

## FRANCHISE DISCLOSURE DOCUMENT

Hospitality International, Inc.  
1726 Montreal Circle, Suite 110  
Tucker, Georgia 30084-6809  
(800) 892-8405

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[sales@hifranchise.com](mailto:sales@hifranchise.com)



As a Franchisee, you will operate a hotel under the trade name Scottish Inns, Scottish Suites, Scottish Inns & Suites, Red Carpet Inn, Red Carpet Suites, Red Carpet Inn & Suites, Master Hosts Inns, Master Hosts Resort, Passport Inn, Passport Inn & Suites, Downtowner Inns, or Downtowner Inns & Suites.

The total investment necessary to begin operation of the franchised hotel ranges from \$134,000.00 to \$2,611,800.00, not including the cost of real estate, depending on the type of hotel. This includes \$6,800 to \$16,800.00 depending on the type of hotel, that must be paid to the Franchisor or its affiliate(s).

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Franchise Administration Department at 1726 Montreal Circle, Suite 110, Tucker, Georgia 30084-6809, (800) 892-8405.

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

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

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

ISSUANCE DATE: March 29, 2023

## How to Use This Franchise Disclosure Document

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

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

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Georgia. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Georgia than in your own state.

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

**Supplemental Cover Pages for Transactions Regulated by Michigan**

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

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

- (a) A prohibition on the right of a Franchisee to join an association of Franchisees.
- (b) A requirement that a Franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a Franchisee of rights and protections provided in this act. This shall not preclude a Franchisee, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the Franchisee to comply with any lawful provision of the Franchise Agreement and to cure that failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure that 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 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. The subsection applies only if: (i) the term of the franchise is less than five years and (ii) the Franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, 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; or (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 those assets if the Franchisee has breached the lawful provisions of the Franchise Agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

ANY QUESTIONS REGARDING THE NOTICE CONTAINED ON THE PRIOR PAGE OR THIS PAGE SHOULD BE DIRECTED TO THE DEPARTMENT OF ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN: ANTITRUST AND FRANCHISE UNIT, 670 LAW BUILDING, 525 W. OTTAWA STREET, LANSING, MICHIGAN 48913; TELEPHONE NUMBER (517) 373-7117.

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Scottish Inns & Suites**



|   |     |
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SEE THE SUPPLEMENTAL COVER PAGE(S), IF ANY, FOR THIS STATE WHICH PRECEDE THIS PAGE AND SEE THE STATE ADDENDUM, IF ANY, FOR THIS STATE WHICH IS ATTACHED TO THIS DISCLOSURE DOCUMENT AS PART OF EXHIBIT “H” FOR ANY ADDITIONAL DISCLOSURES REQUIRED BY THE LAWS OF THIS STATE.

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

Throughout this Franchise Disclosure Document, the Franchisor, Hospitality International, Inc., is referenced as "Hospitality", "Franchisor", "we" or "us". The Franchisee is referenced as "Franchisee" or "you" throughout this Franchise Disclosure Document. The term "you" does not include the owners of any legal entity (i.e. corporation, general partnership, limited partnership, trust, etc.) which is a franchisee. Hospitality is owned by Red Carpet Inns International, Inc. ("RCII") a Colorado Corporation and Southern Scottish Inns, Inc., ("SSI") a Louisiana Corporation. RCII and SSI are affiliates of Hospitality. SSI owns a controlling interest in RCII.

Hospitality does business under its corporate name, Hospitality International, Inc. and hihotels by HOSPITALITY INTERNATIONAL. Hospitality's principal business address is 1726 Montreal Circle, Suite 110, Tucker, Georgia, 30084-6809. Hospitality's agents for service of process in each state are listed in Exhibit "A".

Hospitality is a Tennessee corporation incorporated on November 8, 1977, as Scottish Inns Franchise Corporation with a name change to Scottish Inns, Inc. on May 13, 1981. The corporate name was later changed to Hospitality International, Inc. on July 12, 1982.

The principal address for RCII is 1726 Montreal Circle, Suite 160, Tucker, Georgia 30084-6809. The principal business address for SSI is 1726 Montreal Circle, Suite 160, Tucker, Georgia 30084-6809.

Hospitality sells franchises for the operation of hotels which will do business under one of the following trade names: Scottish Inns, Scottish Suites, Scottish Inns & Suites, Red Carpet Inn, Red Carpet Suites, Red Carpet Inn & Suites, Master Hosts Inns, Master Hosts Resort, Passport Inn, Passport Inn & Suites, Downtowner Inns, or Downtowner Inns & Suites. By purchasing a franchise, you become part of a nationwide network of hotels that are linked together by a reservation center and promoted through combined national and/or regional advertising. If you purchase a franchise for a Red Carpet Inn hotel, a Red Carpet Suites hotel, a Red Carpet Inn & Suites hotel, a Master Hosts Inns hotel, a Master Hosts Resort hotel, you must ensure that a restaurant which serves breakfast is operated on your hotel premises or provide a free continental breakfast to all your guests (except weekly and monthly guests who are charged a discounted weekly or monthly rate).

Hospitality leases office space in its corporate office building to third parties. If you purchase a franchise from Hospitality, you will compete for guests with other franchised or independent hotels, and lodging facilities, and, if you operate a restaurant, other franchised and independent restaurants. While your sales will occur throughout the year, sales are somewhat seasonal, with the months of March through October usually having higher sales than the months of November through February except hotels located in central Florida, southern Florida, and the Bahamas which usually have higher sales in the months of December through April. There may be laws or regulations specific to the hospitality industry other than laws and regulations that apply to business generally. It is the obligation of the franchisee to research and comply with those laws.

From April 1991, through a portion of April, 1993, Hospitality conducted a business of the type to be operated by you. From December 1977, through the present, Hospitality has offered franchises for the type of business to be operated by you. Hospitality has never offered franchises in any other line of business. Neither RCII or SSI are engaged in franchising activities.

## **ITEM 2. BUSINESS EXPERIENCE.**

### **President, Chairman of the Board of Directors - Christopher Guimbellot**

President, Hospitality (Tucker, Georgia, Present - September 2020; President, Hotel Internet Strategies, (New York City, N.Y.) May, 2015 – Present; Vice President, Director of Marketing Hospitality (Tucker, Georgia) February 2010 – January 2000.

**Vice President of Finance – Puichee “Helen” Somphone**

Vice President of Finance, Hospitality (Tucker, Georgia) since March 16, 2013; Senior Accountant, Hospitality (Tucker, Georgia) 2013 – 2005.

**Director – Susan Guimbellot**

Director, Hospitality (Tucker, Georgia) Present – 2018; Vice President, Revenue and Channel Strategy, HVM6 (Atlanta, Georgia), March 2020 – September 2015.

**Corporate Secretary – Chhaya M. Patel**

Corporate Secretary, Hospitality (Tucker, Georgia) Present-2004; Franchise Development Coordinator, Hospitality (Tucker, Georgia) 2004-2000.

**Director of Franchise Development – Patrick Cheedie**

Director of Franchise Development, Hospitality (Tucker, Georgia) Present – September 2022; Business Development Manager, RLH Corporation (Frisco, Texas) May 2020 – September 2019; Franchise Development Director, Red Roof Hotels, International (Frisco, Texas) March 2019 – March 2018; Franchise Development Director, RLH Corp. (Frisco, Texas) March 2018 – September 2017.

**Director of Franchise Development – Paul Vakharia**

Director of Franchise Development, Hospitality (Tucker, Georgia) Present – February 2020; Regional Manager, Hospitality (Tucker, Georgia) May 2020 – May 2011; President, Rupesh Hospitality Enterprises, Inc. (Vestal, New York) Present – December 1999, President, Realty Investors of USA (Vestal, New York) Present – August 1986.

**Director of Franchise Development – Victor Vescovo**

Director of Franchise Development/AMP Director, Hospitality (Tucker, Georgia) Present – September 2022; Sales Director, Spark Printing Services (Memphis, TN), July 2022 – October 2021; Franchise Development, Red Lion Hotels (Memphis, TN) May 2020 – February 2019; Franchise Development, Cobblestone Hotels (Memphis, TN) January 2019 – February 2018.

**ITEM 3. LITIGATION.**

**Concluded Litigation:**

In Securities and Exchange Commission v. Perpetual Energy Products, Incorporated, et al., Civil Action No. 81 5308 LTL (Kx), United States District Court, Central District of California, filed on October 13, 1981, the Securities and Exchange Commission brought an action under Sections 10(b) and 12(q) of the Securities Exchange Act of 1934 against a number of defendants, including Red Carpet Inns International, Inc. The action was entirely based on events which occurred before October 13, 1981. On January 4, 1982, Mr. Guimbellot became chairman of the board of Red Carpet Inns International, Inc. On June 28, 2004, Mr. Guimbellot resigned as CEO and President of Red Carpet Inns International, Inc. Before that time, Mr. Guimbellot had not been chairman of the board nor had he been a director, officer, or employee of Red Carpet Inns International, Inc. and, therefore, Mr. Guimbellot had no involvement in the

events which led to the action. On or about May 22, 1982, Red Carpet Inns International, Inc. settled the matter by consenting to the entry of a Final Judgment of Permanent Injunction wherein it and those acting for it were permanently enjoined, in connection with the purchase or sale of securities, from knowingly employing any scheme to defraud, from engaging in any act which would operate as a deceit, from making any untrue statements of material facts or omitting to state material facts necessary in order to make statements not misleading, and from filing with the Securities and Exchange Commission registration statements which fail to accurately and fully reflect material information, make untrue statements of material facts, or omit to state material information necessary to make the required statements not misleading.

Franchisor initiated litigation:

- (1) Hospitality International, Inc. v Lake Erie Lodge, Inc. and Hassan “Harry” Muhammed, U. S. District Court for the Western District of Pennsylvania, C.A. 1-21-cv-305; filing date- 11/5/2021; Claim for trademark infringement; (Erie, PA )  
Waiting for Court to issue Default Judgment.
- (2) Hospitality International, Inc. v George Monteiro and Shilpa Monterio, Superior Court of Dekalb County, C.A.21CV3846; filing date- 4/29/2021; Claim for past due fees and liquidated damages. Case settled. (Palmyra, PA)
- (3) Hospitality International, Inc. v C&M, LLC and Bella A. Patel, Superior Court of Dekalb County, C.A. 21CV3767; filed -4/27/2021; Claim for past due fees and liquidated damages. Default Judgment issued and in the process of post-judgment collection (Dothan, AL)
- (4) Hospitality International, Inc. v Shree Balajee Investments, LLC and Pratham Vashisth, U.S. District Court for the District of Kansas C.A. 2:22-cv-02065-JAR-RES; filed 2/17/2022; Claim for trademark infringement. Infringing signs were taken down and case was dismissed (Salina, KS)
- (5) Hospitality International, Inc. v Kartik Hospitality, LLC and Kartik Patel, Superior Court of Dekalb County, C A. No. 22CV5611; filed- 6/15/2022; Claim for past due fees and liquidated damages. Judgment received and collected (South Plainfield, NJ).
- (6) Hospitality International, Inc. v BM Hospitality, LLC, United States District Court, District of New Jersey, CA No.1:22-cv-04891; filed- 8/3/2022; Claim for trademark infringement and damages. Awaiting issuance of Default Judgment (Browns Mill, NJ)
- (7) Hospitality International, Inc. v Carney’s Point Hospitality, LLC, Superior Court of Dekalb County, C.A. No.23CV2489; filed February 24,2023 (Carney’s Point, NJ); Claim for past due fees and liquidated damages.
- (8) Hospitality International, Inc. v Shree Sai Hospitality, LLC, Superior Court of Dekalb County, C.A. No 23CV 2494; filed February24,2023 (N. Sioux City, SD). Claim for past due fees and liquidated damages.

Other than these actions, no litigation is required to be disclosed in this Item.

**ITEM 4. BANKRUPTCY.**

No bankruptcy information is required to be disclosed in this Item.

**ITEM 5. INITIAL FEES.**

You must pay an Application Fee when you sign the Franchise Agreement if you are converting an existing hotel to our System. If the hotel is being newly constructed, the Application Fee is due 60 days from commencement of construction.

The amount of the Application Fee is the same for all Franchisees and is \$1,800.00. The Application Fee is payable in a lump sum and is not refundable under any circumstances. The Application Fee is payable only after you have had this disclosure document for at least 14 calendar days, not including the day you received it.

You must pay the initial Franchise Fee when you sign the Franchise Agreement. The initial Franchise Fee is in addition to the Application Fee you pay us and is non-refundable.

The amount of the Initial Franchise Fee is not identical for each Franchisee. It depends on the type of hotel you will operate. The initial fee for a Passport Inn hotel, a Passport Inn & Suites hotel, a Downtowner Inns hotel, and a Downtowner Inns & Suites hotel is \$7,500.00. The Initial Franchise Fee for a Scottish Inns hotel, a Scottish Suites hotel, a Scottish Inns & Suites hotel, a is \$10,000.00. The Initial Franchise Fee for a Red Carpet Inn hotel, a Red Carpet Suites hotel, a Red Carpet Inn & Suites hotel is \$10,000.00. The Initial Franchise Fee for a Master Hosts Inns hotel and a Master Hosts Resort hotel is \$15,000.00. The Initial Franchise Fee is payable in a lump sum. The Initial Franchise Fee is always non-refundable. During the last fiscal year that ended on December 31, 2022 the range of initial Franchise Fees paid by Franchisees were between \$4,000 and \$7,000.00.

**ITEM 6. OTHER FEES.**

| <b>Type of Fee</b>  | <b>Amount</b>   | <b>Due Date</b>   | <b>Remarks</b>  |
|---|---|---|---|
| Fixed monthly fee (including Royalty & Marketing Fee)(See Notes 1 and 2)                                  | \$40.00 per room – \$25 to be credited on Franchisee’s books as a royalty fee and \$15 as a marketing fee | Paid in advance on the 1 <sup>st</sup> day of the month | May be increased upon renewal; subject to CPI adjustment.   |
| Reservation Fees includes GDS Fee, Direct Connect/Channel Connect, Also IBE Fee & Call Center Service Fee | Cost of booking fee determined by source of reservation plus Franchisor service fee.                      | Upon receipt of bill                                    | Payable for all reservations booked and not cancelled through Sabre Hospitality Solutions.          |
| Convention Fee  | \$35.00 per property per month, cannot be increased more than once a year.                                | Upon receipt of bill                                    | For national and regional conventions as well as marketing or training seminars as determined by us |

| <b>Type of Fee</b>                                | <b>Amount</b>   | <b>Due Date</b>   | <b>Remarks</b>   |
|---|---|---|--|
| Non-Compliance Fee                                | \$275 per month   | Upon receipt of bill  | We may assess this fee if you fail to participate fully in the Sabre Central Reservations System   |
| Service Charges                                   | \$100.00 per late payment plus 1½% per month from date of the underpayment to payment                                   | Upon receipt of bill  | Applies to all payments due by you to us   |
| Audit Fee   | Costs of audit and service charges of not less than \$500.  | Upon receipt of bill  | Payable if audit shows an underpayment of at least 3% or if you fail or refuse to provide the required books and records or fail to cooperate with our audit so that it cannot be completed. |
| Expense Reimbursement for Defaults                | Amount of expense caused by your default  | Upon receipt of bill  | Payable only if we make a payment to a third party that would have otherwise been due by you   |
| Complimentary Room Nights                         | Twenty (20) room nights per year  | Use of room nights is based on availability at the time we or our assignees make the request. | You will incur operating costs associated with supplying the rooms.  |
| Special Assessment                                | Set by us, but not to exceed \$25.00 per guest room per assessment, with no more than two assessments per calendar year | Upon receipt of bill; no more than two assessments per calendar year                          | For specific purposes such as advertising and continuing education   |
| Transfer Fee                                      | \$1,500   | Upon your application to transfer the franchise   | This fee compensates us for our administrative and legal expenses in association with the transfer of the franchise  |
| Taxes Imposed Against Us By Your Governing Entity | May vary (if imposed) by Jurisdiction   | Upon receipt of bill  | Will only be due if tax is imposed on us   |
| Travel Agent Commissions                          | Commission for reservations booked by Travel Agents – minimum fee is 10%  | Upon receipt of bill  | Payable on all reservations booked by a Travel Agent – minimum fee is 10%. At some point, commissions may be billed by Hospitality International and paid to Hospitality International.      |

Note 1: Your duty to pay the Monthly Franchise Fee begins at the earlier of (a) the date you begin operations under the Hospitality System; (b) the date agreed upon by us and you as the date by which you

must begin operations under the Hospitality System; or (c) the date when the “great” sign is erected.

21 percent of the monthly Royalty Fee from each Red Carpet Inn hotel, Red Carpet Suites hotel, Red Carpet Inn & Suites hotel, Master Hosts Inns hotel, and Master Hosts Resort hotel is paid by Hospitality to Red Carpet Inns International, Inc. which owns and licenses those trade names to Hospitality. 23.45 percent of the monthly Royalty Fee paid by Hospitality’s Scottish Inns, Scottish Suites, Scottish Inns & Suites, Franchises is paid by Hospitality to Southern Scottish Inns, Inc. which owns and licenses those Marks to Hospitality.

Note 2: Any fee which is expressed as a flat amount is subject to an increase on an annual basis based upon an increase in the Consumer Price Index The term “CPI Adjustment” refers to our right to increase a fee based upon an increase in the Consumer Price Index: All Urban Consumers (CPI-U), published by the Bureau of Labor Statistics, U.S. Department of Labor, or a comparative index we select if the foregoing index is no longer published.

Note 3: GDS = Global Distribution System, IBE = Internet Booking Engine

Except as otherwise disclosed in this Item 6, the payments disclosed in this Item 6 are imposed by and are payable to Hospitality and are non-refundable and not imposed or collected in whole or in part on behalf of a third party. The fees disclosed in Item 6 are not uniformly imposed on all franchisees. The monthly royalty fee may be negotiated and our decision to vary the royalty fee is dependent on various factors that we will evaluate on a case by case basis, including; (a) the franchisee’s business background; (b) the experience of the franchisee or its management; (c) local market conditions; (d) location of the hotel; (e) such other factors that we may determine.

**ITEM 7. ESTIMATED INITIAL INVESTMENT.**

**YOUR ESTIMATED INITIAL INVESTMENT**

**CONVERTED HOTEL ONLY (40 Rooms)**

The Estimated Initial Investment will vary for larger or smaller hotel.

| <b>Name of Fee</b> | <b>Amount</b> | <b>Method of Payment</b> | <b>When Due</b>                        | <b>To Whom Payment is to be Made</b> |
|--------------------|---------------|--------------------------|--|--------------------------------------|
| Application Fee    | \$1,800       | Lump Sum                 | Upon signing the Application Agreement | Hospitality                          |

| Name of Fee   | Amount   | Method of Payment       | When Due                             | To Whom Payment is to be Made            |
|---|--|-------------------------|--------------------------------------|--|
| Initial Franchise Fee                                       | For Passport Inn, Passport Inn & Suites, Downtowner Inns and Downtowner Inns & Suites is \$7,500; for Scottish Inns, Scottish Suites, Scottish Inns & Suites, is \$10,000, Red Carpet Inn, Red Carpet Suites, Red Carpet Inn & Suites is \$10,000, Master Hosts Inns, and Master Hosts Resort, is \$15,000 , | Lump Sum                | Upon signing the Franchise Agreement | Hospitality                              |
| “Great” Sign  | \$2,500 to \$10,000 (See Note 1)   | Lump Sum or as arranged | Before Opening                       | Vendor                                   |
| Travel and Living Expenses While Attending Initial Training | \$100 to \$1,000   | Lump Sum                | As Incurred                          | Airlines, Restaurants, Lodging Providers |
| Improvements  | \$25,000 to \$270,000 (See Note 2)   | As Incurred             | Before Opening                       | Contractors and Vendors                  |
| Property Management System                                  | \$300 - \$9,000  | As required by vendor   | As required by vendor                | Vendor                                   |
|   | \$10,000 to \$50,000 (See Note 3)  | Lump Sum                | Before Opening                       | Insurer                                  |
| Additional Funds three months                               | \$90,000 to \$175,000 (See Note 4)   | As Incurred             | As Incurred                          | Hospitality, Employees, and Suppliers    |
| <b>Total</b>  | <b>\$134,000 to \$531,100</b> (See Notes 5 and 6); The total does not include real estate costs and other miscellaneous costs which have already been incurred.  |                         |                                      |  |



**NEW RED CARPET INN HOTEL, NEW RED CARPET SUITES HOTEL, NEW RED CARPET INN & SUITES HOTEL, NEW DOWNTOWNER INNS HOTEL, NEW DOWNTOWNER INNS & SUITES HOTEL, NEW MASTER HOSTS INNS & MASTER HOSTS RESORTS, NEW SCOTTISH INNS HOTEL, NEW SCOTTISH SUITES HOTEL, NEW SCOTTISH INNS & SUITES HOTEL, NEW PASSPORT INN HOTEL, NEW PASSPORT INN & SUITES HOTEL (40 Rooms)**

The Estimated Initial Investment will vary for larger or smaller hotel.

| <b>Name of Fee</b>   | <b>Amount</b>   | <b>Method of Payment</b> | <b>When Due</b>                                | <b>To Whom Payment is to be Made</b>         |
|--|---|--------------------------|--|--|
| Application Fee  | \$1,800   | Lump Sum                 | Payable upon signing the Application Agreement | Hospitality                                  |
| Initial Franchise Fee<br>Passport Inn,<br>Passport Inn & Suites,<br>Downtowner Inns,<br>Downtowner Inns & Suites<br>Scottish Inns,<br>Scottish Inns & Suites<br>Red Carpet Inn & Red Carpet Inn & Suites<br>Master Hosts Inns & Master Hosts Resorts | \$7,500<br><br>\$10,000<br><br>\$10,000<br><br>\$15,000 | Lump Sum                 | Upon signing the Franchise Agreement           | Hospitality                                  |
| Travel and Living Expenses While Attending Initial Training  | \$100 to \$1,000  | Lump Sum                 | As Incurred                                    | Restaurants, Airlines, and Lodging Providers |
| Real Estate  | varies  | Lump Sum                 | Before Opening                                 | Third Party Property Owner                   |
| Improvements   | \$675,000 to \$1,500,000 (See Note 7)                   | As Incurred              | Before Opening                                 | Contractor                                   |
| Furniture and Equipment  | \$500,000 to \$700,000                                  | As Incurred              | Before Opening                                 | Vendors                                      |
| “Great” Sign   | \$10,000 to \$35,000 (See Note 1)                       | Lump Sum or as arranged  | Before Opening                                 | Vendor                                       |

| <b>Name of Fee</b>              | <b>Amount</b>                                  | <b>Method of Payment</b> | <b>When Due</b>       | <b>To Whom Payment is to be Made</b>  |
|---------------------------------|--|--------------------------|-----------------------|---------------------------------------|
| Insurance                       | \$10,000 to \$50,000<br>(See Note 3)           | Lump Sum                 | Before Opening        | Insurer                               |
| Property Management System      | \$300 - \$9,000                                | As required by vendor    | As required by vendor | Vendor                                |
| Miscellaneous Opening Expenses  | \$80,000 to \$150,000                          | As Incurred              | Before Opening        | Suppliers, Utilities, etc.            |
| Additional Funds – three months | \$100,000 to \$150,000 (See Notes 4 and 5)     | As Incurred              | As Incurred           | Hospitality, Employees, and Suppliers |
| <b>Total</b>                    | <b>\$1,384,700 to \$2,611,800</b> (See Note 5) |                          |                       |                                       |

Note 1: Your expenditure for a “great” sign will depend on whether you purchase or lease it. If you purchase the “great” sign, the approximate amount of the purchase price ranges from \$10,000.00 to \$30,000.00. If you are converting a hotel and only need to purchase sign faces, the purchase price may be as low as \$2,500.00. The actual cost of a “great” sign plus installation is dependent on its size and height.

Note 2: If you are converting a hotel, you will typically incur between \$500.00 per room and \$13,400.00 per room for improvements to your hotel premises, hotel furniture, and equipment.

Note 3: Insurance premiums are usually partially refundable. The refundability of your insurance premiums depends on the provisions of your insurance contract. The figure in the above chart is an estimated 1 year’s premium.

Note 4: This estimates your initial startup expenses. These expenses include payroll costs. These figures are estimates and Hospitality cannot guarantee that you will not have additional expenses in starting the business. Your costs will depend on factors such as: how you follow Hospitality's methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for hotel services; the prevailing wage rate; competition; and the sales level reached during the initial period. The amount of additional funds for a Scottish Inns hotel, a Scottish Suites hotel, a Scottish Inns & Suites hotel, a Passport Inn hotel, a Passport Inn & Suites hotel, a Red Carpet Inn hotel, a Red Carpet Suites hotel, a Red Carpet Inn & Suites hotel, a Downtowner Inns hotel, a Downtowner Inns & Suites hotel, a Master Hosts Inns hotel and a Master Hosts Resort hotel is estimated to range between \$90,000.00 and \$175,000.00. We cannot accurately estimate the cost of real estate due to the great variations in the price of real estate throughout the United States.

Note 5: Hospitality relied on its over 25 years of experience in the business of offering franchises in order to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

Note 6: Includes the costs for plans and specifications, improvements to the hotel premises, and the construction of the hotel facility. The costs for plans and specifications for any of those types of hotels will typically range between \$25,000.00 and \$50,000.00.

Note 7: None of the above fees that are paid to us are refundable. Amounts payable to third parties may be refundable, depending on your agreement with that particular vendor.

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

Except as otherwise disclosed in this Item, we do not currently require you to purchase or lease any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, or real estate relating to establishing or operating the franchised business from us, any of our designees, or any supplier approved by us.

We have prepared a confidential operating manual for the use of all Franchisees (which is entitled "Standards of Operation"). The confidential operating manual contains some of the minimum specifications for the operation of the franchise. We may update the confidential operating manual with supplements which are mailed or e-mailed to all Franchisees. We may also update the operating standards by sending other written materials to all Franchisees. We may change any minimum specifications. You will receive notice of any change through updates to the confidential operating manual. Goods, supplies, fixtures, and equipment used in establishing and operating your hotel must be purchased in accordance with the specifications in the operating manual.

In the future, we may require that you purchase or lease any or all items only from approved suppliers who demonstrate, to our continuing reasonable satisfaction, the ability to meet our minimum specifications for these items and who have been approved to supply these items in writing by us and not disapproved to supply these items in writing by us at a later date.

As of January 1, 2019, all new Franchisees have been required to participate in the Sabre Central Reservations System (Synxis) as their exclusive reservations solution. Full participation is required, which consists of: (i) full availability of room inventory; (ii) rates must be loaded at all times for a minimum of 365 days; (iii) vanity websites must use the Sabre Booking Engine for the reservations solution. If Franchisee uses Expedia, Booking.com, or Priceline online travel agent services, it is required to use the Direct Connect Channel Solutions through the Sabre Central Reservation System. These reservations will be subject to a nominal reservation fee. In the event that Hospitality International changes reservations providers, this requirement will apply to the new provider. The use of third-party booking engines or central reservations providers are prohibited. Franchisor reserves the right to enter into system-wide agreements with on-line travel agencies ("OTAs") and to require Franchisees to participate in them.

If you choose to purchase any item (1) which does not meet our minimum specification(s) or (2) from a supplier who may not be required to be approved by us, then either you or the supplier should submit a sample of the products to us. We will consider approving the product or supplier (we will not unreasonably withhold our approval) and will issue our response either orally or in writing. We do not have a published criterion for approval of alternative suppliers that is available to franchisees. We currently do not impose a charge for evaluating a proposed alternative supplier. We will provide franchisees of our approval or disapproval of a proposed alternative supplier within 60 days of the request.

Subject to the exceptions that affiliates of ours may sell or lease unimproved real property or hotels, to you (with those affiliates currently being RCII and SSI) neither we nor any of our affiliates is an approved supplier, or the only approved supplier for any goods, services, supplies, fixtures, equipment, inventory, or real estate relating to establishing or operating the franchised business. There are no suppliers in which an officer of the franchisor owns an interest. To the best of our knowledge and belief, there is no instance where Franchisees are limited to only one source of supply for any particular item. If you need hotel furniture or hotel renovation work, you may use any supplier without obtaining our approval. If you want

to buy or lease unimproved real property a hotel, a lounge, or a restaurant, you do not have to buy or lease an unimproved real property a hotel a lounge or a restaurant from us or any of our affiliates.

Although we derive some income as a result of purchases made by you from some of the various approved suppliers of goods and services, you are not obligated to purchase or lease any goods or services from any approved supplier from whom we derive any income. Certain approved vendors pay us a rebate of up to 2% based upon purchases from franchisees. With the exception of those rebates, we do not receive any revenue or other material consideration as a result of purchases or leases by you from any approved supplier. Although our affiliates may derive income as a result of your purchases or leases, you are not obligated to purchase or lease from any of our affiliates.

In 2022, we received revenues of \$1,228.15 as rebates from non-affiliated suppliers as a result of purchases made by Franchisees which represents .007% of our total revenue of \$1,928,477.

All of your required purchases, which include items you must purchase from us or any affiliate or approved supplier of ours, and items you must purchase in accordance with our specifications, will represent approximately 10% of your total purchases in connection with the establishment of your franchised hotel and approximately 2% of your total purchases in operating the franchised hotel.

None of our officers own an interest in any supplier.

We do not currently negotiate purchase arrangements with suppliers (including prices and terms) for the benefit of Franchisees. We do not guarantee or represent that any purchase arrangements will benefit you. There are no purchasing or distribution cooperatives in our franchise system.

We do not provide material benefits to you based on your use of designated or approved sources.

You must obtain and keep in force the following insurance policies which must name us and our affiliates as additional insured parties:

- (1) **Workers' Compensation Coverage**
  - a. Employer's liability insurance with minimum limits of \$1,000,000.00 each accident, \$1,000,000.00 each disease, \$1,000,000.00 aggregate;
  - b. Workers' Compensation Insurance, Statutory Coverage.
- (2) **General Liability**

General Liability coverage is to be maintained for the Hotel (including restaurant and lounge if applicable, at the coverage limits of \$1,000,000.00 per occurrence and \$2,000,000.00 aggregate (including coverage for product liability, completed operations, contractual liability, host liquor liability, if applicable, whether leased to a third party or operated by you, and fire legal liability) naming us and the appropriate affiliated company as additional insureds.
- (3) **Liquor Liability**

The holder of the liquor license (whether leased to a third party or operated by you) will maintain liquor liability insurance with single-limit coverage for personal and bodily injury and property damage of at least \$1,000,000.00 for each occurrence naming us and the appropriate affiliated company (and you, if applicable) as additional insureds.
- (4) **Auto Liability**

Comprehensive automobile liability insurance (including hired and non-owned unit) with single-limit coverage for personal and bodily injury and property damage of at least \$1,000,000.00 for each occurrence if the hotel or its parent corporation owns any vehicle used in the operation of the business, naming us and the appropriate affiliated company as additional insureds.

- (5) **Umbrella Coverage**  
You must maintain an umbrella policy with minimum coverage of \$2,000,000 naming us and the appropriate affiliated company as additional insureds.
- (6) **Special Limit**  
If multiple locations are insured on policies containing an aggregate limit, then the aggregate limit must apply on a per location aggregate basis.

**ITEM 9. FRANCHISEE'S OBLIGATIONS.**

**This Table Lists Your Principal Obligations Under The Franchise And Other Agreements. It Will Help You Find More Detailed Information About Your Obligations In These Agreements and in Other Items Of This Disclosure Document**

| <b><u>Obligation</u></b>                                    | <b><u>Paragraph in Agreement</u></b>   | <b><u>Item in Disclosure Document</u></b> |
|---|--|---|
| a. Site selection and acquisition/lease                     | No obligation is imposed   | N/A                                       |
| b. Pre-opening purchases/leases                             | Paragraphs 6(a), 6(b), 6(c), 6(d); 7(b), 7(d), and 7(k)                      | Items 5, 7, and 8                         |
| c. Site development and other pre-opening requirements      | Paragraphs 2(b), 6(a), 6(b), 6(c), 6(d), 7(e), 7(l), and 8                   | Items 7 and 11                            |
| d. Initial and ongoing training                             | Paragraph 7(m)   | Item 11                                   |
| e. Opening  | Paragraphs 2(b), 7(c), 7(e)  | Item 11                                   |
| f. Fees   | Section 5  | Items 5, 6, and 7                         |
| g. Compliance with standards and policies/ Operating Manual | Paragraphs 7(c), 7(d), 7(e), 7(f), 7(h), 7(i), 7(j), Section 8               | Item 11                                   |
| h. Trademarks and proprietary information                   | Paragraphs 2(a), 7(a), 7(b), 7(d), 12(a)(i), 12(a)(ii), 12(a)(iii), 12(a)(v) | Items 13, 14, and 17                      |
| i. Restrictions on products/ services offered               | Paragraphs 7(d), Section 8   | Item 16                                   |
| j. Warranty and customer service requirements               | Paragraphs 7(c), 7(d), 7(j)  | Item 11                                   |
| k. Territorial development and sales quotas                 | None   | N/A                                       |
| l. Ongoing product/service purchases                        | None   | N/A                                       |
| m. Maintenance, appearance, and remodeling requirements     | Paragraphs 7(c), 7(d), 7(n), and Section 8                                   | Item 11                                   |
| n. Insurance  | Paragraphs 6(b) and 7(k)   | Items 6, 7 and 8                          |

| <u>Obligation</u>  | <u>Paragraph in Agreement</u>  | <u>Item in Disclosure Document</u> |
|--|--|------------------------------------|
| o. Advertising   | Paragraphs 5(b) and 7(b)   | Items 6, 7, and 11                 |
| p. Indemnification   | Paragraph 9(c)   | Item 6                             |
| q. Owner's participation/ management/ staffing   | Paragraph 7(d)   | Items 11 and 15                    |
| r. Records and reports   | Paragraphs 5(f), 7(d) and 7(o)   | Item 6                             |
| s. Inspection and audits   | Paragraphs 2(b), 5(d), 7 (d), 7(e), 7(f); Paragraph 2 of Application Agreement | Items 6, 7, and 11                 |
| t. Transfer  | Section 10   | Item 17                            |
| u. Renewal   | Section 3  | Item 17                            |
| v. Post-termination obligations  | Section 12   | Item 17                            |
| w. Non-competition covenants   | None   | N/A                                |
| x. Dispute resolution  | Sections 14, 16 and 17   | Item 17                            |
| y. Other (Provision of room night accommodations for inspections and promotion) (Acceptance of credit cards) | Paragraphs 7(g) and 7(h) of Franchise Agreements                               | Not discussed in any other Item    |

#### **ITEM 10. FINANCING.**

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

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

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

**Before you open your Hotel, we will do the following:**

Before you begin to operate under the Hospitality System, we agree to loan you a copy of the Manual (Franchise Agreement, ¶ 4(a)).

Before you begin to operate under the Hospitality System, we also agree to provide you, upon your reasonable written or verbal request, the following:

Provide opportunities for your personnel to consult with and gain the benefit of our staff's knowledge with respect to the operation of hotels operating under the System and with respect to specific problems which you may encounter in operating the hotel. If our staff is unable to provide beneficial information, we shall make diligent efforts to obtain and relate to your beneficial information from other sources; (Franchise Agreement, ¶ 4(c)(i));

Provide assistance in instituting efficient methods of hotel or hotel operation generally practiced in other hotels and hotels operating under the System (Franchise Agreement, ¶ 4(c)(ii));

Provide the name, address, and telephone number of at least one (1) sign company that manufactures, installs, erects, and maintains "great" signs that conform with our requirements (Franchise Agreement, ¶ 4(c)(iii));

Provide opportunities to send your supervisory personnel to visit and observe the operations of other hotels or hotels operating under the System; provided, however, you shall bear the expense of any such visit and observation (Franchise Agreement, ¶ 4(c)(iv));

Provide such information that we may have concerning possible sources of equipment, fixtures, furnishings, and other products and services available for use in the operation of the Hotel (Franchise Agreement, ¶ 4(c)(v)).

Franchisor does not typically own premises which is then leased to a franchisee.

In addition to any assistance listed above which we have obligated ourselves to supply before the opening of your hotel, we may, although we are not obligated to do so by the Franchise Agreement or any other agreement, provide you with advice in remodeling or constructing the hotel.

**During your operation of your hotel, we agree to provide you, upon your reasonable written or verbal request, the following:**

Opportunities for your personnel to consult with and gain the benefit of our staff's knowledge with respect to the operation of hotels operating under the Hospitality System and with respect to specific problems which you may encounter in operating your hotel. If our staff is unable to provide beneficial information, we shall make diligent efforts to obtain and relate to you beneficial information from other sources (Franchise Agreement, ¶ 4(c)(ii));

Assistance in instituting efficient methods of hotel or hotel operation as nearly as similar to those now generally practiced at other hotels and hotels operating under the Hospitality System (Franchise Agreement, ¶ 4(c)(ii));

The name, address, and telephone number of at least one sign company which manufactures, installs, erects, and maintains "great" signs that conform with our requirements (Franchise Agreement, ¶ 4(c)(iii));

Opportunities to send your supervisory personnel to visit and observe the operations of other hotels or hotels operating under the Hospitality System. You must bear the expense of any visit and observation (Franchise Agreement, ¶ 4(c)(iv)); and,

Any information that we may have concerning possible sources of equipment, fixtures, furnishings, and other products and services available for use in the operation of your hotel or hotel (Franchise Agreement, ¶ 4(c)(v)).

During the operation of your hotel, we also agree as follows:

We shall exercise reasonable efforts to protect and maintain the Marks. We shall monitor your use of the Marks and the nature and quality of the services rendered by franchisees (Franchise Agreement, ¶ 4(b)).

Our Assurance and Marketing Program Directors shall make periodic visits and inspections of all properties operated under the System and of the products and services they offer (Franchise Agreement, ¶ 4(d)).

We agree to promote and encourage the use of Hospitality System facilities by the traveling public through our maintenance and control of the Combined Advertising Account. As disclosed in Item 6 above, you are charged a marketing fee which will be deposited into the Combined Advertising Account. We have the the discretion to use the Combined Advertising Account for national and/or regional marketing, promotion, advertising, and related business purposes including the maintaining and keeping the Booking Website [www.stayhihotels.com](http://www.stayhihotels.com) up to date, and any other related materials; the operation of a Reservation System; and, the booking of guests through group tour operators, travel agents, Sabre, and other travel related web sites (the internet).

We may use the Combined Advertising Account to meet any and all costs incident to national and/or regional marketing, promotion, advertising, related purposes and reservation services including overhead expenses which are reasonably allocable to any such purpose. While we agree to make diligent efforts to use the combined advertising account for the benefit of all Franchisees operating under the Hospitality System, we are not under a duty to make any proportionate distribution of the benefits of the Combined Advertising Account among the Franchisees. No funds from the Combined Advertising Account will be expended solely for the benefit of any individual Franchisee. Other Franchisees may not directly or indirectly contribute the same percentage or amount to the combined advertising account as you (Franchise Agreement, ¶ 4(e)).

