

FRANCHISE DISCLOSURE DOCUMENT



Best Western International, Inc.
An Arizona nonprofit corporation
6201 N. 24th Parkway
Phoenix, AZ 85016
Tel: (602) 957-4202
www.bestwestern.com
Corporate@bestwestern.com

This Franchise Disclosure Document offers the right to convert an existing hotel to a hotel that utilizes the “BW Premier Collection[®]” or “BW Signature Collection[®]” name and is included on Best Western International, Inc.’s reservations systems.

The total investment necessary to begin operation of a 120-room BW Premier Collection hotel that has been converted from an existing hotel is \$606,800 - \$6,342,350, which includes \$30,500 - \$41,750 that must be paid to us or our affiliate. The total investment necessary to begin operation of a 90-room BW Signature Collection hotel that has been converted from an existing hotel is \$436,300 - \$2,570,350, which includes \$30,500 - \$41,750 that must be paid to us or our affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jay Pricher, General Counsel and Corporate Secretary of Best Western International, Inc. at 6201 N. 24th Parkway, Phoenix, AZ 85016, and (602) 957-4200.

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

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

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

Issuance date: March 31, 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
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit D includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only BW Premier Collection or BW Signature Collection hotel business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a BW Premier Collection or BW Signature Collection hotel franchisee?	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by litigation only in Arizona. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Arizona 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.

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ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Licensor

The licensor is Best Western International, Inc. (“we”, “us”, or “our”). “You” means the individual or entity that signs the Distribution Agreement – the “Hotel Owner”. If you are a business entity, “you” means both the business entity and its owners. “Premier Hotel” refers to a hotel that is using the Premier Marks (defined below) and is included on our reservations systems and “Signature Hotel” refers to a hotel that is using the Signature Marks (defined below) and is included on our reservations systems. Together, Premier Hotels and Signature Hotels are referred to as “System Hotels” and the “Hotel” refers to the Premier Hotel or Signature Hotel you will operate under a Distribution Agreement. If we have an agent in your state for service of process, we disclose that agent in Exhibit B.

We are an Arizona nonprofit corporation formed on December 13, 1957, with a principal business address located at 6201 N. 24th Parkway, Phoenix, AZ 85016. We operate: (i) as a licensor under the Licensed Marks (defined below); and (ii) as a membership association and licensor under the “Best Western[®]”, “Best Western Plus[®]”, “Best Western Premier[®]”, “Executive Residency by Best Western[®]”, “Vīb[®]”, “GLō[®]”, “Aiden[®]”, and “Sadie[®]” names (the “Membership Brands”); and under no other name.

We have never operated a System Hotel, a hotel under a Membership Brand or any other type of business. While we began offering licenses for System Hotels in April, 2020, Hotel Owners have operated (i) Premier Hotels in the United States and a number of other countries since 2015 and (ii) Signature Hotels in the United States and a number of other countries since 2017.

We have also offered membership interests in our nonprofit corporation (“Memberships”) and licenses for the right to operate hotels using the Membership Brands under a separate disclosure document since March, 2019. Our members (“Members”) have operated member hotels using the Membership Brands in the United States (to include its territories and possessions) since on or about 1946, and in Canada since 1964. We have licensed the Membership Brands to hotels outside North America since 1976. These non-North American hotels are not member hotels. As of November 30, 2022, there were 3,176 hotels using the Membership Brands operating in the United States and abroad.

Our Parent and Affiliates

Our direct subsidiary, SureStay, Inc., has offered hotel franchises using the marks “SureStay Hotel by Best Western[®]”, “SureStay Plus Hotel by Best Western[®]”, and “SureStay Collection by Best Western[®]” since 2016, and has offered hotel franchises using the mark “SureStay Studio by Best WesternSM” since April, 2020. SureStay, Inc. offers franchises in the United States and Canada. Our indirect subsidiary, SureStay International, Inc., has offered hotel licenses using the marks “SureStay[®]”, “SureStay Plus[®]”, and “SureStay Collection[®]” since 2016, and has offered hotel licenses using the mark “SureStay StudioSM” since April, 2020. SureStay International, Inc. offers license agreements internationally except for in the countries in which our other indirect subsidiaries (see below) and unaffiliated sublicensees offer licenses. SureStay, Inc. and SureStay International, Inc.

each have a principal business address located at 6201 N. 24th Parkway, Phoenix, AZ 85016. As of November 30, 2022, there were 404 SureStay hotels operating in the United States and abroad. Neither SureStay, Inc. nor SureStay International, Inc. provide products or services to our Hotel Owners.

