general release of claims upon transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

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

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, and the law applies, 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 Section 101 et seq.).

The Franchise Agreement requires binding arbitration. The arbitration will be conducted at a suitable location chosen by the arbitrator that is within 50 miles of our then-current principal place of business (currently, Spokane Valley, Washington). The costs of arbitration will be borne as provided in the Franchise Agreement. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to

7. The California Commissioner of Business Oversight requires us to defer collection of the initial franchise fee and other initial payments you owe us until we have completed all of our pre-opening obligations to you under the Franchise Agreement and you have begun operating your Hotel.

ILLINOIS

The following paragraphs are added to the end of Item 17:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act.

Pursuant to an order of the Illinois Attorney General's Office, imposed based on our financial condition, we will defer collection of the initial franchisee fee and other initial payments you owe us until we have completed all of our pre-opening obligations to you under the Franchise Agreement and you have begun operating your Hotel.

MARYLAND

1. The following paragraphs are added to the end of Item 17:

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.) but we will enforce it to the extent enforceable.

2. The following is added to the end of Item 17(c) and Item 17(m):

However, any release required as a condition of renewal, sale, and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

3. The following language is added at the end of Item 17(v):

A franchisee may bring suit in Maryland for claims arising under the Maryland Franchise Registration Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

4. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

5. The following language is added to the "Special Risks to Consider About *This Franchise*" page of the FDD:

Spousal Liability. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails,

6. The following language is added to the "Special Risks to Consider About *This Franchise*" page of the FDD:

Unregistered Trademark. The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

7. Item 17 of the FDD is deleted and replaced with the following:

The franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is unfair or deceptive practice to require a franchisee to waive its rights to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this form selection requirement is legally enforceable.

MINNESOTA

1. The following language is added to the end of Item 6:

The Item 6 item entitled “Termination Damages” will not be enforced to the extent prohibited by applicable law.

2. The following language is added to the end of Item 13:

Provided you have complied with all provisions of the Franchise Agreement applicable to the Marks, we will protect your rights to use the Marks and we also will indemnify you from any loss, costs or expenses from any claims, suits or demands regarding your use of the Marks in accordance with Minn. Stat. Sec. 80C.12 Subd. 1(g).

3. The following paragraphs are added to the end of Item 17:

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) might prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. 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. Those provisions also provide that no condition, stipulation or provision in the Franchise Agreement will in any way abrogate or reduce any of your rights under the Minnesota Franchises Law, including, if applicable, the right to submit matters to the jurisdiction of the courts of Minnesota.

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statutes, Section 80C.14, Subd. 3, 4, and 5, which require (except in certain specified cases) that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Franchise Agreement.

Any release required as a condition of renewal, sale, and/or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

4. The Minnesota Department of Commerce (Securities Section) requires us to defer payment of the initial franchise fees and/or development fees until your business opens.

NORTH CAROLINA

1. The following paragraph is added as a separate North Carolina State Cover Page, which includes no text other than the title and required statement below:

DISCLOSURES REQUIRED BY NORTH CAROLINA LAW

The State of North Carolina has not reviewed and does not approve recommend, endorse, or sponsor any business opportunity. The information contained in this

disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

2. If the seller fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.

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 D 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 DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.

WE MAY, IF WE CHOOSE, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, WE CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

With regard to us, our parent, predecessor or affiliate, the persons identified in Item 2, or an affiliate offering franchises under our 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, antitrust, or securities law; fraud; embezzlement; fraudulent conversion; 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 we, our affiliate, predecessor, officers, or general partners or any other individual who will have management responsibility relating to the sale or operation of franchises offered by this Disclosure Document have, during the 10-year period immediately preceding the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the U.S. 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:

We apply the initial franchise fee to defray our costs for franchisee screening and training, legal compliance, salary, and general administrative expenses and profits.

5. The following is added to Item 17:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following is added to Item 17(d):

You may terminate the Franchise Agreement on any grounds available by law.

7. The following is added to Item 17(j)

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and financially able to assume our obligations under the Franchise Agreement.

8. The following is added to Item 17(v) and 17(w):

However, the governing choice of law and choice of forum shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York.

NORTH DAKOTA

1. The following paragraphs are added to Item 6:

The Item 6 line item entitled “Termination Damages” will not be enforced to the extent prohibited by applicable law.