The media in which the advertising under our advertising program may be disseminated include print, billboards, radio, television, and the internet. The coverage of the media is generally regional or national in scope. Most advertising is prepared in-house at our headquarters, but we may use a national or regional advertising agency for radio or television advertising. In addition to our advertising program, you are encouraged to use your own advertising materials as long as those advertising materials do not improperly use any of Hospitality's Marks or violate any applicable law, ordinance, rule, or regulation. You may be required to participate in local, regional cooperative or national advertising. Only Franchisees must make contributions to Hospitality's advertising program (the combined advertising account). However, we may voluntarily contribute to the advertising program and so may approved vendors. We do not have any Franchisor-owned units and therefore no Franchisor-owned units contribute to the fund. Other Franchisees may be required to contribute, directly or indirectly, at the same or at a different rate that might be lower or higher than your rate. We administer the combined advertising account. Within the first 120 days of each calendar year, the combined advertising account is audited. Our audited annual financial statements may be obtained by any Franchisee who makes a written request for them to our President, and those statements include the results of the audit of the combined advertising account. During the most recently concluded fiscal year, (i.e., the year ending December 31, 2022), the funds contributed by Franchisees to the combined advertising account were \$382,365.56. During that year, Hospitality expended \$520,445.74. Out of that amount, approximately 15% was spent on production, approximately 8% was spent on media placement, approximately 16% was spent on other items which included reservation services and approximately 61% was spent on administrative expenses including our overhead expenses which were reasonably allocable to any of those items. No funds were expended from the advertising fund to solicit new franchise sales. Neither we nor any of our affiliates receive payment for providing services to the combined advertising account except that we receive the advertising and marketing fees paid by Franchisees which we may use to cover the cost of providing services as permitted by the Franchise Agreement.

We do not have to spend any amount on advertising in the area or territory where your franchise will be located. When applicable, we will carry forward any marketing fees that are not spent in the fiscal year in which they accrue, until any remaining amounts are spent in a future year or years. While Franchisees may review Hospitality's audited financial statements which include the results from the audit of the combined advertising account, Franchisees do not automatically receive a periodic accounting of how marketing fees are spent. For more information regarding your duty to pay marketing fees which become part of the combined advertising account, see Items, 6, 8, and 9 of this Franchise Disclosure Document.

We have a Franchise Advisory Council that advises us on many aspects of the System, including franchise development, franchisee initiatives, and consumer marketing and advertising. The Franchise Advisory Council will initially be comprised of 5 franchisee representatives, 1 vendor representative and 1 representative of the Franchisor. The Franchise Advisory Council will also serve in a general advisory role but will not have decision-making authority.

We shall contract for or maintain a reservation center (Franchise Agreement, ¶ 4(f)). We have contracted with Sabre Hospitality Solutions, Inc. to provide reservation services to our Franchisees.

We shall maintain a website which allows guests to locate our Inns and book real-time reservations, as well as to enroll in our guest loyalty program. The website's current address is [www.stayhihotels.com](http://www.stayhihotels.com);

We shall make reasonable efforts to improve and expand the Hospitality International System



through enforcement of quality assurance standards and through the sale of additional franchises (Franchise Agreement, ¶ 4(g)); and,

We shall schedule an initial training program at least one time per year which shall typically have a duration of at least ten (10) hours over one to two days. This initial training may be incorporated into a national or regional convention, gathering or seminar. The Training program may be conducted virtually or in person and the program may be broken into segments. The training will provide instruction on such subjects as front desk operations, housekeeping, marketing, public identification, safety and security, guest expectations and needs, Hospitality's services, Hospitality's Standards of Operation Manual, the benefits of being a Franchisee, mutual cooperation, and the roles of Hospitality and you in the Hospitality System (Franchise Agreement, ¶ 4(h)). Initial training programs may be held at a hotel located anywhere in the continental United States, at the offices of Hospitality in Tucker, Georgia, or at such other location as Franchisor may determine for the convenience of franchisees. If a program is postponed due to an insufficient number of registrants, upon request, we may offer a substitute training program for new Franchisees that may be conducted at a location such as the Franchisee's hotel. The substitute training program shall be a condensed version of the training program summarized in this Item. You or a member of your management staff must attend the next available initial training program after your hotel becomes operational unless we agree to permit you to postpone your attendance. More information on the training program is set forth in the following table.

The typical agenda of the initial training program is as follows:

#### **TRAINING PROGRAM**

| <b>Subject</b>              | <b>Hours of Classroom Training</b> | <b>Hours of On-the-Job Training</b> | <b>Location</b> |
|-----------------------------|------------------------------------|-------------------------------------|-----------------|
| Safety & Security           | 2.0                                | 0                                   | Note 1          |
| Marketing                   | 1.0                                | 0                                   |                 |
| Revenue Management          | 1.25                               | 0                                   |                 |
| Standards of Operations     | .5                                 | 0                                   |                 |
| Trademarks & Signage        | .5                                 | 0                                   |                 |
| Quality Assurance           | .75                                | 0                                   |                 |
| Front Office Management     | .5                                 | 0                                   |                 |
| Marketing Programs          | 1.5                                | 0                                   |                 |
| Reservations                | .5                                 | 0                                   |                 |
| Sabre Hospitality Solutions | 2.0                                | 0                                   |                 |

Note 1: The initial training may be conducted virtually, at our headquarters in Tucker, Georgia or at the location of a franchisee convention, depending on the number of persons attending.

The initial training is coordinated by the Franchise Operations Department. The trainers include Gary Gobin, Victor Vescovo, Penny Duelk and Patrick Cheedie. Gary Gobin is the Director of Operations and has been with Hospitality International for 5 years. He is a Sabre-Certified trainer in the CRS. Penny Duelk and has been with Hospitality International for 4 years. Mr. Gobin, Mr. Cheedie, Ms. Duelk, and

Mr. Vescovo have extensive training and knowledge with Sabre CRS. We also utilize outside trainers for subjects related to specialized marketing and reservations programs.

The instructional material used in the initial training consists of the Manual, handouts, videos, and computer demonstrations. We do not charge you for training materials provided at the initial training program, but you are responsible for the transportation expenses, some meal expenses and all lodging expenses incurred by you and any members of your management staff at the initial training program. We do not pay any compensation to you or your employees while in training. The initial training must be completed to our satisfaction. Franchisee if an individual, or its principal owner, if an entity, must attend and successfully complete training.

In addition to any assistance or services listed above which we have obligated ourselves to provide during your operation of your hotel, we intend to provide, although we are not obligated to by the Franchise Agreement or any other agreement, the following services and assistance to you:

Regional training seminars or conferences designed to provide continuing education to you and other Franchisees with information regarding the operation of your hotels, with these seminars usually focusing on marketing, advertising, operations, reservations, or other topics; and, On-site and remote/web based training seminars designed to provide you and other Franchisees with advice and counsel regarding housekeeping and front desk operations.

Although the Franchise Agreement does not obligate us to provide any other training programs or training seminars, we currently offer on-site training (on an as-needed basis) at each Franchisee's hotel. The on-site training (which is provided on an as-needed basis) is offered to you and all members of your management staff and is generally optional.

We require you to buy and use a computer system with internet access, email, and a property management system that meets our standards and specifications. Our minimum specifications for the computer system are as follows:

- |               |  |
|---------------|--|
| Hardware:     | IBM Compatible PC with the following:<br>Pentium 1 gigahertz (GHz) processor or faster (2 GHz is recommended);<br>Minimum 512 megabytes (MB) of RAM (1GB is recommended);<br>Keyboard and Microsoft Mouse or other compatible pointing device;<br>Video adapter and monitor with Super VGA (1024 X 768) or higher resolution;<br>Inkjet or better printer. |
| Software:     | Windows XP or newer operating system with Internet Explorer 6.0 or above   |
| Connectivity: | 25 Mbps internet connection (100 Mbps recommended)   |

The cost of purchasing or leasing the computer hardware and software systems is approximately \$1,000.00 to \$3,000.00. The property management system will cost between \$300 and \$9,000. We do not require you to enter into any support or maintenance contracts or agreements or to upgrade the computer hardware and software systems. If you choose to update your computer hardware or software systems, we anticipate the annual cost to be between \$500 to \$3,000 per year.

There is no contractual limitation on our ability to require you to upgrade any computer hardware or software. Neither the franchisor, any affiliate or third party has any obligation to provide ongoing maintenance, repairs, upgrades, or updates to your computer system, unless you have independently contracted with a third party to do so.

We will have independent access to reservation information and data that you collect electronically.

You may maintain an internet web site for your hotel; however, you may not use any of the Marks in your domain name. You must obtain our approval of any proposed website prior to its use. We have the sole discretion to approve any website you propose to publish. You must, however, connect to the Sabre

booking engine for reservations from your website and no other channel, such as your Property Management System or an external OTA.

You will be required to purchase and maintain a Property Management System (“PMS”) at your hotel. The PMS will be used to process all reservations and walk-in customers. At this time Hospitality International does not designate any specific PMS, but we reserve the right to do so in the future. Hospitality International currently maintains a list of recommended vendors for the PMS.

**Local Internet Directories.** Franchisee shall grant Franchisor the right to claim the Hotel’s listing in local internet directories, including, but not limited to the following: Google My Business, Bing Places for Business, Yahoo Local, Trip Advisor, Yelp, Apple Maps, and Yext. As part of the claims process, all listings will be configured by Franchisor to direct traffic to the [www.stayhihotels.com](http://www.stayhihotels.com) and not to a third-party domain. Should Franchisee wish to access the listing for review management purposes, and the local listing service permits, Franchisor will grant Franchisee with appropriate access. Upon termination or expiration of the Franchise Agreement, the listing will be deidentified with any of Franchisor’s brand names and domain, to the extent possible.

Hospitality's Standards of Operation Manual (known also as the Confidential Operating Manual) contains 138 pages and the table of contents is attached as Exhibit “L”.

We do not select the site for your property or approve an area within which you select a site. Instead, you select a site which is set forth in the Franchise Agreement and which we must approve by our signing of the Franchise Agreement. In approving sites, we consider your hotel's proximity to existing and expected competitors, traffic generators, the hotel's visibility from the street or highway, the hotel's compatibility with its neighborhood, parking availability, and other physical characteristics of the hotel and its furnishings. We also consider your proximity to other Franchisees of Hospitality that operate under the same trade name as you will operate under. Depending on your proximity to another Franchisee that operates under the same trade name, we may also consider the number of hotel rooms in the other Franchisee's hotel and your hotel and the expected market demand for the combined number of hotel rooms. In addition, we consider your proximity to other Franchisees of Hospitality that are operating under a trade name that is different from the trade name under which you will operate. We may also consider the number of hotel rooms in the other Franchisee's hotel(s) and the expected market demand for the combined number of rooms in those hotels. We will also consider the differences in market demand as a result of differences in rates and/or amenities of the hotels. Finally, we will consider whether you are converting a hotel that already competes in the same market area with any other Franchisee of Hospitality or whether you are building a new hotel. There is no time limit within which we must approve or disapprove the site you have selected. If we do not approve of the site you have selected, we will not sign the Franchise Agreement.

In our current experience, the approximate length of time between the signing of the Franchise Agreement or the receipt of any consideration for the franchise and the opening of your business if you convert a hotel is 45 to 180 days. Factors which may affect this time period include the amount of upgrading or refurbishing you may have to do and any delays which you may encounter in receiving delivery of the "great" sign. In our current experience, the approximate length of time between the signing of the Franchise Agreement or the receipt of any consideration and the opening of your business if you build a new hotel is one year or longer. Factors that may affect this time period include difficulties in obtaining financing, zoning, building, environmental, or other preliminary approvals and possible construction delays. If you are converting a hotel, you must open the hotel for business no later than 60 days from the execution of the Franchise Agreement or the release date by a previous franchise brand, subject to the completion of the quality assurance punch-list, which deficiencies, if any must be completed within the time period we specify. If you are constructing a new hotel, you must open the hotel for business within 60 days of the issuance of a Certificate of Occupancy. If you fail to open the hotel within those time periods, we have the

right to terminate the Franchise Agreement.

## **ITEM 12. TERRITORY.**

The franchise is granted for a specific location. We do not permit you to relocate any franchised business or to establish additional franchised locations except through the granting of a new franchise. We may establish other franchised, Affiliate or company-owned locations that may compete with your location by operating under the same trade name as you will operate under or by operating under any other trade name listed in Item 13 of this Franchise Disclosure Document. There are no restrictions on the locations from which we, our Affiliates, or other Franchisees may solicit or accept guest reservations except that each Franchisee may only provide lodging at the Franchisee's hotel. There are no restrictions on the Franchisor from soliciting or accepting orders from consumers inside the franchisee's territory. Franchisor may solicit and accept guest reservations over the internet, telemarketing, or direct marketing sales within the territory using franchisor's principal trademarks. If Franchisor engages in any of those marketing activities in the territory, Franchisee shall not be entitled to compensation. We do not generally grant any Franchisee an option, right of first refusal, or similar right to acquire any additional franchise in any area.

We do not have any plans as of the effective date of this Franchise Disclosure Document to franchise any hotel which will operate under any trade name not listed in Item 13 of this Disclosure Document (i.e., Scottish Inns, Scottish Suites, Scottish Inns & Suites, Passport Inn, Passport Inn & Suites, Red Carpet Inn, Red Carpet Suites, Red Carpet Inn & Suites, Downtowner Inns, Downtowner Inns & Suites, Master Hosts Inns, and Master Hosts Resort), although we may do so in the future. While Hospitality does not have any plans as of the effective date of this Franchise Disclosure Document to operate/manage any hotels or restaurants, Hospitality may do so. Affiliates of Hospitality may in the future, purchase and operate/manage hotels (which may or may not have a restaurant) under any trade name listed in Item 13 of this Disclosure Document. No affiliate of Hospitality currently, but may in the future, have any plans as of the effective date of this Franchise Disclosure Document to operate/manage any hotel or restaurant under any trade name other than the trade names listed in Item 13 of this Franchise Disclosure Document.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, from other channels of distribution or competitive brands that we control.

We do not restrict you from soliciting or accepting reservations from outside your territory, and you have the right to use other channels of distribution to make sales outside your territory such as through the internet.

## **ITEM 13. TRADEMARKS.**

Hospitality licenses you to use the trademark "a gOOD NIGHT'S SLEEP!", and one of the following combinations of trade names and trademarks:

"SCOTTISH INNS" and "SCOTTISH INNS & Design;"

"SCOTTISH SUITES," and "SCOTTISH SUITES & Design;"

"SCOTTISH INNS & SUITES," and "SCOTTISH INNS & SUITES & Design;"

"RED CARPET INN" and "RED CARPET INN & Design;"

"RED CARPET SUITES" and "RED CARPET SUITES & Design;"

"RED CARPET INN & SUITES" and "RED CARPET INN & SUITES & Design;"

"MASTER HOSTS," "MASTER HOSTS INNS" and "MASTER HOSTS INNS & Design;"

"MASTER HOSTS," "MASTER HOSTS RESORT" and "MASTER HOSTS RESORT & Design;"

“DOWNTOWNER,” “DOWNTOWNER INNS” and “DOWNTOWNER INNS & Design;”  
 “DOWNTOWNER INNS & SUITES & Design;”  
 “PASSPORT INN” and “PASSPORT INN & Design;” or,  
 “PASSPORT INN,” “PASSPORT INN & SUITES” and “PASSPORT INN & SUITES & Design.”  
 “hihotels BY HOSPITALITY INTERNATIONAL”

While Hospitality does not own all of those trademarks, they are referenced in this Franchise Disclosure Document as the “Hospitality Marks.” Of those trademarks, the following are registered on the principal register of the United States Patent and Trademark Office (“PTO”):

| Trademark                             | Registration Number | Registration Date |
|---------------------------------------|---------------------|-------------------|
| a good Night’s Sleep! (Stylized)<br>  | 1,826,684           | 3/15/1994         |
| Scottish Inns                         | 985,632             | 6/4/1974          |
| Red Carpet Inn                        | 862,886             | 12/31/1968        |
| Red Carpet Inn                        | 1,708,889           | 8/18/1992         |
| Master Hosts                          | 923,617             | 11/9/1971         |
| Master Hosts Inns & Design            | 938,212             | 7/18/1972         |
| Downtowner                            | 818,852             | 11/15/1966        |
| Passport Inn                          | 1,004,572           | 2/11/1975         |
| hihotels by HOSPITALITY INTERNATIONAL | 6,324,294           | 4/13/2021         |

All affidavits of use required to be filed to maintain the registration of these trademarks have been timely filed. We do not have federal registrations for the following trademarks: "Scottish Inns & Design," "Scottish Suites," "Scottish Suites & Design," "Scottish Inns & Suites," "Scottish Inns & Suites & Design," "Red Carpet Inn & Design," “Red Carpet Suites,” “Red Carpet Suites & Design,” “Red Carpet Inn & Suites,” “Red Carpet Inn & Suites & Design” "Master Hosts Inns & Design," "Master Hosts Resort," "Master Hosts Resort & Design," "Downtowner Inns," "Downtowner Inns & Design," “Downtowner Inns & Suites & Design,” "Passport Inn & Design," "Passport Inn & Suites" or "Passport Inn & Suites & Design." Therefore, these trademarks do not have as many legal benefits and rights as federally registered trademarks. If our right to use any of the trademarks is challenged, you may have to change to an alternate trademark, which may increase your expense.

There are presently no effective determinations of the PTO, the trademark trial and appeal board, the trademark administrator of any state, or any court; pending infringement, opposition, or cancellation proceedings; or, pending material litigation involving the trademarks listed above which are relevant to their use in the state in which the franchise business is to be located.

Southern Scottish Inns, Inc. owns all rights in the trade names and Trademark Registrations, where applicable, Scottish Inns, Scottish Suites, Scottish Inns & Suites, and the trademarks Scottish Inns, Scottish Inns & Design, Scottish Suites, Scottish Suites & Design, Scottish Inns & Suites, Scottish Inns & Suites &

Design, (the “Scottish Inns Marks”). Hospitality derives its exclusive right to license the Scottish Inns Marks and to service and maintain Franchisees using those marks pursuant to a License and Service Agreement with Southern Scottish Inns, Inc. dated October 19, 2009. Hospitality derives its exclusive right to license the trade names Red Carpet Inn, Master Hosts Inns, Master Hosts Resort, Red Carpet Suites and Red Carpet Inn & Suites and the trademarks Red Carpet Inn, Red Carpet Inn & Design, Red Carpet Suites, Red Carpet Suites & Design, Red Carpet Inn & Suites, Red Carpet Inn & Suites & Design, Master Hosts, Master Hosts Inns, Master Hosts Inns & Design, Master Hosts Resort, and Master Hosts Resort & Design and to service and maintain Franchisees using those trade names and trademarks pursuant to a License and Service Agreement with Red Carpet Inns International, Inc., an affiliate of Hospitality.

The License and Service Agreement with Red Carpet Inns International, Inc. expire on June 9, 2026. The Agreement renews itself continuously for a term of twenty years unless either Hospitality or the licensor gives notice to the other party at least six months before the beginning of any renewal period.

The License and Service Agreement with Southern Scottish Inns, Inc. expire on June 9, 2026. The Agreement renews itself continuously for a term of twenty years unless either Hospitality or the licensor gives notice to the other party at least six months before the beginning of any renewal period.

The License and Service Agreements require Hospitality to service and maintain hotels franchised on or before the effective date of the agreement, as well as those franchised by Hospitality after the effective date of the agreement.

The License and Service Agreements require the licensor to police and defend the trade names and trademarks it has licensed Hospitality and, if the licensor does not, Hospitality may do so.

Under the License and Service Agreement with Red Carpet Inns International, Inc., Hospitality must pay that licensor 21% of the monthly Franchise Fees paid by Hospitality's Red Carpet Inn hotel, Red Carpet Suites hotel, Red Carpet Inn & Suites hotel, Master Hosts Inns hotel, and Master Hosts Resort hotel Franchises. Under the License and Service Agreement with SSI, Hospitality must pay that licensor 23.45% of the monthly Franchise Fees paid by Hospitality franchisees operating under the Scottish Inns Marks. The License and Service Agreements provide that the licensor may terminate the Agreement if Hospitality fails to cure, within thirty days after notice, any monetary default; files a petition in bankruptcy and that petition is not vacated within 45 days after filing; makes an arrangement for the benefit of creditors; or, enters into liquidation or receivership. The Agreement with Red Carpet Inns International, Inc. provides that, if that corporation terminates that Agreement, Hospitality's duties under its Red Carpet Inn hotel, Red Carpet Suites hotel, Red Carpet Inn & Suites hotel, Master Hosts Inns hotel, and Master Hosts Resort hotel Franchise Agreements will be assumed by Red Carpet Inns International, Inc. and Hospitality's Franchisees will still be licensed to use the relevant trade name and trademarks pursuant to those Franchise Agreements. The Agreement with Southern Scottish Inns, Inc. provides that, if that corporation terminates that Agreement, Hospitality's duties under its Scottish Inns, Scottish Suites, Scottish Inns & Suites, Franchise Agreements will be assumed by Southern Scottish Inns, Inc. and Hospitality's Franchisees will still be licensed to use the relevant trade name and trademarks pursuant to those Franchise Agreements. The License and Service Agreements may be modified by the mutual consent of Hospitality and the licensor.

You must promptly inform Hospitality of any apparently unauthorized use of or claims of rights to a trademark which is identical to or confusingly similar to any of the Hospitality Marks. Hospitality must protect and maintain the Hospitality Marks. Hospitality takes affirmative action when notified of any use or claim by a Franchisee. Hospitality or Hospitality's applicable licensor has the right to control and customarily prosecutes, defends, and controls all administrative and legal proceedings involving those trademarks and trade names. However, Hospitality does not have to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by Hospitality to you or if the proceeding is resolved unfavorably to you. You do not have any rights under the Franchise Agreement if Hospitality requires you to modify or discontinue the use of a trade name or trademark as a result of a proceeding or settlement because the Franchise Agreement specifically permits Hospitality to modify, amend, or delete any of the Hospitality Marks which are licensed to you by the Franchise Agreement.

Subject to the exceptions noted below, Hospitality does not have actual knowledge, as of January

1, 2023, of any uses which could materially affect your use of the trademarks and trade names listed above in any state.

The following is a list of hotels that are currently using, without our authorization, a Federally Registered Trademark that Hospitality either owns or has the exclusive right to license to others. Hospitality may be prevented by legal or equitable grounds from stopping these uses due to the length of time the use has persisted. These uses are occurring at the following locations and have continued for an unknown length of time. These unauthorized uses of our Federally Registered Trademarks could affect the use of the marks by Franchisees in these geographic areas.

1. Red Carpet Inn - West Highway 60 near the intersection of Highway 60 and Highway 385, Hereford, Texas 79045
2. Red Carpet Inn - 450 Regional Road 55, Lively, ON
3. Provo Inn & Suites – 150 W 300 S, Provo, UT 84601
4. Red Carpet Inn - 8590 Colerain Ave, Cincinnati, OH 45251
5. Downtowner Inn – 224 Spokane Ave, Whitefish, MT 59937
6. Red Carpet Inn – 2666 Old Galax Pike, Hillsville, VA 24343
7. Red Carpet Inn – 13 Juliustown Rd, Browns Mills, NJ 08015

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

You do not receive the right to use an item covered by a patent or copyright, but you can use the proprietary information in our Standards of Operation Manual (formerly known as “Confidential Operation Manual”). The Standards of Operation Manual contains various mandatory and recommended procedures for operating your hotel and, as described in Item 8 of this Franchise Disclosure Document, sets forth minimum specifications for some goods, supplies, fixtures, signs, and equipment on your hotel premises. Although we have not filed an application for a copyright registration for the Standards of Operation Manual, it claims a copyright and the information is proprietary. Limitations on the use of the Standards of Operation Manual by you and your employees are described in Item 11 of this Franchise Disclosure Document. You do not have to notify us of any claims relating to or infringements of Hospitality's Standards of Operation Manual. If you do notify us of any claims against or infringements of Hospitality's Standards of Operation Manual, the Franchise Agreement does not obligate us to take any action, but we will respond to this information as we think appropriate. The Franchise Agreement does not contain any provisions as to who has the right to control any litigation involving our Standards of Operation Manual. Hospitality does not have to participate in your defense or indemnify you for expenses or damages in a proceeding involving our Standards of Operation Manual. Franchisor does not own rights to, or licenses in any patent or copyright that is material to the franchise system.

The Franchise Agreement permits us to modify, change, or discontinue use of any portion of the Standards of Operation Manual. If we do so, then you must modify or discontinue use of the modified, revised, or discontinued portion of our Standards of Operation Manual. The Franchise Agreement does not grant you any rights if Hospitality requires you to modify or discontinue the use of any portion of our Standards of Operation Manual.

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

If you are an individual, you do not have to participate personally in the direct operation of the franchised business. We do recommend, however, that the franchised business be under your direct supervision. Subject to any requirements which may be imposed in the future by us through our Standards of Operation Manual, there are no limitations on whom you can hire as an "on-premises" supervisor, however, the on-premises supervisor must complete Hospitality's Training Program within one (1) year of

hiring. You must take reasonable steps to ensure that your “on-premises” supervisor is a person of good character. If you are a business entity, the "on-premises" supervisor does not have to have any equity interest in that business entity.

If you are a corporation, limited liability company or other entity, all owners of at least 5% of the equity in the entity must sign a personal guaranty which is attached as Exhibit “E”.

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

Except as otherwise noted in this Item, we do not restrict the types of goods or services that you may offer.

You must furnish your guests with those accommodations, services, and conveniences as are generally provided by hotels operating under the Hospitality System. A Franchisee who operates a Red Carpet Inn hotel, Red Carpet Suites hotel, Red Carpet Inn & Suites hotel, Master Hosts Inns hotel, or Master Hosts Resort hotel must provide a free continental breakfast to all guests other than weekly and monthly guests who are charged a discounted weekly or monthly rate unless there is an on premises restaurant that serves breakfast.

As disclosed in Item 8, you are also restricted from using products that do not meet Hospitality's minimum specifications. If a restaurant or lounge facility is operated on your hotel premises, that restaurant or lounge facility must be operated in a manner compatible with and in the best interest of the Hospitality System and must meet all state and local rules and regulations, and we may inspect that facility in the same manner as your hotel and make you correct any deficiencies in the operation of that facility. We may require or restrict you from selling certain goods and services according to our rules of operation, which we may change. You may not use any of Hospitality's marks or trade names in conjunction with the sale of food or alcoholic beverages.

Any changes shall be applied in a reasonably nondiscriminatory manner to all Franchisees to the extent that their Franchise Agreements and applicable law permit. All of the restrictions and requirements listed above in this Item 16 have been imposed to assure a reasonably uniform, standardized image with which the public may associate the Hospitality System and the marks licensed to any Franchisee to create goodwill amongst the public.

You are not restricted as to the customers to whom you may sell your goods and services. Your Hotel must be used solely as a traditional lodging facility and may not be used as a “shelter” or similar use or as a facility that accepts governmental funds to house indigent or other economically disadvantaged or other population other than the general public.

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**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.**

| <b>Provision</b>                                   | <b>Paragraph in Franchise Agreement</b> | <b>Summary</b>   |
|--|---|--|
| a. Term of the franchise                           | Paragraph 3                             | The first term is five years.  |
| b. Renewal or extension of the Term                | Paragraph 3                             | Unlimited number of renewal terms of five years each.  |
| c. Requirements for you to renew or extend         | Paragraph 3                             | Automatically renewed unless you give written notice of cancellation at least one year prior to the end of the current term. If you renew, the terms of the Franchise Agreement may change. You may be required to sign a new franchise agreement with materially different terms and conditions from the original contract. The hotel must pass a quality inspection, and all deficiencies must be cured in the time required, Franchisee must not be in default.   |
| d. Termination by you                              | None                                    | You may terminate on any grounds permitted by law.   |
| e. Termination by us without cause                 | None                                    | We cannot terminate your Franchise Agreement without cause.  |
| f. Termination by us with cause                    | Paragraph 11                            | We can terminate your Franchise Agreement only if you default.   |
| g. "Cause" defined: defaults which can be cured    | Paragraph 11(b)                         | Curable Defaults: You have 15 days (subject to local state law) to cure: failure to pay fees; failure to observe Hospitality's standards; refusal to permit Hospitality to inspect the hotel premises; refusal to permit Hospitality to inspect your books and records; failure to maintain proper books and records; receipt of an excessive amount of customer complaints; and failure to abide by the terms of the Franchise Agreement or Manual in good faith.   |
| h. "Cause" defined: defaults which cannot be cured | Paragraph 11(a)                         | Non-curable Defaults: Providing materially false or misleading statements or reports to induce Hospitality to sign the Franchise Agreement or during the term of the Franchise Agreement; insolvency or bankruptcy; condemnation of any portion of the hotel for health or safety reasons; unapproved transfer; failure to comply with insurance provisions of Franchise Agreement or Manual; abandonment of the hotel; use of any name to identify your hotel except for a Licensed Mark or your legal name without Hospitality's prior written consent; conviction of a crime of moral turpitude or any other crime or offense relating to your hotel facility; unauthorized disclosure of the Manual or other confidential information; misuse or |

| <b>Provision</b>  | <b>Paragraph in Franchise Agreement</b> | <b>Summary</b>  |
|---|---|---|
|   |   | unauthorized use of the Licensed Marks; or receipt of three or more notices of curable defaults within any 12 month period.   |
| i. Your obligations at termination/non-renewal                | Paragraph 12                            | Complete de-identification, payment of amounts due, delivery of Standards of Operation Manual and other documents and materials to Hospitality, and, if the Franchise Agreement has been terminated by Hospitality or improperly terminated by you, payment of liquidated damages or lost future profits. (See the State Addendum for your state, if any, which is part of Exhibit “H” to determine the enforceability of Hospitality’s liquidated damages provision).                                  |
| j. Assignment of Franchise Agreement by us                    | Paragraph 10(a)                         | No restriction on Hospitality’s right to assign (See the State Addendum Exhibit “H”).   |
| k. “Transfer or Assignment” by you: definition                | Paragraph 10(b)                         | Transfer or assignment of a controlling interest in your hotel premises; any transfer or assignment of any of your rights or duties under the Franchise Agreement; any transfer or assignment of an ownership interest in your hotel premises which, with any prior transfer(s) or assignment(s), exceeds 40 percent of the ownership interest in your hotel premises except for certain transfers or assignments which occur as a result of death; any leasing of the hotel premises to another party. |
| l. Our approval of Transfer or Assignment by you              | Paragraph 10(b)                         | Hospitality has the right to approve all transfers or assignments, but Hospitality will not unreasonably withhold its approval.   |
| m. Conditions for our approval of transfer                    | Paragraph 10(b)                         | New Franchisee qualifies; approval of transfer or assignment; administrative fee paid; new Franchisee signs new Franchise Agreement or at our option assumes your rights and duties under your Franchise Agreement without releasing you; and elimination of any special stipulations to the Franchise Agreement which were for your benefit.   |
| n. Our right of first refusal to acquire your business        | None                                    | Not Applicable  |
| o. Our option to purchase your business                       | None                                    | Not Applicable  |
| p. Your death or disability                                   | Paragraph 10(c)                         | Transfer or assignment to estate, heir, or legatee is permitted as long as satisfactory arrangements for the performance of your duties under the Franchise Agreement are made.   |
| q. Non-competition covenants during the term of the franchise | None                                    | Not Applicable  |

| <b>Provision</b>  | <b>Paragraph in Franchise Agreement</b> | <b>Summary</b>   |
|---|---|--|
| r. Non-competition covenants after the franchise is terminated or expires | None                                    | Not Applicable   |
| s. Modification of the Agreement  | Paragraphs 7(d) and 13(b)               | No modifications generally, but confidential operating manual and the Hospitality Marks subject to change.   |
| t. Integration/Merger clause  | Paragraph 19(c)                         | Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable. Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable.                |
| u. Dispute resolution by arbitration or mediation                         | Paragraph 15                            | Disputes will be litigated except that a court may order arbitration or mediation. You waive your right to trial by jury (Subject to State Law – See State Addendum Exhibit “H”).  |
| v. Choice of forum  | Paragraph 17                            | At Hospitality’s option, litigation may be in the United States District Court, Northern District of Georgia, Atlanta Division, or the Superior Court of DeKalb County, Georgia, except as otherwise required by state law or in your applicable State or Federal District Court. (Subject to State Law – See State Addendum Exhibit “H”). |
| w. Choice of law  | Paragraph 16                            | Georgia law applies except as otherwise required by any state law. (Subject to State Law – See State Addendum Exhibit “H”).  |

**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 franchises 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 such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial

performance information or projections of your future income, you should report it to our management by contacting our President, Chris Guimbellot at 1726 Montreal Circle, Suite 110, Tucker, Georgia 30084-6809; 1-800-247-4677, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

TABLE NO. 1

SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2020 TO 2022

| Outlet Type   | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---------------|------|----------------------------------|--------------------------------|------------|
| Franchised    | 2020 | 223                              | 222                            | -1         |
|               | 2021 | 222                              | 210                            | -12        |
|               | 2022 | 210                              | 204                            | -6         |
| Company-Owned | 2020 | 0                                | 0                              | 0          |
|               | 2021 | 0                                | 0                              | 0          |
|               | 2022 | 0                                | 0                              | 0          |
| Total Outlets | 2020 | 223                              | 222                            | -1         |
|               | 2021 | 222                              | 210                            | -12        |
|               | 2022 | 210                              | 204                            | -6         |

TABLE NO. 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE) FOR YEARS 2020 TO 2022

| State | Year | Number of Transfers |
|-------|------|---------------------|
| AL    | 2020 | 0                   |
|       | 2021 | 0                   |
|       | 2022 | 1                   |
| AR    | 2020 | 0                   |
|       | 2021 | 2                   |
|       | 2022 | 0                   |
| GA    | 2020 | 1                   |
|       | 2021 | 0                   |
|       | 2022 | 1                   |
| LA    | 2020 | 0                   |
|       | 2021 | 0                   |
|       | 2022 | 1                   |
| MA    | 2020 | 0                   |
|       | 2021 | 1                   |
|       | 2022 | 0                   |

| State | Year | Number of Transfers |
|-------|------|---------------------|
| MN    | 2020 | 0                   |
|       | 2021 | 1                   |
|       | 2022 | 0                   |
| MO    | 2020 | 0                   |
|       | 2021 | 1                   |
|       | 2022 | 0                   |
| MS    | 2020 | 0                   |
|       | 2021 | 0                   |
|       | 2022 | 1                   |
| NC    | 2020 | 0                   |
|       | 2021 | 1                   |
|       | 2022 | 0                   |
| NH    | 2020 | 0                   |
|       | 2021 | 0                   |
|       | 2022 | 1                   |
| NJ    | 2020 | 1                   |
|       | 2021 | 0                   |
|       | 2022 | 0                   |
| NC    | 2020 | 1                   |
|       | 2021 | 0                   |
|       | 2022 | 0                   |
| NV    | 2020 | 0                   |
|       | 2021 | 0                   |
|       | 2022 | 1                   |
| PA    | 2020 | 1                   |
|       | 2021 | 0                   |
|       | 2022 | 1                   |
| SD    | 2020 | 0                   |
|       | 2021 | 1                   |
|       | 2022 | 0                   |
| TN    | 2020 | 0                   |
|       | 2021 | 1                   |
|       | 2022 | 0                   |
| TX    | 2020 | 1                   |
|       | 2021 | 2                   |
|       | 2022 | 2                   |
| TOTAL | 2020 | 5                   |
|       | 2021 | 10                  |
|       | 2022 | 9                   |

TABLE NO. 3

## STATUS OF FRANCHISED OUTLETS FOR YEARS 2020 TO 2022

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations- Other Reasons | Outlets at End of Year |
|-------|------|--------------------------|----------------|--------------|--------------|--------------------------|----------------------------------|------------------------|
| AL    | 2020 | 5                        | 0              | 0            | 0            | 0                        | 0                                | 5                      |
|       | 2021 | 5                        | 0              | 1            | 0            | 0                        | 0                                | 4                      |
|       | 2022 | 4                        | 0              | 0            | 0            | 0                        | 0                                | 4                      |
| AR    | 2020 | 3                        | 0              | 0            | 0            | 0                        | 0                                | 3                      |
|       | 2021 | 3                        | 0              | 0            | 0            | 0                        | 0                                | 3                      |
|       | 2022 | 3                        | 0              | 0            | 0            | 0                        | 0                                | 3                      |
| CA    | 2020 | 4                        | 3              | 0            | 0            | 0                        | 0                                | 7                      |
|       | 2021 | 7                        | 1              | 2            | 0            | 0                        | 0                                | 6                      |
|       | 2022 | 6                        | 0              | 0            | 0            | 0                        | 0                                | 6                      |
| CO    | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0                      |
|       | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0                      |
|       | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0                      |
| CT    | 2020 | 5                        | 0              | 0            | 0            | 0                        | 0                                | 5                      |
|       | 2021 | 5                        | 0              | 1            | 0            | 0                        | 0                                | 4                      |
|       | 2022 | 4                        | 1              | 0            | 0            | 0                        | 0                                | 5                      |
| DC    | 2020 | 0                        | 1              | 0            | 0            | 0                        | 0                                | 1                      |
|       | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                      |
|       | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                      |
| DE    | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0                      |
|       | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0                      |
|       | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0                      |
| FL    | 2020 | 9                        | 0              | 0            | 0            | 0                        | 0                                | 9                      |
|       | 2021 | 9                        | 0              | 0            | 0            | 0                        | 0                                | 9                      |
|       | 2022 | 9                        | 0              | 0            | 0            | 0                        | 0                                | 9                      |
| GA    | 2020 | 17                       | 0              | 3            | 0            | 0                        | 0                                | 14                     |
|       | 2021 | 14                       | 0              | 0            | 0            | 0                        | 0                                | 14                     |
|       | 2022 | 14                       | 0              | 0            | 0            | 0                        | 1                                | 13                     |
| IL    | 2020 | 2                        | 0              | 0            | 0            | 0                        | 0                                | 2                      |
|       | 2021 | 2                        | 0              | 0            | 0            | 0                        | 0                                | 2                      |
|       | 2022 | 2                        | 0              | 0            | 0            | 0                        | 1                                | 1                      |
| IN    | 2020 | 3                        | 0              | 0            | 0            | 0                        | 0                                | 3                      |
|       | 2021 | 3                        | 1              | 0            | 0            | 0                        | 0                                | 4                      |
|       | 2022 | 4                        | 0              | 0            | 0            | 0                        | 0                                | 4                      |
| IA    | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0                      |
|       | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0                      |