Our indirect subsidiary, B-W International Licensing Mexico, S.A. de C.V., has offered hotel licenses in the United Mexican States, Belize, Costa Rica, Guatemala, Nicaragua and El Salvador using the marks “Best Western[®]”, “Best Western Plus[®]”, “Best Western Premier[®]”, “Executive Residency by Best Western[®]”, “GLō[®]”, “Vīb[®]”, “Aiden[®]”, “Sadie[®]”, “BW Premier Collection[®]”, “BW Signature Collection[®]”, “SureStay[®]”, “SureStay Plus[®]” and “SureStay Collection[®]” since 2018. B-W International Licensing Mexico, S.A. de C.V. has a principal business address located at Av. Xola No. 535 Int. 401, Col. Del Valle, Deleg. Benito Juárez, CDMX, México 03100. B-W International Licensing Mexico, S.A. de C.V. does not provide products or services to our Hotel Owners.

Our indirect subsidiary, B-W International Licensing Australia Pty Limited, has offered hotel licenses in Australia, New Zealand and Fiji, using the marks “Best Western[®]”, “Best Western Plus[®]”, “Best Western Premier[®]”, “Executive Residency by Best WesternSM”, “GLō[®]”, “Aiden[®]”, “Sadie[®]”, “BW Premier Collection[®]”, “BW Signature Collection[®]”, “SureStay[®]”, “SureStay Plus[®]” and “SureStay Collection[®]” since 2018. B-W International Licensing Australia Pty Limited has a principal business address located at Level 11, 213 Miller Street, North Sydney, NSW 2060 Australia. B-W International Licensing Australia Pty Limited does not provide products or services to our Hotel Owners.

Our direct subsidiary, World Hotels GmbH (“WH”) licenses independent upscale, upper-upscale and luxury hotels across the world under the WorldHotelsTM Collection brand. Although WH does not currently offer franchises for the WorldHotels Collection brand, WorldHotels Collection hotel owners have been operating in the United States and a number of other countries since 2004. Currently, there are 18 WorldHotels operating in the United States (to include its territories and possessions) and 138 WorldHotels operating in a number of countries outside of the United States. WH’s principal business address is Unterschweinstiege 2-14, 60549 Frankfurt am Main, Germany. WH does not provide products or services to our Hotel Owners.

We have no parents or other affiliates required to be disclosed in this Item. We have no predecessors.

The License Offered

This franchise disclosure document (this “Disclosure Document”) offers the right to convert an existing hotel to a Premier Hotel or a Signature Hotel. Premier Hotels utilize the words and marks associated with “Best Western[®]”, “BW Premier Collection[®]” and “Best Western Rewards[®]” (collectively, the “Premier Marks”). Signature Hotels utilize the words and marks associated with “Best Western[®]”, “BW Signature Collection[®]” and “Best Western Rewards[®]” (collectively, the “Signature Marks” and together with the Premier Marks, the “Licensed Marks”). Hotel Owners operating System Hotels operate according to the Distribution Agreement (Exhibit C-1).

Premier Hotels are a global collection of carefully selected upscale and luxury hotels that share our rich history of providing guests with unique and local hotel experiences around the world. Signature Hotels are a global collection of upper-midscale hotels that share our commitment to delivering exceptional and unique travel experiences around the world.

The Market and Competition

The market for your services will depend on the Hotel's location and size, among other things. The customer of a System Hotel is a leisure or business traveler looking for a luxury, upscale or upper-midscale hotel.

In general, you will compete with national and international hotel and motel chains and independently operated local hotels offering similar types of hotel rooms and food and beverage services to the same clientele. Your convention and meeting facilities, if any, will also compete with national, international and independent hotels and convention centers in other regions. We, our parents and our affiliates engage in a wide range of business activities in lodging and related services, both directly and through the activities of our and their parents and affiliates. Some of these activities may be competitive with the Hotel.