Under North Dakota law, a requirement that you consent to liquidated damages or termination penalties in the event of termination of the Franchise Agreement is considered unenforceable.

Sections of the Disclosure Document requiring you to pay all costs and expenses incurred by us in enforcing the agreement may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

2. The following language is added to Item 17(r):

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we and you will enforce the covenants to the maximum extent the law allows.

3. The following language is added to Item 17(u):

To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which we and you mutually agree.

4. The following language is added to Item 17(v):

However, subject to your arbitration obligation, and to the extent required by North Dakota Franchise Investment Law, you may bring an action in North Dakota.

5. The following language is added to the end of Item 17(c) and Item 17(m):

However, any release required as a condition of renewal, sale, and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

6. Pursuant to an order of the North Dakota Securities Commissioner, we will defer collection of the Origination Fee and other initial payments you owe us until we have

completed all of our pre-opening obligations to you under the Franchise Agreement and you begin operating the Hotel.

RHODE ISLAND

1. The following paragraph is added to the end of Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act. To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.”

SOUTH CAROLINA

1. The following paragraph is added as a separate North Carolina State Cover Page, which includes no text other than the title and required statement below:

DISCLOSURES REQUIRED BY SOUTH CAROLINA LAW

The State of South Carolina has not reviewed and does not approve, recommend, endorse, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

2. If the seller fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.

SOUTH DAKOTA

1. Pursuant to an order of the Securities Regulation Office of the South Dakota Department of Labor & Regulation, we will defer collection of all initial fees you owe us under the Franchise Agreement until we have completed all of our pre-opening obligations to you under the Franchise Agreement and your Hotel has opened for business.

VIRGINIA

1. The following language is added to the end of Item 17(e):

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON

1. The Securities Division of the State of Washington Department of Financial Institutions requires the following language be added at the end of Item 17:

The Securities Division of the State of Washington Department of Financial Institutions requires the following language:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same

franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

2. Pursuant to an order of the Director of the Department of Financial Institutions, we will defer collection of the initial fee and other initial payments you owe us until we have completed all pre-opening obligations under the Franchise Agreement and you have begun operating your Hotel.

3. Note 2 to Item 6 is hereby updated to state that we will reimburse you for any amounts you have overpaid us as a result of the 110% calculation of Gross Room Revenue contemplated during periods in which we do not have access to accurate Gross Room Revenue reports from you.

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
FRANCHISE AGREEMENT**

**RIDER TO THE MAGNUSON FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

THIS RIDER is made and entered into by and between **MAGNUSON FRANCHISING, LLC**, a Washington limited liability company with its principal business address at 200 N. Mullan Road Suite 220, Spokane Valley, WA 99206 (“**we**” “**us**”), and _____ whose principal business address is _____ (“**you**” or “**your**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the “**Franchise Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in the State of Illinois, or (b) the offer of the franchise is made or accepted in the State of Illinois and the Facility is or will be located in the State of Illinois.

2. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added to the end of the Franchise Agreement:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern this Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act.

3. **FEE DEFERRAL.** Pursuant to an order of the Illinois Attorney General’s Office, imposed based on our financial condition, we will defer collection of the initial franchisee fee and other initial payments you owe us until we have completed all of our pre-opening obligations to you under the Franchise Agreement and you have begun operating your Hotel.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the effective date of the Franchise Agreement.

MAGNUSON FRANCHISING, LLC, a Washington
limited liability company

Sign:_____

Name:_____

Title:_____

DATED:_____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

Entity Name

Sign:_____

Name:_____

Title:_____

DATED:_____

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL):

Individual Name

Sign:_____

DATED:_____

**RIDER TO THE MAGNUSON FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN MARYLAND**

THIS RIDER is made and entered into by and between **MAGNUSON FRANCHISING, LLC**, a Washington limited liability company with its principal business address at 200 N. Mullan Road Suite 220, Spokane Valley, WA 99206 (“**we**” “**us**”), and _____ whose principal business address is _____ (“**you**” or “**your**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20__ (the “**Franchise Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of the State of Maryland; or (b) the Facility is or will be operated in the State of Maryland; or (c) the offer to sell is made in the State of Maryland; or (d) the offer to buy is accepted in the State of Maryland.