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of Year |
|-------|------|--------------------------|----------------|--------------|--------------|--------------------------|---------------------------------|------------------------|
|       | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
| KS    | 2020 | 1                        | 0              | 1            | 0            | 0                        | 0                               | 0                      |
|       | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
|       | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
| KY    | 2020 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
|       | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
|       | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
| LA    | 2020 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
|       | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
|       | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
| ME    | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
|       | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
|       | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
| MA    | 2020 | 3                        | 0              | 0            | 0            | 0                        | 0                               | 3                      |
|       | 2021 | 3                        | 0              | 0            | 0            | 0                        | 0                               | 3                      |
|       | 2022 | 3                        | 0              | 0            | 0            | 0                        | 0                               | 3                      |
| MD    | 2020 | 0                        | 2              | 0            | 0            | 0                        | 0                               | 2                      |
|       | 2021 | 2                        | 1              | 0            | 0            | 0                        | 0                               | 3                      |
|       | 2022 | 3                        | 1              | 0            | 0            | 0                        | 0                               | 4                      |
| MN    | 2020 | 4                        | 0              | 0            | 0            | 0                        | 0                               | 4                      |
|       | 2021 | 4                        | 0              | 1            | 0            | 0                        | 0                               | 3                      |
|       | 2022 | 3                        | 0              | 0            | 0            | 0                        | 1                               | 2                      |
| MO    | 2020 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
|       | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
|       | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
| MS    | 2020 | 4                        | 0              | 1            | 0            | 0                        | 0                               | 3                      |
|       | 2021 | 3                        | 0              | 0            | 0            | 0                        | 0                               | 3                      |
|       | 2022 | 3                        | 0              | 0            | 0            | 0                        | 0                               | 3                      |
| NE    | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
|       | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
|       | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
| NV    | 2020 | 2                        | 0              | 0            | 0            | 0                        | 0                               | 2                      |
|       | 2021 | 2                        | 0              | 1            | 0            | 0                        | 0                               | 1                      |
|       | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
| NH    | 2020 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
|       | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
|       | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
| NJ    | 2020 | 21                       | 2              | 0            | 0            | 0                        | 0                               | 23                     |

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations- Other Reasons | Outlets at End of Year |
|-------|------|--------------------------|----------------|--------------|--------------|--------------------------|----------------------------------|------------------------|
|       | 2021 | 23                       | 0              | 1            | 0            | 0                        | 0                                | 22                     |
|       | 2022 | 22                       | 1              | 1            | 0            | 0                        | 1                                | 21                     |
| NY    | 2020 | 21                       | 0              | 2            | 0            | 0                        | 0                                | 19                     |
|       | 2121 | 19                       | 0              | 5            | 0            | 0                        | 0                                | 14                     |
|       | 2022 | 14                       | 0              | 0            | 1            | 0                        | 1                                | 12                     |
| NC    | 2020 | 9                        | 0              | 1            | 0            | 0                        | 0                                | 8                      |
|       | 2021 | 8                        | 0              | 1            | 0            | 0                        | 0                                | 7                      |
|       | 2022 | 7                        | 0              | 0            | 0            | 0                        | 0                                | 7                      |
| OH    | 2020 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                      |
|       | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                      |
|       | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                      |
| OK    | 2020 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                      |
|       | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                      |
|       | 2022 | 1                        | 1              | 0            | 0            | 0                        | 0                                | 2                      |
| OR    | 2020 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                      |
|       | 2021 | 1                        | 1              | 0            | 0            | 0                        | 0                                | 2                      |
|       | 2022 | 2                        | 0              | 0            | 0            | 0                        | 0                                | 2                      |
| PA    | 2020 | 19                       | 1              | 0            | 0            | 0                        | 0                                | 20                     |
|       | 2021 | 20                       | 1              | 3            | 0            | 0                        | 0                                | 18                     |
|       | 2022 | 18                       | 1              | 0            | 0            | 0                        | 0                                | 19                     |
| RI    | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0                      |
|       | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0                      |
|       | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0                      |
| SC    | 2020 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                      |
|       | 2021 | 1                        | 0              | 1            | 0            | 0                        | 0                                | 0                      |
|       | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0                      |
| SD    | 2020 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                      |
|       | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                      |
|       | 2022 | 1                        | 0              | 0            | 0            | 0                        | 1                                | 0                      |
| TN    | 2020 | 9                        | 0              | 0            | 0            | 0                        | 0                                | 9                      |
|       | 2021 | 9                        | 0              | 0            | 1            | 0                        | 0                                | 8                      |
|       | 2022 | 8                        | 0              | 0            | 0            | 0                        | 1                                | 7                      |
| TX    | 2020 | 60                       | 5              | 6            | 0            | 0                        | 0                                | 59                     |
|       | 2021 | 59                       | 3              | 0            | 0            | 0                        | 0                                | 62                     |
|       | 2022 | 62                       | 1              | 0            | 0            | 0                        | 1                                | 62                     |
| UT    | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0                      |
|       | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0                      |
|       | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0                      |



| State   | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of Year |
|---------|------|--------------------------|----------------|--------------|--------------|--------------------------|---------------------------------|------------------------|
| VT      | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
|         | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
|         | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
| VA      | 2020 | 9                        | 0              | 1            | 0            | 0                        | 0                               | 8                      |
|         | 2021 | 8                        | 0              | 2            | 0            | 0                        | 0                               | 6                      |
|         | 2022 | 6                        | 0              | 0            | 0            | 0                        | 0                               | 6                      |
| WV      | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
|         | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
|         | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                      |
| WI      | 2020 | 2                        | 0              | 0            | 0            | 0                        | 0                               | 2                      |
|         | 2021 | 2                        | 0              | 0            | 0            | 0                        | 0                               | 2                      |
|         | 2022 | 2                        | 0              | 0            | 0            | 0                        | 1                               | 1                      |
| Bahamas | 2020 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
|         | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
|         | 2022 | 1                        | 0              | 1            | 0            | 0                        | 0                               | 0                      |
| Canada  | 2020 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
|         | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
|         | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                      |
| Total   | 2020 | 223                      | 11             | 15           | 0            | 0                        | 0                               | 222                    |
|         | 2021 | 222                      | 8              | 19           | 1            | 0                        | 0                               | 210                    |
|         | 2022 | 210                      | 6              | 2            | 1            | 0                        | 9                               | 204                    |

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TABLE NO. 4

STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2020 TO 2022

| State  | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of Year |
|--------|------|--------------------------|----------------|------------------------------------|----------------|----------------------------|------------------------|
| STATES | 2020 | 0                        | 0              | 0                                  | 0              | 0                          | 0                      |
|        | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                      |
|        | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                      |
| TOTAL  | 2020 | 0                        | 0              | 0                                  | 0              | 0                          | 0                      |
|        | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                      |
|        | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                      |

TABLE NO. 5

PROJECTED OPENINGS  
AS OF DECEMBER 31, 2022

| State | Franchise Agreements Signed but Outlet Not Opened | Projected New Franchised Outlets in 2023 | Projected New Company-Owned Outlets in 2023 |
|-------|---|--|---|
| AL    | 0   | 0  | 0   |
| AR    | 0   | 0  | 0   |
| AZ    | 0   | 2  | 0   |
| CA    | 0   | 1  | 0   |
| CO    | 0   | 0  | 0   |
| DE    | 0   | 0  | 0   |
| FL    | 0   | 1  | 0   |
| GA    | 0   | 1  | 0   |
| IL    | 0   | 0  | 0   |
| IN    | 0   | 1  | 0   |
| KY    | 0   | 1  | 0   |
| LA    | 0   | 0  | 0   |
| MA    | 0   | 0  | 0   |
| MD    | 0   | 0  | 0   |
| MI    | 0   | 0  | 0   |
| MN    | 0   | 0  | 0   |

| State | Franchise Agreements Signed but Outlet Not Opened | Projected New Franchised Outlets in 2023 | Projected New Company-Owned Outlets in 2023 |
|-------|---|--|---|
| MO    | 0   | 0  | 0   |
| MS    | 0   | 0  | 0   |
| NJ    | 1   | 1  | 0   |
| NM    | 0   | 0  | 0   |
| NY    | 1   | 1  | 0   |
| NC    | 0   | 3  | 0   |
| ND    | 0   | 0  | 0   |
| OH    | 0   | 0  | 0   |
| OK    | 0   | 1  | 0   |
| PA    | 0   | 3  | 0   |
| SC    | 0   | 1  | 0   |
| SD    | 0   | 0  | 0   |
| TN    | 0   | 1  | 0   |
| TX    | 4   | 5  | 0   |
| UT    | 0   | 0  | 0   |
| VA    | 0   | 0  | 0   |
| WV    | 0   | 0  | 0   |
| TOTAL | 6   | 23                                       | 0   |

The names, addresses, and telephone numbers of all Hospitality system franchises as of December 31, 2022, and system franchises with signed franchise agreements that have not opened as of December 31, 2022 are provided in Exhibit “D-1”.

The names and the last known home addresses and home telephone numbers of every Franchisee under a Franchise Agreement with Hospitality whose franchise has, within the twelve (12) month period before January 1, 2023, been terminated, canceled, not renewed, or who has, during the same time period, otherwise voluntarily or involuntarily ceased to do business pursuant to the Franchise Agreement are provided in Exhibit “D-2”. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, during the last 3 fiscal years, current and former franchisees have signed provisions restricting their ability to speak openly about their experience with us. You may want to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

We do not know of any trademark-specific franchisee organizations associated with our franchise system.

**ITEM 21. FINANCIAL STATEMENTS.**

Attached as Exhibit “B” is the audited balance sheet of Hospitality International, Inc. as of December 31,

2022, December 31, 2021, and December 31, 2020, and the related statements of income, retained earnings, and cash flows for the years ending December 31, 2022, December 31, 2021, and December 31, 2020. Attached as Exhibit “G” is the auditor’s consent to the use of the audited financial statements prepared by it. Franchisor has adopted the provisions of FASB ASC Topic 606 and the accountant has used the modified retrospective method in determining the revenue recognition under the current standards for 2021. The Franchisor’s fiscal year end is December 31.

#### **ITEM 22. CONTRACTS.**

The standard franchise questionnaire utilized by Hospitality is attached as Exhibit “C”. The standard Guaranty of Franchisee’s Undertakings utilized by Hospitality is attached as Exhibit “E”. The standard Franchise Agreement utilized by Hospitality is attached as Exhibit “F-1”. Special Stipulations for each Franchise Agreement for the states of California, Florida, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Wisconsin, and Washington are attached as Exhibit “F-2”. The standard Application Agreement utilized by Hospitality is attached as Exhibit “I”. The standard Assignment of a Franchise Agreement utilized by Hospitality is attached as Exhibit “K”.

#### **ITEM 23. RECEIPTS.**

Attached as Exhibit “M” is a Receipt to be signed by the prospective Franchisee.

**EXHIBIT "A"**

**LIST OF STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

| <b>STATE</b> | <b>STATE ADMINISTRATOR</b>   | <b>AGENT FOR SERVICE OF PROCESS</b>  |
|--------------|--|--|
| CALIFORNIA   | Commissioner of Financial Protection and Innovation<br>2101 Arena Blvd.<br>Sacramento, CA 95834<br>(415) 972-8559  | Commissioner of Financial Protection and Innovation<br>2101 Arena Blvd.<br>Sacramento, CA 95834<br>(415) 972-8559  |
| HAWAII       | Commissioner of Securities of The State of Hawaii<br>Business Registration Division<br>Dept. of Commerce and Consumer Affairs<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, HI 96813<br>(808) 586-2722 | Commissioner of Securities of the State of Hawaii<br>Business Registration Division<br>Dept. of Commerce and Consumer Affairs<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, HI 96813<br>(808) 586-2722 |
| ILLINOIS     | Franchise Division<br>Attorney General<br>State of Illinois<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465  | Illinois Attorney General<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465  |
| INDIANA      | Securities Commissioner<br>Indiana Securities Division<br>Room E-111<br>302 West Washington Street<br>Indianapolis, Indiana 46204<br>(317) 232-6681  | Indiana Secretary of State<br>201 State House 200 West Washington Street<br>Indianapolis, Indiana 46204  |

| <b>STATE</b> | <b>STATE ADMINISTRATOR</b>   | <b>AGENT FOR SERVICE OF PROCESS</b>  |
|--------------|--|--|
| MARYLAND     | Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, Maryland 21202<br>(410) 576-6360   | Maryland Securities Commissioner<br>200 St. Paul Place<br>Baltimore, Maryland 21202  |
| MICHIGAN     | Michigan Department of Attorney General<br>Consumer Protection Division<br>Antitrust and Franchise Unit<br>670 Law Building<br>Lansing, Michigan 48913<br>(517) 373-7117 | Michigan Department of Commerce<br>Corporations and Securities Bureau<br>670 Law Building<br>Lansing, Michigan 48913                               |
| MINNESOTA    | Minnesota Department of Commerce<br>85 7 <sup>th</sup> Place East, Suite 500<br>St. Paul, Minnesota 55101<br>(651) 296-4026  | Minnesota Commissioner of Commerce<br>85 7 <sup>th</sup> Place East, Suite 500<br>St. Paul, Minnesota 55101  |
| NEW YORK     | NYS Department of Law Investor<br>Protection Bureau<br>28 Liberty Street, 21 <sup>st</sup> Floor<br>New York, NY 10005<br>(212) 416-8285                                 | New York Department of State One<br>Commerce Plaza<br>99 Washington Avenue, 6 <sup>th</sup> Floor<br>Albany, New York 12231-0001<br>(518) 473-2492 |
| NORTH DAKOTA | North Dakota Securities Department<br>600 East Boulevard, Fifth Floor<br>Bismarck, North Dakota 58505<br>(701) 328-4712  | North Dakota Securities Commissioner<br>600 East Boulevard, Fifth Floor<br>Bismarck, North Dakota 58505  |
| RHODE ISLAND | Division of Securities<br>John O. Pastore Complex, Bldg. 69-1<br>Cranston, Rhode Island 02920<br>(401) 426-9500  | Director of the Rhode Island Department<br>of Business Regulation<br>1511 Pontiac Avenue<br>Cranston, Rhode Island 02920                           |

| <b>STATE</b> | <b>STATE ADMINISTRATOR</b>  | <b>AGENT FOR SERVICE OF PROCESS</b>   |
|--------------|---|---|
| SOUTH DAKOTA | Department of Labor and Regulation<br>Division of Securities<br><br>124 S. Euclid, Suite 104<br>Pierre, SD 57501<br>(605) 773-4823    | Director of South Dakota Division of Securities<br><br>124 S. Euclid, Suite 104<br>Pierre, SD 57501                     |
| VIRGINIA     | State Administrator<br>Division of Securities and Retail Franchising<br>1300 East Main Street<br>Richmond, Virginia<br>(804) 371-9051 | Clerk of the State Corporation Commission<br>1300 East Main Street<br>1 <sup>st</sup> Floor<br>Richmond, Virginia 23219 |
| WASHINGTON   | Department of Financial Institutions<br>Securities Division<br>P.O. Box 9033<br>Olympia, Washington 98501-9033<br>(360) 902-8760      | Director, Dept. of Financial Institutions<br>Securities Division<br>150 Israel Road<br>Tumwater, Washington 98501       |
| WISCONSIN    | Commissioner of Securities<br>111 West Wilson Street<br>P.O. Box 1768<br>Madison, Wisconsin 53701<br>(608) 266-1365                   | Commissioner of Securities<br>111 West Wilson Street<br>P.O. Box 1768<br>Madison, Wisconsin 53701                       |

**EXHIBIT “B”**

**HOSPITALITY INTERNATIONAL, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**



**HOSPITALITY INTERNATIONAL, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022, 2021 and 2020**

**HOSPITALITY INTERNATIONAL, INC.**

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# **SIMONS & ASSOCIATES, CPA'S**

CERTIFIED PUBLIC ACCOUNTANTS 523141.20

302 WT PARKWAY  
DALLAS, GEORGIA 30132  
TELEPHONE (770) 443-1662  
FACSIMILE (770) 443-9169

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Hospitality International, Inc.

We have audited the accompanying financial statements of Hospitality International, Inc. which comprise the balance sheets as of December 31, 2022, and 2021 and the related statements of income, retained earnings, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

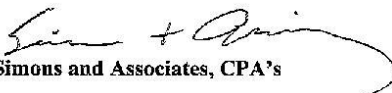
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospitality International, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years then ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America.

  
Simons and Associates, CPA's

Certified Public Accountants  
Dallas, Georgia  
March 29, 2023

**HOSPITALITY INTERNATIONAL, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2022 and 2021**

**ASSETS**

|   | <b>2022</b>         | <b>2021</b>         |
|---|---------------------|---------------------|
| <b>CURRENT ASSETS</b>                           |                     |                     |
| Cash  | \$ 796,058          | \$ 529,150          |
| Accounts Receivable – Trade - Net               | 194,316             | 191,625             |
| Accounts Receivable – Other                     | 82,075              | 80,374              |
| Deferred Tax Asset                              | 21,349              | 14,002              |
| Prepaid Expenses                                | 12,248              | 460                 |
|   | 1,106,046           | 815,611             |
| <b>LAND, PROPERTY &amp; EQUIPMENT - AT COST</b> |                     |                     |
| Land  | 34,816              | 34,816              |
| Building  | 323,711             | 323,711             |
| Building and Land Improvements                  | 366,234             | 339,807             |
| Vehicles  | 83,193              | 53,732              |
| Office Equipment                                | 49,942              | 68,205              |
|   | 857,896             | 820,271             |
| TOTAL LAND, PROPERTY & EQUIPMENT                | 857,896             | 820,271             |
| Less: Accumulated Depreciation                  | (623,385)           | (627,009)           |
|   | 234,511             | 193,262             |
| <b>NET LAND, PROPERTY &amp; EQUIPMENT</b>       |                     |                     |
|   | 234,511             | 193,262             |
| <b>OTHER ASSETS</b>                             |                     |                     |
| Accounts Receivable – Affiliates                | 1,000               | 16,987              |
| Accrued Interest Receivable                     | 368,174             | 549,901             |
| Notes Receivable – Affiliates                   | 515,048             | 653,247             |
| Service Marks with Indefinite Lives             | 674,530             | 674,530             |
| Deposits  | 787                 | 787                 |
|   | 1,559,539           | 1,895,452           |
| TOTAL OTHER ASSETS                              | 1,559,539           | 1,895,452           |
| <b>TOTAL ASSETS</b>                             | <b>\$ 2,900,096</b> | <b>\$ 2,904,325</b> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**HOSPITALITY INTERNATIONAL, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2022 and 2021**

**LIABILITIES AND STOCKHOLDERS' EQUITY**

|  | <b>2022</b>         | <b>2021</b>         |
|--|---------------------|---------------------|
| <b>CURRENT LIABILITIES</b>                           |                     |                     |
| Accounts Payable                                     | \$ 36,997           | \$ 23,103           |
| Accrued Expenses                                     | 54,800              | 104,607             |
| Other Liabilities                                    | 5,927               | 1,007               |
| Federal Income Taxes Payable                         | 0                   | 2,482               |
| State Income Taxes Payable                           | 5,895               | 6,075               |
| License Fees Payable                                 | 14,975              | 12,458              |
| Note Payable – Affiliate                             | 30,911              | 29,464              |
| <b>TOTAL CURRENT LIABILITIES</b>                     | <b>149,505</b>      | <b>179,196</b>      |
| <b>LONG TERM DEBT</b>                                |                     |                     |
| Note Payable – Affiliate                             | 31,879              | 60,275              |
| <b>TOTAL LONG-TERM DEBT</b>                          | <b>31,879</b>       | <b>60,275</b>       |
| <b>DEFERRED LIABILITIES</b>                          |                     |                     |
| Deferred Franchise Income                            | 258,883             | 215,745             |
| Deferred Income Taxes                                | 190,049             | 190,049             |
| <b>TOTAL DEFERRED LIABILITIES</b>                    | <b>448,932</b>      | <b>405,794</b>      |
| <b>TOTAL LIABILITIES</b>                             | <b>630,316</b>      | <b>645,265</b>      |
| <b>STOCKHOLDERS' EQUITY</b>                          |                     |                     |
| Common Stock – Authorized 2,000 shares no-par value: |                     |                     |
| 2,000 issued and outstanding                         | 2,000               | 2,000               |
| Additional Paid-In Capital                           | 432,480             | 432,480             |
| Retained Earnings                                    | 1,835,300           | 1,824,580           |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>                    | <b>2,276,780</b>    | <b>2,259,060</b>    |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>    | <b>\$ 2,900,096</b> | <b>\$ 2,904,325</b> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**HOSPITALITY INTERNATIONAL, INC.**  
**STATEMENTS OF INCOME**  
**DECEMBER 31, 2022, 2021 and 2020**

|   | 2022             | 2021              | 2020               |
|---|------------------|-------------------|--------------------|
| <b>REVENUES</b>   |                  |                   |                    |
| Franchise   | \$ 1,336,537     | \$ 1,369,769      | \$ 1,319,038       |
| Advertising   | 382,366          | 358,267           | 303,624            |
| Litigation Settlements  | 92,321           | 86,421            | 20,345             |
| Leasing   | 40,475           | 45,767            | 37,779             |
| Other Income – Schedule II  | 77,733           | 42,601            | 2,451              |
|   | <u>1,929,432</u> | <u>1,902,825</u>  | <u>1,683,237</u>   |
| <b>EXPENSES</b>   |                  |                   |                    |
| General and Administrative Expenses - Schedule I                    | 1,398,648        | 1,384,599         | 1,381,162          |
| Advertising Costs – Schedule III                                    | 523,676          | 429,207           | 332,838            |
|   | <u>1,922,324</u> | <u>1,813,806</u>  | <u>1,714,000</u>   |
| <b>NET INCOME (LOSS) FROM OPERATIONS</b>                            | 7,108            | 89,019            | (30,763)           |
| <b>OTHER INCOME/EXPENSES</b>  |                  |                   |                    |
| Employee Retention Credit   | 0                | (133,784)         | 0                  |
| Payroll Protection Plan   | 0                | (144,950)         | 0                  |
| (Gain)Loss on Sale of Assets  | 0                | 0                 | (5,981)            |
| Interest Expense  | 3,734            | 2,427             | 6,385              |
|   | <u>3,734</u>     | <u>(276,307)</u>  | <u>404</u>         |
| <b>INCOME/(LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b> | 3,374            | 365,326           | (31,167)           |
| <b>PROVISION FOR INCOME TAX BENEFIT (EXPENSE)</b>                   | 7,346            | (17,718)          | 5,637              |
| <b>NET INCOME (LOSS)</b>  | <u>\$ 10,720</u> | <u>\$ 347,608</u> | <u>\$ (25,530)</u> |
| <b>INCOME PER SHARE:</b>  |                  |                   |                    |
| Income (Loss) per Share from Operations                             | <u>\$ 3.56</u>   | <u>\$ 44.51</u>   | <u>\$ (2.82)</u>   |
| Income (Loss) per Share before Corporate Income Taxes               | <u>\$ 1.69</u>   | <u>\$ 182.67</u>  | <u>\$ (15.59)</u>  |
| Basic Net Income (Loss) per Common Share                            | <u>\$ 5.36</u>   | <u>\$ 173.81</u>  | <u>\$ (12.77)</u>  |
| Average Shares Outstanding  | <u>2,000</u>     | <u>2,000</u>      | <u>2,000</u>       |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**HOSPITALITY INTERNATIONAL, INC.**  
**STATEMENTS OF RETAINED EARNINGS**  
**DECEMBER 31, 2022, 2021 and 2020**

|                               | <b>2022</b>         | <b>2021</b>         | <b>2020</b>         |
|-------------------------------|---------------------|---------------------|---------------------|
| BEGINNING RETAINED EARNINGS – | \$ 1,824,580        | \$ 1,476,972        | \$ 1,502,502        |
| Net Income/(Loss)             | 10,720              | 347,608             | (25,530)            |
|                               | <hr/>               | <hr/>               | <hr/>               |
| RETAINED EARNINGS – ENDING    | \$ <u>1,835,300</u> | \$ <u>1,824,580</u> | \$ <u>1,476,972</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**HOSPITALITY INTERNATIONAL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**DECEMBER 31, 2022, 2021 and 2020**

|   | 2022           | 2021           | 2020          |
|---|----------------|----------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>              |                |                |               |
| NET INCOME (LOSS)   | \$ 10,720      | \$ 347,608     | \$ (25,530)   |
| Non-Cash Items Included In Net Income:                    |                |                |               |
| Depreciation and Amortization                             | 26,807         | 20,670         | 21,585        |
| (Loss) Gain on Asset Disposal                             | 0              | 0              | 5,981         |
| Net Changes In Current Assets and Liabilities:            |                |                |               |
| Accounts Receivable–Trade                                 | (7,292)        | 70,497         | (8,525)       |
| Accounts Receivable-Affiliates                            | 15,987         | (3,429)        | (1,929)       |
| Other Accounts Receivable                                 | 2,899          | 6,649          | 3,267         |
| Accrued Interest Receivable                               | 181,727        | (26,760)       | 0             |
| Prepaid Expenses  | (11,788)       | (233)          | 7,949         |
| Taxes Payable   | 2,301          | 2,657          | (2,495)       |
| Deferred Income Tax                                       | (7,347)        | 13,286         | (5,637)       |
| Accounts Payable  | 13,895         | 3,282          | (25,535)      |
| License Fees Payable                                      | 2,518          | (5,719)        | (211)         |
| Deferred Income   | 43,136         | 62,459         | 76,773        |
| Accrued Expenses  | (49,807)       | 35,980         | 741           |
| Other Current Liabilities                                 | 4,920          | (1,181)        | 119           |
|   | <u>228,676</u> | <u>525,766</u> | <u>46,553</u> |
| <b>NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES</b> | <b>228,676</b> | <b>525,766</b> | <b>46,553</b> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS



**HOSPITALITY INTERNATIONAL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**DECEMBER 31, 2022, 2021 and 2020**

|   | 2022              | 2021              | 2020              |
|---|-------------------|-------------------|-------------------|
| <b>CASH FLOWS FROM INVESTING<br/>ACTIVITIES:</b>                  |                   |                   |                   |
| Purchase of Furniture & Equipment/Vehicles                        | \$ (68,059)       | \$ (33,015)       | \$ (1,526)        |
| Asset Dispositions  | (4,962)           | 0                 | (5,981)           |
| Collections on Notes Receivable                                   | 138,200           | 10,518            | 6,667             |
| Notes Receivable Issued   | <u>0</u>          | <u>0</u>          | <u>0</u>          |
| <b>NET CASH PROVIDED / (USED) BY<br/>INVESTING ACTIVITIES</b>     | 65,179            | (22,497)          | (840)             |
| <b>CASH FLOW FROM FINANCING<br/>ACTIVITIES:</b>                   |                   |                   |                   |
| Principal Payments on Notes                                       | <u>(26,947)</u>   | <u>(17,098)</u>   | <u>(27,085)</u>   |
| <b>NET CASH PROVIDED / (USED) BY<br/>FINANCING ACTIVITIES</b>     | (26,947)          | (162,048)         | 117,865           |
| <b>NET INCREASE / (DECREASE) IN CASH AND<br/>CASH EQUIVALENTS</b> | 266,908           | 341,221           | 163,578           |
| <b>CASH AND CASH EQUIVALENTS AT<br/>BEGINNING OF YEAR</b>         | <u>529,150</u>    | <u>187,929</u>    | <u>24,351</u>     |
| <b>CASH AND CASH EQUIVALENTS AT<br/>END OF YEAR</b>               | <u>\$ 796,058</u> | <u>\$ 529,150</u> | <u>\$ 187,929</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**HOSPITALITY INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, 2021 and 2020**

**NOTE 1 - HISTORY**

In November 1978, the Company became 100% owned by Southern Scottish Inns, Inc. The name of the Company was Scottish Inns Franchise Corporation. The Company sold Scottish Inns franchises and was the reservation center for Scottish Inns motels.

In 1981, the Company changed its name to Scottish Inns, Inc., In July 1982 its name was changed to Hospitality International, Inc. In November 1982 the company sold Red Carpet Inns International, Inc. 1,000 shares of the Company stock.

In 1993, the Company accepted the marks of Downtowner/Passport International Hotel Corporation from Southern Scottish Inns, Inc. in satisfaction of Southern Scottish Inns, Inc. payable to the Company. In this transaction, the Company also assumed some debt of Downtowner/Passport International Hotel Corporation to outside parties.

In July 2004, Red Carpet Inns International, Inc. bought Southern Scottish Inns, Inc.'s 50% ownership of the Company, becoming the sole owner of Hospitality International, Inc. At the same time, Southern Scottish Inns, Inc. sold its 74.9% ownership of Red Carpet Inns International, Inc. to Natchez Franchises, Inc.

In 2004, the Company purchased the service mark Scottish Inns from its former parent Southern Scottish Inns, Inc.

In 2009, Southern Scottish Inns, Inc. exercised its option to buy back the mark.

In 2010, Southern Scottish Inns, Inc. took back its 74.9% ownership of Red Carpet Inns International, Inc. from Natchez Franchises, Inc. and its 50% ownership of the Company from Red Carpet Inns International, Inc.

The Company is the exclusive franchisor for Red Carpet Inn, Master Hosts Inns, Scottish Inns, Downtowner Inns and Passport Inn brand names. Its market has been the contiguous United States; however, in 1994 the Company began to explore international markets. As of December 31, 2022, the Company has one franchise in the Bahamas and two in Canada. The Company also provides a nationwide central reservation service for its franchisees. This service was provided in house until the end of 2001. Since 2002, the Company has engaged an outside service.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. PROPERTIES AND DEPRECIATION**

Property and equipment are recorded at cost. Depreciation is provided on straight-line or declining balance method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of income. Depreciation expense was \$26,807 in 2022, \$20,670 in 2021 and \$21,585 in 2020.

**HOSPITALITY INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**  
**DECEMBER 31, 2022, 2021 and 2020**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**B. LEASES**

Installment purchases under lease agreements are recorded as long-term debt with the related property capitalized in the accounts.

**C. PER SHARE DATA**

Basic net income per share of common stock is based upon the weighted average number of shares which are outstanding during the years ended December 31, 2022, 2021, and 2020.

**D. ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The Company has provided an allowance for accounts receivable - trade. During the year, all bad debt write-offs were made to the allowance account. Accounts are considered past due after 90 days. Accounts are written off when all avenues of collection have been exhausted. The allowance is based on a percentage of outstanding trade receivables. Accounts receivable for 2022 and 2021 are presented net of allowance for doubtful accounts of \$34,658 and \$33,816 respectively. (See Contingencies Note.)

**E. REVENUE RECOGNITION**

The accrual basis of accounting is used for both book and tax records. Revenue is recognized when it is earned. Expenses are recognized when incurred. Revenue from franchise sales are recognized when all material conditions of the sale have been substantially performed. Substantial performance by the franchiser occurs when: 1) the franchiser is not obligated in any way to excuse payment of any unpaid notes or to refund any cash already received, 2) initial services required by the franchiser by contract or otherwise have been substantially performed, and 3) all other conditions have been met which affect the consummation of the sale.

**F. NOTES RECEIVABLE**

Notes Receivables are recorded at the face value. The Company evaluates notes receivables each year for collectability. The company did not establish any reserve for notes receivable in 2022 and 2021.

**G. ACCOUNTS RECEIVABLE - OTHER**

Accounts Receivable - Other represents miscellaneous receivables, travel advances, and a judgement receivable in the amount of \$79,882. This judgement has been evaluated for collectability.

**HOSPITALITY INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**  
**DECEMBER 31, 2022, 2021 and 2020**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**H. DEFERRED INCOME TAXES**

Income taxes are accounted for in accordance with Accounting Standards Codification (ASC) 740, Income Taxes. Income tax expense includes the current tax obligation or benefit and the change in deferred income tax balance for the period. Deferred income taxes result from the temporary differences between financial and income tax bases of certain assets and liabilities and are measured using the statutory tax rates expected to apply to the taxable income in the years in which those temporary differences are expected to reverse. The Company records valuation allowances on its deferred income tax assets for which it is more likely than not that a portion or all of the benefit will not be realized.

**I. INTANGIBLES**

Downtowner/Passport International Hotel Corporation service marks were purchased in 1993. The Company purchased the Scottish Inns service mark in 2004 for \$500,000. In 2009, Southern Scottish Inns, Inc. exercised its option to buy back the Scottish Inns mark for the remaining balance of its note from the Company and a new note to the Company in lieu of cash. (See History, Cash Flow – Supplemental Information and Related Party Notes.)

The Company does not amortize its service marks. Instead, the Company accounts for these intangible assets in accordance with Accounting Standards Codification (ASC) 350, which requires that intangible assets with indefinite lives are not amortized but are reviewed annually for impairment. The Company has the option to perform a qualitative assessment of indefinite-lived intangible assets, prior to completing a quantitative impairment test. The Company must assess whether it is more likely than not that the fair value of the intangible asset is less than its carrying amount. If the Company concludes that this is the case, it must perform quantitative testing. Otherwise, the Company does not need to perform any further assessment.

The Company compared the fair value of the marks to current carrying value and found no indication of impairment on the marks in 2022 or in 2021. The carrying value of the marks (net of accumulated amortization of \$168,632 from prior years before FAS 142 was adopted) is \$ 674,530 as of December 31, 2022 and December 31, 2021.

**J. STATEMENT OF CASH FLOWS - ACCOUNTING POLICY**

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

**HOSPITALITY INTERNATIONAL, INC.**

NOTES TO FINANCIAL STATEMENTS – (Continued)  
DECEMBER 31, 2022, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

K. STATEMENT OF CASH FLOWS - SUPPLEMENTAL INFORMATION

Interest and income taxes paid:

The Company paid federal income taxes of \$0 in 2022 and \$2,482 in 2021 and \$0 in 2020.  
The Company paid interest of \$3,734 in 2022 and \$2,427 in 2021 and \$6,385 in 2020.

Non-cash transactions:

The following non-cash transaction took place in 2022:

- The Company applied license fees due to Southern Scottish Inns, Inc. as principal payments of \$8,770 against its note. (See Related Party Note.)

The following non-cash transactions took place in 2021:

- The Company applied license fees due to Southern Scottish Inns, Inc. as principal payments of \$8,718 against its note. (See Related Party Note.)

The following non-cash transactions took place in 2020:

- The Company applied license fees due to Southern Scottish Inns, Inc. as principal payments of \$8,667 against its note. (See Related Party Note.)

L. BASIS OF PRESENTATION

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation.

M. GRANT INCOME ACCOUNTING POLICY NOTE

Currently there is no authoritative guidance under U.S. GAAP that addresses accounting and reporting by a nongovernmental entity, that is not a not-for-profit entity, (that is, it is a for-profit business entity) that receives a forgivable loan from a government entity. Accordingly, management has elected to analogize to International Accounting Standards 20, Accounting for Government Grants and Disclosure of Government Assistance, which states that a forgivable loan from the government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan. Accordingly, the Company presents income from forgivable loans from government entities within other income (expense) in the statement of income (operations) when all performance obligations have been satisfied and forgiveness is reasonably assured.

N. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

In April 2019, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2019-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." The amendments in ASU 2019-08 change the criteria for reporting a discontinued operation and require new

**HOSPITALITY INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS – (Continued)**  
**DECEMBER 31, 2022, 2021 and 2020**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. Only disposals representing a strategic shift in operations should be presented as discontinued operations. This accounting standard update is effective for annual filings beginning on or after December 15, 2020. Early adoption is permitted. The impact of the adoption of ASU 2019-08 on the Company's results of operations, financial position, cash flows and disclosures will be based on the Company's future disposal activity.

On January 1, 2020, the Company adopted the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" and all subsequent amendments to the ASU (collectively, "ASC 606"), which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. ASU 2019-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services.

**Franchise Fees**

Franchise fees from third-party hotel owners all fall within the scope of ASC 606 and are recognized as revenue as the Company satisfies its obligation to the customer and ASU 2019-09 may be applied using either a full retrospective or a modified retrospective approach and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2020, and early adoption is not permitted. Management is evaluating the impact of this guidance on its financial statements.

As of December 31, 2022, Hospitality had 202 fixed-fee-based franchise contracts and 10, percentage-based contracts. The franchise fees are recorded monthly as well as associated cost of the contracts.

**Hospitality International, Inc.**

We have not retrospectively restated for franchise contracts modified before January 1, 2016, for the contract modifications. Instead, we have reflected the aggregate effect of all contract modifications when identifying the satisfied and unsatisfied performance obligations, determined the transaction price and allocating the transaction price. The estimate effect of applying this practical expedient to use a longer period over which to straight line any fixed consideration received from the customer of paid to the customer, since all fees will be amortized over the full contract term beginning on the date of initial execution, rather than amortizing fees received upon contract modifications prospectively from the contract modification date. We do not anticipate that this effect is material given the insignificance of the fixed consideration compared to the overall consideration we expect to earn over the term of the contract.

As part of adoption of ASU 2014-09, we elected not to disclose the amount of the transaction price allocated to the same remaining performance obligations, as of December 31, 2022 or provide an explanation of when we expect to recognize that amount as revenue.

**O. ESTIMATES IN FINANCIAL STATEMENTS**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

**HOSPITALITY INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS – (Continued)**  
**DECEMBER 31, 2022, 2021 and 2020**

**P. ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES**

The Company adopted the new accounting for uncertainty in income tax guidance on January 1, 2009. The adoption of the guidance had no effect on retained earnings as of January 1, 2009. The Company recognizes accrued interest associated with uncertain tax positions as a part of interest expense and penalties associated with uncertain tax positions as part of other expenses. As of December 31, 2022, and December 31, 2021, there were no accrued interest and penalties associated with uncertain tax positions.

**Q. SUBSEQUENT EVENTS**

The Company has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 29, 2022, the date on which the financial statements were available to be issued. No Subsequent events occurred in 2022.

**NOTE 3 – ACCRUED EXPENSES AND OTHER LIABILITIES**

The following table summarizes accrued expenses and other liabilities:

| Year Ended December 31, | 2022             | 2021            |
|-------------------------|------------------|-----------------|
| Accrued Legal Fee       | \$ 0             | 22,018          |
| Accrued Vacation        | 0                | 29,789          |
| Accrued Audit Fee       | 54,800           | 52,800          |
| Total Accrued           | <u>\$ 54,800</u> | <u>104,607</u>  |
| <br>                    |                  |                 |
| Credit Cards            | \$ 5,452         | \$ 532          |
| Rent Deposits           | 475              | 475             |
| Total Other Liabilities | <u>\$ 5,927</u>  | <u>\$ 1,007</u> |

**NOTE 4 – CONTINGENCIES**

The amounts of accounts receivable in litigation or collections are \$0 at the end of 2022.

The Company may from time to time become party to various legal proceedings, arising in the normal course of business. The Company investigates these claims as they arise. The Company does not believe, based on current knowledge and advice of legal counsel, that any current proceedings are likely to have a material effect on its financial position, results of operations or cash flows. (See Litigation, Claims and Assessments).

The Company pays commissions to its sales representatives on franchises sold. The Company's policy is to pay the sales representative based on receipts of royalties from the franchisee. The commissions are recognized as earned when the franchisee pays the royalty fees. Estimated contingent commissions for future years are \$0. The turnover of franchises makes the likelihood of payment only reasonably possible; therefore, this amount has not been accrued.

**HOSPITALITY INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS – (Continued)**  
**DECEMBER 31, 2022, 2021 and 2020**

**NOTE 5 - RELATED PARTY TRANSACTIONS**

The Company pays service mark fees to its parent, Red Carpet Inns International, Inc. (RCII) for the right to franchise Red Carpet Inns and Master Host Inns at the rate of 21% of royalty fees. Licensing expense has been reduced when accounts are written-off as bad debt; therefore, the actual expense is below the 21% rate. The Company began paying its other parent (as of 2010) Southern Scottish Inns, Inc. (SSI) at the rate of 21% of the royalty fees for the right to franchise Scottish Inns. In January 2010 SSI bought back the mark and the Company agreed to pay SSI at 23.45%. License fees payable to RCII and SSI are \$14,975 at the end of 2022 and \$12,458 at the end of 2021. In 2004, the Company loaned \$80,000 to its then sole parent company, Red Carpet Inns International, Inc. (RCII) at 7.5 % interest payable on demand. In 2008, the Company transferred the balance on a note due from an affiliate of Natchez Franchises, Inc. to RCII. The accumulated interest due is \$119,976, and \$109,776 on December 31, 2022, and December 31, 2021, respectively. These loans were paid in full March 2023.