Applicable Laws

You must comply with innkeeper liability laws, laws and regulations regarding food handling and preparation, truth in menu and labeling laws, alcoholic beverage control laws and dram shop acts, license, certificate and permit requirements for hotel and restaurant operation and occupancy, laws regulating the posting of hotel room rates, hotel room occupancy tax laws, and laws applicable to public accommodations and services such as the Americans with Disabilities Act ("ADA"). In addition, the laws, rules and regulations which apply to businesses in general will affect you. Consult your lawyer about them. Discuss with your architect the ADA and its architectural guidelines, and state and local accessible facilities requirements.

ITEM 2

BUSINESS EXPERIENCE

Chairman and District VII Director: John Daniel Lafayette III

Mr. Lafayette has served as our Chairman since December, 2022 and our District VII Director since December, 2018, in each case in Phoenix, Arizona. He served as our Vice-Chairman from December, 2021 to December, 2022 and our Secretary-Treasurer from December, 2020 to December, 2021. Mr. Lafayette has been an owner of the Best Western White House Inn in Bangor, Maine since 1994, and the Best Western Merry Manor Inn in South Portland, Maine, since 1994. Mr. Lafayette has also served as SureStay Inc.'s Director in Phoenix, Arizona and has been in that role since December, 2018.

Vice-Chairman and District I Director: Phillip Payne

Mr. Payne has served as our Vice-Chairman since December, 2022 and our District I Director since December, 2019, in each case in Phoenix, Arizona. He served as our Secretary-Treasurer from December, 2021 to December, 2022. Mr. Payne has been an owner of the Best Western Plus Rio Grande Inn in Albuquerque, New Mexico since 1995. Mr. Payne has also served as SureStay, Inc.'s Director in Phoenix, Arizona since December, 2019.

Secretary-Treasurer and District II Director: Stephen Wahrlich

Mr. Wahrlich has served as our Secretary-Treasurer since December, 2022 and our District II Director since December, 2020, in each case in Phoenix, Arizona. Mr. Wahrlich has been the owner of the Best Western Plus Clocktower Inn hotel in Billings, Montana since 2005 and the Best Western Plus Hilltop hotel in Redding, California since 1977. Mr. Wahrlich has also served as SureStay, Inc.'s Director in Phoenix, Arizona since December, 2020.

District III Director: Viral Patel

Mr. Patel has served as our District III Director since December, 2021, in Phoenix, Arizona. Mr. Patel has been an owner of the Best Western Corbin Inn in Corbin, Kentucky since 2000. Mr. Patel has also served as SureStay, Inc.'s Director in Phoenix, Arizona since December, 2021.

District VI Director: Mahmood Merchant

Mr. Merchant has served as our District VI Director since December, 2021, in Phoenix, Arizona. Mr. Merchant has been the owner of the Best Western Big Country Inn in Coalinga, California since 2000, the Best Western Apricot Inn in Firebaugh, California since 2003, the Best Western Colonial Inn in Selma, California since 2017, and the Best Western Plus Inn in Coalinga, California since 2018. Mr. Merchant has also served as SureStay, Inc.'s Director in Phoenix, Arizona since December, 2021. He has also been the President and Chief Executive Officer of Merchant Valley Corporation in Roseville, California since March, 1997.

District IV Director: Rajesh Patel

Mr. Patel has served as our District IV Director since December, 2022, in Phoenix, Arizona. Mr. Patel has been an owner of the Best Western Plus Fairburn in Fairburn, Georgia since June, 2015. Mr. Patel was an owner of the Best Western Plus Atlanta Airport in Hapeville, Georgia from June 1994 to December 2021. Mr. Patel has also served as SureStay, Inc.'s Director in Phoenix, Arizona since December, 2022.

District V Director: Santosh Khanjee

Mr. Khanjee has served as our District V Director since December, 2022, in Phoenix, Arizona. Mr. Khanjee has been an owner of the Aiden by BW @Austin City Hotel in Austin, Texas since June 1993, the Best Western Airpark Hotel-Los Angeles LAX Airport in Inglewood, California since March 1987, the Best Western Airport Plaza Inn – Los Angeles LAX Hotel in Los Angeles, California since October 1986, and the Best Western Courtesy Inn – Anaheim Park Hotel in Anaheim, California since April 1988. Mr. Khanjee has also served as SureStay, Inc.'s Director in Phoenix, Arizona since December, 2022.