2. **INSOLVENCY.** The following language is added to the end of Section 18.B(10) of the Franchise Agreement:

; however, we and you acknowledge that certain aspects of this provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

3. **LIMITATIONS OF CLAIMS.** The following sentence is added to the end of Section 20.I of the Franchise Agreement:

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

4. **RELEASES.** The following sentence is added to the end of Sections 16.B(2) and 17.B of the Franchise Agreement:

However, any release required as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

5. **ARBITRATION.** The following sentence is added to the end of Section 20.A of the Franchise Agreement:

A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

6. **RELEASES.** The Franchise Agreement is further amended to state that “All representations requiring prospective franchisees to assent to a release, estoppels or waiver of any liability are not intended to nor shall they act as a release, estoppels or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

7. **FEE DEFERRAL.** Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the effective date of the Franchise Agreement

MAGNUSON FRANCHISING, LLC, a Washington
limited liability company

Sign:_____

Name:_____

Title:_____

DATED:_____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

Entity Name

Sign:_____

Name:_____

Title:_____

DATED:_____

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL):

Individual Name

Sign:_____

DATED:_____

**RIDER TO THE MAGNUSON FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA**

THIS RIDER is made and entered into by and between **MAGNUSON FRANCHISING, LLC**, a Washington limited liability company with its principal business address at 200 N. Mullan Road Suite 220, Spokane Valley, WA 99206 (“**we**” “**us**”), and _____ whose principal business address is _____ (“**you**” or “**your**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20__ (the “**Franchise Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the Facility will be operated wholly or partly in the State of Minnesota; and/or (b) you either a resident of, domiciled it, or actually present in the State of Minnesota.

2. **RENEWAL AND TERMINATION.** The following sentence is added to the end of Sections 3, 17, and 18 of the Franchise Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minnesota Statutes, Section 80C.14, Subd. 3, 4, and 5, which require (except in certain specified cases) that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of this Agreement.

3. **TERMINATION DAMAGES.** The following sentence is added to the end of Section 18.C of the Franchise Agreement:

Certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400J. However, we and you agree to enforce the provision to the extent the law allows.

4. **LIMITATION OF CLAIMS.** The following sentence is added to the end of Section 20.I of the Franchise Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

5. **CONSENT TO JURISDICTION.** The following sentence is added to the end of Section 20.B of the Franchise Agreement:

Notwithstanding the foregoing, Minn. Stat. Section 80C.21 and Minn. Rule 2860.4400J prohibit us, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement shall abrogate or reduce any of your rights under Minnesota Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

6. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** If and then only to the extent required by the Minnesota Franchises Law, Section 20.F of the Franchise Agreement is deleted.

7. **INJUNCTIVE RELIEF**. The following sentence is added to the end of Section 20.G of the Franchise Agreement:

Notwithstanding the foregoing, a court will determine if a bond is required.

8. **RELEASES**. The following sentence is added to the end of Sections 16.B(2) and 17.B of the Franchise Agreement:

Any release required as a condition of renewal, sale, and/or assignment/transfer will not apply to the extent, prohibited by Minnesota Franchise Law.

9. **TRADEMARK**. The following sentence is added to the end of the Franchise Agreement:

The franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchise from any loss, cost or expenses arising out of any claim, suit, or demand regarding the use of the name. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

10. **FEE DEFERRAL**. The Minnesota Department of Commerce (Securities Section) requires us to defer payment of the initial franchise fees and/or development fees until your business opens.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the effective date of the Franchise Agreement

MAGNUSON FRANCHISING, LLC, a Washington
limited liability company

Sign:_____

Name:_____

Title:_____

DATED:_____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

Entity Name

Sign:_____

Name:_____

Title:_____

DATED:_____

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL):

Individual Name

Sign:_____

DATED:_____

**RIDER TO THE MAGNUSON FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN NEW YORK**

THIS RIDER is made and entered into by and between **MAGNUSON FRANCHISING, LLC**, a Washington limited liability company with its principal business address at 200 N. Mullan Road Suite 220, Spokane Valley, WA 99206 (“**we**” “**us**”), and _____ whose principal business address is _____ (“**you**” or “**your**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the “**Franchise Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) an offer to sell is made in the State of New York; or (b) an offer to buy is accepted in the State of New York; or (c) if you are domiciled in the State of New York, the Facility is or will be operated in the State of New York.