Accounts Receivable – Affiliates includes \$1,000 and \$17,987 due from Southern Scottish Inns, Inc. at the end of 2022 and 2021 respectively.

In 2005, the Company loaned \$75,000 at 6% payable on demand to the Company's former president. In 2008, the officer requested that \$15,000 be added to his note for an initial fee that was returned to a franchisee. The officer believed that he would be able to bring the franchisee back online. In 2020, The Company wrote off the \$15,000 and \$4,505 interest accrued on it since the franchisee was never brought online by the former president who died in 2018. Accrued interest due from the former president's estate is \$78,167 at the end of 2022 and \$78,167 at the end of 2021.

\$844 advanced to the former president of the Company in 2010 was written off in 2014 as uncollectible from the estate.

In 2009, the Company's former president loaned \$346,971 at an interest rate of 5.2% to the Company. The fifteen-year note with a seven-year call is secured by the Company's land and building. The Company paid the Heirs of the former president principal payments of \$26,947 in 2022 and \$17,097 in 2021, leaving principal balances of \$62,790 and \$89,737 on December 31, 2022, and 2021, respectively. Interest paid was \$3,734 in 2022, \$2,427 in 2021 and \$6,385 in 2020.

Included in notes receivable – affiliates are two 2008 trade notes due from properties owned by wholly owned subsidiaries of Southern Scottish Inns, Inc. (SSI). These notes bear interest at 0% per annum. The principal balance due on the notes is \$88,978 at the end of 2022, 2021 and 2020. These trade notes were paid in full in February 2023.

The Company holds a 2002 note with a principal balance due of \$43,812 at the end of 2022 and 2021 from SSI. Accrued interest on the 6% note is \$53,986 and \$53,568 at the end of 2022 and 2021 respectively. The note was paid in full in February 2023.

The Company also holds a \$185,000 note originally from 2004 that was re-negotiated in 2009 due from SSI with a principal balance of \$129,430 at the end of 2022 and 2021. Accrued interest on the 7.5 % note is \$75,412. This note was paid in full in December 2022.



**HOSPITALITY INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**  
**DECEMBER 31, 2022, 2021 and 2020**

**NOTE 5 - RELATED PARTY TRANSACTIONS – (Continued)**

The Company also holds a \$267,326 note given to the Company by SSI in lieu of cash for the Scottish Inns service mark in 2009. The Company applied license fees due to SSI as payments against the note in 2022 and 2021, recording principal payments of \$8,769 and interest income in the amount of \$955. The principal balance due on the note is \$157,258 and \$166,027 at the end of 2022 and 2021 respectively. (See Cash Flow-Supplemental Information Note.)

In 2011, the Company loaned SSI \$50,000 at 6% interest. Interest accrued on the note is \$35,951 at the end of 2021. The note was paid in full in December 2022.

**NOTE 6 - OPERATING LEASES - COMPANY AS LEASEE**

The Company leased a copier under a non-cancelable operating lease with a term of five years in the year 2014. Rent expenses that included maintenance, insurance and taxes was \$2,722, \$3,590, and \$3,721 in the years 2022, 2021 and 2020 respectively. The lease was renewed with a new copier with a five-year term in November 2021. The following is a schedule by years of future minimum rentals (equipment rent only) under the lease on December 31, 2022:

|       |    |               |
|-------|----|---------------|
| 2023  | \$ | 2,722         |
| 2024  |    | 2,722         |
| Other |    | 4,990         |
| Total | \$ | <u>10,434</u> |

The estimated present value of the minimum lease payments is \$2,722.

**NOTE 7 - OPERATING LEASES – COMPANY AS LESSOR**

The Company leases out as office space a portion of the building it owns and parking spaces near offices. The allocated cost of the property leased for 2022 and 2021 is \$475,951 and \$458,596. Its allocated accumulated depreciation is \$376,825 for 2022 and \$365,351 for 2021. The terms of lease agreements vary by tenant and circumstance. There are no agreements with tenants that are non-cancelable beyond one year.

**NOTE 8 – EMPLOYEE BENEFIT PLAN**

The Company had a defined contribution plan that conformed to IRS provisions for 401(k) plans. Under this plan, the Company provided a match of 50% of the first 7% of employee deferrals. In April 2008, the Company began using an outsourcing company for payroll and terminated the plan. The outsourcing company provides a 401k plan for the Company's former employees. Since this plan does not provide a match, the Company elected to continue the amount that the Company would have matched as salary through the outsourcing company. The Company changed to an outsourcing company with a 401(k) plan providing a match of \$1 to \$1 up to 4% of elective contributions taking effect in 2020. Matching contributions through the new outsourcing Company are \$11,952 in 2022 and \$12,843 in 2021.

**HOSPITALITY INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**  
**DECEMBER 31, 2022, 2021 and 2020**

**NOTE 9 - LITIGATION SETTLEMENTS**

The Company has aggressively pursued its legal rights to its service marks. It has been successful in stopping motel operations from illegally using its service marks as well as in enforcing compliance to its franchise agreements.

**NOTE 10 - MISCELLANEOUS INCOME**

Miscellaneous income is comprised of miscellaneous refunds and reimbursements and service charges on delinquent trade receivables.

**NOTE 11 - FRANCHISE INCOME**

Franchise income consists of royalty revenues, initial franchise and application fees and reservation revenues.

Initial franchise fees included in franchise income are \$34,650 in 2022, \$57,600 in 2021 and \$46,500 in 2020.

Included in reservation revenue, as well as in reservation expense, are outside reservation service company fees that are reimbursed by the franchisee's dollar for dollar.

**NOTE 12 – PRIOR PERIOD ADJUSTMENT**

In 2014, the deferred tax asset was found to be overstated by \$29,256 from an error in the calculation of the benefit in prior years. Although the adjustment required a reduction in 2011 and 2014 retained earnings, there was no tax effect to the Company. (See Income Tax Note.)

**NOTE 13 - DEBT OBLIGATIONS**

| Year Ended December 31,                | 2022              | 2021              |
|--|-------------------|-------------------|
| Interest Rate:                         | Principal Balance | Principal Balance |
| 5.00 % - 5.52%                         | \$ 62,790         | \$ 89,739         |
| Less: Amounts Maturing within one year | <u>(30,911)</u>   | <u>(29,464)</u>   |
| Net Long -Term Notes                   | \$ <u>31,879</u>  | \$ <u>60,275</u>  |

**HOSPITALITY INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**  
**DECEMBER 31, 2022, 2021 and 2020**

**NOTE 13 - DEBT OBLIGATIONS – (Continued)**

Maturities for principal amounts of long-term notes payable coming due over the next five years are as follows:

|       |    |        |  |
|-------|----|--------|--|
| 2023  |    | 30,911 |  |
| 2024  |    | 31,879 |  |
| Total | \$ | 62,790 |  |

The debt obligations are secured by assets with a book value of \$62,790 and an estimated market value of \$1,438,900 at December 31, 2022. There are no compensating cash balances attached to any of the debt instruments.

**NOTE 14 - ADVERTISING COSTS**

The Company enters multi-media ad campaigns, utilizing its website and print advertisements. Costs associated with these campaigns, including communication and production costs, are aggregated, and expensed the first time that the advertising takes place. If it becomes apparent that the media campaign will not take place, all costs are incurred at that time.

The Company collects advertising income to fund advertising services that are provided to benefit franchisees. Following is a summary of advertising income and advertising costs for the years ended December 31,

|  |    | 2022      |    | 2021      |    | 2020      |
|--|----|-----------|----|-----------|----|-----------|
| Advertising Income                                     | \$ | 382,366   | \$ | 358,267   | \$ | 303,624   |
| Advertising Costs                                      |    | (523,676) |    | (429,207) |    | (332,838) |
| Excess of Advertising<br>Costs over Advertising Income | \$ | (141,310) | \$ | (70,940)  | \$ | (29,214)  |

**HOSPITALITY INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**  
**DECEMBER 31, 2022, 2021 and 2020**

**NOTE 15 – INDUSTRY SEGMENTS**

Operations consist of two reportable segments which are based on similar products or services. Information on segments is as follows:

| Year Ended December 31,                     | 2022                | 2021                | 2020                |
|---|---------------------|---------------------|---------------------|
| Revenues:                                   |                     |                     |                     |
| Franchising                                 | \$ 1,888,957        | \$ 1,857,058        | \$ 1,645,457        |
| Leasing                                     | 40,475              | 45,767              | 37,780              |
| Total Revenues                              | <u>\$ 1,929,432</u> | <u>\$ 1,902,825</u> | <u>\$ 1,683,237</u> |
| Income (loss) before taxes:                 |                     |                     |                     |
| Franchising                                 | \$ 42,020           | \$ 109,585          | \$ 8,923            |
| Leasing                                     | (30,792)            | (20,566)            | (40,090)            |
| Total Income (loss) before taxes:           | <u>\$ 11,228</u>    | <u>\$ 89,019</u>    | <u>\$ (31,167)</u>  |
| Identifiable net assets:                    |                     |                     |                     |
| Franchising                                 | \$ 135,386          | \$ 100,015          | \$ 76,916           |
| Leasing                                     | <u>\$ 99,126</u>    | <u>\$ 93,245</u>    | <u>\$ 104,000</u>   |
| Depreciation Expense:                       |                     |                     |                     |
| Franchising                                 | \$ 15,333           | \$ 9,915            | \$ 10,855           |
| Leasing                                     | 11,474              | 10,755              | 10,730              |
| Total Depreciation Expense                  | <u>\$ 26,807</u>    | <u>\$ 20,670</u>    | <u>\$ 21,585</u>    |
| Additions in Property, Plant and Equipment: |                     |                     |                     |
| Franchising                                 | \$ 50,704           | \$ 33,015           | \$ 1,526            |
| Leasing                                     | <u>\$ 17,355</u>    | <u>\$ 0</u>         | <u>\$ 0</u>         |

**HOSPITALITY INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**  
**DECEMBER 31, 2022, 2021 and 2020**

**NOTE 16 - INCOME TAXES**

The current income tax provision represents the estimated amount of income taxes paid or payable for the year, as well as changes in estimates from prior years. The deferred income tax provision represents the change in deferred tax liabilities and assets. The following table presents the significant components of the provision for income taxes for the years ended December 31, 2022, 2021, and 2020:

| Year Ended December 31, | 2022             | 2021            | 2020               |
|-------------------------|------------------|-----------------|--------------------|
| Current:                |                  |                 |                    |
| Federal                 | \$ 0             | \$ 2,482        | \$ 0               |
| State taxes             | 5,895            | 6,075           | 5,900              |
| Total Current           | <u>5,895</u>     | <u>8,557</u>    | <u>5,900</u>       |
| Deferred:               |                  |                 |                    |
| Federal                 | (21,349)         | (14,002)        | (27,288)           |
| State taxes             | 0                | 0               | 0                  |
| Total Deferred          | <u>(21,349)</u>  | <u>(14,002)</u> | <u>(27,288)</u>    |
| Total Tax/(Benefit)     | <u>\$ 15,454</u> | <u>\$ 5,445</u> | <u>\$ (21,388)</u> |

The reconciliation of the difference between the federal statutory tax rate and the Company's effective tax rate is as follows:

| Year Ended December 31,     | 2022            | 2021            | 2020            |
|-----------------------------|-----------------|-----------------|-----------------|
| Federal statutory tax rate  | (21) %          | (21) %          | (21) %          |
| Penalties                   | 0               | 0               | 0               |
| Nondeductible meals & gifts | (21)            | (21)            | (21)            |
| Other                       | .9              | .9              | .9              |
| Effective tax rate          | <u>(31.5) %</u> | <u>(31.5) %</u> | <u>(31.5) %</u> |

The income tax effects of temporary differences between financial and income tax reporting that gave rise to deferred income tax assets and liabilities are as follows:

| Year Ended December 31,                    | 2022                | 2021                | 2020                |
|--|---------------------|---------------------|---------------------|
| Long-term deferred income tax liabilities: |                     |                     |                     |
| Amortization on service marks              | \$ 0                | \$ 0                | \$ 0                |
| Net operating loss carryover               | (29,146)            | (61,554)            | (78,599)            |
| Contribution carryover                     | 0                   | (1,362)             | (1,362)             |
| Section 1231 Losses                        | (2,117)             | (2,117)             | (2,117)             |
| Section 179 Expense                        | (35,741)            | (1,607)             | (1,607)             |
| Reserve for Bad Debt                       | (34,658)            | (46,257)            | (46,725)            |
| Total                                      | <u>\$ (101,662)</u> | <u>\$ (129,942)</u> | <u>\$ (129,942)</u> |

The deferred tax asset for the Reserve for Bad Debt is restated for 2022 to correct errors in prior years. The adjustment required no adjustment to the tax liability of the Company. (See Prior Period Adjustment Note.)

**HOSPITALITY INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**  
**DECEMBER 31, 2022, 2021 and 2020**

**NOTE 16 - INCOME TAXES- (Continued)**

In 2021, the Company utilized net operating losses (NOL's) in the amount of \$61,554 against taxable income. In 2020, the Company utilized net operating losses (NOL's) in the amount of \$10,722 against taxable income. In 2019, the Company utilized net operating losses (NOL's) in the amount of \$1,426 against taxable income. In 2016, the Company had a net operating loss (NOL) of \$12,148 for federal income tax purposes. In 2014, the Company utilized net operating losses (NOL's) in the amount of \$41,155 against taxable income. In 2014, the Company had a net operating loss (NOL) of \$4,196 for federal income tax purposes. In 2012, the Company utilized net operating losses (NOL's) in the amount of \$25,653 against taxable income. In 2011, the Company utilized net operating losses (NOL's) in the amount of \$22,231 against taxable income. In 2010, the Company had a net operating loss (NOL) of \$10,664 for federal income tax purposes.

Listed below are the years and benefits of the NOL's utilized and remaining:

|                 | NOL Available     | NOL Utilized      | NOL Remaining    |
|-----------------|-------------------|-------------------|------------------|
| 2002            | \$ 7,099          | \$ 7,099          | \$ 0             |
| 2004            | 1,379             | 1,379             | 0                |
| 2005            | 53,615            | 53,615            | 0                |
| 2006            | 73,086            | 73,086            | 0                |
| 2007            | 48,483            | 36,756            | 11,727           |
| 2008            | 14,568            | 0                 | 14,568           |
| 2010            | 10,664            | 0                 | 10,664           |
| 2014            | 4,196             | 0                 | 4,196            |
| 2014            | 0                 | 41,155            | (41,155)         |
| 2015            | 0                 | 0                 | 0                |
| 2016            | 12,148            | 0                 | 12,148           |
| 2017            | 0                 | 1,426             | 10,722           |
| 2018            | 0                 | 10,722            | 0                |
| 2019            | 52,898            | 0                 | 52,898           |
| 2020            | 25,701            | 0                 | 78,599           |
| 2021            | 0                 | 61,554            | 17,045           |
| 2022            | 0                 | 0                 | 17,045           |
|                 | <u>\$ 303,837</u> | <u>\$ 286,792</u> | <u>\$ 17,045</u> |
| Fed Tax Benefit |                   | <u>\$ 5,445</u>   | <u>\$ 0</u>      |
| Tax Rate        |                   | 21%               | 15%              |

For each of the years ended December 31, 2022 and 2021, management believes there are no material amounts of uncertain tax positions. Additionally, there are no amounts of interest and penalties recognized in the balance sheets as of December 31, 2022 or 2021 or in the statements of income for each of the three years ended December 31, 2022. Furthermore, all years subsequent to 2012 remain subject to examination.

**NOTE 17 - LITIGATION, CLAIMS AND ASSESSMENTS**

The Company has claims against it related to incidents at franchise locations. However, these are covered under the insurance of the franchisee and/or the Company's insurance carrier. The Company also is represented by counsel for claims it has against other parties for sums due to the Company and for contract disputes. Legal fees paid during 2022 and 2021 and 2020 are \$88,863, \$143,588 and \$128,315 respectively.

**HOSPITALITY INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS – (Continued)**  
**DECEMBER 31, 2022, 2021 and 2020**

**NOTE 18 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

Management adopted the required provisions of ASC 820, “Fair Value Measurements and Disclosures,” on January 1, 2008. ASC 820 outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date;
- Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Under ASC 825, “Financial Instruments,” entities are permitted to choose to measure many financial instruments and certain other items at fair value. Management did not elect the fair value measurement option under ASC 825 for any of the Company’s financial assets or financial liabilities.

The following table shows the fair value of the Company’s financial assets and financial liabilities:

| <b>December 31, 2022</b>  | <b>Carrying Value</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
|---------------------------|-----------------------|----------------|----------------|----------------|
| Assets:                   |                       |                |                |                |
| Cash                      | 796,058               | 796,058        | 0              | 0              |
| Notes Receivable          | 594,929               | 0              | 0              | 594,929        |
| Liabilities:              |                       |                |                |                |
| Notes Payable – Current   | 30,911                | 30,911         | 0              | 0              |
| Notes Payable – Long Term | 30,879                | 0              | 0              | 30,879         |
|                           |                       |                |                |                |
| <b>December 31, 2021</b>  | <b>Carrying Value</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
| Assets:                   |                       |                |                |                |
| Cash                      | 529,151               | 529,151        | 0              | 0              |
| Notes Receivable          | 733,130               | 0              | 0              | 733,130        |
| Liabilities:              |                       |                |                |                |
| Notes Payable – Current   | 29,462                | 29,462         | 0              | 0              |
| Notes Payable – Long Term | 60,275                | 0              | 0              | 60,275         |

**HOSPITALITY INTERNATIONAL, INC.**  
**SUPPLEMENTAL SCHEDULES**

**SCHEDULE I – GENERAL AND ADMINISTRATION EXPENSES**

| Year Ended December 31,                         | 2022         | 2021         | 2020      |   |
|---|--------------|--------------|-----------|---|
| Automobile Expenses                             | \$ 25,764    | \$ 19,073    | \$ 11,280 |   |
| Bad Debts                                       | 35,206       | 38,823       | 90,917    |   |
| Commissions                                     | 68,681       | 81,334       | 67,179    |   |
| Contributions                                   | 0            | 3,028        | 0         |   |
| Convention Expense                              | 14,160       | 14,548       | 0         |   |
| Depreciation and Amortization                   | 26,807       | 20,670       | 21,585    |   |
| Dues and Subscriptions                          | 20,730       | 16,441       | 11,277    |   |
| Employee Benefits – Insurance                   | 41,571       | 48,329       | 48,235    |   |
| Equipment Rental                                | 6,044        | 6,384        | 7,144     |   |
| Franchise Development                           | 50,325       | 56,727       | 55,758    |   |
| Franchise Relations                             | 8,113        | 434          | 19,340    |   |
| Insurance                                       | 20,146       | 18,019       | 40,247    |   |
| Legal and Accounting                            | 167,492      | 249,942      | 189,107   |   |
| Licensing Cost                                  | 178,660      | 183,170      | 175,086   |   |
| Meals and Entertainment                         | 16,985       | 9,578        | 4,595     |   |
| Office Expenses                                 | 54,099       | 53,051       | 37,343    |   |
| Pension Plan – 401k Match                       | 11,952       | 12,843       | 6,760     |   |
| Postage & Freight                               | 5,329        | 4,229        | 3,227     |   |
| Professional Fees – Consulting                  | 63,800       | 61,554       | 61,200    |   |
| Repair and Maintenance                          | 23,650       | 16,847       | 22,387    |   |
| Reservation                                     | 155,085      | 129,607      | 102,797   |   |
| Sales Expense                                   | 41,211       | 13,288       | 5,761     |   |
| Salaries & Wages/Employee Lease                 | 575,884      | 526,408      | 557,997   |   |
| Taxes and Licenses                              | 85,652       | 80,175       | 75,417    |   |
| Taxes – State Franchise                         | 7,399        | 6,320        | 4,400     |   |
| Telephone                                       | 16,861       | 22,637       | 27,671    |   |
| Training/Seminars/Conferences                   | 4,951        | 1,592        | 0         |   |
| Travel  | 44,772       | 23,837       | 11,917    |   |
| Utilities                                       | 27,459       | 27,866       | 26,159    |   |
|   | <hr/>        |              |           |   |
| <b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSE</b> | 1,798,788    | 1,746,754    | 1,684,786 | 1 |
| <b>LESS OVERHEAD ALLOCATED TO ADVERTISING</b>   | (400,140)    | (362,155)    | (303,624) |   |
|   | <hr/>        |              |           |   |
| <b>TOTAL</b>                                    | \$ 1,398,648 | \$ 1,384,599 | 1,381,162 | 1 |



**HOSPITALITY INTERNATIONAL, INC.**  
**SUPPLEMENTAL SCHEDULES**

**SCHEDULE II - OTHER INCOME**

| Year Ended December 31,   | 2022             | 2021             | 2020            |
|---------------------------|------------------|------------------|-----------------|
| Convention Income         | \$ 35,839        | \$ 14,180        | \$ 0            |
| Service Income            | 1,260            | 2,272            | 200             |
| Interest                  | 36,201           | 25,985           | 1,062           |
| Miscellaneous Income      | 533              | 164              | 1,189           |
| Vendor Commissions        | 3,900            | 0                | 0               |
|                           | <hr/>            | <hr/>            | <hr/>           |
| <b>TOTAL OTHER INCOME</b> | <b>\$ 77,733</b> | <b>\$ 42,601</b> | <b>\$ 2,451</b> |

**SCHEDULE III - ADVERTISING COSTS**

| Year Ended December 31,        | 2022              | 2021              | 2020              |
|--------------------------------|-------------------|-------------------|-------------------|
| Advertising – Overhead         | \$ 400,140        | \$ 362,155        | \$ 303,624        |
| Advertising Costs              | 123,536           | 67,052            | 29,214            |
|                                | <hr/>             | <hr/>             | <hr/>             |
| <b>TOTAL ADVERTISING COSTS</b> | <b>\$ 523,676</b> | <b>\$ 429,207</b> | <b>\$ 332,838</b> |

**EXHIBIT "C"**  
**HOSPITALITY INTERNATIONAL, INC.**  
**FRANCHISE QUESTIONNAIRE**

PROPERTY DATA

Name of Property: \_\_\_\_\_ Number of Rooms: \_\_\_\_\_  
Address: \_\_\_\_\_  
County: \_\_\_\_\_ City/State/Zip: \_\_\_\_\_  
Phone Number: \_\_\_\_\_ Fax Number: \_\_\_\_\_  
Current Average Daily Rate (ADR): \_\_\_\_\_ Property Email Address: \_\_\_\_\_  
Property's Website Address: \_\_\_\_\_  
How many highway billboards are currently in place? 1 2 3  
Is front desk operation computerized? Yes No  
Name of Front Office Software Program: \_\_\_\_\_

LOCATION

Which best describes the area surrounding the inn?  Suburban  Interstate/Highway  
 Downtown  Resort  
Number of closest major highway: \_\_\_\_\_ Distance to that highway: \_\_\_\_\_ miles

FACILITIES

Restaurant on premises?  Yes  No Are alcoholic beverages served?  Yes  No  
Lounge/bar on premises?  Yes  No Leased?  Yes  No  
Number of meeting rooms (if applicable): \_\_\_\_\_ Number of attendees able to be accommodated: \_\_\_\_\_  
Are guest laundry facilities available?  Yes  No  
Does the inn have a swimming pool?  Yes  No  
If yes, is the pool: \_\_\_ indoor or \_\_\_ outdoor  
Does the pool have a diving board?  Yes  No  
How many guest rooms have bathrooms with showers only? \_\_\_\_\_ How many handicapped rooms? \_\_\_\_\_  
How many guest rooms have microwaves and minifridges? \_\_\_\_\_  
How many parking spaces are available for guests? \_\_\_\_\_  
How many handicapped parking spaces are available for guests? \_\_\_\_\_

CONSTRUCTION LAYOUT

Type of exterior:  Stucco  Brick  Wood  Vinyl Siding  Other: \_\_\_\_\_  
Corridors:  Interior  Exterior  
Are there fire walls?  Yes  No If yes, there are \_\_\_\_\_ fire walls every \_\_\_\_\_ rooms.

How many stories does the inn have?  1       2       3       Other: \_\_\_\_\_  
 Does the inn have elevators?  Yes       No      If yes, how many? \_\_\_\_\_  
 Size of guest rooms (excluding bathroom): \_\_\_\_\_

Please list the number of guest rooms available in each of the following room type:

Double \_\_\_ Double/Double \_\_\_ Queen \_\_\_ Queen/Queen \_\_\_ King \_\_\_ Suite \_\_\_ Efficiency \_\_\_  
 Handicap \_\_\_

**MISCELLANEOUS – Check all that apply**

- |   |  |
|---|--|
| <p>_____ a. Electronic locks</p> <p>_____ b. Deadbolt locks/Secondary locks</p> <p>_____ c. Peepsights</p> <p>_____ d. Cribs &amp; Rollaways available</p> <p>_____ e. Adequate exterior lighting</p> | <p>_____ f. Front desk open and staffed 24 hrs.</p> <p>_____ g. Ice/Vending Area</p> <p>_____ h. Fax machine installed on a dedicated telephone line</p> <p>_____ i. Posting Machine</p> <p>_____ j. Other _____</p> <p>_____</p> <p>_____</p> |
|---|--|

**OWNERSHIP DATA**

**TYPE OF OWNERSHIP**

**IDENTIFICATION NUMBER**

|  |   |
|--|---|
| <p>_____ Sole Proprietorship</p> <p>_____ Limited Partnership</p> <p>_____ Partnership</p> <p>_____ Limited Liability Company (LLC)</p> <p>_____ Corporation</p> | <p>Social Security Number: _____<br/>(Social Insurance Number if Canadian)</p> <p>TIN: _____<br/>(SSN or Social Insurance Number if Canadian)</p> <p>EIN: _____</p> <p>EIN: _____</p> |
|--|---|

**LIST OF OWNERS**

Principal Owner's Name: \_\_\_\_\_ Date of Birth: \_\_\_\_\_  
 Address (Home): \_\_\_\_\_  
 Number of Years of Hotel Management Experience: \_\_\_\_\_ Percentage of Ownership: \_\_\_\_\_  
 Social Security Number: \_\_\_\_\_ Home Phone Number: \_\_\_\_\_  
 United States Citizen?  Yes       No      Email \_\_\_\_\_ Address: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Other Owner's Name: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

Address (Home): \_\_\_\_\_  
Number of Years of Hotel Management Experience: \_\_\_\_\_ Percentage of Ownership: \_\_\_\_\_  
Social Security Number: \_\_\_\_\_ Home Phone Number: \_\_\_\_\_  
United States Citizen?  Yes  No Email Address: \_\_\_\_\_

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Other Owner's Name: \_\_\_\_\_ Date of Birth: \_\_\_\_\_  
Address (Home): \_\_\_\_\_  
Number of Years of Hotel Management Experience: \_\_\_\_\_ Percentage of Ownership: \_\_\_\_\_  
Social Security Number: \_\_\_\_\_ Home Phone Number: \_\_\_\_\_  
United States Citizen?  Yes  No Email Address: \_\_\_\_\_

**(If there are additional owners, please use a separate sheet of paper.)**

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How long has the hotel been under present ownership? \_\_\_\_\_

Do any of the owners or persons connected with this property have any interest in or connection with any other hotel or inn? If so, describe that interest below for each person.

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

Bank Reference: \_\_\_\_\_  
Trade Reference: \_\_\_\_\_

**Attach current financial statement of Corporation or Principal Owner.**

Attach Articles of Incorporation, Partnership Documents, LLC Organization or other supporting documents denoting ownership of record.

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All representations requiring prospective franchisees to assent to a release, estoppels or waiver of 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.

This Questionnaire does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

**By Signing below, prospective franchisee warrants that the information contained herein is true and correct and understands that it will influence Hospitality International, Inc.'s determination of his or her suitability as a franchisee.**

Prospective Franchisee's Signature: \_\_\_\_\_

**EXHIBIT “D-1”****LIST OF CURRENT FRANCHISEES**

| <b>Corporation Name</b>    | <b>Franchise</b>        | <b>Street Address</b>      | <b>City</b> | <b>State/Region</b> | <b>Postal Code</b> | <b>Hotel Phone</b> |
|----------------------------|-------------------------|----------------------------|-------------|---------------------|--------------------|--------------------|
| Shree Muktapuri, LLC       | Scottish Inns           | 2301 7th St. S.            | Clanton     | AL                  | 35046              | (205) 755-4049     |
| Prisha Hospitality, LLC    | Red Carpet Inn          | 1007 Highway 21 South      | Oxford      | AL                  | 36203              | (256) 831-6082     |
| Mona Corporation           | Scottish Inns           | 7237 Troy Hwy.             | Pike Road   | AL                  | 36064              | (334) 288-1501     |
| Kishan, LLC                | Scottish Inns           | PO Box 547, 186 Hwy. 231 N | Troy        | AL                  | 36081              | (334) 566-4090     |
| Neni, LLC                  | Red Carpet Inn          | 1871 East Grand Avenue     | Hot Springs | AR                  | 71901              | (501) 624-4436     |
| Shree - Gajanan, LLC       | Scottish Inns           | 3116 Mead Drive.           | Jonesboro   | AR                  | 72404              | (870) 972-8300     |
| Springdale Enterprises LLC | Scottish Inns & Suites  | 1219 South Thompson        | Springdale  | AR                  | 72764              | (479) 751-4874     |
| DHRUVI BA, INC             | Scottish Inns           | 812 Wible Road             | Bakersfield | CA                  | 93304              | (661) 827-8080     |
| ARIZONA INN & SUITES, INC. | Passport Inn & Suites   | 210 South Lincoln Avenue   | Corona      | CA                  | 92882              | (951) 272-4800     |
| Sole Proprietor            | Scottish Inns           | 5485 Atlantic Avenue       | Long Beach  | CA                  | 90805              | (562) 428-6707     |
| POMONA LODGE, INC.         | Passport Inn            | 130 East Holt Avenue       | Pomona      | CA                  | 91767              | (909) 629-5296     |
| Bhavani Krupa LLC          | Scottish Inns           | 1308 Lincoln Road East     | Vallejo     | CA                  | 94591              | (707) 642-1510     |
| WHITTIER INN, INC.         | Passport Inn            | 11435 Whittier Boulevard   | Whittier    | CA                  | 90601              | (562) 699-5199     |
| Aapeshwar, LLC             | Passport Inn & Suites   | 231 Willimantic Road       | Chaplin     | CT                  | 06235              | (860) 455-9588     |
| Divya LLC                  | Passport Inn & Suites   | 1310 South Main Street     | Middletown  | CT                  | 06457              | (860) 346-7701     |
| Maple Leaf Motel, LLC      | Red Carpet Inn & Suites | 244 Kent Road              | New Milford | CT                  | 06776              | (860) 350-2766     |
| Norwalk Enterprises, LLC   | Red Carpet Inn          | 469 Westport Avenue        | Norwalk     | CT                  | 06851              | (203) 847-5827     |
| Stamford Lodging LLC       | Red Carpet Inn          | 1209 East Main Street      | Stamford    | CT                  | 06902              | (203) 325-2655     |
| GOPAL, INC.                | Red Carpet Inn          | 600 New York Avenue NE     | Washington  | DC                  | 20002              | (202) 546-9200     |

| <b>Corporation Name</b>          | <b>Franchise</b>        | <b>Street Address</b>             | <b>City</b>    | <b>State/Region</b> | <b>Postal Code</b> | <b>Hotel Phone</b> |
|----------------------------------|-------------------------|-----------------------------------|----------------|---------------------|--------------------|--------------------|
| Sole Proprietor                  | Red Carpet Inn          | 1855 S. Ridgewood Ave.            | Daytona Beach  | FL                  | 32119              | (386) 767-6681     |
| Ft. Lauderdale Hospitality, Inc. | Red Carpet Inn          | 2460 SR 84                        | Ft. Lauderdale | FL                  | 33312              | (954) 792-4700     |
| Sole Proprietor                  | Scottish Inns           | 4341 SW. 13th Street              | Gainesville    | FL                  | 32608              | (352) 376-4423     |
| Jayshri, Inc.                    | Scottish Inns           | 2300 Phillips Hwy.                | Jacksonville   | FL                  | 32207              | (904) 396-2301     |
| ANKM, Inc.                       | Red Carpet Inn          | 4700 W. Irlo Bronson Highway      | Kissimmee      | FL                  | 34746              | (407) 396-1133     |
| Sole Proprietor                  | Scottish Inns           | 3190 Highway 441 South            | Okeechobee     | FL                  | 34974              | (863) 763-3293     |
| Jai Jalaram Enterprises, Inc.    | Scottish Inns           | 2580 State Road 16                | St. Augustine  | FL                  | 32092              | (904) 824-4436     |
| BJSS LLC                         | Scottish Inns           | 110 San Marco Ave.                | St. Augustine  | FL                  | 32084              | (904) 824-2871     |
| Aashna, Inc.                     | Red Carpet Inn          | 744 N. Temple Ave.                | Starke         | FL                  | 32091              | (904) 964-5590     |
| Sonash, Inc.                     | Scottish Inns           | 1079 Stevens Creek Road           | Augusta        | GA                  | 30907              | (706) 737-8121     |
| Shantisagar, LLC.                | Scottish Inns           | 1636 Gordon Highway               | Augusta        | GA                  | 30906              | (706) 790-1380     |
| Sairam Augusta, LLC              | Red Carpet Inn          | 2050 Gordon Highway               | Augusta        | GA                  | 30909              | (706) 733-5566     |
| Ananya Properties, LLC           | Scottish Inns           | 30934 US Hwy. 441 South & I-85    | Commerce       | GA                  | 30529              | (706) 335-5147     |
| Mrs. Rupal Patel                 | Scottish Inns           | 599 Battle Creek Road             | Jonesboro      | GA                  | 30236              | (770) 603-7300     |
| Maa Krupa Hotels, LLC            | Scottish Inns           | 4679 Bill Gardner Parkway         | Locust Grove   | GA                  | 30248              | (770) 957-9001     |
| Mishi Hospitality, LLC           | Red Carpet Inn          | 2690 Riverside Dr                 | Macon          | GA                  | 31204              | (478) 330-7120     |
| KHG Hospitality, LLC.            | Red Carpet Inn          | 2870 Jeffersonville Road          | Macon          | GA                  | 31217              | (478) 755-9091     |
| APU Inc.                         | Red Carpet Inn & Suites | 1455 Highway 29 South             | Newnan         | GA                  | 30263              | (770) 683-0089     |
| Bharat & Jagu, LLC               | Scottish Inns & Suites  | 405 General Courtney Hodges Blvd. | Perry          | GA                  | 31069              | (478) 987-3622     |
| Five Brothers, LLC               | Scottish Inns           | 3888 US Hwy. 17                   | Richmond Hill  | GA                  | 31324              | (912) 756-3861     |

| <b>Corporation Name</b>            | <b>Franchise</b> | <b>Street Address</b>          | <b>City</b>      | <b>State/Region</b> | <b>Postal Code</b> | <b>Hotel Phone</b> |
|------------------------------------|------------------|--------------------------------|------------------|---------------------|--------------------|--------------------|
| Komalmilan, LLC                    | Scottish Inns    | 6255 Memorial Drive            | Stone Mountain   | GA                  | 30083              | (770) 469-8461     |
| Unadilla Lodging, LLC              | Scottish Inns    | 1062 Pine Street               | Unadilla         | GA                  | 31091              | (478) 355-0540     |
| MH Hospitality, Inc.               | Red Carpet Inn   | 3207 Buckley Road              | North Chicago    | IL                  | 60064              | (847) 689-9400     |
| Hospitality Jeff Management, LLC   | Red Carpet Inn   | 2016 Hospitality Way           | Clarksville      | IN                  | 47130              | (812) 920-1247     |
| Lodging & Trade, LLC               | Red Carpet Inn   | 1117 East Main Street          | Greenwood        | IN                  | 46143              | (317) 882-2211     |
| A.P. HOSPITALITY CAREFREE RE, LLC  | Red Carpet Inn   | 6908 S State Road 66           | Leavenworth      | IN                  | 47137              | (812) 705-4118     |
| Sainath Krupa, LLC                 | Red Carpet Inn   | 2150 North 3rd Street          | Terre Haute      | IN                  | 47804              | (812) 235-0200     |
| Daydream Hotel Group               | Red Carpet Inn   | 1640 South Hurstbourne Parkway | Louisville       | KY                  | 40220              | (502) 491-7320     |
| 51 Houma Motel LLC                 | Red Carpet Inn   | 2115 Bayou Black Dr.           | Houma            | LA                  | 70360              | (985) 303-0016     |
| Sole Proprietor                    | Passport Inn     | 487 Lowell Street              | Methuen          | MA                  | 01844              | (978) 686-6512     |
| Keshav Amol, llc                   | Scottish Inns    | 142 Main Street                | Sturbridge       | MA                  | 01566              | (508) 347-9514     |
| JEEYA AND SHRUTI CORP.             | Red Carpet Inn   | 560 Riverdale Street           | West Springfield | MA                  | 01089              | (413) 733-6678     |
| Krishna Co., Inc.                  | Red Carpet Inn   | 9624 Baltimore Avenue          | College Park     | MD                  | 20740              | (301) 474-0003     |
| Yatra LLC.                         | Red Carpet Inn   | 311 Belle Hill Road            | Elkton           | MD                  | 21921              | (410) 392-5010     |
| SARASVATI, INC.                    | Red Carpet Inn   | 4694 Indian Head Highway       | Indian Head      | MD                  | 20640              | (301) 753-8100     |
| HAMPSHIRE LODGING, INC.            | Red Carpet Inn   | 7413 New Hampshire Avenue      | Takoma Park      | MD                  | 20912              | (301) 439-3003     |
| Parv, Inc                          | Red Carpet Inn   | 2214 Broadway Avenue South     | Rochester        | MN                  | 55904              | (507) 282-7448     |
| Sole Proprietor                    | Red Carpet Inn   | 222 3rd Avenue South           | Windom           | MN                  | 56101              | (507) 831-1120     |
| Waterbury Property Management, LLC | Scottish Inns    | 5404 Osage Beach Parkway       | Osage Beach      | MO                  | 65065              | (573) 348-3123     |
| Sonal, Inc.                        | Red Carpet Inn   | 271 D'Evereaux Dr.             | Natchez          | MS                  | 39120              | (601) 442-3686     |