Managing Director, North American Development: Thomas Giuliano

Mr. Giuliano has served as our Managing/Regional Director, North American Development since 2016, in Phoenix, Arizona. He currently serves in a similar role for SureStay, Inc.

President and Chief Executive Officer: Lawrence M. Cuculic

Mr. Cuculic has served as our President and Chief Executive Officer in Phoenix, Arizona since December, 2021. Mr. Cuculic has also served as SureStay, Inc.'s President in Phoenix, Arizona since December, 2021. Mr. Cuculic served as our Senior Vice President, General Counsel and Corporate Secretary in Phoenix, Arizona from 2009 to December, 2021, and as SureStay, Inc.'s Secretary in Phoenix, Arizona from its formation in August, 2016 to December, 2021.

President of International Operations and WorldHotels: Ron Pohl

Mr. Pohl has served as our President of International Operations and WorldHotels in Phoenix, Arizona since April, 2022. Mr. Pohl served as our Senior Vice President and Chief Operations Officer in Phoenix, Arizona from 2007 to 2022.

Senior Vice President and Chief Financial Officer: Mark Straszynski

Mr. Straszynski has served as our Senior Vice President and Chief Financial Officer in Phoenix, Arizona since 2008. Mr. Straszynski has also served as SureStay, Inc.'s Treasurer in Phoenix, Arizona since its formation in August, 2016.

Senior Vice President and Chief Digital Officer: Greg Adams

Mr. Adams has been employed by us in various capacities since January, 2013, and has served as our Senior Vice President and Chief Digital Officer in Phoenix, Arizona since 2015.

Senior Vice President and Chief Development Officer: Brad LeBlanc

Mr. LeBlanc has served as our Senior Vice President and Chief Development Officer in Phoenix, Arizona since April, 2019. From June, 2013 to April, 2019, Mr. LeBlanc served as Senior Vice President of Development & Franchising at Serendipity Labs, Inc. in Rye, New York.

Senior Vice President, General Counsel and Corporate Secretary: Jay Pricher

Mr. Pricher has served as our Senior Vice President, General Counsel and Corporate Secretary in Phoenix, Arizona since December, 2021. Mr. Pricher has also served as SureStay, Inc.'s Secretary in Phoenix, Arizona since December, 2021. Mr. Pricher served as our Vice President of Legal in Phoenix, Arizona from 2009 to December, 2021.

ITEM 3

LITIGATION

A. PENDING ACTIONS INVOLVING US

Best Western International, Inc. v. Brookfield Ventures, LLC, et al., Arizona District Court Case No. 2:22-cv-00037-JAT (Filed January 10, 2022; Counterclaim filed August 1, 2022).

The member for the Best Western Premier Milwaukee-Brookfield Hotel & Suites ("Former Member") terminated its membership with us by self-termination, effective December 2020. At the time

of the self-termination, the Former Member had a large, outstanding balance owed to us. On January 10, 2022, we filed a complaint against the owner of the Former Member, Brookfield Ventures, LLC, and its Voting Member, for their failure to pay the outstanding account and fees and dues owed following the self-termination. The Former Member filed a counterclaim against us for breach of contract, breach of the implied covenant of good faith and fair dealing, fraud, and negligent misrepresentation. The Former Member is seeking economic losses in an amount to be proven at trial, punitive damages, attorneys' fees and extracontractual damages. We deny any wrongdoing, dispute the allegations in the counterclaim, and have moved to dismiss the claims.

Best Western International, Inc. v. 1025 Beach LLC, Joga Sing Hayre, et al., Arizona District Court Case No. 2:22-cv-01696-CDB (Filed October 5, 2022; Counterclaim filed December 28, 2022).

The member for the Best Western Far Rockaway ("Former Member") was terminated for failure to pay its large, outstanding account; failure to pay its annual dues; and failure to satisfy the terms of a payment plan. On October 5, 2022, we filed a complaint against the owner of the Former Member, 1025 Beach LLC, and its Voting Member, for their failure to pay the outstanding account and fees and dues owed following the termination. The Former Member filed a counterclaim against us for breach of the implied covenant of good faith and fair dealing. The Former Member is seeking lost revenue proximately caused by us in an amount to be proven at trial. We deny any wrongdoing and dispute the allegations in the counterclaim.