2. **CONSENT TO JURISDICTION.** The following sentence is added to the end of Section 20.B of the Franchise Agreement:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law as amended, and the regulations issued thereunder.

3. **TRANSFERS.** The following sentence is added to the end of Section 16.A of the Franchise Agreement:

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and financially able to assume our obligations under this Agreement.

4. **RELEASES.** The following language is added to Sections 16.B(2) and 17.B of the Franchise Agreement:

Notwithstanding the foregoing all rights enjoyed by you and any causes of action arising in your favor from the provision of Article 33 of the General Business Law of the State of New York and the regulations issued there under shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

5. **TERMINATION.** The following sentence is added to the end of Section 18.A of the Franchise Agreement:

You also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the effective date of the Franchise Agreement.

MAGNUSON FRANCHISING, LLC, a Washington
limited liability company

Sign:_____

Name:_____

Title:_____

DATED:_____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

Entity Name

Sign:_____

Name:_____

Title:_____

DATED:_____

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL):

Individual Name

Sign:_____

DATED:_____

**RIDER TO THE MAGNUSON FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA**

THIS RIDER is made and entered into by and between **MAGNUSON FRANCHISING, LLC**, a Washington limited liability company with its principal business address at 200 N. Mullan Road Suite 220, Spokane Valley, WA 99206 (“**we**” “**us**”), and _____ whose principal business address is _____ (“**you**” or “**your**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the “**Franchise Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) an offer to sell is made in the State of North Dakota; or (b) an offer to buy is accepted in the State of North Dakota; or (c) if you are domiciled in the State of North Dakota, the Facility is or will be operated in the State of North Dakota.

2. **TERMINATION DAMAGES.** The following language is added to the end of Section 18.C of the Franchise Agreement:

We and you acknowledge that certain parts of this provision might not be enforceable under the North Dakota Franchise Investment Law. However, we and you agree to enforce the provision to the extent the law allows.

3. **ARBITRATION.** The following language is added to the end of Section 20.A of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration shall be held at a site to which we and you mutually agree.

4. **LIMITATION OF CLAIMS.** The following language is added to the end of Section 20.I of the Franchise Agreement:

The statutes of limitations under North Dakota law applies with respect to claims arising under the North Dakota Franchise Investment Law

5. **CONSENT TO JURISDICTION.** The following language is added to the end of Section 20.B of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

6. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** To the extent required by the North Dakota Franchise Investment Law, Section 20.F of the Franchise Agreement is deleted.

7. **EXCLUSIVITY.** The following language is added to the end of Section 12 of the Franchise Agreement:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we and you will enforce the covenants to the maximum extent the law allows.

8. **RELEASES.** The following language is added to the end of Sections 16.B(2) and 17.B of the Franchise Agreement:

However, any release required as a condition of renewal, sale, and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

7. **FEE DEFERRAL.** Pursuant to an order of the North Dakota Securities Commissioner, we will defer collection of the Origination Fee and other initial payments you owe us until we have completed all of our pre-opening obligations to you under the Franchise Agreement and you begin operating the Hotel.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the effective date of the Franchise Agreement

MAGNUSON FRANCHISING, LLC, a Washington
limited liability company

Sign:_____

Name:_____

Title:_____

DATED:_____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

Entity Name

Sign:_____

Name:_____

Title:_____

DATED:_____

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL):

Individual Name

Sign:_____

DATED:_____

**RIDER TO THE MAGNUSON FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND**

THIS RIDER is made and entered into by and between **MAGNUSON FRANCHISING, LLC**, a Washington limited liability company with its principal business address at 200 N. Mullan Road Suite 220, Spokane Valley, WA 99206 (“**we**” “**us**”), and _____ whose principal business address is _____ (“**you**” or “**your**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the “**Franchise Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) an offer to sell is made or accepted in the State of Rhode Island, or (b) an offer to buy is accepted in the State of Rhode Island, or (c) you are a resident of the State of Rhode Island, and the Facility is or will be operated in the State of Rhode Island.

2. **CONSENT TO JURISDICTION.** The following language is added to the end of Section 20.B of the Franchise Agreement:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.”