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|----------------------------|-------------------------|---------------------------|---------------|---------------------|--------------------|--------------------|
| Sole Proprietor            | Scottish Inns           | 401 North Gloster Street  | Tupelo        | MS                  | 38804              | (662) 842-1961     |
| 51 Vicksburg Motel LLC     | Scottish Inns           | 3955 East Clay Street     | Vicksburg     | MS                  | 39183              | (601) 883-0350     |
| M & S Hospitality          | Red Carpet Inn          | 6953 NC-48                | Battleboro    | NC                  | 27809              | (252) 446-0771     |
| A. M. P. Enterprises, Inc. | Master Hosts Resorts    | 2748 Highway 105          | Boone         | NC                  | 28607              | (828) 264-2277     |
| Kayen, Inc.                | Red Carpet Inn          | 3303 Isler Street         | Greensboro    | NC                  | 27407              | (336) 852-4080     |
| Jalaram, Inc.              | Scottish Inns           | 1759 N. Garnett Street    | Henderson     | NC                  | 27536              | (252) 438-6172     |
| RegalDreams, LLC           | Red Carpet Inn & Suites | 208 East New Bern Road    | Kinston       | NC                  | 28504              | (252) 527-4155     |
| JJ of Maggie Valley, LLC   | Scottish Inns           | 178 Soco Road, Hwy. 19    | Maggie Valley | NC                  | 28751              | (828) 926-9137     |
| Jayomkar, LLC              | Scottish Inns           | 1034 Yadkinville Road     | Mocksville    | NC                  | 27028              | (336) 751-2116     |
| Rashvika, LLC              | Red Carpet Inn & Suites | 166 Highland Street       | Plymouth      | NH                  | 03264              | (603) 536-2155     |
| Atlantic City Sai, LLC     | Red Carpet Inn & Suites | 1104 Pacific Avenue       | Atlantic City | NJ                  | 08401              | (609) 345-8557     |
| Nikom Corp                 | Red Carpet Inn          | 1036 Route 73 South       | Berlin        | NJ                  | 08009              | (856) 768-5353     |
| PATEL & SONS, INC.         | Scottish Inns & Suites  | 3312 Route 206            | Bordentown    | NJ                  | 08505              | (609) 298-3355     |
| Abdiel Investors, LLC      | Red Carpet Inn          | 11 East Broad Street      | Bridgeton     | NJ                  | 08302              | (856) 575-0700     |
| Ambler Motel, LLC          | Red Carpet Inn          | 418 Crescent Boulevard    | Brooklawn     | NJ                  | 08030              | (856) 456-4321     |
| OLD POST ENTERPRISE LLC    | Red Carpet Inn          | 610 US Highway 1 North    | Edison        | NJ                  | 08817              | (732) 317-4676     |
| Navratan, LLC              | Red Carpet Inn          | 204 Route 46-E            | Elmwood Park  | NJ                  | 07407              | (201) 773-9510     |
| Resha Corporation          | Red Carpet Inn          | 206 E. White Horse Pike   | Galloway      | NJ                  | 08205              | (609) 652-3322     |
| Ma Durga Motel, Inc        | Scottish Inns & Suites  | 253 East White Horse Pike | Galloway      | NJ                  | 08205              | (609) 652-8001     |
| Star Management, LLC       | Red Carpet Inn          | 299 Swedesboro Avenue     | Gibbstown     | NJ                  | 08027              | (856) 423-6600     |



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|------------------------------|-------------------------|---------------------------|-------------------|---------------------|--------------------|--------------------|
| Neelkanth Enterprises, LLC   | Red Carpet Inn & Suites | 700 S. White Horse Pike   | Hammonton         | NJ                  | 08037              | (609) 704-1000     |
| Parkway Hospitality, LLC     | Red Carpet Inn          | 100 Union Avenue          | Irvington         | NJ                  | 07111              | (973) 375-4102     |
| Bhumina, LLC                 | Red Carpet Inn & Suites | 2070 Route 130 North      | Monmouth Junction | NJ                  | 08852              | (732) 305-7880     |
| S4 HOSPITALITY, LLC.         | Red Carpet Inn          | 10 Western Drive          | Mount Holly       | NJ                  | 08060              | (609) 702-1000     |
| Brunswick Lodging LLC        | Red Carpet Inn          | 26 Route 1 North          | New Brunswick     | NJ                  | 08901              | (732) 828-8000     |
| Bay Point Motel, Inc.        | Passport Inn            | 6 MacArthur Boulevard     | Somers Point      | NJ                  | 08244              | (609) 927-2287     |
| WHIPPANY LODGING LLC         | Red Carpet Inn          | 1255 State Route 10 East  | Whippany          | NJ                  | 07981              | (973) 539-8350     |
| Whippany Lodging, LLC        | Scottish Inns           | 1245 State Route 10 East  | Whippany          | NJ                  | 07981              | (973) 539-8383     |
| Nipur Corporation            | Red Carpet Inn          | 105 North Blackhorse Pike | Williamstown      | NJ                  | 08094              | (856) 728-8000     |
| BJ Patel, Inc.               | Red Carpet Inn & Suites | 39 Georgetown Road        | Wrightstown       | NJ                  | 08562              | (609) 723-1372     |
| Shaker Patel, Inc.           | Scottish Inns           | 42 Georgetown Road        | Wrightstown       | NJ                  | 08562              | (609) 723-3336     |
| TS and NS INC.               | Scottish Inns           | 333 W. Winnemucca Blvd.   | Winnemucca        | NV                  | 89445              | (775) 623-3703     |
| A & P OM LLC                 | Scottish Inns           | 1384 Central Ave.         | Albany            | NY                  | 12205              | (518) 435-1260     |
| New P & S Realty Corporation | Red Carpet Inn          | 980 Wyckoff Avenue        | Brooklyn          | NY                  | 11237              | (718) 417-4111     |
| J & J Lodging, LLC           | Red Carpet Inn & Suites | 4909 State Highway 28     | Cooperstown       | NY                  | 13326              | (607) 544-1000     |
| Vishnulaxmi, Inc.            | Scottish Inns           | 1346 Sheridan Drive       | Kenmore           | NY                  | 14217              | (716) 876-4489     |
| Tiki Motor Inn Inc.          | Master Hosts Inns       | 2 Canada Street           | Lake George       | NY                  | 12845              | (518) 668-5744     |
| Sole Proprietor              | Scottish Inns           | 3930 Niagara Falls Blvd.  | N. Tonawanda      | NY                  | 14120              | (716) 692-4222     |
| Anjaneya, Inc.               | Passport Inn            | 523 Third Street          | Niagara Falls     | NY                  | 14301              | (716) 285-2295     |
| Har Gange, LLC               | Red Carpet Inn          | 6625 Niagara Falls Blvd   | Niagara Falls     | NY                  | 14304              | (716) 283-2010     |

| <b>Corporation Name</b>           | <b>Franchise</b>        | <b>Street Address</b>             | <b>City</b>    | <b>State/Region</b> | <b>Postal Code</b> | <b>Hotel Phone</b> |
|-----------------------------------|-------------------------|-----------------------------------|----------------|---------------------|--------------------|--------------------|
| Krish Hotel, LLC                  | Red Carpet Inn          | 2914 Brewerton Road               | North Syracuse | NY                  | 13212              | (315) 454-3266     |
| Maple Court Motel, Inc.           | Red Carpet Inn          | 3940 Southwestern Blvd. (Rte. 20) | Orchard Park   | NY                  | 14127              | (716) 649-5890     |
| Suleshwari Corporation            | Scottish Inns           | 7575 US Route 11                  | Potsdam        | NY                  | 13676              | (315) 265-6700     |
| JSK Pulaski, LLC                  | Red Carpet Inn          | 3723-3724 State Route 13          | Pulaski        | NY                  | 13142              | (315) 298-4717     |
| KG & Sons, Inc.                   | Red Carpet Inn & Suites | 1231 Neubrecht Road               | Lima           | OH                  | 45801              | (419) 227-1101     |
| RCI Elk City Motel LLC            | Red Carpet Inn          | 1100 OK-34                        | Elk City       | OK                  | 73644              | (580) 225-9210     |
| Shayan and Isha LLC               | Scottish Inns           | 616 E. Main Street                | Weatherford    | OK                  | 73096              | (580) 772-3349     |
| Niagara Hospitality Resorts, Inc. | Scottish Inns           | 5265 Lorne Street                 | Niagara Falls  | Ontario             | L2G 1G7 Canada     | (905) 371-3111     |
| MITT AMIT LLC                     | Scottish Inns           | 2359 Ashland Street               | Ashland        | OR                  | 97520              | (541) 482-5111     |
| Mistry Enterprises, Inc.          | Red Carpet Inn          | 525 S. Riverside Ave.             | Medford        | OR                  | 97501              | (541) 772-6133     |
| JLK Kadhiwala Group               | Scottish Inns & Suites  | 1701 Catasauqua Road              | Allentown      | PA                  | 18109              | (610) 264-7531     |
| Jai Roshni, LLC                   | Red Carpet Inn          | 731 Hausman Road                  | Allentown      | PA                  | 18104              | (610) 395-3377     |
| Ayaan Hospitality Group, Inc.     | Scottish Inns & Suites  | 4000 Bristol Pike                 | Bensalem       | PA                  | 19020              | (215) 639-9990     |
| Karina, LLC                       | Red Carpet Inn          | 1175 Wayne Ave.                   | Chambersburg   | PA                  | 17202              | (717) 267-2323     |
| CN Hospitality LLC                | Red Carpet Inn          | 3270 Susquehanna Trail            | Duncannon      | PA                  | 17020              | (717) 834-3320     |
| JSP-3SKY, LLC                     | Red Carpet Inn & Suites | 4554 Admiral Peary Hwy.           | Ebensburg      | PA                  | 15931              | (814) 472-8002     |
| Khodial, LLC                      | Scottish Inns & Suites  | 5651 Lincoln Hwy                  | Fayetteville   | PA                  | 17222              | (717) 352-2144     |
| LAXMI, INC.                       | Red Carpet Inn          | 2450 Emmitsburg Road              | Gettysburg     | PA                  | 17325              | (717) 334-1345     |

| <b>Corporation Name</b>     | <b>Franchise</b>        | <b>Street Address</b>           | <b>City</b>     | <b>State/Region</b> | <b>Postal Code</b> | <b>Hotel Phone</b> |
|-----------------------------|-------------------------|---------------------------------|-----------------|---------------------|--------------------|--------------------|
| HAZLETON FIRST, INC.        | Red Carpet Inn & Suites | 1221 North Church Street        | Hazleton        | PA                  | 18202              | (570) 455-2061     |
| Kuldeep Corporation         | Red Carpet Inn          | 2101 Columbia Avenue            | Lancaster       | PA                  | 17603              | (717) 397-4201     |
| TINICUM LODGING, LLC        | Red Carpet Inn          | 600 North Governor Prinz Blvd   | Lester          | PA                  | 19029              | (610) 521-3900     |
| Santram, Inc.               | Scottish Inns           | 274 Route 6 & 209               | Milford         | PA                  | 18337              | (570) 491-4414     |
| Shri Hari Enteerprise, LLC  | Red Carpet Inn & Suites | 3736 Main Street                | Morgantow n     | PA                  | 19543              | (610) 286-5061     |
| Sunny Krupa, Inc.           | Scottish Inns           | 300 Commerce Drive              | New Cumberland  | PA                  | 17070              | (717) 774-5990     |
| Sole Proprietor             | Red Carpet Inn & Suites | 351 Lewisberry Road             | New Cumberland  | PA                  | 17070              | (717) 774-1310     |
| Pooja Devang, Inc.          | Red Carpet Inn          | 830 West Main Street            | Norristown      | PA                  | 19401              | (610) 279-0150     |
| Rayirth Hospitality Company | Red Carpet Inn          | PO Box 566 / 12264 E. Main St.  | North East      | PA                  | 16428              | (814) 725-4554     |
| Vanita, Inc.                | Scottish Inns           | 2641 Lincoln Hwy. East (Rt. 30) | Ronks           | PA                  | 17572              | (717) 687-0925     |
| Shreedalaxmi, LLC           | Red Carpet Inn          | 2884 Lincoln Hwy. E.            | Ronks           | PA                  | 17572              | (717) 687-8020     |
| MRN, LLC                    | Scottish Inns & Suites  | 3914 Rhea County Hwy.           | Dayton          | TN                  | 37321              | (423) 775-9718     |
| General Partnership         | Scottish Inns           | 15947 Hwy 13 South              | Hurricane Mills | TN                  | 37078              | (931) 296-1202     |
| Sole Proprietor             | Scottish Inns           | 201 Callahan Road               | Knoxville       | TN                  | 37912              | (865) 689-7777     |
| R Sun, LLC                  | Scottish Inns           | 2457 Hillsboro Blvd.            | Manchester      | TN                  | 37355              | (931) 728-0506     |
| Esha Tanisha, LLC           | Scottish Inns           | 1105 Sparta Road                | McMinnvill e    | TN                  | 37110              | (931) 473-2181     |
| V. B. Hotel, LLC            | Scottish Inns           | 3515 W. Andrew Johnson Hwy.     | Morristown      | TN                  | 37814              | (423) 586-8121     |
| Omshree Ganesha LLC         | Scottish Inns           | 526 N. Murfreesboro Road        | Nashville       | TN                  | 37210              | (615) 727-0919     |
| Deanna Hospitality LLC      | Scottish Inns & Suites  | 900 East Highway 6              | Alvin           | TX                  | 77511              | (281) 331-7900     |

| <b>Corporation Name</b>       | <b>Franchise</b>       | <b>Street Address</b>         | <b>City</b>   | <b>State/Region</b> | <b>Postal Code</b> | <b>Hotel Phone</b> |
|-------------------------------|------------------------|-------------------------------|---------------|---------------------|--------------------|--------------------|
| DNKV, LLC                     | Scottish Inns & Suites | 2839 N. Velasco               | Angleton      | TX                  | 77515              | (979) 848-3232     |
| Dilansai, LLC                 | Scottish Inns & Suites | 2616 Dean Street              | Balch Springs | TX                  | 75180              | (469) 608-5100     |
| DHAYA PREMA LLC               | Scottish Inns & Suites | 5525 7th Street               | Bay City      | TX                  | 77414              | (979) 557-0690     |
| Saipanth, LLC                 | Scottish Inns & Suites | 8151 Bayway Drive             | Baytown       | TX                  | 77520              | (281) 424-0800     |
| Sanidev Hotels, Inc.          | Scottish Inns & Suites | 6802 Garth Road               | Baytown       | TX                  | 77521              | (281) 421-9977     |
| Baytown 146 Hospitality LLC   | Scottish Inns & Suites | 6600A North Highway 146 #A    | Baytown       | TX                  | 77523              | (281) 918-0944     |
| Pia Hospitality, LLC.         | Scottish Inns & Suites | 50 Interstate 10 North        | Beaumont      | TX                  | 77702              | (409) 835-8800     |
| MAYA CORPORATION              | Scottish Inns          | 1885 N. I-35 East             | Carrollton    | TX                  | 75006              | (972) 446-2727     |
| Sheldon Lodging Group, LLC.   | Scottish Inns & Suites | 15740 I-10 East               | Channelview   | TX                  | 77530              | (281) 452-0400     |
| Tirupati Hotels, Inc.         | Scottish Inns & Suites | 1105 League Line Road         | Conroe        | TX                  | 77303              | (936) 701-5260     |
| PACD Hospitality, LLC         | Scottish Inns & Suites | 435 Mars Drive                | Cotulla       | TX                  | 78014              | (830) 483-5390     |
| Cresson Hospitality, LLC.     | Scottish Inns          | 9120 Highway 377              | Cresson       | TX                  | 76035              | (817) 396-4480     |
| Crosby Hospitality, Inc.      | Scottish Inns & Suites | 3201 Beaumont Highway         | Crosby        | TX                  | 77532              | (281) 666-1907     |
| MARSHALL LODGING LTD.         | Scottish Inns          | 1135 North Interstate 35 East | DeSoto        | TX                  | 75115              | (972) 224-8575     |
| MM3 Hospitality, LLC.         | Scottish Inns          | 2400 SouthEast Loop 820       | Fort Worth    | TX                  | 76140              | (817) 880-0266     |
| Jai Bhavani Maa Lodging, LLC. | Scottish Inns          | 7012 South Freeway            | Ft. Worth     | TX                  | 76134              | (817) 615-4854     |
| BT & Sons Inc.                | Scottish Inns          | 928 N. Ferry Road             | Galveston     | TX                  | 77550              | (409) 762-3311     |

| <b>Corporation Name</b>           | <b>Franchise</b>          | <b>Street Address</b>            | <b>City</b> | <b>State/Region</b> | <b>Postal Code</b> | <b>Hotel Phone</b> |
|-----------------------------------|---------------------------|----------------------------------|-------------|---------------------|--------------------|--------------------|
| TEJAL & DILAN, LLC.               | Scottish Inns & Suites    | 9002 Highway 6                   | Hitchcock   | TX                  | 77563              | (409) 927-5120     |
| JAYJALA INVESTMENTS, LLC.         | Scottish Inns & Suites    | 1202 N. Sam Houston Pkwy E.      | Houston     | TX                  | 77032              | (713) 554-2200     |
| A & J HOSPITALITY GROUP, LLC      | Scottish Inns & Suites    | 11233 Antoine Drive              | Houston     | TX                  | 77066              | (281) 919-1873     |
| JAYKRI, INC.                      | Scottish Inns & Suites    | 2531 FM 1960                     | Houston     | TX                  | 77073              | (281) 821-9900     |
| MANGALAMURTI, LLC.                | Scottish Inn & Suites     | 5420 E Sam Houston Parkway North | Houston     | TX                  | 77015              | (281) 247-8600     |
| BOSS HOSPITALITY, INC.            | Scottish Inns & Suites    | 14130 Gulf Freeway               | Houston     | TX                  | 77034              | (281) 848-7455     |
| SOHAN SAI KRISHNA MANAGMENT, LLC. | Scottish Inns & Suites    | 15700 Kuykendahl Road            | Houston     | TX                  | 77090              | (832) 666-2751     |
| Neminath, LLC.                    | Scottish Inns             | 8381 Broadway Blvd.              | Houston     | TX                  | 77061              | (713) 645-1333     |
| Adinatatha, LLC.                  | Downtown er Inns          | 16230 North Freeway              | Houston     | TX                  | 77090              | (281) 645-4592     |
| GWJ Enterprises, Inc.             | Red Carpet Inn            | 6868 Hornwood Drive              | Houston     | TX                  | 77074              | (713) 981-8686     |
| Ambe Lodging Group, LLC.          | Downtown er Inns & Suites | 7117 Monroe Road                 | Houston     | TX                  | 77061              | (713) 910-8600     |
| Akansha Hospitality LLC           | Scottish Inns             | 3331 Antoine Drive               | Houston     | TX                  | 77092              | (713) 688-9988     |
| Jai Jai Sita Ram, LLC.            | Scottish Inns & Suites    | 8109 West Little York Rd.        | Houston     | TX                  | 77040              | (713) 939-0630     |
| Vinayak One Hospitality, LLC.     | Scottish Inns & Suites    | 2434 North Fry Road              | Houston     | TX                  | 77084              | (832) 321-5547     |
| CAVALCADE ASSOCIATES, LLC.        | Scottish Inns & Suites    | 3676 Eastex Freeway              | Houston     | TX                  | 77026              | (713) 675-1717     |
| Kedareshwar, LLC                  | Scottish Inns & Suites    | 9610 W. Sam Houston Pkwy         | Houston     | TX                  | 77099              | (281) 564-9100     |

| <b>Corporation Name</b>          | <b>Franchise</b>                   | <b>Street Address</b>         | <b>City</b> | <b>State/Region</b> | <b>Postal Code</b> | <b>Hotel Phone</b> |
|----------------------------------|------------------------------------|-------------------------------|-------------|---------------------|--------------------|--------------------|
| Timber Creek Lodging Group, LLC. | Scottish Inns & Suites             | 16150 Timber Creek Place Lane | Houston     | TX                  | 77084              | (281) 859-7111     |
| Hobby Regency WWS, LLC.          | Red Carpet Inn & Suites            | 6161 Gulf Freeway             | Houston     | TX                  | 77023              | (713) 928-2871     |
| Balaji Lodging Group, Inc.       | Downtown Inns                      | 2510 Hamilton Street          | Houston     | TX                  | 77004              | (713) 651-1100     |
| Nimitz Corporation               | Scottish Inns & Suites             | 12706 I-10 East Freeway       | Houston     | TX                  | 77015              | (713) 330-1234     |
| Alina Lodging, LLC.              | Scottish Inns & Suites             | 11275 Jones Road              | Houston     | TX                  | 77070              | (281) 477-9190     |
| Rankin Hospitality, LLC.         | Scottish Inns & Suites             | 431 Rankin Road               | Houston     | TX                  | 77073              | (281) 821-7711     |
| Worldwide Hospitality, LLC.      | Scottish Inns & Suites             | 8510 Alameda Road             | Houston     | TX                  | 77054              | (713) 795-9100     |
| SAI Akrti, LLC.                  | Scottish Inns                      | 6677 Westcott Street          | Houston     | TX                  | 77007              | (713) 861-4499     |
| Pranam Hospitality, LLC.         | Scottish Inns & Suites             | 8415 Hwy. 6, South            | Houston     | TX                  | 77083              | (281) 879-5544     |
| Fourstate Investment Corporation | Scottish Inns & Suites             | 424 E. Tidwell Road           | Houston     | TX                  | 77022              | (713) 692-7300     |
| DRV, LLC.                        | Scottish Inns & Suites IAH Airport | 7827 FM 1960 Bypass Road West | Humble      | TX                  | 77338              | (281) 973-9351     |
| Shanta Lodging, LLC              | Scottish Inns & Suites Atascocita  | 8602 FM 1960 Road East        | Humble      | TX                  | 77346              | (832) 644-9883     |
| Shreeji Hospitality, LLC         | Scottish Inns & Suites             | 14835 Eastex Freeway          | Humble      | TX                  | 77396              | (281) 441-3700     |
| 99 Kingsland, Inc.               | Scottish Inns & Suites             | 530 W. Grand Parkway South    | Katy        | TX                  | 77494              | 832-437-0102       |
| Sai Madhav Hospitality, LLC      | Scottish Inn & Suites              | 601 Texas Avenue              | Kemah       | TX                  | 77565              | (281) 334-4855     |
| Dimika, Inc.                     | Scottish Inns                      | 2600 Gateway Dr.              | Killeen     | TX                  | 76542              | (254) 526-8208     |

| <b>Corporation Name</b>         | <b>Franchise</b>        | <b>Street Address</b>             | <b>City</b>      | <b>State/Region</b> | <b>Postal Code</b> | <b>Hotel Phone</b> |
|---------------------------------|-------------------------|-----------------------------------|------------------|---------------------|--------------------|--------------------|
| DIMIKA, Inc.                    | Scottish Inns           | 6104 East Veterans Memorial Blvd. | Killeen          | TX                  | 76543              | (254) 690-1718     |
| CBRP, LLC.                      | Scottish Inns & Suites  | 702 Highway 146 South             | La Porte         | TX                  | 77571              | (281) 941-4033     |
| Dhannram, LLC.                  | Scottish Inns & Suites  | 1000 North Avenue Q               | Lubbock          | TX                  | 79403              | (806) 763-9343     |
| Sole Proprietor                 | Scottish Inns & Suites  | 9800 I-20                         | Merkel           | TX                  | 79536              | (325) 928-4723     |
| OM Shiv Sai Krupa, Inc.         | Scottish Inns & Suites  | 28150 SW Freeway 36               | Rosenberg        | TX                  | 77471              | (832) 595-6900     |
| ANSHI HOSPITALITY LLC           | Scottish Inns & Suites  | 19027 Interstate 45               | Spring           | TX                  | 77388              | (281) 651-5723     |
| Mahavir Host, LLC.              | Scottish Inns & Suites  | 10525 Greenbough Dr.              | Stafford         | TX                  | 77477              | (281) 208-2411     |
| 1121 TEXASCITY INVESTMENT, LLC. | Scottish Inns & Suites  | 1121 Highway 146 North            | Texas City       | TX                  | 77590              | (409) 948-3101     |
| Shri Sadguru Sainath, LLC.      | Scottish Inns & Suites  | 30130 State Highway 249           | Tomball          | TX                  | 77375              | (281) 351-9700     |
| GURU SAI LLC                    | Scottish Inns & Suites  | 9985 US 59 Road                   | Wharton          | TX                  | 77488              | (979) 532-0301     |
| Dharajan, Inc.                  | Scottish Inns & Suites  | 8110 West Freeway                 | White Settlement | TX                  | 76108              | (817) 882-6800     |
| DP Hospitality, LLC.            | Scottish Inns           | 600 Jim Wright Freeway            | White Settlement | TX                  | 76108              | (817) 439-9742     |
| Dashmesh, LLC                   | Red Carpet Inn          | 8257 Richmond Highway             | Alexandria       | VA                  | 22309              | (703) 780-5511     |
| Om, LLC                         | Red Carpet Inn          | 1615 S. Main Street               | Blacksburg       | VA                  | 24060              | (540) 552-4011     |
| SK COLLINSVILLE, LLC.           | Scottish Inns           | 2357 Virginia Ave                 | Collinsville     | VA                  | 24078              | (276) 647-3716     |
| T & KK Enterprises, Inc.        | Red Carpet Inn & Suites | 13065 James Madison Hwy.          | Culpeper         | VA                  | 22701              | (540) 829-6700     |

| <b>Corporation Name</b>       | <b>Franchise</b>        | <b>Street Address</b>      | <b>City</b>    | <b>State/Region</b> | <b>Postal Code</b> | <b>Hotel Phone</b> |
|-------------------------------|-------------------------|----------------------------|----------------|---------------------|--------------------|--------------------|
| Pooja Investments, LLC        | Red Carpet Inn & Suites | 1390 Piney Forest Road     | Danville       | VA                  | 24540              | (434) 836-6745     |
| Kuber Hospitality Corporation | Red Carpet Inn          | 1808 Diamond Springs Road  | Virginia Beach | VA                  | 23455              | (757) 460-3471     |
| Ramkabir Farm, LLC            | Scottish Inns & Suites  | 1135 West MacArthur Avenue | Eau Claire     | WI                  | 54701              | (715) 835-2261     |

**LIST OF THE FRANCHISE AGREEMENTS HAD BEEN SIGNED BUT NOT OPEN AS OF 12/31/21**

| <b>Corporation Name</b>    | <b>Franchise</b> | <b>Street Address</b>  | <b>City</b>     | <b>State/Region</b> | <b>Postal Code</b> | <b>Hotel Phone</b> |
|----------------------------|------------------|------------------------|-----------------|---------------------|--------------------|--------------------|
| RT 130 ENTERPRISE LLC      | Red Carpet Inn   | 1609 Route 130         | North Brunswick | NJ                  | 08902              | 732-297-2100       |
| Westpark Hospitality, Inc. | Scottish Inns    | 6359 Peek Road         | Richmond        | TX                  | 77407              | To be assign       |
| ANU INVESTMENT CORPORATION | Scottish Inns    | 5200 Mansfield Highway | Forest Hill     | TX                  | 76119              | To be assign       |
| Tejal & Raj, LLC           | Scottish Inns    | 10141 Eastex Freeway   | Houston         | TX                  | 77093              | To be assign       |



**EXHIBIT D-2**

The name and last known home address and telephone number of every franchisee who has had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with the Franchisor within 10 weeks of the application date.

| <b>Corporation Name</b>                   | <b>Street Address</b>       | <b>City</b>      | <b>State/Region</b> | <b>Postal Code</b> | <b>Hotel Phone</b> | <b>Reason</b>   |
|---|-----------------------------|------------------|---------------------|--------------------|--------------------|-----------------|
| J G Hospitality, Inc                      | 112 Manor Row               | Pooler           | GA                  | 31322              | (912) 920-1900     | Ceased Business |
| P.S.N. Inc.                               | 1525 State Route 127        | Greenville       | IL                  | 62246              | (618) 664-1950     | Ceased Business |
| ADITYA, LLC                               | 1923 Dover Street           | Worthington      | MN                  | 56187              | (507) 376-9494     | Ceased Business |
| Carney's Point Hospitality, LLC           | 7 Pavilin Road              | Voorhees         | NJ                  | 08043              | (856) 299-4900     | Ceased Business |
| Capital District Hospitality, Inc         | 500 Northern Boulevard      | Albany           | NY                  | 12204              | (518) 462-5562     | Ceased Business |
| Shree Sai Hospitality, Inc.               | 110 Sodrac Drive            | N Sioux City     | SD                  | 57049              | (605) 232-9600     | Ceased Business |
| Shiv- Ram, Inc.                           | 2620 Decatur Pike           | Athens           | TN                  | 37303              | (423) 744-8200     | Ceased Business |
| 1021Leaguecity, LLC                       | 102 Hobbs Rd                | League City      | TX                  | 77576              | (281) 338-0800     | Ceased Business |
| Akshar Real Estate Development, LLC       | 509 South Water Street      | Sparta           | WI                  | 54656              | (608) 269-3138     | Ceased Business |
| Sharda LLC                                | 7829 Bishopville Road       | Hornell          | NY                  | 14843              | (716) 297-2250     | Non-renewal     |
| Point Pleasant Limited                    | P. O. Box SS-6233           | Nassau           | Bahamas             |                    | (242) 393-7981     | Terminated      |
| Kartik Hospitality LLC                    | 2989 Hamilton Boulevard     | South Plainfield | NJ                  | 07080              | (908) 753-8900     | Terminated      |
| Prisha Hospitality, LLC                   | 14624 Lake Magdelene Circle | Tampa            | FL                  | 33613              | (256) 831-6082     | Transfer        |
| Jayantilal International Investments, Inc | 2870 Jeffersonville Rd      | Macon            | GA                  | 31217              | (478) 755-9091     | Transfer        |
| Liberty Motel Operations, LLC             | 2115 Bayou Black Drive      | Houma            | LA                  | 70360              | (985) 303-0016     | Transfer        |
| Rashvika, LLC                             | 58 Photine Dr               | Lowell           | MA                  | 01854              | (603) 536-2155     | Transfer        |
| Don C. Huprich                            | 3955 East Clay Street       | Vicksburg        | MS                  | 39183              | (601) 638-5511     | Transfer        |
| Mr. Ketan H. Bhakta                       | 333 W. Winnemucca Boulevard | Winnemucca       | NV                  | 89445              | (775) 623-3703     | Transfer        |

| <b>Corporation Name</b> | <b>Street Address</b> | <b>City</b> | <b>State/Region</b> | <b>Postal Code</b> | <b>Hotel Phone</b> | <b>Reason</b> |
|-------------------------|-----------------------|-------------|---------------------|--------------------|--------------------|---------------|
| Mr. Thakorlal R. Mistry | 2450 Emmitsburg Road  | Gettysburg  | PA                  | 17325              | (717) 334-1345     | Transfer      |
| SUN Securities, Inc.    | 7514 Morley St        | Houston     | TX                  | 77061              | (281) 331-7900     | Transfer      |
| Lotus Five Star LLC     | 4115 Gulf Freeway     | Houston     | TX                  | 77023              | (713) 688-9988     | Transfer      |

**EXHIBIT “E”**

**GUARANTY OF FRANCHISEE’S UNDERTAKINGS**

THIS GUARANTY (the “Guaranty”) is made and entered into effective as of \_\_\_\_\_  
202\_\_, by and between the undersigned Guarantors (“you”), and Hospitality International, Inc.  
 (“Franchisor”, “us”, “we”).

**WHEREAS**, \_\_\_\_\_ (“Franchisee”)  
desires to enter into a franchise agreement (“Agreement”) dated \_\_\_\_\_  
, with us for a \_\_\_\_\_ Hotel located at \_\_\_\_\_  
\_\_\_\_\_;

**WHEREAS**, each of you is a director, officer, shareholder, partner, member (owner of equity of a  
limited liability company), managing member, or joint venturer (or a combination of the foregoing) of  
Franchisee;

**WHEREAS**, in order to induce us to execute the Agreement with Franchisee, you are willing to  
guarantee the obligations of Franchisee under the Agreement and all other documents and instruments  
executed in connection therewith including, but not limited to, any and all promissory notes executed by  
Franchisee (collectively, the “Franchise Documents”); and

**WHEREAS**, it is in your best interests to guaranty the obligations of Franchisee;

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants and agreements  
contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby  
acknowledged, the parties hereby agree as follows:

**1. Guaranty.** You, jointly and severally, unconditionally guarantee the prompt, and full  
performance by Franchisee with all of the terms and conditions of the Franchise Documents (including, but  
not limited to, all representations, and covenants of Franchisee) and the prompt and full performance and  
payment of all duties and obligations of Franchisee thereunder (collectively, the “Obligations”). You agree  
that upon our request, you shall grant to us a security interest in your personal assets as we may deem  
necessary and to execute and deliver a UCC-1 Financing Statement to us. You also agree to pay us all  
expenses paid or incurred by us in attempting to enforce the Franchise Documents and this Guaranty and  
all expenses we pay or incur in attempting to collect any amounts due thereunder or hereunder including,  
but not limited to, court costs, legal expenses, and reasonable attorneys’ fees. If a provision of this Guaranty  
which we attempt to enforce by or through an attorney at law constitutes an “evidence of indebtedness”  
under O.C.G.A. §13-1-11, then said reasonable attorneys’ fee shall be in an amount equal to fifteen percent  
(15%) of the unpaid principal and interest owed to us.

**2. Remedies.** In the event Franchisee (a) defaults, (b) fails to comply with any of the Obligations,  
(c) files a voluntary petition in bankruptcy or answer seeking liquidation, reorganization, arrangement,  
readjustment of its debts or for any other relief under any bankruptcy or insolvency law of the United States,  
any state, territory, or foreign nation, now or hereafter existing, (d) enters into any agreement consenting to  
or approving of any such proceeding, I applies for or permits the appointment of a receiver, custodian, or  
trustee for all or a substantial portion of Franchisee’s property, (f) makes an assignment for the benefit of

creditors, (g) is unable or fails to pay or admits in writing that he is unable to pay debts generally as they become due, (h) shall have filed against him an involuntary petition in bankruptcy, or seeking liquidation, reorganization or arrangement of its debts, or for any other relief under any bankruptcy or insolvency law and such petition is not dismissed within forty five (45) days after it is filed, (i) suffers or permits the appointment of a receiver, custodian, or trustee for, or the issuance of a warrant of attachment, execution, or similar process against, all or a substantial part of the property of the Franchisee, we may immediately proceed directly against any of you for payment or performance of any such obligations, whether or not we have proceeded against Franchisee, any one of you, or any other party who may be primarily or secondarily liable for any of the Obligations or any collateral securing any of the Obligations.

**3. Consent.** Without releasing or affecting any of your Obligations hereunder, Franchisor may, at any time without notice to any of you: (a) extend, renew, or credit any of the Obligations for any period (whether or not longer than the original period); (b) compromise, or discharge, in any way, any of the Obligations and any liability of Franchisee, you, or any other party liable for any of the Obligations; (c) amend, modify, or exchange any of the Obligations; (d) give any other form of indulgence under the Franchise Documents, this Guaranty, or otherwise; I add one or more additional parties as guarantors of any or all of the Obligations; (f) release any or all security interests in any collateral securing any of the Obligations or permit a substitution or exchange of such collateral; and, (g) cause or permit to occur any impairment of any collateral securing any of the Obligations (as contemplated under O.C.G.A. §11-3-606). Each of you specifically consents to all of the foregoing and understands that neither our taking of any such actions nor our failure to take any such actions shall discharge or otherwise affect any of your liability hereunder.

**4. Waiver.** Each of you expressly waive your rights under the following statutes, as now in effect or as hereafter amended from time to time: (a) O.C.G.A. §10-7-20 (Effect of release of or compounding with surety); (b) O.C.G.A. §10-7-21 (“Novation” defined; effect on surety’s liability); (c) O.C.G.A. §10-7-22 (Discharge of surety by increase of risk); (d) O.C.G.A. §10-7-24 (Refusal to sue principal after notice by surety as discharge); and, I O.C.G.A. §10-7-25 (Extending liability). Each of you further waives: (i) presentment, demand, notice of dishonor, protest, nonpayment, and all other notices whatsoever (including, but not limited to, notice of acceptance hereof, notice of the existence or creation of any Obligations, notice of disposition and manner of disposition of any collateral securing any of the Obligations, and notice of all defaults, disputes, or controversies between Franchisee and us); (ii) any deficiencies in the collateral securing any of the Obligations or in the liability of any other parties liable for any of the Obligations; and, (iii) all rights of subrogation (whether arising under O.C.G.A. § 10-7-56 or otherwise), so long as any Obligations remain outstanding. Any waiver, extension of time, or other indulgence which we may grant from time to time with respect to any Obligations shall in no way modify or amend this Guaranty, which shall be continuing, absolute, unconditional, and irrevocable.

**5. Insolvency.** In the event that any payments made on any Obligations must be returned or are rescinded due to the operation of the bankruptcy or insolvency laws of the United States, any state, any territory, or any foreign nation, now or hereafter existing, the Obligations of each of you hereunder shall be automatically revived and reinstated as to such payments and Obligations, without notice to you or any further action whatsoever, and each of you hereby consents to such revival and reinstatement.

**6. Binding Effect; Amendment.** This Guaranty shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns, heirs, and legal representatives; provided, however, that you shall not assign any of your rights or obligations hereunder without our prior written consent. We may transfer or assign our rights and interests hereunder at any time and from time to time, without notice to or consent of any other party. This Guaranty may not be amended or modified except by a writing signed by all of the parties hereto.

**7. Exercise of Remedies.** The failure of any party to exercise, any right, power, or remedy under this Guaranty shall not constitute a waiver of any such right, power, or remedy and shall not preclude the subsequent or further exercise thereof. At Franchisor's exclusive option, jurisdiction and venue for all suits related to this Guaranty shall be proper only in the United States District Court, Northern District of Georgia, Atlanta Division, and in the Superior Court of DeKalb County, Georgia, or your applicable State of Federal District court, depending upon which court has subject matter jurisdiction. Each of the Guarantors hereby consents to the exercise of in personam jurisdiction by said courts.

**8. Severability.** If any provision of this Guaranty is held to be unenforceable or void by a court of competent jurisdiction, such holding shall not affect the enforceability of any other provisions which shall remain in full force and effect as if this Guaranty had been executed without the unenforceable or void provision; provided, however, that in the event of such a holding, the unenforceable or void provision shall be modified to the extent necessary to make such provision enforceable and valid and shall be observed and performed by the parties to that extent.

**9. Entire Agreement; Governing Law.** This Guaranty is intended by the parties hereto to be a final expression of their agreement with respect to the subject matter hereof and as a complete and exclusive statement of the terms and conditions thereof and supersedes all previous statements, understandings, and agreements with respect to said subject matter. This Guaranty shall be construed in accordance with and all disputes hereunder shall be governed by the laws of the State of Georgia.

**10. Counterparts.** This Guaranty may be executed in any number of counterparts with each to be deemed to be an original and all, when taken together, to constitute but one and the same instrument. A photocopy or facsimile transmittal of this Guaranty shall have the same force and effect as an original.

**IN WITNESS WHEREOF,** the parties hereto have duly executed this Guaranty, under seal, effective as of the date written above.

**FRANCHISOR:**

**GUARANTOR:**

HOSPITALITY INTERNATIONAL, INC.