B. CONCLUDED ACTIONS INVOLVING US

Best Western International, Inc. v. 1Nonly Phi Mar, LLC, Philip Levine, et al., Arizona District Court Case No. 2:22-cv-00440-MTL (Filed March 21, 2022; Counterclaim filed July 8, 2022).

The member for the Best Western Plus Dallas Hotel & Conference Center ("Former Member") terminated its membership with us by self-termination, effective September 21, 2021. At the time of the self-termination, the Former Member had a large, outstanding balance owed to us. On March 21, 2022, we filed a complaint against the owner of the Former Member, 1Nonly Phi Mar, LLC, and its Voting Member, for their failure to pay the outstanding account and fees and dues owed following the self-termination. The Former Member filed a counterclaim against us for breach of contract and breach of the implied covenant of good faith and fair dealing. On January 12, 2023, the parties settled the case with mutual releases of all claims per a confidential settlement agreement, the disclosure of which is only allowed if required by applicable law or court order. The parties agreed that the Former Member would pay us \$223,000 in installment payments over 13 months.

Best Western International, Inc. v. 764 4th Avenue Associates, LLC, Arizona District Court Case No. 2:20-cv-01760 (Filed September 8, 2020; Counterclaim filed January 29, 2021).

Defendant 764 4th Avenue Associates, LLC ("4th Avenue") owns a hotel in Brooklyn, New York known as the Brooklyn Way (the "Hotel"), which was a BW Signature Collection® hotel. We discovered that the Hotel was operating primarily as a transitional housing/homeless shelter rather than an upper mid-scale hotel, was underreporting its occupancy, and underpaying its monthly fees pursuant to the parties' Distribution Agreement. We were forced to sue 4th Avenue for the outstanding fees owed. 4th Avenue filed a counterclaim on January 8, 2021 asserting claims against us for breach of contract, breach of the duty of good faith and fair dealing, unjust enrichment, and negligent misrepresentation. On April 30, 2021, the parties settled the case with mutual releases of all claims per a confidential settlement agreement, the

disclosure of which is only allowed if required by applicable law or court order. The parties agreed that the Hotel would pay us \$250,000 in installment payments over 24 months.

Best Western International, Inc. v. Twin City Lodging, LLC, et al., Arizona District Court Case No. 18-cv-03374-SPL (Filed October 19, 2018).

The former Best Western Hotel & Restaurant in Mankato, Minnesota was terminated in June 2018 for failing to satisfy high speed internet and customer care ratio requirements and for having a large outstanding, unpaid account. On October 19, 2018, we filed a complaint against a former Member, Twin City Lodging, LLC (“Twin City”), and its voting members for Twin City’s failure to pay its outstanding account and fees and dues owed following termination. Twin City filed a counterclaim against us alleging wrongful termination. The counterclaim asserted causes of action for violations of the Minnesota Franchise Act, breach of the implied covenant of good faith and fair dealing, and breach of contract. We deny any wrongdoing and moved to dismiss the claims. On April 25, 2020, the parties settled the case with mutual releases of all claims per a confidential settlement agreement, the disclosure of which is only allowed if required by applicable law or court order. The parties agreed that Twin City would pay us \$66,250.00.

Best Western International, Inc. v. Oakland Park, Inc., et al., Arizona State Court (Maricopa County) Case No. CV 2015-000279 (Filed January 12, 2015, Appellate Ruling December 6, 2018).

The former Best Western Oakland Park Inn in Fort Lauderdale, Florida was terminated in 2014 for refusing to pay its outstanding, unpaid account and breaching its payment plan obligations. On January 12, 2015, we filed a complaint against the former Member, Oakland Park, Inc. (“Oakland Park”) and its voting member for failure to pay its outstanding account, fees and dues owed following termination, and for trademark infringement. Oakland Park filed a counterclaim against us in 2016 alleging wrongful termination, asserting causes of action for breach of contract, breach of the duty of good faith and fair dealing, and breach of the fiduciary duty, among others. We deny any wrongdoing. After a series of motions, the court ruled that Oakland Park could not assert any wrongful termination claims. Following several hearings that Oakland Park and its counsel failed to attend, the court granted us default judgment and dismissed all of Oakland Park’s remaining claims. The default judgment was reversed on appeal on December 6, 2018, but the court of appeals found the termination was justified and that there is no counterclaim for breach of fiduciary duty. The case was remanded to the trial court for resolution of any remaining claims, but in the interim Oakland Park filed for bankruptcy so the action was subject to the bankruptcy court’s automatic stay. On July 6, 2020, the parties, with the consent of the bankruptcy trustee and bankruptcy court, settled the case with mutual releases of all claims per a confidential settlement agreement, the disclosure of which is only allowed if required by applicable law or court order. The parties agreed that Oakland Park would pay us \$225,000.