3. **GOVERNING LAW.** The following language is added to the end of Section 20.C of the Franchise Agreement:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restriction jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act. To the extent required by applicable law, Rhode Island will apply to claims arising under the Rhode Island Franchise Investment Act.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the effective date of the Franchise Agreement

MAGNUSON FRANCHISING, LLC, a Washington
limited liability company

Sign:_____

Name:_____

Title:_____

DATED:_____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

Entity Name

Sign:_____

Name:_____

Title:_____

DATED:_____

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL):

Individual Name

Sign:_____

DATED:_____

**RIDER TO THE MAGNUSON FRANCHISING LLC
FRANCHISE AGREEMENT
FOR USE IN SOUTH DAKOTA**

THIS RIDER is made and entered into by and between **MAGNUSON FRANCHISING, LLC**, a Washington limited liability company with its principal business address at 200 N. Mullan Road Suite 220, Spokane Valley, WA 99206 (“**we**” “**us**”), and _____ whose principal business address is _____ (“**you**” or “**your**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is being signed because: (a) you are a resident of South Dakota and the Hotel that you will operate under the Franchise Agreement will be located or operated in South Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in South Dakota.

2. **FEE DEFERRAL.** Pursuant to an order of the Securities Regulation Office of the South Dakota Department of Labor & Regulation, we have agreed to defer collection of fees and other initial payments you owe us until we have completed all of our pre-opening obligations to you under the Franchise Agreement and you begin operating the Hotel.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the effective date of the Franchise Agreement

MAGNUSON FRANCHISING, LLC, a Washington
limited liability company

Sign:_____

Name:_____

Title:_____

DATED:_____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

Entity Name

Sign:_____

Name:_____

Title:_____

DATED:_____

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL):

Individual Name

Sign:_____

DATED:_____

**RIDER TO THE MAGNUSON FRANCHISING, LLC
FRANCHISE AGREEMENT
FOR USE IN WASHINGTON**

THIS RIDER is made and entered into by and between **MAGNUSON FRANCHISING, LLC**, a Washington limited liability company with its principal business address at 200 N. Mullan Road Suite 220, Spokane Valley, WA 99206 (“**we**” “**us**”), and _____ whose principal business address is _____ (“**you**” or “**your**”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20____ (the “**Franchise Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer is directed into the State of Washington and is received where it is directed; or (b) you are a resident of the State of Washington; or (c) the Facility is or will be located or operated, wholly or partly, in the State of Washington.

2. **WASHINGTON LAW.** The following paragraphs are added to the end of the Franchise Agreement:

The Securities Division of the State of Washington Department of Financial Institutions requires the following language:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

RCW 19.100.220(2) provides that any agreement, condition, stipulation or provision purporting to bind any person to waive compliance with RCW 19.100 or any rule or order thereunder is void. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington, including Section 20.I of the Franchise Agreement.

4. **FEE DEFERRAL.** Pursuant to an order of the Director of the Department of Financial Institutions, we will defer collection of the initial fee and other initial payments you owe us until we have completed all of our pre-opening obligations to you under the Franchise Agreement and you have begun operating your Hotel.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the effective date of the Franchise Agreement

MAGNUSON FRANCHISING, LLC, a Washington
limited liability company

Sign:_____

Name:_____

Title:_____

DATED:_____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

Entity Name

Sign:_____

Name:_____

Title:_____

DATED:_____

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL):

Individual Name

Sign:_____

DATED:_____

NEW YORK REPRESENTATIONS PAGE

FRANCHISOR REPRESENTS THAT THIS FRANCHISE DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	March 29, 2022
Hawaii	June 21, 2022
Illinois	April 18, 2022
Indiana	Pending
Maryland	Pending
Michigan	May 20, 2022
Minnesota	June 15, 2022
New York	Pending
North Dakota	March 30, 2022
Rhode Island	July 9, 2021; as amended May 13, 2022
South Dakota	May 24, 2022
Virginia	July 21, 2022
Washington	July 18, 2022
Wisconsin	March 29, 2022

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT I
RECEIPTS

RECEIPT
(OUR 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 Magnuson Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Iowa law, Magnuson Franchising, LLC must give you this Disclosure Document at the earlier of the 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, franchisor or an affiliate in connection with the proposed franchise sale. Under Michigan and New York law, Magnuson Franchising, LLC must provide this Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, franchisor or an affiliate in connection with the proposed franchise sale.