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
Address

\_\_\_\_\_  
Signature

Date of Execution \_\_\_\_\_

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

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

Attest: \_\_\_\_\_

Title: \_\_\_\_\_  
(Corporate Seal)

Date of Execution \_\_\_\_\_

**(SIGNATURES CONTINUED ON FOLLOWING PAGE)**

**ADDITIONAL GUARANTOR:**

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
Address

\_\_\_\_\_  
Signature

Date of Execution: \_\_\_\_\_

**ADDITIONAL GUARANTOR:**

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
Address

\_\_\_\_\_  
Signature

Date of Execution: \_\_\_\_\_

**EXHIBIT “F-1”**

**HOSPITALITY INTERNATIONAL, INC.  
FRANCHISE AGREEMENT**

This Franchise Agreement (“Agreement”) is made and entered into as of \_\_\_\_\_, by and between Hospitality International, Inc., a Tennessee corporation, with its principal place of business at 1726 Montreal Circle, Tucker, Georgia 30084-6809 (“Franchisor”, “us”, “we”) and \_\_\_\_\_, a \_\_\_\_\_ with its principal place of business at \_\_\_\_\_ (“Franchisee”, “you”), for a \_\_\_\_\_ hotel to be located at \_\_\_\_\_ and to have \_\_\_\_\_ (\_\_\_\_\_) guest rooms. In consideration of the following mutual promises, the parties agree as follows:

**1. Definitions.** In this Agreement, the following terms shall have the following meanings:

- (a) **“Affiliated Companies”** mean Red Carpet Inns International, Inc., Southern Scottish Inns, Inc., and their successors and assigns;
- (b) **“Authorization Date”** means the date that we notify you in writing that you may display the Licensed Marks to the public;
- (c) **“Call Center Services”** means service and sales support related to inbound telephone hotel reservation for the hotels and utilized by potential guests when they book reservations for hotel rooms via toll free telephone number;
- (d) **“Call Center Fees”** means the fee charged by Sabre Hospitality Solutions for reservations processed by Sabre Call Center. Sabre sets the amount of those fees and it is marked up by us to cover the administrative charges. The Call Center Fees are subject to change yearly;
- (e) **“Confidential Information”** means any information not generally known about the System and such other materials as we may designate as confidential (except information and materials which you can demonstrate came to your attention prior to disclosure by us or a person authorized by us or which is or has become a part of the public domain);
- (f) **“Direct Connect/Channel Connect”** means the reservations processed by Booking.com, Expedia and affiliates directly through Sabre Hospitality Solutions. Franchisees have convenience of maintaining the room rates and inventory from only one location and it will be distribute updates to the other channels;
- (g) **“Direct Connect/Channel Connect Fees”** means the fee charged by Sabre Hospitality Solutions for reservations processed by Booking.com and Expedia and affiliates directly through Sabre. Sabre sets the amount of those fees and it is marked up by us to cover the administrative charges. The Direct Connect/Channel Connect Fees are subject to change yearly;

- (h) **“Designated Representative”** is the person you appoint to represent you in all matters relating to the franchise and this Agreement;
- (i) **“Dollar(s)”** or any comparable reference to funds (including the symbol”\$”) that you must pay, means Dollars in United States Currency;
- (j) **“Global Distribution System (GDS)”** means a system used by the travel industry which maintains information such as hotel listings, rates, features and availability that is utilized by potential guests and travel agents when they book reservations for hotel rooms. This system also processes reservations for the airline and automobile rental industries;
- (k) **“GDS Fees”** means the fees that are charged by the Global Distribution Systems and billed to us by Sabre Hospitality Solutions. We have no control over the amount charged for the GDS Fees. The Fees are pass through Franchisor, and marked up by us to cover the administrative charges. The GDS Fees are subject to change.
- (l) **“Gross Room Revenue”** means the total gross amount of all room revenues (whether in the form of cash, charge, credit, agreement to pay, or other consideration) you derive from your rental of all rentable rooms at the Hotel, but does not include revenues from the sale of food, beverages, vending machine items, magazines, newspapers, and gifts, gratuities, local and long-distance telephone income, meeting rooms, and, sales, use, or gross receipt taxes or substantially equivalent taxes collected by you as required by law;
- (m) **“Internet Booking Engine (IBE)”** means a system used by the [www.stayhihotels.com](http://www.stayhihotels.com) website of Hospitality International, Inc. which maintains information such as hotel listings, rates, features and availability that is utilized by potential guests when they book reservations for hotel rooms;
- (n) **“IBE Fees”** means the fee charged by Sabre Hospitality Solutions for reservations processed through the IBE. Sabre sets the amount of those fees and it is marked up by us to cover the administrative charges. The IBE Fees are subject to change yearly;
- (o) **“Licensed Marks”** initially mean the trademarks \_\_\_\_\_, a good Night’s Sleep!, and any other trademarks, copyrights, and trade names which we license you to use in this Agreement.
- (p) **“Manual”** means our Standards of Operation Manual;
- (q) **“Marks”** means A Good Night’s Sleep!, Scottish Inns, Scottish Inns & Design, Scottish Suites, Scottish Suites & Design, Scottish Inns & Suites, Scottish Inns & Suites & Design, Red Carpet Inn, Red Carpet Inn & Design, Red Carpet Suites, Red Carpet Suites & Design, Red Carpet Inn & Suites, Red Carpet Inn & Suites & Design, Master Hosts, Master Hosts Inns, Master Hosts Inns & Design, Master Hosts Resort, Master Hosts Resort & Design, Passport Inn, Passport Suites, Passport Inn & Design, Passport Inn & Suites, Passport Inn & Suites & Design, Downtowner, Downtowner Inns, Downtowner Inns & Design, Downtowner Inns & Suites, Downtowner Inns & Suites & Design, hihotels BY HOSPITALITY INTERNATIONAL, and any other trademarks, copyrights, and trade names in which we claim a proprietary right, title, or interest;
- (r) **“Hotel”** means the hotel or motel located upon the Premises;
- (s) **“Operational Date”** means; (a) the date you begin operations under the Hospitality System; (b) the date agreed upon by us and you as the date by which you must begin operations under the Hospitality System; or (c) the date when the “great” sign is erected;
- (t) **“Person”** means an individual, corporation, limited partnership, general partnership, syndicate, joint venture, association, trust, unincorporated organization, trustee, legal representative, tenancy, or other legal entity;
- (u) **“Premises”** means the real property described in paragraph 1 of Schedule “A” to this Agreement and all buildings including the Hotel, structures, improvements, and fixtures that are now or may be located upon such real property in the future;



(v) **“Reservation Center”** means an entity with which we have contracted to provide customer reservation services to you;

(w) **“System”** means the system developed by us for providing the public with hotel services of a high quality at a reasonable price by franchisees which are doing or will do business under the trade names of Scottish Inns, Scottish Suites, Scottish Inns & Suites, Red Carpet Inn, Red Carpet Inn & Suites, Master Hosts Inns, Master Hosts Resort, Passport Inn, Passport Inn & Suites, Downtowner Inns, Downtowner Inns & Suites, and hihotels BY HOSPITALITY INTERNATIONAL, as we may modify the system;

(x) **“Transfer”** means sell, lease, sublease, give, assign, delegate, or otherwise transfer;

(y) **“Travel Agent”** means an agent or agency selling travel, travel services or travel related products on a commission basis (**“Travel Agent Commission”**) that meets certain minimum requirements, such as having an IATA number.

## 2. Grant of Franchise.

(a) **License.** Subject to the provisions of this Agreement, we grant to you a non-exclusive license to use the Licensed Marks and the System only in the operation and promotion of the Hotel and the System. You agree we may operate hotels or hotels and grant others the license to operate hotels or hotels using the System and the Marks at any other location.

(b) **Commencement of Operations.** You will use your best efforts to complete any required construction, renovation, or remodeling; to erect an electric “great” sign which complies with our requirements; and, to commence operations under the System no later than the Operational Date. You shall drape or cover all property displaying any of the Licensed Marks until you receive written notice from us that you have corrected any deficiencies and that you are authorized to display the Licensed Marks to the public. If you are converting a hotel, you must open the hotel for business no later than 60 days from the execution of the Franchise Agreement or the release date by a previous franchise brand, subject to the completion of the quality assurance punch-list, which deficiencies, if any must be completed within the time period we specify. If you are constructing a new hotel, you must open the hotel for business within 60 days of the issuance of a Certificate of Occupancy. If you fail to open the hotel within those time periods, we have the right to terminate the Franchise Agreement.

3. **Term.** This Agreement shall commence on the date it is signed and continue until five (5) years after the Operational Date (“Term”). You shall have perpetual successive options to renew this Agreement (“Renewal Option”). Each Renewal Option is for an additional term of five (5) years. Subject to the following requirements, a Renewal Option shall automatically be deemed exercised unless you give us written notice at least one (1) year prior to the expiration of the then current term that you will not exercise a Renewal Option.

(a) The Franchisee is not, at the end of the initial term or any renewal term hereof in default of any provision of the Franchise Agreement any amendment hereof or successor hereto or any other agreement between the Franchisee and Franchisor or its Affiliates, and the Franchisee has complied with the terms and conditions of all such agreements during the term of this Franchise Agreement;

(b) All obligations owed by the Franchisee to Franchisor have been satisfied prior to renewal and timely met throughout the term of the Franchise Agreement;

(c) At Franchisor's option, Franchisee executes the Franchisor's then-current Franchise Agreement, in use with respect to new franchisees, which may contain terms and conditions materially different from those set forth herein, including, without limitation, the then-current financial and non-financial terms as such Franchise Agreement may provide; provided, however, that the Franchisee shall not be required to pay any additional initial franchise fee as may be set forth in the then-current Franchise Agreement.

(d) Franchisor reserves the right to conduct an inspection of the hotel and Franchisee must comply with the terms and conditions of any Property Improvement Plan for the hotel either prior to the date of renewal or within such time as Franchisor determines.

(e) The Franchisee completes any additional education or training programs that the Franchisor may then require for franchisees upon renewal.

**4. Our Duties.**

(a) **Manual.** We shall loan you one (1) copy of the Manual.

(b) **Marks.** We shall exercise reasonable efforts to protect and maintain the Marks. We shall monitor your use of the Marks and the nature and quality of the services rendered by franchisees operating under any of the Marks. We will monitor the Marks according to the quality control standards, directions, specifications, and instructions of the owner of the Marks.

(c) **Consultation and Assistance.** Provided that you are in full compliance with your obligations under this Agreement, upon your reasonable written request, we shall provide you:

(i) Opportunities for your personnel to consult with us in connection with the operation of hotels operating under the System and with respect to specific problems which you may encounter in operating your Hotel;

(ii) Assistance in instituting efficient methods of hotel or hotel operation generally practiced in other hotels and hotels operating under the System;

(iii) The name, address, and telephone number of at least one (1) sign company that manufactures, installs, erects, and maintains "great" signs that conform with our requirements;

(iv) Opportunities to send your supervisory personnel to visit and observe the operation of other hotels or hotels operating under the System; provided, however, you shall bear the expense of any such visit and observation; and

(v) Such information as we may have concerning possible sources of equipment, fixtures, furnishings, and other products and services available for use in the operation of the Hotel. We do not make any guarantee or representation concerning any such products or services.

(d) **Quality Assurance.** Our quality assurance/marketing representatives shall make periodic visits and inspections of all properties operated under the System and of the products and services they offer. Occasionally representative of a secret shopper program may visit and stay at property as the guest of hotel and creates the guest experience feedback report targeting training opportunities, improving

operations and identifying specific behaviors that deliver guest satisfaction.

(e) **Combined Advertising and Marketing Account.** We will deposit all monthly marketing fees that you pay into our general account and we will designate it on our books as the combined advertising account (“Combined Advertising Account”). We have the discretion to use the monthly marketing fees and any advertising fees for national and/or regional marketing, promotion, advertising, pamphlets and related business purposes including the maintaining & keeping the Booking Website [www.stayhihotels.com](http://www.stayhihotels.com) up to date, and any other related materials; the operation of a Reservation System; and, the booking of guests through group tour operators and travel agents. You agree that we may use the Combined Advertising Account to meet those costs, including our overhead expenses that we allocate to those purposes. While we agree to make diligent efforts to use the Combined Advertising Account for the benefit of all franchisees operating under the System, we have no duty to make any proportionate distribution of the benefits from the Combined Advertising Account among the franchisees. You understand that we shall not expend funds from the Combined Advertising Account for the benefit of any individual franchisee. You acknowledge that other franchisees may pay an advertising fee instead of a marketing fee and other franchisees may not contribute the same amount as you may be required to contribute to the Combined Advertising Account.

(f) **Reservation System.** We shall either contract for or maintain and operate a Reservation Center. Your hotel shall be included in the database of the reservation center within two weeks of the Authorization Date, provided that you have complied with all requirements for inclusion in that database.

(g) **Hospitality System.** We shall make reasonable efforts to improve and expand the Hospitality International System through enforcement of quality assurance standards and through the sale of additional franchises.

(h) **Training Program.** We shall provide an initial training program at least one (1) time during each calendar year at any location(s) within the continental United States. The initial training program is at least ten (10) hours over one (1) to two (2) days. This initial training may be incorporated into a national or regional convention, gathering or seminar. Franchisor reserves the right to conduct all training programs in a virtual format. If a program is postponed due to an insufficient number of registrants, upon request, we may offer a substitute training program for new franchisees that we may conduct at a location such as the Franchisee’s hotel. Such a training program shall be a condensed version of the initial training program. During either type of initial training program, we shall provide attendees with instruction on such subjects as front desk operations, housekeeping, marketing, safety and security, public identification, guest expectations and needs, Franchisor’s services, the Manual, the benefits of being a Franchisee, mutual cooperation, and your and our roles in the Hospitality System.

**5. Fees.**

(a) **Initial Franchise Fee.** You shall pay us an initial franchise fee of \_\_\_\_\_ dollars (\$\_\_\_\_\_) U.S. All of the initial franchise fee is non-refundable and fully earned by us when paid (regardless of whether you become authorized to use the Licensed Marks) to compensate us for the expenses we incur in connection with the inspection of the Premises, negotiation and formation of this Agreement, and preparation for performance under this Agreement. Any application fee that you pay is in addition to the initial franchise fee and is not credited against the initial franchise fee or any monthly franchise fee.

(b) **Monthly Franchise Fees.** After the earlier of (i) the Operational Date or (ii) the

Initial by Franchisee \_\_\_\_\_

Initial by Franchisor \_\_\_\_\_

Authorization Date, you shall pay us at our principal place of business for each month or portion thereof. The Monthly Franchise Fee as set forth below.

The following fee is due on the first day of each calendar month and is to be paid in advance. A fixed monthly franchise fee of: \_\_\_\_rooms @ \$40.00 ea. = \$\_\_\_\_\_. Twenty-Five (\$25) Dollars of this fixed monthly franchise fee is to be credited on the Franchisor's books as a royalty fee and Fifteen (\$15) Dollars as a marketing fee.

Monthly Franchise Fees shall commence upon the earlier of (a) the date you begin operations under the Hospitality System; (b) the date agreed upon by us and you as the date by which you must begin operations under the Hospitality System; or (c) the date when the "great" sign is erected.

**(c) GDS Fees, Direct Connect/Channel Connect Fees, IBE Fees, Call Center Fees.** You will pay the **GDS Fees**, the **Direct Connect/Channel Connect Fees**, the **IBE Fees**, the **Call Center Fees** when you receive an invoice from us.

**(d) Non-Compliance Fee.** We will assess a Non-Compliance Fee of \$275 per month if you fail to participate in the Sabre Central Reservations System (Synxis) as Franchisee's exclusive reservations solution. Full participation shall be defined as (1) full availability of room inventory and (2) a minimum of 365 days of rates must be loaded. The Non-Compliance Fee shall not apply to the non-use of the Direct Connect/Channel Connect Channel Solutions through the Sabre Central Reservations System.

**(e) Payment.** Time is of the essence regarding payment of fees as described in this Agreement. If we do not receive any payment from you on or before its due date, you shall pay us the past due amount and, as an administrative fee to compensate us for our additional bookkeeping, collection, and interest expenses, a service charge of (i) one hundred dollars (\$100.00); and (ii) one and one-half percent (1½%) per month on the past due amount. The service charge of one hundred dollars (\$100.00) will apply to each category of fee (i.e. monthly franchise fee, Call Center, IBE, GDS and Direct Connect/Channel Connect Fees) that you are required to pay. We will apply your payments in the order and method we designate regardless of any contrary language you may place on the check or other instrument constituting payment. You shall not withhold payment of any amount you owe us under this Agreement regardless of whether you claim the right to offset any part of the payment against us.

**(f) Records and Audit.** When you make a monthly franchise fee payment on the first (1<sup>st</sup>) or twentieth (20<sup>th</sup>) day of each month, you will also send us a statement, on a form we approve that states in reasonable detail the basis for your computation of the fee and such other reports as we may require from time to time. You shall also furnish us with a copy of each of your reports and returns of sales, use, gross receipt, and hotel occupancy taxes. You shall certify those reports as true and correct, by mailing copies to us at the same time you submit them to the appropriate government authority. You authorize all government authorities to release a copy of any of those reports and returns to us when we request them. When we request it, you shall file with us not later than thirty (30) days after the end of any specified calendar quarter a financial statement of operations for that calendar quarter. We also have the right to request that you send us, not later than ninety (90) days after the close of your fiscal year, a statement of operations and balance sheet for the Premises, which shall bear the certificate of an independent public accountant authorized to practice in the state where the Premises are located. That statement will show gross revenues you received from guest room rentals, any restaurant operations, and any other activities producing revenue relating to the Premises.

We shall have the right to examine and audit your records, accounts, books, and data at all reasonable times. If our audit shows a discrepancy between your reported and actual Gross Room Revenue for the period audited, you shall immediately pay us all unpaid fees and service charges. If the discrepancy is more than three percent (3%), or if you fail to submit the required statements or copies of reports and returns, fail to make payments when due, fail to maintain such adequate records for identifying and recording guest room revenues as is customary in the hotel/hotel industry, or commit any other default we may invoice you and you will immediately reimburse us for all of our expenses including accounting, auditing, and legal fees and expenses connected with the audit, which you agree will not be less than Five Hundred (\$500.00) Dollars (the "Audit Fee"). You must also pay us the Audit Fee if you do not make the required records, accounts, books and data available to us at the time of our audit, or if you fail to cooperate with us at the time of any scheduled audit and we are unable to complete the audit.

**(g) Special Assessments.** We have the right to require you to pay us a special assessment from time to time to be used by us for specific purposes within the System such as additional advertising and continuing education. Such assessments will be charged on a per guest room basis at the Hotel and will not exceed twenty-five dollars (\$25.00) per guest room. We will not make a special assessment more than twice in any calendar year. We shall expend any funds we collect from the special assessment for the purpose(s) we specify. We may not make the same special assessment to all franchisees because their franchise agreements may not give us that right.

**(h) Convention Fee.** You shall pay a Convention Fee in an amount to be determined by us. For the current year, the Convention Fee is Four Hundred & Twenty Dollars; (\$35.00 per month per property). This cannot be increased more than once per year. Your payment of the Convention Fee is due upon your receipt of an invoice from us and may be used by us for national and regional franchisee conventions, and marketing or training seminars as we shall determine in our sole discretion. This fee may be used by Franchisor for the development of educational programs presented through Franchisor's website, portal, or webinar.

**(i) Taxes.** You shall be responsible for any national governmental, federal, state, provincial, or local sales, gross receipts, use, value added, excise or similar taxes assessed against us by the jurisdiction in which your Hotel is located, that are based upon or directly related to any Fees you pay to us. You shall also be responsible for providing us with any reports or returns that we may reasonably request to assist us in determining the tax due. You will pay the taxes directly to us when due.

**(j) Annual Increase in Fixed Fees or Fixed Payments.** Franchisor reserves the right to increase the amount of any fixed fee or fixed payment, e.g., the Renewal Fee, due Franchisor under this Agreement or a related agreement ("Annual Increase"). An Annual Increase to each particular fixed fee or fixed payment may occur only once during any calendar year and may not exceed the corresponding cumulative increase in the Index since the date of this Agreement or, as the case may be, the date that the last Annual Increase became effective for the particular fixed fee or fixed payment being increased. Any and all Annual Increases will be made at the same time during the calendar year. "Index" refers to the Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average for all Items (1982 - 1984 100), not seasonally adjusted, as published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term of this Agreement, such other governmental index or computation with which it is replaced must be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

**6. Construction, Renovation, and Remodeling.**

(a) **Plans.** You are not required to submit your plans for construction, renovation, and remodeling to us for our approval. However, if you do so we will review the plans and provide you with our response. We assume no liability to any person or entity as a result of our review and response to your plans.

(b) **Contractor's Insurance.** Before you undertake significant construction, renovation, or remodeling at the Premises, all of your contractors must maintain workers' compensation insurance and comprehensive general liability insurance (with products, completed operations, and independent contractors coverage), on an occurrence basis, naming you, us and the Affiliated Companies as additional insured, with combined single policy limits of not less than one million dollars (\$1,000,000.00) per occurrence and two million dollars (\$2,000,000.00) in the aggregate for personal injury, bodily injury, and property damage. If we request it, you will furnish proof of that insurance to us.

(c) **Operation.** You should give us at least thirty (30) days' notice prior to the date you anticipate commencing operations under the System.

(d) **Completion of Plans.** If the Hotel is to be newly constructed, you shall commence any necessary construction to enable you to open the Hotel by the earlier of the Operational Date or six (6) months after the date of this Agreement unless you are delayed by the occurrence of a war, strike, lockout, governmental regulation, fire, Act of God, or other force majeure directly affecting your ability to perform.

**7. Your Duties.**

(a) **Marks.** You shall only use the Licensed Marks in the manner we require;

(i) you will file any trade name registration that may be required in the jurisdiction where your Hotel is located and include in that trade name application a statement that your use of the Licensed Marks is limited by this Agreement;

(ii) you will provide us with a copy of your trade name application and registration;

(iii) you will observe our requirements with respect to trademark, copyright, and trade name ownership and notices, including the displaying of "SM", "TM", "R", or "C", with any "R" and any "C" being enclosed in a circle (i.e., ®, or ©);

(iv) you will not use any trademark or trade name to identify the Hotel except the Licensed Marks; and,

(v) you will not use any words in your legal name which are identical with or confusingly similar to any of the Marks.

(vi) you will not use any of our trademarks or trade names in the conjunction with the sale of food or alcoholic beverages.

You agree to never contest or attack our or our licensor's title or rights in any Mark, our

right to enter into this Agreement, or the validity of the license granted under this Agreement. You shall immediately notify us of any apparently unauthorized use of the System or the Marks. Upon our request and at our expense, you shall cooperate in protecting and maintaining the System and the Marks. You will not establish a web site on the internet using any domain name(s) containing the Marks or any words or phrases that are confusingly similar to the Marks without our prior written consent. All use of linking and framing between your web pages and all other web sites and all banner or other advertisements as well as your web site are subject to our prior approval.

**(b) Advertising/Marketing.**

(i) You shall, at your expense, make every reasonable effort to promote the Hotel and the System and shall, at your expense:

(1) Display and maintain at least one (1) “great” sign at the Premises and consider leasing or purchasing at least one (1) billboard sign, both of which must conform to our specifications (except to the extent of any limitations imposed by applicable law). Prior to erecting any “great” sign, you must obtain our specific written approval;

(2) Obtain listings of the Hotel and our Reservation Center’s toll free number and web site address in the white pages and yellow pages of all local telephone directories as we specify from time to time for all comparable Hotels operating under the System;

(3) Expend such amounts as are normal in the hotel industry to market, advertise, and promote the Hotel in addition to any amounts that you pay us as a marketing fee;

(4) Use your best efforts in operating the Hotel under the System and to recommend, promote, and encourage the use of all hotels operating under any of the Marks, but you shall not recommend, promote, or encourage from or on the Premises any hotel which is not operating under any of the Marks;

(5) Participate in all Reservation Center regular and special marketing and promotional programs which we designate as mandatory; honor all discounts offered by all discount programs (e.g., AARP, and INNcentive Instant Rewards) which we designate as mandatory; and, participate in all market research programs which we designate as mandatory;

(6) Pay us any charges which we set for you to participate in any mandatory or non-mandatory program for booking of guests at the Hotel such as group tour operators, travel agents when we invoice you;

(7) Promptly pay all travel agent commissions (minimum Travel Agent Commission is 10%), for any guests booked at the Hotel by us through any such agent or agency;

(8) Accept and honor all reservations booked through the IBE, Call Center, GDS, Direct Connect/Channel Connect or other such system that becomes mandatory; and

(9) Participate in all on-line travel agency listings that we may require.

**(c) Local Internet Directories.** Franchisee grants Franchisor the right to claim the Hotel’s listing in local internet directories, including, but not limited to the following: Google My Business,

Bing Places for Business, Yahoo Local, Trip Advisor, Yelp, Apple Maps, and Yext. As part of the claims process, all listings will be configured by Franchisor to direct traffic to the [www.stayhihotels.com](http://www.stayhihotels.com) website and not to a third-party domain. Should Franchisee wish to access the listing for review management purposes, and the local listing service permits, Franchisor will grant Franchisee with appropriate access. Upon termination or expiration of the Franchise Agreement, the listing will be deidentified with any of Franchisor's brand names and domain, to the extent possible.

**(d) General Standards.** In operating the Hotel, you agree to do the following:

- (i) Establish and maintain a high ethical and moral standard at the Premises;
- (ii) Maintain the Premises in a clean, safe, and orderly manner;
- (iii) Provide high quality, courteous, and efficient service to the public;
- (iv) Furnish such services and conveniences as are generally provided by hotels operating under the System;
- (v) Help to create good will among the public for all hotels operating under the System to ensure that the public will receive reasonably uniform, high quality, courteous, and efficient service on a national basis;
- (vi) Meet and maintain at all times the highest governmental standards and ratings applicable to the operation of the franchised business including the maintenance of a Grade A sanitation rating or its equivalent; and
- (vii) Conduct all businesses operated at the Premises in a manner compatible with and in the best interest of the System.

**(e) Standards of Operation Manual.** In order to protect the reputation and good will of the Marks and to maintain uniform standards of operation under the System, you shall operate the Premises according to the Manual, as we may revise it and according to other policies that we may communicate to you in writing. We may revise the Manual to implement new or different requirements for the operation of the Premises and you agree to comply with all such changed requirements. We will apply the requirements in a reasonably nondiscriminatory manner to all comparable franchisees to the extent their franchise agreements and applicable law permits. You must keep your copy of the Manual current. In the event of any dispute as to the contents of the Manual, the terms and dates of the master copy that we maintain shall control. You may not directly or indirectly disclose or use the Manual (except in the operation of the Hotel during the term of this Agreement) or any Confidential Information during the term of this Agreement and for a period of one (1) year thereafter without our written consent.

**(f) Pre-Authorization Inspections.** Before we authorize you to use the Licensed Marks, we have the right to inspect the Premises. The inspection shall occur before or within a reasonable time after this Agreement is signed. If we note any deficiencies on the "Quality Assurance Evaluation Report (Corrective Action Punchlist)" we shall also set a timetable for you to correct the deficiencies. When you receive the Punchlist, you shall take all action necessary to correct all deficiencies listed within the time set forth in the Punchlist.

**(g) Inspections.** You shall permit us to make regular inspections of the Premises and



all of your procedures of operation. The inspections may or may not be announced in advance. You will take such steps as may be necessary to correct any deficiencies that we may detect during any such inspection.

**(h) Complimentary Rooms.** You shall, at your expense, make available to us and/or our assignee(s) twenty (20) room night accommodations per year for any purpose that we choose, which may include overnight stays by quality assurance/marketing representatives or promotional purposes. The room night accommodations may be assigned by us and may be used, in whole or in part, on any day or any number of days subject only to the availability of the number of requested rooms at the time we or our assignee attempts to make a reservation for staying at the Hotel.

**(i) Credit Cards.** You shall accept American Express, VISA, MasterCard, and such other credit cards as we may require from time to time, and you must follow all requirements and processing methods for the use of the credit cards.

**(j) Notice to Third Parties.** You shall disclose to all other Persons including guests, suppliers, and employees, in a manner acceptable to us that you are an independent contractor. You must prominently display in public view at the Hotel's registration area a plaque prepared at our expense as follows: "This Facility is Independently Owned and Operated Under A Franchise Agreement with Hospitality International, Inc."

**(k) Complaints.** You shall respond promptly and professionally to all guests' complaints.

**(l) Insurance.** No later than thirty (30) days before the earlier of the Operational Date or the date your Hotel is first identified to the public by any Licensed Mark and continuing throughout this Agreement, you shall maintain the types of insurance in such amounts as we may from time to time require. Unless we waive these requirements in writing, such insurance shall include:

**(i) Workers' Compensation Coverage**

- (1) Employer's liability insurance with minimum limits of \$1,000,000.00 each accident, \$1,000,000.00 each disease, \$1,000,000.00 aggregate;
- (2) Workers' Compensation Insurance, Statutory Coverage.

**(ii) General Liability**

General Liability coverage is to be maintained for the Hotel (including restaurant and lounge if applicable, at the coverage limits of \$1,000,000.00 per occurrence and \$2,000,000.00 aggregate (including coverage for product liability, completed operations, contractual liability, host liquor liability, if applicable, whether leased to a third party or operated by you, and fire legal liability) naming us and the appropriate affiliated company as additional insureds.

**(iii) Liquor Liability**

The holder of the liquor license (whether leased to a third party or operated by you) will maintain liquor liability insurance with single-limit coverage for personal and bodily injury and property damage of at least \$1,000,000.00 for each occurrence naming us and the appropriate affiliated company (and you, if applicable) as additional insureds.

(iv) **Auto Liability**

Comprehensive automobile liability insurance (including hired and non-owned unit) with single-limit coverage for personal and bodily injury and property damage of at least \$1,000,000.00 for each occurrence if the hotel or its parent corporation owns any vehicle used in the operation of the business, naming us and the appropriate affiliated company as additional insureds.

(v) **Umbrella Coverage**

You must maintain an umbrella policy with minimum coverage of \$2,000,000 naming us and the appropriate affiliated company as additional insureds.

(vi) **Special Limit**

If multiple locations are insured on policies containing an aggregate limit, then the aggregate limit must apply on a per location aggregate basis.

All insurance shall be underwritten by a reputable insurance carrier with a minimum rating of A-vii. Whenever you make a change in any insurance or insurance carrier and on an annual basis, you shall cause to be delivered to us a certificate of the insurance carrier that states the term and coverage of the insurance in force, the parties insured, and the fact that the coverage may not be canceled, altered, or permitted to lapse or expire without thirty (30) days advance written notice to us by the insurance carrier. Your duty to maintain such insurance shall not be limited in any way by reason of any insurance that we may maintain. Our or your maintenance of such insurance shall not relieve you of any liability to us under any other provision of this Agreement. The policy of insurance that you provide shall at all times be primary to any policy of insurance which we may maintain.

**(m) Legal Compliance.** You shall timely comply with all federal, state, and local laws, ordinances, rules, and regulations and timely obtain any and all permits, certificates, and licenses for the full and proper conduct of the Premises. You shall promptly pay when due any and all federal, state, and local taxes including unemployment and sales taxes levied or assessed with respect to any services or products furnished or used pursuant to this Agreement. You are solely responsible for compliance with all laws and regulations concerning the accessibility of the hotel, including, but not limited to the Americans with Disabilities Act (“ADA”). You must provide Franchisor with all information requested by Franchisor regarding your compliance with the ADA. Franchisee bears all responsibility for compliance with the ADA and other such laws and regulations and agrees to hold Franchisor harmless from all claims alleging that Franchisee’s hotel is not in compliance with the ADA and related laws and regulations as set forth in Section 9 (c).

**(n) Training.** Unless we give our written consent to delay attendance at the initial training program, you or a member of your management staff must attend the first initial training program after your Hotel becomes operational. In addition, franchisee or if franchisee is an entity, franchisee’s principal owner shall complete training on sex trafficking conducted by a provider approved by Franchisor.

**(o) Upgrading the Hotel.** In addition to any improvements which we may require you to make to correct any deficiencies we detect during any inspection or in order to comply with the Manual, at any time after the third (3<sup>rd</sup>) anniversary of the Operational Date, we may require you to modernize, renovate, or otherwise upgrade the Hotel. If we require you to modernize, renovate, or otherwise upgrade the Hotel, you shall do so within the time we specify. You must also make all required improvements to the hotel at renewal and transfer.

Initial by Franchisee \_\_\_\_\_

Initial by Franchisor \_\_\_\_\_

**(p) Books and Records.** You agree to: (i) prepare on a current basis in a form satisfactory to us, (and to preserve for at least four (4) years), complete and accurate records concerning Gross Room Revenues and all financial, operating, marketing, and all other aspects of the Hotel; and (ii) maintain an accounting system which fully and accurately reflects all financial aspects of the Hotel, including, but not limited to, books of account, tax returns, governmental reports, register tapes, daily reports, profit and loss and cash flow statements, balance sheets and complete quarterly and annual financial statements. We reserve the right to require you to grant us independent access to your computer system to permit us to obtain sales information, occupancy information and such other data as we find useful for the System. You will maintain those records on the Hotel premises, or if you notify us, at your principal place of business.

We and/or our authorized agents will have the right to verify information required under this Agreement by requesting, receiving, inspecting, copying and auditing, any and all records referred to above wherever they may be located, and to make photocopies of such accounts, books, records and data necessary. If we request it in writing, you will send us copies of the information we request.

If we request, you will send us an annual financial statement (including a profit and loss statement, balance sheet and cash flow statement) for the hotel for the prior fiscal years. You will certify that this annual financial statement(s) is/are accurate, complete and true.

**(q) Computer with Email Address.** Prior to the Operational Date, you will purchase a computer that has internet access, and you will continually maintain an active internet account and e-mail address.

**(r) Property Management System.** You will purchase and maintain at the Hotel a computer and a property management system that meets our specification.

**(s) Continental Breakfast.** If you operate a Red Carpet Inn or Master Hosts Inns, you must ensure that a restaurant that serves breakfast is operated on the premises, or you must provide a free continental breakfast to all guests of the hotel (except for weekly or monthly guests that are charged a discounted rate).

**(t) Reservation System.** Franchisees must participate in the Sabre Central Reservations System (Synxis) as their exclusive reservations solution. Full participation is required, which consists of:

- Full Availability of room inventory;
- Rates must be loaded at all times for a minimum of 365 days;
- Vanity websites must use the Sabre Booking Engine for the reservation solution.

If Franchisee uses Expedia, Booking.com or Priceline online travel agent services, it is required to use the Direct Connect Channel Solutions through the Sabre Central Reservation System. These reservations will be subject to a nominal reservation fee. In the event Franchisor changes reservations providers, this requirement will apply to the new provider. The use of third-party booking engines or central reservations providers are prohibited.

**(u) Attendance at Annual Convention.** Franchisee shall attend or if an entity, shall send one (1) owner to Franchisor's annual convention or at least one regional convention at Franchisee's sole expense.

**8. Restaurant and Lounge Facilities.** If you operate a restaurant or lounge facility or lease

a portion of the Premises to any third party for such purpose, you shall ensure each such facility is maintained in a fashion sufficient to receive a high quality rating from all governmental health authorities and is operated in a manner compatible with and in the best interest of the System. We have the right to inspect any restaurant or lounge facility in the same manner as the Hotel. You shall not allow any facility that sells or serves alcoholic beverages to be operated in a manner which is detrimental to the interest of the majority of the Hotel's guests. None of the Marks may be used in the legal name or trade name of any facility which sells or serves food and/or alcoholic beverages. You shall take such steps as we may reasonably require to inform the public that we are not affiliated with any facility which sells or serves alcoholic beverages including the prominent display in public view at all entrances to such facility, a plaque prepared at your expense and approved by us as follows: "This facility is owned by [set forth legal name and address of owner] and operated by [set forth legal name and address of operator]. This facility is not operated as a franchisee, licensee, or agent of Hospitality International, Inc."

**9. Liability and Indemnification.**

**(a) Relationship of Parties.** You acknowledge that you are an independent contractor and that this Agreement does not create a fiduciary relationship between us or make you our agent, legal representative, subsidiary, joint venturer, partner, employee, or servant for any purpose whatever. You shall not make any contract, warranty, representation, statement, or securities disclosure or create any obligation, expressed or implied, on behalf of us.

**(b) Responsibility.** You covenant and agree to accept and assume full responsibility for the operation of the Hotel, all Persons working at the Premises, all events which occur on the Premises, and all debts and obligations incurred in the operation of the Premises.

**(c) Indemnification.** YOU WILL INDEMNIFY AND HOLD US HARMLESS AND EACH OF OUR CURRENT AND FORMER DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, FRANCHISE BROKERS, SUBSIDIARIES, AND THE AFFILIATED COMPANIES, THEIR CURRENT AND FORMER DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS (THE "INDEMNIFIED PERSONS") FROM ALL LIABILITY, DAMAGES, AND EXPENSES INCLUDING, BUT NOT LIMITED TO, INVESTIGATION EXPENSES, COURT COSTS, LEGAL EXPENSES, AND REASONABLE ATTORNEYS' FEES (WHETHER OR NOT A CIVIL ACTION HAS BEEN COMMENCED) CONNECTED WITH ANY OF THE FOLLOWING SEPARATE AND DISTINCT OCCURRENCES: (A) ANY PERSONAL INJURY, DEATH, PROPERTY DAMAGE, OR PROPERTY LOSS WHICH WAS OR IS SOLELY OR PARTLY CAUSED BY YOUR NEGLIGENCE OR BY YOUR INTENTIONAL TORT OR BY ANY OF YOUR CURRENT OR FORMER DIRECTORS, OFFICERS, PARTNERS, JOINT VENTURERS, EMPLOYEES, AGENTS, TENANTS, DELEGATEES, LESSORS, AND LESSEES AND (B) ANY PERSONAL INJURY, DEATH, PROPERTY DAMAGE, OR PROPERTY LOSS (1) WHICH INVOLVED OR INVOLVES THE PREMISES OR THE HOTEL AND (2) WHICH WAS OR IS CAUSED BY THE SOLE NEGLIGENCE (EXCEPT WILLFUL OR WANTON NEGLIGENCE) OF ANY OF THE INDEMNIFIED PERSONS. At our option, you may be required to defend any of the Indemnified Persons. Each of the Indemnified Persons shall have the right independently to take any action it may deem necessary in its sole discretion to protect and defend itself against any threatened event subject to indemnification hereunder without regard to the expense, forum, or other Persons that may be involved. We shall have the sole and exclusive control (including the right to be represented by counsel of our choosing) over the defense of any suit in which we are a defendant and over the settlement, compromise, or other disposition thereof.

**10. Transfer or Assignment.**

**(a) Transfer by Us.** We may transfer or assign our rights and duties under this Agreement. In that event, our obligations shall be binding upon our transferee or assignee and you will continue to be bound by this Agreement.

**(b) Transfer or Assignment by You.** Your rights and duties in this Agreement are personal to you and we have entered into this Agreement in reliance on your estimated capabilities. Accordingly, you nor any Person possessing an interest or holding shares of stock in you (if you are not an individual) shall be permitted without our prior written consent, which we shall not unreasonably withhold, to transfer or assign this Agreement or any of your rights or duties or make any transfer or assignment which, when combined with all previous transfers or assignments, would result in transferring or assigning over forty percent (40%) of the total corporate shares, partnership interests, or joint venture interests in you. The assignment or any transfer of the lease to the Hotel premises shall be deemed a Transfer for which our written consent is required.