Bright LLC v. Best Western International, Inc., Arizona District Court Case No. 17-cv-00463-PHX-ROS (Filed July 8, 2016).

Bright LLC, a former conditionally-approved applicant for a Membership (“Bright”), sued us for terminating its conditional approval after having already received 18 months of extensions. Bright sought \$1.5 million in damages and asserted causes of action for breach of contract, breach of the implied covenant of good faith and fair dealing, promissory estoppel, unjust enrichment, and declaratory judgment. We deny any wrongdoing. We counterclaimed for damages in the amount of \$110,000 pursuant to the agreed contractual damages provision in the parties’ agreements. On March

1, 2019, the court granted summary judgment in our favor and dismissed all of Bright's claims. On April 19, 2019, the parties settled the case with mutual releases of all claims per a confidential settlement agreement, the disclosure of which is only allowed if required by applicable law or court order. The parties agreed that Bright would pay us \$114,000.

State Bank of Texas, SBT I-10 Service Rd., Ft. Worth Hotel South, LLC v. Best Western International, Inc., Arizona State Court (Maricopa County) Case No. CV 2015-008670 (Filed November 20, 2015).

The former Best Western Plus Fort Worth South Hotel was terminated in May 2015 for failing to satisfy design requirements and for failing to meet quality assurance standards established in applicable operations manuals after having been granted multiple extensions. The former Member, Fort Worth Hotel South, LLC ("Fort Worth South") sued us, seeking over \$3.5 million in damages for costs spent on renovations, alleging improper termination and asserting claims for fraud, constructive fraud, breach of contract, equitable estoppel, breach of implied covenant of good faith and fair dealing, negligent misrepresentation, unjust enrichment/disgorgement, declaratory relief of unconscionability, declaratory relief of non-infringement, and recoupment. We counterclaimed for our contractual damages. We deny any wrongdoing. We moved for summary judgment and all of Fort Worth South's claims were dismissed. The court ruled, however, that Fort Worth South could assert an affirmative defense for recoupment in response to our counterclaim. On September 25, 2018, the parties settled the case with mutual releases of all claims per a confidential settlement agreement, the disclosure of which is only allowed if required by applicable law or court order. The parties agreed that Fort Worth South would pay us \$25,000.

Best Western International, Inc. v. SDV Hospitality and Resources Corporation and Deepak Kant Vyas, Arizona District Court Case No. 2:15-cv-02159 (Filed October 27, 2015).

The former Best Western Plus Timber Creek Inn & Suites in Sandwich, Illinois ("Former Hotel") was terminated for failing quality assessments established in applicable operations manuals and refusing to allow re-inspection. The contract provided that upon termination, the former Member, SDV Hospitality and Resources Corporation ("SDV Hospitality"), was required to pay fees and dues for the remainder of the contract term, to timely de-brand, and to pay damages for improper use of our trademarks. Following termination, demands were made to SDV Hospitality for an outstanding account balance and for liquidated damages relating to ongoing trademark infringement. We sued SDV Hospitality to recover the fees. SDV Hospitality filed a counterclaim asserting violations of the computer fraud and abuse act, the wire-tap act, the stored communication act, interference with business expectancy, negligent misrepresentation, breach of the covenant of good faith and fair dealing, and breach of fiduciary duty. We deny any wrongdoing. We successfully moved to dismiss the counterclaims for breach of the covenant of good faith and fair dealing and breach of fiduciary duty. On July 26, 2017, the parties settled the case with mutual releases of all claims per a confidential settlement agreement, the disclosure of which is only allowed if required by applicable law or court order. The parties agreed to pay their own attorneys' fees and costs incurred in the action and to refrain from and correct any marketing, social media, or misrepresentations regarding the Former Hotel or its status as a Best Western branded hotel.

Best Western International, Inc. v. Upstate Host, LLC and Tarrunum Murad, Arizona District Court Case No. 2:16-cv-00885 (PGR) (Filed March 31, 2016).