If Magnuson Franchising, 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 the appropriate state agency identified on Exhibit D.

Issuance Date: March 29, 2022

The franchisor is Magnuson Franchising, LLC, 200 N. Mullan Road, Suite 220, Spokane Valley, WA 99206. Tel: 509-747-8713. The franchise seller for this offering is:

- | | | |
|--|---|--|
| ☐ Thomas Magnuson
Magnuson Franchising, LLC
200 N. Mullan Road, Suite 220
Spokane Valley, WA 99206
509-747-8713 | ☐ Melissa Magnuson
Magnuson Franchising, LLC
200 N. Mullan Road, Suite 220
Spokane Valley, WA 99206
509-747-8713 | ☐ _____
Magnuson Franchising, LLC
200 N. Mullan Road, Suite 220
Spokane Valley, WA 99206
509-747-8713 |
|--|---|--|

See Exhibit D for Magnuson Franchising, LLC's registered agents authorized to receive service of process.

I have received a disclosure document dated March 29, 2022 that included the following Exhibits:

Exhibit A	Franchise Agreement	Exhibit E-1	List of Current Franchisees
Exhibit B-1	Table of Contents – Magnuson Cloud	Exhibit E-2	List of Franchisees No Longer
	PMS Operating Manual		with the System
Exhibit B-2	Table of Contents – Magnuson Brand	Exhibit F	Representations Statement
	Standards Manual		
Exhibit C	Financial Statements	Exhibit G	Sample General Release
Exhibit D	Stage Agencies /	Exhibit H	State Addenda and Riders
	Agents for Service of Process	Exhibit I	Receipts

Date

Signature

Printed Name

Date

Signature

Printed Name

Please sign this copy of the receipt, print the date on which you received this disclosure document, and return it, by mail or facsimile, to Legal Department, Magnuson Franchising, LLC, 200 N. Mullan Road, Suite 220, Spokane Valley, WA 99206. Phone: 509-747-8713, sales@magnusonhotels.com

**RECEIPT
(YOUR 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 Magnuson Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Iowa law, Magnuson Franchising, LLC must give you this Disclosure Document at the earlier of the 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, franchisor or an affiliate in connection with the proposed franchise sale. Under Michigan and New York law, Magnuson Franchising, LLC must provide this Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, franchisor or an affiliate in connection with the proposed franchise sale.

If Magnuson Franchising, 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 the appropriate state agency identified on Exhibit D.

Issuance Date: March 29, 2022

The franchisor is Magnuson Franchising, LLC, 200 N. Mullan Road, Suite 220, Spokane Valley, WA 99206. Tel: 509-747-8713. The franchise seller for this offering is:

☐ Thomas Magnuson Magnuson Franchising, LLC 200 N. Mullan Road, Suite 220 Spokane Valley, WA 99206 509-747-8713	☐ Melissa Magnuson Magnuson Franchising, LLC 200 N. Mullan Road, Suite 220 Spokane Valley, WA 99206 509-747-8713	☐ _____ Magnuson Franchising, LLC 200 N. Mullan Road, Suite 220 Spokane Valley, WA 99206 509-747-8713
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See Exhibit D for Magnuson Franchising, LLC's registered agents authorized to receive service of process.

I have received a disclosure document dated March 29, 2022 that included the following Exhibits:

Exhibit A	Franchise Agreement	Exhibit E-1	List of Current Franchisees
Exhibit B-1	Table of Contents – Magnuson Cloud PMS Operating Manual	Exhibit E-2	List of Franchisees No Longer with the System
Exhibit B-2	Table of Contents – Magnuson Brand Standards Manual	Exhibit F	Representations Statement
Exhibit C	Financial Statements	Exhibit G	Sample General Release
Exhibit D	Stage Agencies / Agents for Service of Process	Exhibit H	State Addenda and Riders
		Exhibit I	Receipts

Date

Signature

Printed Name

Date

Signature

Printed Name

PLEASE SIGN THIS COPY OF THE RECEIPT, PRINT THE DATE ON WHICH YOU RECEIVED THIS DISCLOSURE DOCUMENT AND KEEP IT FOR YOUR RECORDS.