We may require any or all of the following as a condition of our consent to a transfer or assignment:

(i) Franchisee has provided Franchisor with at least 120 days' advance notice of its desire to transfer the hotel;

(ii) Franchisee and the proposed transferee have submitted all information requested by Franchisor, including, but not limited to financial and other information of the proposed transferee and the terms of the proposed transfer;

(iii) the transferee or assignee shall pay at the time the request to transfer is made a Transfer Fee of one thousand five hundred dollars (\$1,500.00) which is non-refundable in the event Franchisor denies the transfer request;

(iv) the transferee or assignee shall execute and deliver to us our then current standard form Franchise Agreement for this type of franchise which shall be modified to reflect, if appropriate, the number of remaining years in the Term and to delete the initial franchise fee or at our option, assume your rights and duties under this Agreement without releasing you from your obligations. If there are any special stipulations to this Agreement which are for your benefit those special stipulations will not be transferred or assigned;

(v) you must be in compliance with all terms of this Agreement;

(vi) the transferee entity or individual, and all shareholders, partners or members of the transferee shall meet our then-current qualifications for new franchisees;

(vii) the transferee does not own an interest in a competitor;

(viii) you execute a general release (subject to state law) of any and all claims by you against us and our affiliates and the respective officers, directors, shareholders, and employees of each up through the effective date of transfer or assignment;

(vii) you will remodel and refurbish the hotel and comply with all actions necessary to

ensure that the hotel meets our then-current standards.

Our consent to a transfer or assignment shall not constitute a waiver or estoppel of (i) any claim we may have against you or the transferring or assigning party or (ii) our right to demand exact compliance with this Agreement. If you are a corporation, limited liability company, partnership, joint venture, or other entity in which certificates of ownership are issued, all such shares or certificates of interest, shall be required to bear a legend which discloses the restrictions on transfer or assignment contained in this paragraph.

**(c) Transfer Upon Death.** You may transfer or assign your interest in this Agreement without our prior written consent, by testamentary devise or intestate succession, provided your personal representative, heir or legatee makes satisfactory arrangements for the performance of your duties under this Agreement.

**(d) Noncompliance.** Any transfer or assignment which does not comply with this paragraph 10 shall be null and void and shall constitute a material and non-curable default of this Agreement.

## **11. Default and Remedies.**

**(a) Termination By Us Without An Opportunity to Cure.** You shall be deemed in default of this Agreement, and we may, at our sole option, terminate the Agreement and all of your rights under this Agreement, without affording you an opportunity to cure the default, effective immediately upon your receipt of written notice (which notice shall be deemed received by you three (3) business days after we mail it). For purposes of this Paragraph 11 (a), we shall have the right to provide you written notice of default by electronic mail (“e-mail”), in which event the notice shall be deemed effective upon the transmission by us to the last e-mail address we have on file) if:

(i) You have made or make any materially false statement or report to us to induce us to execute this Agreement or during the term of this Agreement;

(ii) You become insolvent or make a general assignment for the benefit of creditors, file or consent to a petition in bankruptcy, consent to a bill in equity or other proceeding for the appointment of a receiver or other custodian of your business or assets, or if you do not prevent a receiver or other custodian (permanent or temporary) of your assets or property or any part thereof from being appointed;

(iii) You allow any portion of the Premises to be condemned for health or safety reasons by a governmental authority;

(iv) You transfer your entire interest in the Premises or attempt to transfer your rights under this Agreement without complying with the applicable provisions of paragraph 10;

(v) You fail to comply with any provision of this Agreement or the Manual relating to insurance or insurance certificates;

(vi) You abandon the Hotel or, without our prior written consent (which we may withhold for any reason), use any name other than one of the Licensed Marks or your legal name to identify the Hotel at any time after your “great” sign displays one of the Licensed Marks;

(vii) You or any person owning twenty (20%) percent or greater interest in you is convicted of a felony, a crime of moral turpitude, or any other crime or offense related to the Premises;

(viii) You disclose or divulge the contents of the Manual or other confidential information that we provided to you;

(ix) You misuse or make any unauthorized use of the Licensed Marks or any other identifying characteristics of the System, or otherwise materially impair the goodwill associated with the Marks or our rights in the Marks;

(x) You permit any portion of the premises to be used for illegal purposes;

(xi) You receive from us three (3) or more Notices of Default pursuant to paragraph 11(b) within any twelve (12) month period.

**(b) Termination By Us After Notice and Opportunity to Cure.** Except as set forth in paragraph 11(a), you will have fifteen (15) days after a written Notice of Default from us to remedy any default under this Agreement and provide evidence of your remedy to us; provided, however, that you may avoid termination by immediately initiating a remedy to cure such default and curing it to our satisfaction within the fifteen (15) day period (or within such longer period as we may, at our sole option grant), and by promptly providing proof to us. If any such default is not cured within the specified time, or such longer period as applicable law may require, we may terminate this Agreement without further notice to you, effective immediately upon the expiration of the fifteen (15) day period or such longer period as applicable law may require. You shall be in default under this Agreement, as it may from time to time be reasonably supplemented by the Manual, or if you fail to carry out the terms of this Agreement in good faith. Such defaults include, but are not limited to; if you:

(i) Fail, refuse, or neglect to pay promptly any monies you owe to us or to our affiliates when due, or if you fail to submit the financial or other information required under this Agreement; or

(ii) Fail to maintain or observe any of the standards, specifications or procedures required by this Agreement, the Manuals, or otherwise required by us in writing; or

(iii) Refuse to permit us to inspect the Premises, or the books and records of the Business as required by the terms of this Agreement; or

(iv) Fail to maintain records in a manner which permits us to determine your Gross Room Revenue;

(v) Receive an excessive amount of customer complaints relating to your operation of the Hotel and our investigation determines these complaints to be warranted; or

(vi) Fail to open the hotel for business within the time required by this Agreement.

**(c) Notice as Required by Law.** Notwithstanding anything to the contrary contained in this paragraph 11, if applicable law or regulation limits our rights to terminate or requires longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by such laws and regulations. We shall not,

however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing or dispute relating to this Agreement or the termination thereof.

**(d) Remedies.** If an Event of Default exists, we may, at our option in addition to our right to terminate this Agreement in accordance with paragraph 11(a) and 11 (b), exercise any one or any combination of the following remedies:

(i) Discontinue providing you the services (including reservation services) which we would otherwise be obligated to provide pursuant to this Agreement until the date we are satisfied an Event of Default no longer exists;

(ii) Not include your listing in any edition of the Hospitality's Booking Website [www.stayhihotels.com](http://www.stayhihotels.com), until we are satisfied that you have cured the Event of Default;

(iii) Notify your lenders of any such default;

(iv) Require you to drape or cover your "great" sign(s) and any billboards which display the Licensed Marks until the date we are satisfied that you have cured the Event of Default;

(v) Take any action we deem advisable or necessary to protect us from potentially suffering any damages as a result of the Event of Default.

## **12. Your Obligations After Termination of this Agreement.**

**(a) Post Termination and Post Expiration.** Notwithstanding any other provision of this Agreement, upon the expiration or termination of this Agreement, you shall:

(i) Immediately and permanently cease your use of all Marks and any reproduction, counterfeit, copy, or colorable imitation of any Mark. You shall immediately and permanently cease your use of the System, any methods, procedures, or techniques associated with the System in which we have a proprietary right, title, or interest; and, any other marks and methods of operation associated with the System;

(ii) Not use any methods of operation, designation of origin, description, or representation which falsely suggests or represents that you are associated or connected with us or any of the Affiliated Companies;

(iii) Take such actions as we may request to accomplish the purposes of paragraph 12(a)(i) or (ii). If you fail to take any such action within thirty (30) days after termination or expiration of this Agreement, you expressly acknowledge that your failure to take any such action will cause us incalculable and irreparable injury and that we, in an effort to ameliorate such injury, may enter upon the Premises (and upon any of your billboard or signs that you have leased) at any time to take such action ourselves, at our sole risk and expense, without liability for trespass or may, at our election, obtain a Court Order without notice to you further authorizing us or our designee to take such action. If a bond is required, you agree that you will not object to a bond of \$1,000.00 or less;

(iv) Immediately pay us all amounts you owe us pursuant to this Agreement and all franchise fees which you would otherwise owe us with respect to the time period prior to the expiration or termination date; and,



(v) Immediately deliver to us the Manual, and, at our request, all other manuals, records, files, instructions, correspondence, and any and all materials in your possession relating to this Agreement and all copies thereof (all of which are our property) and you shall not retain a copy or record of the foregoing, except only your copy of this Agreement, any correspondence between us, and any other document which you reasonably need for compliance with any applicable law.

**(b) Payment of Liquidated Damages.** The parties recognize the difficulty, but not the impossibility, of calculating our damages caused by the loss of future franchise fees, the loss of goodwill and market penetration, lost opportunity costs, and the expenses we will incur in developing another franchise in your market area in the event this Agreement is terminated, which damages are difficult to estimate accurately, and the proof of which would be burdensome and costly, although such damages are real and meaningful to us and the System. Your payment of the liquidated damages to us shall not be considered a penalty, but rather a reasonable estimate of fair compensation to us for the damages we will incur because this Agreement did not continue for the full length of the term. You acknowledge that your obligations to pay us liquidated damages is in addition to, not in lieu of your obligations to pay other amounts due to us under this Agreement up to the date of termination and to strictly comply with your obligations under Paragraph 12(a). Should any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement limit your ability to pay, and our ability to receive the liquidated damages you are obligated to pay, you shall be liable to us for any and all damages which we incur, now or in the future, as a result of your breach of this Agreement. Accordingly, you shall be obligated to pay us liquidated damages as follows:

(i) Upon termination of this Agreement by you (except as a result of our material breach of this Agreement which was not timely cured pursuant to paragraph 11(b)), and which breach occurs after the Operational Date, you shall also pay us as liquidated damages, the lower of:

(1) The lesser of seventy-five (75%) percent of the arithmetical monthly average of franchise fees for the last (12) months multiplied by the number of months remaining in your Term if you have operated the Hotel from one (1) to sixty (60) months or, \$750.00 per guest room at the Hotel.

(2) The lesser of fifty (50%) percent of the arithmetical monthly average of franchise fees for the last twelve (12) months multiplied by the number of months remaining in your Term if you have operated the Hotel from sixty-one (61) to one hundred twenty (120) months or, \$500.00 per guest room at the Hotel.

(3) The lesser of twenty-five (25%) percent of the arithmetical monthly average of franchise fees for the last twelve (12) months multiplied by the number of months remaining in your Term if you have operated the Hotel from one hundred twenty-one (121) to one hundred eighty (180) months or, \$250.00 per guest room at the Hotel.

If you have operated the Hotel for longer than one hundred eighty (180) months, you will not be obligated to pay us liquidated damages, provided you give us written notice (per Paragraph 18(c)) 180 days in advance of the date of termination, or any other sums as a result of your termination, however, you will remain obligated for any amounts incurred prior to termination.

(ii) Upon termination of this Agreement (i) pursuant to paragraph 11 (a) or (b) or (ii) by you (except as a result of our material breach of this Agreement which was not timely cured pursuant to paragraph 13 (c)), which breach occurs prior to the Operational Date, you shall pay us within thirty (30) days after the

termination, as liquidated damages and not as a penalty for the premature termination, the product of (x) the number of guest rooms at the Hotel, multiplied by (y) \$25.00, multiplied by (z) the remaining months of the Term (but not to exceed the amount of \$750.00 multiplied by the number of rooms in the Hotel).

(iii) We will reduce the amount of liquidated damages payable to us under this paragraph 12 (b) by fifteen (15%) percent (the “Discounted Liquidated Damages Amount”) if, within thirty (30) days of termination of this Agreement, you (i) discontinue all use of the Marks at the Hotel, (ii) pay all outstanding fees and charges due under this Agreement, and (iii) pay to us by certified or cashier’s check the Discounted Liquidated Amount.

**13. Waiver, Amendment, and Estoppel.**

(a) **Waiver.** Our failure or delay to exercise, or our partial exercise of, any right, power, or remedy under this Agreement shall not constitute our waiver of any such right, power, or remedy and shall not preclude our subsequent or further exercise thereof. Our waiver or approval of any particular noncompliance by you or other franchisees or our acceptance of any payments due to us hereunder or from other franchisees shall not be considered a waiver or approval by us of any preceding noncompliance by you of any provision of this Agreement.

(b) **Amendment.** Except as otherwise permitted by this Agreement, no amendment, change, variance, alteration, modification, cancellation, or replacement from or of this Agreement shall be binding upon either party except by mutual written agreement.

(c) **Estoppel.** You agree that you shall be estopped from terminating or canceling this Agreement and from contending that we have breached this Agreement unless we fail to comply with any provision of this Agreement and continue to fail to comply for sixty (60) days after you give us a written notice to cure said failure; provided, however, that, if the nature of the noncompliance is such that it is not reasonable for us to comply within sixty (60) days, but we commence to comply within a reasonable time after notice from you and we comply within such additional time after you notify us as may be reasonably necessary to cure the noncompliance, you shall be estopped from terminating this Agreement and from contending we have breached this Agreement.

**14. Enforcement.** You hereby grant us a security interest in all of your accounts, chattel paper, equipment, fixtures, general intangibles, goods, instruments, inventory, all proceeds derived from any of the foregoing property, and all proceeds derived from cash proceeds to secure the payment of all amounts you owe us and you hereby grant us the right to file a photographic copy of this Agreement which shall be attached to and filed along with a financing statement form. You also grant us the right to maintain an enforceable UCC-1 financing statement to secure any obligation you may have to us until you have satisfied that obligation. You shall not transfer or assign any of the foregoing except in the ordinary course of business or as part of a transfer or assignment of your entire interest in the Premises so long as that transfer, or assignment is in compliance with the provisions of paragraph 10.

**15. Attorneys’ Fees.** If any party breaches this Agreement and the other party retains an attorney to enforce this Agreement with respect to any such breach, the breaching party shall pay the other party all of the costs and expenses (including, but not limited to, legal fees and legal expenses) incurred by the other party in connection with the enforcement of this Agreement except that, in the event of any litigation, arbitration, or mediation between the parties with respect to any such breach, the non-prevailing party shall pay the prevailing party all of the costs and expenses (including, but not limited to, investigation expenses, legal fees, legal expenses, and in-house costs for the time of the prevailing party’s employees and

the prevailing party's other expenses) incurred by the prevailing party in connection with said litigation, arbitration, or mediation. Notwithstanding the foregoing, should we retain legal counsel to enforce any of your obligations to us, including but not limited to monetary obligations, you shall pay our attorneys' fees as determined by the terms of our agreement with our legal counsel. We shall be deemed to be the prevailing party in the event we obtain any monetary, declaratory, or equitable relief against you or any guarantor of your obligations under this Agreement; or in the event you or any guarantor of your obligations under this Agreement seeks any monetary, declaratory, or equitable relief against us without your or your guarantor obtaining substantially all of the relief originally sought by you or any guarantor.

**16. Governing Law.** All claims, causes of action, liabilities, and suits relating to the negotiation, formation, construction, interpretation, performance, or enforcement of this Agreement shall be governed by and construed in accordance with Georgia law.

**17. Venue.** At our exclusive option or at the option of any of the Affiliated Companies, jurisdiction and venue for all litigation, arbitration, and mediation related to this Agreement, involving us, or involving any of the Affiliated Companies shall be proper in the United States District Court, Northern District of Georgia, Atlanta Division, or the Superior Court of DeKalb County, Georgia, or your applicable State or Federal District court, depending upon which court has jurisdiction. You hereby consent to the exercise of personal jurisdiction over you by said courts. This provision will survive the termination of this agreement.

**18. Miscellaneous.**

**(a) Authorization.** You authorize us, in our discretion, to improve or change the System and any of the Marks from time to time for the intended purpose of making any of them more uniform, effective, efficient, economical, or competitive; adapting any of them to new conditions, materials, or technology; enhancing the reputation or public acceptance of any of them; or, better serving the traveling public. To that end, we are authorized to designate one or more new or modified trademarks, copyrights, or trade names for license to you and to require you to use any such new or modified trademarks, copyrights, or trade names in addition to or in lieu of any of the prior Licensed Marks.

**(b) Ownership.** The System including all modifications thereto and all Marks, together with all good will associated with the System or identified by any Marks, are owned by us or our licensor and shall inure directly and exclusively to the benefit of such owner.

**(c) Notices.** Any notice required to be given under this Agreement shall be in writing. Notices to us shall be mailed by registered or certified mail, sent by e-mail, or personally delivered to our Vice President or Corporate Secretary. Notices to you shall be addressed to the Designated Representative named in and at the address set forth in 18(d). Each party shall have the right to designate any other address for such notices by giving notice thereof in the foregoing manner and, in such event, all notices mailed after receipt of such notice shall be sent to such other address. Any notice shall be deemed to be given on the date of mailing.

**(d) Designated Representative.** The Designated Representative is \_\_\_\_\_  
\_\_\_\_\_ (“Name”) located at \_\_\_\_\_  
\_\_\_\_\_ (“Address”) and \_\_\_\_\_ (E-Mail Address), and whose telephone number is \_\_\_\_\_. You have designated \_\_\_\_\_ to receive our written notices to you as your agent. You may change your Designated Representative by written notice to us.

**(e) Survival of Your Duties and Our Rights.** All of our rights, including but not

limited to, covenants, indemnification duties, and post-term obligations shall survive the expiration or termination of this Agreement.

**(f) Severability.** If any provision of this Agreement is held to be unenforceable or void by a court of competent jurisdiction that shall not affect the enforceability of any other provisions of this Agreement. All other provisions of this Agreement shall remain in full force and effect as if this Agreement had been executed without the unenforceable or void provision. Provided, however, that in the event of such a holding, the unenforceable or void provision shall be modified to the extent necessary to make such provision enforceable and valid and shall be observed and performed by the parties to that extent.

**(g) Construction.** Paragraph captions used in this Agreement are for convenience only and are not to affect the construction or interpretation of this Agreement. All terms and words used herein shall be construed to include the number and gender as the context or sense of this Agreement may require.

**(h) Counterparts.** This Agreement may be executed in any number of counterparts with each to be deemed to be an original and all, when taken together, to constitute but one and the same instrument. We may permit you to sign this Agreement electronically. Any electronic signature shall be binding as an original signature. A photocopy or facsimile transmittal of this Franchise Agreement shall have the same force and effect as an original.

## **19. Representations and Acknowledgments.**

**(a) Representations.** In order to induce us to enter into this Agreement, you acknowledge, represent, and warrant that:

(i) No Person has made any express or implied representation, warranty, or guarantee to you which is contrary to the information set forth in our franchise disclosure document which you also represent you received no later than the earlier of (A) fourteen (14) calendar days before signing any agreement with us; or (B) fourteen (14) calendar days before paying any money to us.;

(ii) No Person has made any express or implied representation, warranty, or guarantee to you which you have relied upon in making your decision to sign this Agreement except for any written representation, warranty, or guarantee that is expressly set forth in this Agreement which you also represent you received in a completed form, together with any other agreements connected with the sale of the franchise in a completed form, at least seven (7) days before signing any agreement connected with the sale of the franchise;

(iii) No Person has given you any information from which a specific level or range of actual or potential sales, costs, income, gross profit, or net profit of any business which has operated under the System or the potential sales, costs, income, gross profit, or net profit of your franchise may be easily ascertained;

(iv) You have independently investigated the risks and the potential sales, costs, income, gross profit, net profit, prospects, and chances for success of your franchise:

(v) All information and statements made or submitted to us on your behalf prior to the date of this Agreement are true, correct, and complete as of the date of this Agreement;

(vi) You have not breached and will not, as a result of entering into this Agreement, breach any other contract to which you are a party;

(vii) There are not any actions, suits, proceedings, or investigations pending or, to the best of your knowledge, threatened in any court or before any governmental agency against you or any of your directors, officers, partners, or joint venturers which, if determined adversely, would have a material adverse effect on your ability to perform your duties under this Agreement.

**(b) Acknowledgments.** You have conducted an independent investigation of the benefits of signing this Agreement and you understand that the business venture contemplated by this Agreement involves business risks and that its success will largely depend on your ability as an independent businessperson. You acknowledge and agree:

(i) No Person has any authority from us to make any representation which is contrary to the disclosures set forth in our franchise disclosure document that you read;

(ii) Your potential sales, income, profits (if any), and chances for success will be primarily dependent upon your own efforts rather than our efforts;

(iii) No value will be attributable upon the expiration or termination of this Agreement to any good will associated with Your use of any Mark or the System;

(iv) Future investment by you may be required under this Agreement;

(v) We are relying upon your representations in entering into this Agreement.

**(c) Entire Agreement.** The parties acknowledge this Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter of this Agreement and there are no agreements, understandings, restrictions, warranties, representations, or covenants between the parties concerning the subject matter of this Agreement other than those set forth herein or in the Franchise Disclosure Document, and any information or statements you may have made or furnished to us. This Agreement terminates and supersedes any prior agreement between the parties concerning the subject matter of this Agreement. Nothing in the Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

**(d) Certification.** By affixing my signature below, I certify that I am duly authorized to execute this Agreement on behalf of the appropriate legal entity if the Franchisee is not an individual, and that I am authorized to bind the Franchisee to this Agreement.

**(SIGNATURES CONTINUED ON FOLLOWING PAGE)**

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

FRANCHISEE: \_\_\_\_\_  
(Print)

Signature: \_\_\_\_\_

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

Attest: \_\_\_\_\_

Title: \_\_\_\_\_  
(Affix Seal and Note Titles)

Date of Execution: \_\_\_\_\_

FRANCHISOR: Hospitality International, Inc.

Signature: \_\_\_\_\_

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

Attest: \_\_\_\_\_

Title: \_\_\_\_\_  
(Affix Seal and Note Titles)

Date of Execution: \_\_\_\_\_

**SCHEDULE "A"**

1. Legal Description of Premises:
  
2. Name(s) and address(es) of holder(s) of record fee title to Premises:
  
3. If Franchisee is not holder of record fee title, the interest of Franchisee in Premises, whether leasehold or other written contract of tenancy:
  
4. Name and address of Franchisee's landlord or person through whom Franchisee occupies Premises:
  
5. Term of lease or other written contract of tenancy (attach copy of lease or of appropriate documents):
  
6. Legal organization of Franchisee: sole proprietorship, corporation, limited partnership, general partnership, limited liability company, or other: \_\_\_\_\_  
\_\_\_\_\_
  
7. Name(s) and address(es) of person(s) owning interest in Franchisee and percentage of said person(s)' interest:
  
8. If Franchisee is a legal entity other than a sole proprietorship, attach certified copy of all organizational documents, including but not limited to Articles of Incorporation, Articles of Organization, or others, that authorize the entity to enter into this Agreement, including but not limited to references to transfer restrictions shown on stock certificates or other documents evidencing an ownership interest in the entity.

**SCHEDULE "B"**  
**SPECIAL STIPULATIONS**

To the extent of any conflict between the following Special Stipulations and the printed provisions of this Agreement, the Special Stipulations shall control:

Initial by Franchisee \_\_\_\_\_

Initial by Franchisor \_\_\_\_\_



## **EXHIBIT “F-2”**

### **SPECIAL STIPULATIONS TO FRANCHISE AGREEMENTS**

This Exhibit contains special stipulations which might amend the Franchise Agreement which is attached hereto as Exhibit “F-1”. If a franchise sale is regulated by any of the states of California, Florida, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin, the special stipulations for that state or states shall amend the franchise agreement signed by you and Hospitality.

**SCHEDULE "B"**

**SPECIAL STIPULATIONS FOR TRANSACTIONS**

**REGULATED BY CALIFORNIA**

To the extent of any conflict between the following Special Stipulations and the printed provisions of this Agreement, the Special Stipulations shall control:

1. If this Agreement contains a provision that is inconsistent with California Business and Professions Code Sections 20000 through 20043, California Business and Professions Code Sections 20000 through 20043 shall control.

2. Section 5(d) of the Franchise Agreement is amended to provide as follows: "In California the maximum interest charged for late payments is ten (10%) percent.

3. If California Civil Code Section 1671 applies to this Agreement and makes the liquidated damages provision set forth in paragraph 12(b) of this Agreement unenforceable, then, notwithstanding any other provision of paragraph 12(b) of this Agreement, upon termination of this Agreement by Franchisor for any default by Franchisee or upon termination of this Agreement by Franchisee (except as a result of Franchisor's material breach of this Agreement which was not timely cured pursuant to paragraph 13(c) of this Agreement), the parties do not recognize there will be difficulty in calculating damages caused by lost future monthly franchise fees, Franchisor shall not be entitled to any sum as liquidated damages, and instead, Franchisor shall be entitled to recover such lost future profits (which are caused by the loss of future monthly franchise fees) as applicable law allows.

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

FRANCHISEE: \_\_\_\_\_  
(Print)

FRANCHISOR: Hospitality International, Inc.

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

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

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

Attest: \_\_\_\_\_

Attest: \_\_\_\_\_

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

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

Date of Execution: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

**SCHEDULE "B"**

**SPECIAL STIPULATIONS FOR TRANSACTIONS REGULATED BY FLORIDA**

To the extent of any conflict between the following Special Stipulations and the printed provisions of this Agreement, the Special Stipulations shall control:

1. After analyzing this Agreement and the Manual regarding (a) the nature, quality, and quantity of goods, articles, and things which Franchisor requires Franchisee to use or consume in the operation of the Premises and the ability of Franchisee to choose to purchase such items from any supplier which can provide such items in accordance with Franchisor's minimum specifications and (b) Franchisor's duties with respect to Franchisor supplying Franchisee with any goods, articles, or things including but not limited to, the Manual and the Hospitality Directory, Franchisee acknowledges and represents that the operation of Franchisee's franchise business will not be substantially reliant on Franchisor for the basic supply of goods, articles, and things.

2. Franchisee acknowledges and represents that Franchisee has received and read Franchisor's Franchise Disclosure Document with respect to which Franchisee has signed an Acknowledgment of Receipt and that neither Franchisor nor any officer, employee, agent, or franchise broker of Franchisor has made any representation inconsistent with the disclosures contained in said Disclosure Document. The disclosures contained in said Disclosure Document relating to the known required total investment for the franchise are hereby incorporated by reference.

3. Franchisee represents that Franchisee has been previously engaged in the hotel or hotel business.

4. Franchisee acknowledges and represents that neither Franchisor nor any officer, employee, agent, or franchise broker of Franchisor has made any representation regarding the Franchisee's prospects or chances for success.

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

FRANCHISEE: \_\_\_\_\_  
(Print)

Signature: \_\_\_\_\_  
Title: \_\_\_\_\_  
Attest: \_\_\_\_\_  
Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

FRANCHISOR: Hospitality International, Inc.

Signature: \_\_\_\_\_  
Title: \_\_\_\_\_  
Attest: \_\_\_\_\_  
Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

**SCHEDULE "B"**

**ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT**

To the extent of any conflict between the following Special Stipulations and the printed provisions of this Agreement, the Special Stipulations shall control:

1. This Agreement shall be governed by Illinois law.

2. 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.3. 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.

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

FRANCHISEE: \_\_\_\_\_  
(Print)

Signature: \_\_\_\_\_

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

Attest: \_\_\_\_\_

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

Date of Execution: \_\_\_\_\_

FRANCHISOR: Hospitality International, Inc.

Signature: \_\_\_\_\_

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

Attest: \_\_\_\_\_

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

Date of Execution: \_\_\_\_\_

## **SCHEDULE "B"**

### **SPECIAL STIPULATIONS FOR TRANSACTIONS REGULATED BY INDIANA**

To the extent of any conflict between the following Special Stipulations and the printed provisions of this Agreement, the Special Stipulations shall control:

1. If Franchisee is either a resident of Indiana at the time this Agreement becomes binding on Franchisee and Franchisor or a nonresident who will be operating the franchise granted by this Agreement in Indiana, then:

- (a) Notwithstanding any other provision of paragraph 3 or 11 of this Agreement, Franchisor shall not unilaterally terminate this Agreement or fail to renew the non-exclusive license to use the Licensed Marks and the System without good cause (which will include any material violation of this Agreement) or in bad faith except that Franchisor may refuse to renew the non-exclusive license to use the Licensed Marks and the System upon the expiration of the term of the third Renewal Option,
- (b) Notwithstanding any other provision of 12(b) of this Agreement, upon termination of this Agreement by Franchisor for any default by Franchisee or upon termination of this Agreement by Franchisee (except as a result of Franchisor's material breach of this Agreement which was not timely cured pursuant to paragraph 13(c) of this Agreement), the parties do not recognize there will be difficulty in calculating damages caused by lost future monthly franchise fees, Franchisor shall not be entitled to any sum as liquidated damages, and, instead Franchisor shall be entitled to recover such lost future profits (which are caused by the loss of future monthly franchise fees) as applicable law allows;
- (c) Notwithstanding any other provision of paragraph 14 of this Agreement, all claims, causes of action, liabilities, controversies, and disputes relating to the negotiation, formation, interpretation, performance, or enforcement of this Agreement shall, to the extent Georgia law is in conflict with any provision of Indiana Code, Title 23, Article 2, Chapter 2.5, Sections 1 through 51, or Indiana Code, Title 23, Article 2, Chapter 2.7, Sections 1 through 7, as codified on the date of this Agreement, be governed by and construed in accordance with the provisions of Indiana Code, Title 23, Article 2, Chapter 2.5, Sections I through 51, and Indiana Code, Title 23, Article 2, Chapter 2.7, Sections 1 through 7, as codified on the date of this Agreement;

2. Notwithstanding any other provision of paragraph 14 of this Agreement, jurisdiction and venue for all disputes relating to this Agreement shall not only be proper in the state of Georgia, but jurisdiction and venue may also be proper in the state of Indiana; and,

3. If Franchisor obtains money, goods, services, or any other benefit from any other person with whom the Franchisee does business on account of, or in relation to, the transaction between the Franchisee and the other person, other than for compensation for services rendered by the Franchisor, Franchisor shall promptly account for the benefit and transmit it to the Franchisees.

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

FRANCHISEE: \_\_\_\_\_  
(Print)

Signature: \_\_\_\_\_

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

Attest: \_\_\_\_\_

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

Date of Execution: \_\_\_\_\_

FRANCHISOR: Hospitality International, Inc.

Signature: \_\_\_\_\_

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

Attest: \_\_\_\_\_

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

Date of Execution: \_\_\_\_\_

**SCHEDULE "B"**

**SPECIAL STIPULATIONS FOR TRANSACTIONS REGULATED BY MARYLAND**

To the extent of any conflict between the following Special Stipulations and the printed provisions of this Agreement, the Special Stipulations shall control:

1. Notwithstanding anything to the contrary in this Agreement, Franchisee shall not be deprived of any right or protection provided by Maryland's Franchise Registration and Disclosure Law. Notwithstanding anything to contrary in this Agreement, no provision of this Agreement shall act as a release, estoppel, or waiver of any liability incurred by Franchisor under the Maryland Franchise Registration and Disclosure Law.

2. Notwithstanding any other provision of Paragraph 14 of this Agreement, the parties do not agree that jurisdiction and venue for all suits related to this Agreement shall be proper only in DeKalb County, Georgia and Fulton County, Georgia. Instead, jurisdiction and venue shall also be proper in Maryland if any claims arise under the Maryland Franchise Registration and Disclosure Law. However, any claim arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the execution of this Agreement.

3. Franchisee may obtain an accounting of the combined national advertising and marketing account by submitting a written request to Franchisor. Within thirty (30) days of receipt of the written request from Franchisee, Franchisor will forward to Franchisee a copy of Franchisor's most recent audited financial statements.

4. Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

FRANCHISEE: \_\_\_\_\_  
(Print)

FRANCHISOR: Hospitality International, Inc.

Signature: \_\_\_\_\_  
Title: \_\_\_\_\_  
Attest: \_\_\_\_\_  
Title: \_\_\_\_\_

Signature: \_\_\_\_\_  
Title: \_\_\_\_\_  
Attest: \_\_\_\_\_  
Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

**SCHEDULE "B"**

**SPECIAL STIPULATIONS FOR TRANSACTIONS REGULATED BY MICHIGAN**

To the extent of any conflict between the following Special Stipulations and the printed provisions of this Agreement, the Special Stipulations shall control:

1. Notwithstanding any other provision of Paragraph 10(a) of this Agreement, Franchisor shall not, directly or indirectly, convey, assign, or otherwise transfer its obligations to fulfill Franchisor's contractual obligations under this Agreement to Franchisee unless provision has been made for providing the required contractual services.

2. Notwithstanding any other provision of Paragraph 10(b) of this Agreement, Franchisor shall not refuse to permit a transfer of this Agreement except for "good cause", as that term is interpreted under Michigan's Franchise Investment Law.

3. Notwithstanding any other provision of Paragraph 11 (a) or (b) of this Agreement, Franchisor shall not terminate this Agreement prior to the expiration of its term except for "good cause", as that term is interpreted under Michigan's Franchise Investment Law.

4. Notwithstanding anything to the contrary in this Agreement, Franchisee shall not be deprived of any right or protection provided by Michigan's Franchise Investment Law.

5. Notwithstanding any other provision of Paragraph 14 of this Agreement, the parties do not agree that jurisdiction and venue for all suits related to this Agreement shall be proper only in DeKalb County, Georgia and Fulton County, Georgia. Instead, jurisdiction and venue shall also be proper in Michigan.

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

FRANCHISEE: \_\_\_\_\_  
(Print)

Signature: \_\_\_\_\_  
Title: \_\_\_\_\_  
Attest: \_\_\_\_\_  
Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

FRANCHISOR: Hospitality International, Inc.

Signature: \_\_\_\_\_  
Title: \_\_\_\_\_  
Attest: \_\_\_\_\_  
Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_



**SCHEDULE "B"**

**SPECIAL STIPULATIONS FOR TRANSACTIONS REGULATED BY MINNESOTA**

To the extent of any conflict between the following Special Stipulations and the printed provisions of this Agreement, the Special Stipulations shall control:

1. Minnesota law provides franchisees with certain termination and non-renewal rights. Minn. Stat. Sec. 80C. 14, Subd. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement. Notwithstanding any other provision of this Agreement, Franchisor shall be bound by the provisions of Minn. Stat. Sec. 80C. 14, Subd. 3, 4 and 5 which exist as of the date of this Agreement.

2. Notwithstanding any other provision of paragraph 12(b) of this Agreement, upon termination of this Agreement by Franchisor for any default by Franchisee or upon termination of this Agreement by Franchisee (except as a result of Franchisor's material breach of this Agreement which was not timely cured pursuant to paragraph 13(c) of this Agreement), the parties do not recognize there will be difficulty in calculating damages caused by lost future monthly franchise fees, Franchisor shall not be entitled to any sum as liquidated damages, and, instead, Franchisor shall be entitled to recover such lost future profits (which are caused by the loss of future monthly franchise fees) as applicable law allows.

3. Notwithstanding any other provision of this Agreement, if a third party claims that the Franchisee's use of any of the Licensed Marks infringes trademark rights of said third party and Franchisee, within ten (10) days of learning of said claim, gives notice of said claim and tenders the defense of said claim to Franchisor, then Franchisor does not indemnify Franchisee against the consequences of Franchisee's use of the Licensed Marks in any manner which is not authorized by this Agreement. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including, but not limited to, the right to compromise, settle, or otherwise resolve the claim and to determine whether to appeal a final determination of the claim. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks, Minn. Stat. Sec. 80C.12, Subd.1(g).

4. Pursuant to Minn. Stat. Sec. 80C. 21, paragraph 14 of this Agreement shall not in any way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes, Chapter 80C, including, but not limited to, the right to submit matters to the Jurisdiction of the courts of Minnesota.

5. Pursuant to Minn. Rule 2860.4400J, the last two sentences of paragraph 14 of this Agreement are deleted.

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

FRANCHISEE: \_\_\_\_\_  
(Print)

FRANCHISOR: Hospitality International, Inc.

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

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

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

Attest: \_\_\_\_\_

Attest: \_\_\_\_\_

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

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

Date of Execution: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

**SCHEDULE "B"**

**SPECIAL STIPULATIONS FOR TRANSACTIONS REGULATED BY NEW YORK**

To the extent of any conflict between the following Special Stipulations and the printed provisions of this Agreement, the Special Stipulations shall control:

1. If this Agreement is for a Sundowner Inns hotel, a Red Carpet Inn hotel, a Red Carpet Suites hotel, a Red Carpet Inn & Suites hotel, a Master Hosts Inns hotel, or a Master Hosts Resort hotel then, in the event the License and Service Agreement between Franchisor and Red Carpet Inns International, Inc. expires or is terminated, Franchisee shall have the option, exercisable at any time within fifteen days after the date Franchisee receives notice of the expiration or termination of the License and Service Agreement between Franchisor and Red Carpet Inns International, Inc. to terminate this Agreement by giving written notice to Franchisor to that effect.

2. Franchisor shall not amend the License and Service Agreement between Franchisor and Red Carpet Inns International, Inc. in any manner which would have a material effect on Franchisee.

3. Franchisor shall not impose any new or different requirements through any modification to the Manual which would unreasonably increase the Franchisee's obligations or place an excessive economic burden on the Franchisee's operations.

4. Notwithstanding any other provision of paragraph 10(a) of this Agreement, Franchisor shall not transfer this Agreement to any Person except a Person who, in the good faith judgment of the Franchisor, is willing and possesses the economic resources to assume the Franchisor's obligations under this Agreement.

5. The following words are hereby deleted from paragraph 12(a)(iii) of this Agreement: "and consents to the entry of a court order entered without notice to you authorizing Franchisor or its designee to take such action".

6. Paragraph 14 of this Agreement shall not be considered a waiver of any right conferred upon the Franchisee of the provisions of Article 13 of the New York State General Business Law.

7. Subject to the provisions of paragraph 11(a) of this Agreement, Franchisee may terminate this Agreement upon any grounds available by law. This Special Stipulation does not supersede or amend any provision of paragraph 13I of this Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

FRANCHISEE: \_\_\_\_\_  
(Print)

Signature: \_\_\_\_\_  
Title: \_\_\_\_\_  
Attest: \_\_\_\_\_  
Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

FRANCHISOR: Hospitality International, Inc.

Signature: \_\_\_\_\_  
Title: \_\_\_\_\_  
Attest: \_\_\_\_\_  
Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

**SCHEDULE "B"**

**SPECIAL STIPULATIONS FOR TRANSACTIONS REGULATED BY NORTH DAKOTA**

To the extent of any conflict between the following Special Stipulations and the printed provisions of this Agreement, the Special Stipulations shall control:

1. Notwithstanding any other provision of paragraph 11(b) of this Agreement, upon termination of this Agreement by Franchisor for any default by Franchisee or upon termination of this Agreement by Franchisee (except as a result of Franchisor's material breach of this Agreement which was not timely cured pursuant to paragraph 11(b) of this Agreement), the parties do not recognize there will be difficulty in calculating damages caused by lost future monthly. Franchise fees, Franchisor shall not be entitled to any sum as liquidated damages, and, instead, Franchisor shall be entitled to recover such lost future profits (which are caused by the loss of future monthly franchise fees) as applicable law allows.

2. Notwithstanding any other provision of paragraph 14 of this Agreement, all claims, causes of action, liabilities, and suits relating to the negotiation, formation, construction, interpretation, performance, or enforcement of this Agreement shall be governed by and interpreted in accordance with North Dakota law.

3. Notwithstanding any other provision of paragraph 14 of this Agreement, jurisdiction and venue for all suits related to this Agreement shall be proper only in the State of North Dakota.

4. To the extent that any provision of paragraph 12(a) of this Agreement conflicts with the provisions of North Dakota law regarding restrictive covenants, North Dakota law shall control, but Franchisor shall otherwise retain its rights and remedies under federal law and under common law.

5. Paragraph 16 is amended to provide that the Franchise Agreement shall be governed by the laws of the state of North Dakota.

6. Paragraph 15 of the Franchise Agreement is amended to delete all provisions which would require the franchisee to consent to a waiver of trial by jury.

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

FRANCHISEE: \_\_\_\_\_  
(Print)

Signature: \_\_\_\_\_

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

Attest: \_\_\_\_\_

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

Date of Execution: \_\_\_\_\_

FRANCHISOR: Hospitality International, Inc.

Signature: \_\_\_\_\_

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

Attest: \_\_\_\_\_

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

Date of Execution: \_\_\_\_\_

**SCHEDULE "B"**

**SPECIAL STIPULATIONS FOR TRANSACTIONS REGULATED BY RHODE ISLAND**

To the extent of any conflict between the following Special Stipulations and the printed provisions of this Agreement, the Special Stipulations shall control:

1. The last two sentences of paragraph 14 of this Agreement are void with respect to a claim otherwise enforceable under Rhode Island's Franchise Investment Act.

2. This Agreement shall not be governed by or construed in accordance with Georgia law with respect to a claim otherwise enforceable under Rhode Island's Franchise Investment Act.

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

FRANCHISEE: \_\_\_\_\_

(Print)

Signature: \_\_\_\_\_

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

Attest: \_\_\_\_\_

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

Date of Execution: \_\_\_\_\_

FRANCHISOR: Hospitality International, Inc.

Signature: \_\_\_\_\_

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

Attest: \_\_\_\_\_

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

Date of Execution: \_\_\_\_\_

## **SCHEDULE "B"**

### **SPECIAL STIPULATIONS FOR TRANSACTIONS REGULATED BY SOUTH DAKOTA**

To the extent of any conflict between the following Special Stipulations and the printed provisions of this Agreement, the Special Stipulations shall control:

1. The indemnification provisions of paragraph 9(c) of this Agreement shall be enforceable only in the event Franchisor has not acted in bad faith, negligently, or fraudulently with respect to the event with respect to which Franchisee would otherwise be required to indemnify Franchisor.

2. Notwithstanding any other provision of paragraph 11 (a) or (b) of this Agreement, any event constituting a default pursuant to paragraph 11(a) or (b) of this Agreement shall not entitle Franchisor to the remedies set forth in paragraph 11 (a) or (b) of this Agreement unless such event is not totally remedied and cured within thirty (30) days after written notice of such event is sent by Franchisor to Franchisee.

3. Notwithstanding any other provision of paragraph 12(b) of this Agreement, upon termination of this Agreement by Franchisor for any default by Franchisee or upon termination of this Agreement by Franchisee (except as a result of Franchisor's material breach of this Agreement which was not timely cured pursuant to paragraph 11(b) of this Agreement), the parties do not recognize there will be difficulty in calculating damages caused by lost future monthly franchise fees, Franchisor shall not be entitled to any sum as liquidated damages, and, instead, Franchisor shall be entitled to recover such lost future profits (which are caused by the loss of future monthly franchise fees) as applicable law allows.

4. To the extent that paragraph 12 of this Agreement conflicts with the provisions of South Dakota law regarding restrictive covenants, South Dakota law shall control, but Franchisor shall otherwise retain its rights and remedies under federal law and under common law.

5. Notwithstanding any other provision of paragraph 12 of this Agreement, the law regarding franchise registration, employment, covenants not to compete, and other matters of local concern shall be governed by the laws of the State of South Dakota; but as to contractual and all other matters, this Agreement and all provisions of this instrument shall be, and remain subject to the application, construction, enforcement, and interpretation under the governing law of the State of Georgia.

6. Any provision of this Agreement which designates jurisdiction or venue or requires the Franchisee to agree to Jurisdiction or venue in a forum outside South Dakota is void with respect to any cause of action which is otherwise enforceable in South Dakota.

7. In addition to any other provision contained in this Agreement, the parties also appoint the Director of the Department of Labor and Regulation, Division of Securities, 124 South Euclid, Suite 104, Pierre, South Dakota 57501, and his successors in office, as the parties' true and lawful agent to receive service of lawful process.

8. Pursuant to SDCL 37-SB-26, any acknowledgement provision, disclaimer or integration clause or a provision having a similar effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate this chapter or a rule or order under this chapter.

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

FRANCHISEE: \_\_\_\_\_  
(Print)

Signature: \_\_\_\_\_

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

Attest: \_\_\_\_\_

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

Date of Execution: \_\_\_\_\_

FRANCHISOR: Hospitality International, Inc.

Signature: \_\_\_\_\_

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

Attest: \_\_\_\_\_

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

Date of Execution: \_\_\_\_\_

**SCHEDULE "B"**

**SPECIAL STIPULATIONS FOR TRANSACTIONS REGULATED BY VIRGINIA**

To the extent of any conflict between the following Special Stipulations and the printed provisions of this Agreement, the Special Stipulations shall control:

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 do 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.

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

FRANCHISEE: \_\_\_\_\_  
(Print)

Signature: \_\_\_\_\_  
Title: \_\_\_\_\_  
Attest: \_\_\_\_\_  
Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

FRANCHISOR: Hospitality International, Inc.

Signature: \_\_\_\_\_  
Title: \_\_\_\_\_  
Attest: \_\_\_\_\_  
Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

## **SCHEDULE "B"**

### **STATE ADDENDUM TO FRANCHISE AGREEMENT FOR THE STATE OF WASHINGTON**

#### **WASHINGTON FRANCHISE AGREEMENT ADDENDUM**

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.

**(SIGNATURES CONTINUED ON FOLLOWING PAGE)**



The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

FRANCHISEE: \_\_\_\_\_  
(Print)

FRANCHISOR: Hospitality International, Inc.

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

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

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

Attest: \_\_\_\_\_

Attest: \_\_\_\_\_

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

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

Date of Execution: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

**SCHEDULE "B"**

**SPECIAL STIPULATIONS FOR TRANSACTIONS REGULATED BY WISCONSIN**

To the extent of any conflict between the following Special Stipulations and the printed provisions of this Agreement, the Special Stipulations shall control:

1. Notwithstanding the provisions of paragraphs 3 and 11 (a) or (b) of this Agreement, the Wisconsin Fair Dealership Law (the "Act") regulates Franchisor's ability to terminate, cancel, fail to renew, or substantially change the competitive circumstances of this Agreement without good cause. The full text of Sections 135.03 and 135.04 of the Act regulating cancellation, termination, non-renewal, and change in competitive circumstances is set forth below. To the extent that the terms of this Agreement vary from those requirements imposed by the Act, as it may be interpreted, the terms of the Act shall govern the relationship of Franchisor and Franchisee.

2. No grantor, directly or through any officer, agent or employee may terminate, cancel, fail to renew or substantially change the competitive circumstances of a dealership agreement without good cause. The burden of proving good cause is on the grantor.

3. Except as provided in this section, a grantor shall provide a dealer with at least 90 days' written notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, non-renewal or substantial change in competitive circumstances and shall provide that the dealer has 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days, the notice shall be void. The notice provisions of this section shall not apply if the reason for termination, cancellation or non-renewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, non-renewal or substantial change in competitive circumstances is nonpayment of sums due under the dealership, the dealer shall be entitled to written notice of such default and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

FRANCHISEE: \_\_\_\_\_

(Print)

Signature: \_\_\_\_\_

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

Attest: \_\_\_\_\_

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

Date of Execution: \_\_\_\_\_

FRANCHISOR: Hospitality International, Inc.

Signature: \_\_\_\_\_

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

Attest: \_\_\_\_\_

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

Date of Execution: \_\_\_\_\_



**EXHIBIT “F-3”**

**SBA ADDENDUM TO FRANCHISE AGREEMENT**



ADDENDUM TO LICENSE

<sup>1</sup> AGREEMENT

THIS ADDENDUM (“Addendum”) is made and entered into on \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (“Licensor”), located at \_\_\_\_\_, and \_\_\_\_\_ (“Licensee”), located at \_\_\_\_\_.

Licensor \_\_\_\_\_ and Licensee \_\_\_\_\_ entered into a License \_\_\_\_\_ Agreement on \_\_\_\_\_, 20\_\_\_\_, (such Agreement, together with any amendments, the “License Agreement”). Licensee \_\_\_\_\_ is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration (“SBA”). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge the parties agree that notwithstanding any other terms in the License \_\_\_\_\_ Agreement or any other document Licensor \_\_\_\_\_ requires Licensee \_\_\_\_\_ to sign:

**CHANGE OF OWNERSHIP**

- If Licensee \_\_\_\_\_ is proposing to transfer a partial interest in Licensee \_\_\_\_\_ and Franchisor \_\_\_\_\_ has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor \_\_\_\_\_ may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Licensee \_\_\_\_\_. If the Franchisor \_\_\_\_\_’s consent is required for any transfer (full or partial), Franchisor \_\_\_\_\_ will not unreasonably withhold such consent. In the event of an approved transfer of the (Enter type of) \_\_\_\_\_ interest or any portion thereof, the transferor will not be liable for the actions of the transferee Licensee \_\_\_\_\_.

**FORCED SALE OF ASSETS**

- If Franchisor \_\_\_\_\_ has the option to purchase the business personal assets upon default or termination of the License \_\_\_\_\_ Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Licensee \_\_\_\_\_ owns the real estate where the licensee \_\_\_\_\_ location is operating, Licensee \_\_\_\_\_ will not be required to sell the real estate upon default or termination, but Licensee \_\_\_\_\_ may be required to lease the real estate for the remainder of the (enter type of) \_\_\_\_\_ term (excluding additional renewals) for fair market value.

<sup>1</sup> While relationships established under license, jobber, dealer and similar agreements are not generally described as “franchise” relationships, if such relationships meet the Federal Trade Commission’s (FTC’s) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

**COVENANTS**

- If the Licensee owns the real estate where the licensee location is operating, Franchisor has not and will not during the term of the License Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Licensee's real estate, they must be removed in order for the Licensee to obtain SBA-assisted financing.

**EMPLOYMENT**

- Franchisor will not directly control (hire, fire or schedule) Licensee's employees. For temporary personnel franchises, the temporary employees will be employed by the Licensee not the Franchisor.

As to the referenced License Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Licensee.

Except as amended by this Addendum, the License Agreement remains in full force and effect according to its terms.

Franchisor and Licensee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 - 3733.

**Authorized Representative of FRANCHISOR** :

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

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

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

**Authorized Representative of LICENSEE** :

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

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

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

**Note to Parties:** This Addendum only addresses "affiliation" between the Franchisor and Licensee. Additionally, the applicant Licensee and the (type of agreement) system must meet all SBA eligibility requirements.

**EXHIBIT "G"**

**AUDITOR'S CONSENT**

# **SIMONS & ASSOCIATES, CPA'S**

CERTIFIED PUBLIC ACCOUNTANTS

302 WILPARKWAY  
DALLAS, GEORGIA 30132  
TELEPHONE (770) 448-1662  
FACSIMILE (770) 448-9156

## **CONSENT**

Simons and Associates, CPA's, consents to the use in the Franchise Disclosure Document issued by Hospitality International, Inc. ("Franchisor") on March 29, 2022, our report dated March 29, 2022, relating to the financial statements of Franchisor for the years ended December 31, 2020, December 31, 2021, and December 31, 2022.

Simons & Associates, CPA's

By: 

Dallas, Georgia

Date: 3-29-23



## **EXHIBIT “H”**

### **STATE ADDENDUM for CALIFORNIA**

The disclosures contained in this state addendum supersede any contrary or inconsistent disclosures contained elsewhere in this franchise disclosure document.

During 2019, Franchisor made no sales of new franchises in the State of California and therefore made no negotiated sales.

ITEM 6 is amended to provide that the highest rate of interest charged for late payments is ten (10%) percent.

1. ITEM 10 is amended to state that the Franchisor does not offer financing of the initial franchise fee in the State of California.

2. Item 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION is amended as follows:

California Business and Professions Code Sections 20000 through 20043 provide rights to the Franchisee concerning transfer, termination, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with that law, that law will control. Therefore, that law may validly impose restrictions upon or requirements in connection with the non-renewal of a franchise; may validly require a notice period greater than those set forth in the franchise agreement for termination, cancellation, non-renewal, and/or the like; and, may validly limit the reasons or causes for termination, cancellation, non-renewal, or the like.

California Business and Professions Code Sections 20000 through 20043 provide certain rights to franchisees, including (i) limitations on Hospitality’s ability to terminate a franchise except for good cause, (ii) restrictions on Hospitality’s ability to deny renewal of a franchise, (iii) circumstances under which Hospitality may be required to purchase certain inventory of a franchisee when a franchise is terminated or not renewed in violation of the statute, and (iv) provisions relating to arbitration. If the franchise agreement contains a provision that is inconsistent with that law, that law will control.

The provision of the franchise agreement which permits Hospitality to terminate the franchise agreement if you file or consent to a petition in bankruptcy may not be enforceable under federal bankruptcy law.

If the franchise agreement is terminated by Hospitality pursuant to the provisions of the franchise agreement or the franchise agreement is terminated by Franchisee (except as a result of Hospitality’s material breach of the franchise agreement which was not timely cured pursuant to paragraph 11(c) of the franchise agreement), the franchise agreement contains a provision requiring the Franchisee to pay liquidated damages which the Franchisee shall do unless California Civil Code Section 1671 is applicable and that Code Section make the liquidated damages clause unenforceable. In such an event, Franchisee would be required to pay Hospitality lost future profits.

**The Franchise agreement requires application of the laws of the state of Georgia. That provision may not be enforceable under California law.**

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS, ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

## **STATE ADDENDUM**

**for**

## **ILLINOIS**

The disclosures contained in this state addendum supersede any contrary or inconsistent disclosures contained elsewhere in this franchise disclosure document.

Illinois law governs the agreements between the parties to this franchise.

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 set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

## **STATE ADDENDUM**

**for**

### **INDIANA**

The disclosures contained in this state addendum supersede any contrary or inconsistent disclosures contained elsewhere in this franchise disclosure document.

1. Item 8 - RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES is amended as follows:

If the Franchisee is either a resident of Indiana at the time the franchise agreement becomes binding on Franchisee and Hospitality or a nonresident of Indiana who will be operating the franchise in Indiana, then, if Hospitality obtains money, goods, services, or any other benefit from any other person with whom the Franchisee does business, on account of, or in relation to, the transaction between the Franchisee and the other person, other than for compensation for services rendered by Hospitality, Hospitality will promptly account for the benefit and transmit it to the Franchisee.

2. Item 17 - RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION is amended as follows:

If the Franchisee is either a resident of Indiana at the time the franchise agreement becomes binding on Franchisee and Hospitality or a nonresident of Indiana who will be operating the franchise in Indiana, Indiana law prohibits Hospitality from failing to renew the franchise without good cause (which includes any material violation of the franchise agreement) or in bad faith except that the Hospitality may refuse to renew the franchise upon the expiration of the term of the third Renewal Option.

If the Franchisee is either a resident of Indiana at the time the franchise agreement becomes binding on Franchisee and Hospitality or a nonresident of Indiana who will be operating the franchise in Indiana, Indiana law prohibits Hospitality from unilaterally terminating the franchise agreement without good cause (which includes any material violation of the franchise agreement) or in bad faith.

If the Franchisee is either a resident of Indiana at the time the franchise agreement becomes binding on Franchisee and Hospitality or a nonresident of Indiana who will be operating the franchise in Indiana, and if the franchise agreement has been terminated by Hospitality pursuant to the provisions of the franchise agreement or the franchise agreement has been terminated by Franchisee (except as a result of Hospitality's material breach of the franchise agreement which was not timely cured pursuant to paragraph 11(c) of the franchise agreement), then Franchisee shall be required to pay Hospitality its lost future profits to the extent applicable law allows because Indiana law makes contract provisions for the payment of liquidated damages unenforceable and void.

If the Franchisee is either a resident of Indiana at the time the franchise agreement becomes binding on Franchisee and Hospitality or a nonresident of Indiana who will be operating the franchise in Indiana, jurisdiction and venue for all disputes relating to the franchise agreement shall not only be proper in the State of Georgia, but jurisdiction and venue may also be proper in the State of Indiana.

## **STATE ADDENDUM**

**for**

## **MARYLAND**

The disclosures contained in this state addendum supersede any contrary or inconsistent disclosures contained elsewhere in this franchise disclosure document.

This Addendum to the Disclosure Document applies to residents of the State of Maryland and to non-residents of the State of Maryland who will operate a franchised business in the State of Maryland.

Item 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION is amended as follows:

If any claim arises under the Maryland Franchise Registration and Disclosure Law, jurisdiction and venue shall also be proper in Maryland.

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

The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. § 101, et seq.).

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Disclosure Law and is attached as an Exhibit to this Addendum.

**EXHIBIT TO STATE ADDENDUM FOR MARYLAND**

**RELEASE**

KNOW THAT \_\_\_\_\_ and its successors, assigns, agents, affiliates, successors, parents, subsidiaries and assigns, together with their past, present and future principals, owners, shareholders, controlling persons, officers, directors, successors and assigns (collectively, "RELEASOR"), in consideration of the right to assign or transfer its Franchise Agreement with HOSPITALITY INTERNATIONAL, INC. ("Franchisor") and other good and valuable consideration, receipt and sufficiency whereof is hereby acknowledged, releases and discharges Franchisor and its officers, directors, employees, stockholders, agents and servants, affiliates and their respective officers, directors, employees, agents and servants and their respective successors and assigns (collectively, "RELEASEE") from any and all actions, causes of actions, suits, debts, liens, agreements, accounts, promises, liabilities, judgments, demands, losses, cost or expense, of any nature whatsoever, in law or equity, whether known or unknown, suspected or unsuspected, claimed or concealed, fixed or contingent, relating to any events or circumstances existing from the beginning of time through the date this Release is executed, which the RELEASOR, its heirs, executors, administrators, successors and assigns does have or hereafter can, shall or may have against the RELEASEE for, upon, or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this RELEASE, except for any claims that may arise under the Maryland Franchise Registration and Disclosure Law.

This RELEASE may not be changed orally.

IN WITNESS WHEREOF, the RELEASOR has executed this RELEASE on \_\_\_\_\_, 20\_\_\_\_.

Executed and delivered in the presence of:

\_\_\_\_\_

\_\_\_\_\_

FRANCHISEE

**STATE ADDENDUM**

**for**

**MICHIGAN**

The disclosures contained in this state addendum supersede any contrary or inconsistent disclosures contained elsewhere in this franchise disclosure document.

Item 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION is amended as follows:

Michigan's Franchise Investment Law makes any provision in a franchise agreement void and unenforceable that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Michigan's Franchise Investment Law also makes any provision in a franchise agreement void and unenforceable that permits a franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances.

Jurisdiction and venue for all disputes related to the franchise agreement may be proper in the State of Michigan and the State of Georgia.

## STATE ADDENDUM

for

## MINNESOTA

The disclosures contained in this state addendum supersede any contrary or inconsistent disclosures contained elsewhere in this franchise disclosure document.

### 1. TRADEMARKS.

If a third party claims that the Franchisee's use of any of the Licensed Marks infringes trademark rights of said third party and Franchisee, within ten (10) days of learning of said claim, gives notice of said claim and tenders the defense of said claim to Hospitality, then Hospitality shall indemnify Franchisee against liability to said third party resulting from said claim except that Hospitality does not indemnify Franchisee against the consequences of Franchisee's use of the Licensed Marks in any manner which is not authorized by the franchise agreement. If Hospitality accepts the tender of defense, Hospitality has the right to manage the defense of the claim including, but not limited to, the right to compromise, settle, or otherwise resolve the claim and to determine whether to appeal a final determination of the claim.

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks, Minn Stat. Sec. 80C.12, Subd 1(g).

2. Item 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION is amended as follows:

Minn. Stat. Sec. 80C.14, Subd. 3, 4 & 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement. If the franchise agreement contains a provision that is inconsistent with that law, that law will control.

If the franchise agreement has been terminated by Hospitality pursuant to the provisions of the franchise agreement or the franchise agreement has been terminated by Franchisee (except as a result of Hospitality's material breach of the franchise agreement which was not timely cured pursuant to paragraph 11(c) of the franchise agreement), then Franchisee shall be required to pay Hospitality its lost future profits to the extent applicable law allows because Minnesota law make contract provisions for the payment of liquidated damages unenforceable and void.

Pursuant to Minn. Stat. Sec. 80C.21, paragraph 14 of the franchise agreement shall not in any way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes, Chapter 80C, including but not limited to, the right to submit matters to the jurisdiction of the courts of Minnesota.

Risk factor number 1 does not apply to any Minnesota franchisee.



## STATE ADDENDUM

for

### 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 B OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchises 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, anti-fraud or securities law, fraud; embezzlement, fraudulent conversion or misappropriation of property, unfair or deceptive practices; or comparable allegations.

D. No such party is subject to a currently effective injunction or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the Franchisor, its affiliate, its predecessor, officers, or general partner during the 10 year period immediately before the date of the offering circular: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the

bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

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

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17 I titled “**Requirements for franchisee to renew or extend,**” and Item 17 (m) entitled “**Conditions for franchisor approval of transfer**”:

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

6. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by Franchisee**”:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled “**Assignment of contract by franchisor**”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w) titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

**STATE ADDENDUM**

**for**

**NORTH DAKOTA**

The disclosures contained in this state addendum supersede any contrary or inconsistent disclosures contained elsewhere in this franchise disclosure document.

Item 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION is amended as follows:

If the franchise agreement has been terminated by Hospitality pursuant to the provisions of the franchise agreement or the franchise agreement has been terminated by Franchisee (except as a result of Hospitality's material breach of the franchise agreement which was not timely cured pursuant to paragraph 11(c) of the franchise agreement), then Franchisee shall be required to pay Hospitality its lost future profits to the extent applicable law allows because North Dakota law makes contract provisions for the payment of liquidated damages unenforceable and void.

Jurisdiction and venue for all suits related to the franchise agreement shall be proper only in the State of North Dakota.

Item 17 (w) is amended to provide that North Dakota law shall apply to all transactions in the state of North Dakota and to further provide that the waiver of jury trial contained in the Franchise Agreement shall not apply to transactions in the state of North Dakota.

**STATE ADDENDUM**

**for**

**RHODE ISLAND**

The disclosures contained in this state addendum supersede any contrary or inconsistent disclosures contained elsewhere in this franchise disclosure document.

Item 17- RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION is amended as follows:

§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.”

## **STATE ADDENDUM**

**for**

## **SOUTH DAKOTA**

The disclosures contained in this state addendum supersede any contrary or inconsistent disclosures contained elsewhere in this franchise disclosure document.

Item 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION is amended as follows:

South Dakota Law requires Hospitality to give the Franchisee thirty (30) days written notice to cure any failure by Franchisee to comply with the provisions of the franchise agreement and an opportunity to cure any noncompliance within said thirty (30) days before Hospitality may terminate the franchise agreement. If the franchise agreement contains a provision that is inconsistent with that law, that law will control.

If the franchise agreement has been terminated by Hospitality pursuant to the provisions of the franchise agreement or the franchise agreement has been terminated by Franchisee (except as a result of Hospitality's material breach of the franchise agreement which was not timely cured pursuant to paragraph 11(c) of the franchise agreement), then Franchisee shall be required to pay Hospitality its lost future profits to the extent applicable law allows because South Dakota law makes contract provisions for the payment of liquidated damages unenforceable and void.

Any provision of the franchise agreement which designates jurisdiction or venue or requires the Franchisee to agree to jurisdiction or venue in a forum outside South Dakota is void with respect to any cause of action which is otherwise enforceable in South Dakota.

Notwithstanding anything in paragraph 19(c) of the franchise agreement to the contrary, pursuant to SDCL 37-5B-26, any acknowledgement provision, disclaimer or integration clause or a provision having similar effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate this chapter or rule or order under Chapter 37-5B.

**STATE ADDENDUM**

**for**

**VIRGINIA**

The disclosures contained in this state addendum supersede any contrary or inconsistent disclosures contained elsewhere in this franchise disclosure document.

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.

## **STATE ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF WASHINGTON**

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.

**STATE ADDENDUM**  
**for**  
**WISCONSIN**

The disclosures contained in this state addendum supersede any contrary or inconsistent disclosures contained elsewhere in this franchise disclosure document.

Item 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION is amended as follows:

The Wisconsin Fair Dealership Law (the “Act”) Wisconsin Statutes, 1985, 1986, Title XIV-A, Chapter 135, Section 135.01-135.07, amended by laws of 1983, Act 189, approved April 5, 1984, effective April 10, 1984, may validly impose restrictions upon or requirements in connection with the non-renewal of a franchise; may validly require a notice period greater than those set forth in the franchise agreement for termination, cancellation, non-renewal, and/or the like, and may validly limit the reasons or causes for termination, cancellation, non-renewal, or the like.

The franchise agreement provides that, to the extent any provisions of the franchise agreement shall provide for periods of notice less than those required by the Act or provide for termination, cancellation, non-renewal, or the like other than in accordance with the Act, then such provisions shall not be effective to the extent such provisions are not in accordance with the Act and Hospitality will comply with the Act in connection with each of those matters.



**EXHIBIT "I"**

**HOSPITALITY INTERNATIONAL, INC.  
APPLICATION AGREEMENT**

This application agreement ("Agreement") is made and entered into as of \_\_\_\_\_ by and between Hospitality International, Inc., a Tennessee corporation ("Franchisor", "us", "we"), with its principal place of business at 1726 Montreal Circle, Suite 110, Tucker, Georgia 30084-6809, and \_\_\_\_\_ ("Applicant", "you"), a [sole proprietorship] [corporation] [limited partnership] [general partnership] [limited liability corporation] [other], with its principal place of business located at \_\_\_\_\_.

**NOW THEREFORE**, in consideration of the mutual benefit to the parties, the parties hereby agree a follows:

1. Application. You are applying to us for a franchise to operate a hotel, hotel, or lodging facility ("Hotel") as a \_\_\_\_\_ hotel which would be operated at \_\_\_\_\_. This application is for (the conversion of an existing hotel) (new construction).

2. Application Fee. At the same time you deliver this Agreement to us, you shall pay us a non-refundable application fee in the amount of **One Thousand Eight Hundred and no/100** dollars (**\$1,800.00**) (the "Application Fee").

3. Consideration of Application for Conversion of an Existing Hotel by Us. If this is an application for conversion of an existing hotel, then, within a reasonable period of time after this Agreement is executed by both parties, we shall review information relating to your Hotel and either tentatively approve or disapprove your application. If we tentatively approve your application, we shall schedule one of our franchise relations representatives to inspect your Hotel, within thirty (30) days of tentative approval, to examine the area in which the property is located and to become familiar with your business and business practices. That inspection will be in addition to any inspection conducted by one of our franchise sales representatives. If the quality assurance/marketing representative, in his/her sole discretion, notes any deficiencies in the Hotel which you will have to correct in order to satisfy our current quality assurance requirements, those deficiencies will be noted on our Quality Assurance Evaluation Report (Corrective Action Punchlist). The Quality Assurance Evaluation Report shall also set forth a timetable for the correction of the deficiencies. We will deliver a copy of the Quality Assurance Evaluation Report (Corrective Action Punchlist) to you. Depending upon the results of the above and recommendation of the quality assurance/marketing representative, we will or will not execute the Franchise Agreement.

4. Consideration of Application for New Construction. If this is an application for new construction, then, within a reasonable length of time after this Agreement is executed by both parties, we shall review your proposed Franchise Agreement and other information relating to your proposed Hotel and either approve or disapprove your application. If we approve your application for new construction, we shall execute the proposed Franchise Agreement and deliver a copy to you.

5. If we disapprove your application, you shall have no further claim against us.

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

APPLICANT: \_\_\_\_\_  
(Print)

FRANCHISOR: Hospitality International, Inc.

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

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

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

Attest: \_\_\_\_\_

Attest: \_\_\_\_\_

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

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

(Affix Seal and Note Titles)

(Affix Seal and Note Titles)

\_\_\_\_\_  
Date of Execution

\_\_\_\_\_  
Date of Execution

**EXHIBIT "J"**

**HOSPITALITY INTERNATIONAL, INC.**

1726 Montreal Circle, Suite 110  
Tucker, Georgia 30084-6809

**PLEASE FILL-IN THE INFORMATION  
REQUESTED**

TO: Agency(Insurer) \_\_\_\_\_  
Agent's Name \_\_\_\_\_  
Mailing Address \_\_\_\_\_  
Agency Telephone Number \_\_\_\_\_

Dear Sir or Madam:

The undersigned insured is presently obligated to Hospitality International, Inc. under a Franchise Agreement for a \_\_\_\_\_ hotel franchise granted by Hospitality International, Inc. at the address shown below.

The following insurance coverage is required:  
[Franchise Agreement, paragraph \_\_(\_\_), page \_\_\_\_]

**Insurance.** No later than thirty (30) days before the earlier of the Operational Date or the date your Hotel is first identified to the public by any Licensed Mark and continuing throughout this Agreement, you shall maintain the types of insurance in such amounts as we may from time to time require. Unless we waive these requirements in writing, such insurance shall include:

- (1) Workers' Compensation Coverage
  - (a) Employer's liability insurance with minimum limits of \$1,000,000.00 each accident, \$1,000,000.00 each disease, \$1,000,000.00 aggregate
  - (b) Workers' Compensation Insurance, Statutory Coverage
- (2) General Liability

General Liability coverage is to be maintained for the hotel (including restaurant and lounge if applicable) at the coverage limits of \$1,000,000.00 per occurrence and \$2,000,000.00 aggregate (including coverage for product liability, completed operations, contractual liability, host liquor liability, if applicable, whether leased to a third party or operated by you, and fire legal liability) naming us and the appropriate affiliated company as additional insureds.
- (3) Liquor Liability

The holder of the liquor license (whether leased to a third party or operated by you) will maintain liquor liability insurance with single-limit coverage for personal and bodily injury and property damage of at least \$1,000,000.00 for each occurrence naming us and the appropriate affiliated company (and you, if applicable) as additional insureds.
- (4) Auto Liability

Comprehensive automobile liability insurance (including hired and non-owned unit) with single-limit coverage for personal and bodily injury and property damage of at least \$1,000,000.00 for

each occurrence if the hotel or its parent corporation owns any vehicle used in the operation of the business, naming us and the appropriate affiliated company as additional insureds.

(5) Umbrella Coverage

You must maintain an umbrella policy with coverage of at least \$2,000,000 for each occurrence naming us and the appropriate affiliated company as additional insureds.

(6) Special Limit

If multiple locations are insured on policies containing an aggregate limit, then the aggregate limit must apply on a per location aggregate basis.

All insurance shall be underwritten by a reputable insurance carrier with a minimum rating of A-vii. Whenever you make a change in any insurance or insurance carrier and on an annual basis, you shall cause to be delivered to us a certificate of the insurance carrier as to the term and coverage of the insurance in force, the parties insured, and the fact that the coverage may not be canceled, altered, or permitted to lapse or expire without thirty (30) days' advance written notice to us by the insurance carrier. Your duty to maintain such insurance shall not be limited in any way by reason of any insurance that we may maintain. Our or your maintenance of such insurance shall not relieve you of any liability to us under any other provision of this Agreement. The policy of insurance that you provide shall at all times be primary to any policy of insurance which we may maintain.

**IMPORTANT**

It is required by the terms of my Franchise Agreement that the following companies be listed as ADDITIONAL INSURED on my Insurance Policy:

In all instances:   X   Hospitality International, Inc.,

           Southern Scottish Inns, Inc. (Scottish Inns, Scottish Suites, Scottish Inns & Suites,                    )  
           Red Carpet Inns International, Inc. (if a Red Carpet Inn, Red Carpet Suites, Red Carpet  
Inn & Suites, Master Hosts Resort or Master Hosts Inns)  
*(No affiliated company applies if a Downtowner Inns, Downtowner Inns & Suites,  
Passport Inn or Passport Inn & Suites)*

It will be appreciated if you would forward a copy of the Certificate of Insurance to Hospitality International, Inc. at your earliest convenience.

\_\_\_\_\_  
(Insured Property)

\_\_\_\_\_  
(Street Address of Insured Property)

\_\_\_\_\_  
(City in which Insured Property is Located)

By: \_\_\_\_\_  
(Owner of Insured Property)

\_\_\_\_\_  
(Date)

**EXHIBIT "K"**  
**ASSIGNMENT OF A FRANCHISE AGREEMENT**

**THIS AGREEMENT** is made and entered into this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between Hospitality International, Inc. (hereinafter referred to as "Hospitality") and \_\_\_\_\_ (hereinafter referred to as "Assignee"), with Assignee's principal place of business located at \_\_\_\_\_.

**WHEREAS**, \_\_\_\_\_ (hereinafter referred to as "Assignor") sold to Assignee the \_\_\_\_\_ hotel located at \_\_\_\_\_, \_\_\_\_\_, and is desirous of assigning to Assignee its Franchise Agreement with Hospitality International, Inc., a copy of which is attached hereto.

**WHEREAS**, **Assignee** is desirous of accepting the Assignment and assuming all of the obligations of **Assignor** to Hospitality pursuant to the Assignment of a Franchise Agreement.

**NOW, THEREFORE**, the parties agree as follows:

1. **Assignor** hereby assigns all of **Assignor's** rights, benefits, privileges, title and interest in the \_\_\_\_\_ Franchise Agreement attached hereto to **Assignee**.
2. **Assignee** hereby accepts such Assignment and agrees to assume all of the obligations, promises and covenants of the said Franchise Agreement thereunder to Hospitality, as well as the rights, benefits and privileges arising thereunder.
3. **Assignee** hereby grants Hospitality a security interest in all of **Assignee's** accounts, chattel paper, equipment, fixtures, general intangibles, goods, instruments, inventory, all proceeds derived from any of the foregoing property, and all proceeds derived from cash proceeds to secure the payment of all amounts owed by **Assignee** to Hospitality. **Assignee** shall not transfer any of said property except in the ordinary course of business or as part of a transfer of **Assignee's** entire interest in the Premises so long as that transfer of **Assignee's** entire interest in the Premises is in compliance with the provisions of Paragraph \_\_\_\_ of the Franchise Agreement.
4. **Assignee** specifically agrees that a photographic copy of this Agreement and a copy of the Franchise Agreement may be attached to and filed along with a financing statement form.
5. **Assignee/Assignor** has paid to Hospitality as a Transfer Fee in the amount of \$1,500.00.
6. The **Assignee/Assignor** hereby grants Hospitality the right to inspect the motel as a condition of transfer/assignment. The inspection shall occur before or within a reasonable time after this Agreement is signed. If Hospitality notes deficiencies on the "Quality Assurance Evaluation Report" ("Corrective Action Punchlist"), Hospitality shall also set a timetable for **Assignee/Assignor** to correct the deficiencies. When

the **Assignee/Assignor** receives the Punchlist, the **Assignee/Assignor** shall take all action necessary to correct all deficiencies within the time set forth in the Punchlist.

7. **Assignee** agrees to complete all items on any Quality Assurance Evaluation Report and/or Corrective Action Punchlist in a timely manner (as agreed to by **Assignor prior to the date of sale**).

8. **Assignee** will pay the IBE Fees, Call Center Fees, GDS Fees and Direct Connect/Channel Connect Fees upon receipt of invoice from Hospitality.

9. Hospitality joins in this Agreement for the purpose of consenting thereto as required by paragraph \_\_\_\_\_, Transfer and Assignment, of the Franchise Agreement.

10. The **Designated Representative** of Assignee (you) is \_\_\_\_\_ (“name”) located at \_\_\_\_\_ (address) and whose telephone number is \_\_\_\_\_. You designated \_\_\_\_\_ to receive our written notices to you as your agent. You may change your Designated representative by written notice to us.

**THIS AGREEMENT** may be executed in one or more counterparts, each of which shall be deemed an original. The parties agree that a faxed signature of a party constitutes an original signature binding upon that party.

**IN WITNESS WHEREOF**, the parties hereto execute this Agreement as of the day and date first above written.

ASSIGNOR:  
By: \_\_\_\_\_  
Print Name  
\_\_\_\_\_  
Signature  
Title: \_\_\_\_\_  
Attest: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

ASSIGNEE:  
By: \_\_\_\_\_  
Print Name  
\_\_\_\_\_  
Signature  
Title: \_\_\_\_\_  
Attest: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

CONSENTED TO:  
Hospitality International, Inc.

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Attest: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_ (Affix Seal and Note Titles)

**FDD EXHIBIT “L”**

**OPERATIONS MANUAL TABLE OF CONTENTS**

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### **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:

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| Illinois     | Pending               |
| Indiana      | Pending               |
| Maryland     | Pending               |
| Michigan     | Pending               |
| Minnesota    | Pending               |
| New York     | Pending               |
| North Dakota | Pending               |
| Rhode Island | Pending               |
| South Dakota | Pending               |
| Virginia     | Pending               |
| Washington   | Pending               |
| Wisconsin    | Pending               |

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.



**FDD EXHIBIT “M”  
RECEIPT  
(Our Copy)**

This disclosure document summarizes certain provisions of the license agreement and other information in plain language. Read this disclosure document carefully.

If Hospitality International, Inc. offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with us or make a payment to us or an affiliate in connection with the proposed franchise sale. Under Illinois, Iowa, Maine, Nebraska, Oklahoma, Rhode Island or South Dakota law, if applicable, we must provide this disclosure document to you at your 1<sup>st</sup> personal meeting to discuss the franchise. Under New York law, we must provide this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise agreement.

If Hospitality International, Inc. 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 “A”.

The franchisor is Hospitality International, Inc., 1726 Montreal Circle, Tucker, Suite 110, Georgia 30084-6809.

Issuance Date: March 29, 2023.

The name, principal business address and telephone number of each franchise seller offering the franchise is: Patrick Cheedie, Victor Vescovo, or Paul Vakharia, 1726 Montreal Circle, Suite 110, Tucker, Georgia 30084; (800) 892-8405.

See Exhibit “A” for our registered agents authorized to receive service of process.

I have received a disclosure document with an issuance date of March 29, 2023, that included the following Exhibits:

|  |     |
|--|-----|
| List of Franchisor's Agents for Service of Process by State and State Administrators _____ | A   |
| Financial Statements _____   | B   |
| Franchise Questionnaire _____  | C   |
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| State Addenda _____  | H   |
| Application Agreement _____  | I   |
| Insurance Form _____   | J   |
| Assignment of Franchise Agreement _____  | K   |
| Receipt _____  | M   |

**(SIGNATURES CONTINUED ON FOLLOWING PAGE)**

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Date

---

Signature

---

Printed Name

---

Date

---

Signature

---

Printed Name

**RECEIPT**  
(Your Copy)

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| Assignment of Franchise Agreement _____  | K   |
| Receipt _____  | M   |

**(SIGNATURES CONTINUED ON FOLLOWING PAGE)**

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Date

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Signature

---

Printed Name

---

Date

---

Signature

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Printed Name