The former Best Western Plus Carrier Circle in Syracuse, New York was terminated for failing quality assessments established in applicable operations manuals. The contract provided that upon termination, the former Member, Upstate Host, LLC (“Upstate”), was required to pay fees and dues for the remainder of the contract term, to timely de-brand, and to pay damages for improper use of our trademarks. Following termination, demands were made to Upstate for an outstanding account balance and for liquidated damages relating to trademark infringement. We were forced to sue Upstate. Upstate filed a counterclaim against us and a third party complaint against various of our employees alleging wrongful termination and asserting claims for violation of the New York Franchise Act, violation of the Arizona Consumer Fraud Act, fraudulent concealment, intentional/negligent misrepresentation, breach of contract, breach of the covenant of good faith and fair dealing, and unjust enrichment. We deny any wrongdoing. On July 13, 2016, the parties settled the case with mutual releases of all claims per a confidential settlement agreement, the disclosure of which is only allowed if required by applicable law or court order. The parties agreed that Upstate would pay us \$78,000 in 24 equal monthly payments of \$3,250.

Best Western International, Inc. v. American Hospitality Solution, LLC and Deborah Speziale, Arizona District Court Case No. 2:16-cv-03405 (Filed October 6, 2016).

The former Best Western Crossroads was terminated for failing to meet quality assurance standards established in applicable operations manuals. The contract provided that upon termination, the former Member, American Hospitality Solution, LLC (“AHS”), was required to pay any outstanding account balances, fees and dues for the remainder of the contract term, to timely de-brand, and to pay damages for improper use of our trademarks. Following termination, demands were made to AHS for an outstanding account balance and fees and dues for the remainder of the contract term. We sued AHS to recover the fees. AHS asserted counterclaims for fraud, violation of the Illinois Franchise Act, Violation of the Indiana Franchise Act, breach of contract, and declaratory relief that the liquidated damages provision in the parties’ agreement is invalid. We deny any wrongdoing and moved to dismiss all of the counterclaims. On April 24, 2017, the parties settled the case with mutual releases of all claims per a confidential settlement agreement, the disclosure of which is only allowed if required by applicable law or court order. The parties agreed that AHS would pay us \$35,000.

Quist v. Best Western International, Inc., Supreme Court of North Dakota, Civ. Case No. 10571 (Filed July 18, 1984).

On March 3, 1983, the North Dakota Securities Commissioner held that (i) the agreements between us and our Members were “franchises” as defined in the North Dakota Franchise Investment Law (“FIL”); (ii) we had offered or sold franchises in North Dakota in violation of the registration provisions of the FIL; (iii) we did not qualify for the statutory exemptions from registration; (iv) we had not been exempted by rule from registration; and, (v) the North Dakota Securities Commissioner had not applied the FIL in a discriminatory manner, and ordered us to refrain and desist from offering Memberships until the offers are registered with the North Dakota Securities Commissioner per the provisions of the FIL. The District Court, Burleigh County, South Central Judicial District, affirmed the North Dakota Securities Commissioner’s order, and we appealed. On July 19, 1984, the Supreme Court affirmed the District Court’s decision, holding that: (i) the FIL contained no exception for cooperative marketing agreements; (ii) we had waived constitutional challenges to the FIL itself; and,

(iii) the record did not establish any discriminatory enforcement policy of the North Dakota Securities Commissioner or prove any discrimination against us.

Commissioner of Corporations v. Best Western International, Inc., Superior Court of the State of California for the County of Los Angeles, Case No. 0693928 (Filed July 29, 1988).

In response to a complaint filed by the California Commissioner of Corporations (“Commissioner”) asserting that we violated the registration and disclosure provisions of the California Franchise Investment Law (the “California Franchise Law”), and without admitting or denying any allegation of the complaint or liabilities arising therefrom, we consented to the entry of a Final Judgment of Permanent Injunction which ordered that: we (i) be permanently enjoined from offering to selling or otherwise in any way dealing or participating in the offer or sale of any franchise which is not exempt from the registration requirements under the California Franchise Law unless and until we are first registered under the California Franchise Law to offer and sell franchises; (ii) be permanently enjoined from selling any franchise without first submitting to the prospective Member at least 10 business days prior to the receipt of any consideration or the execution of any binding franchise or other agreement, whichever occurs first, the prospectus and all agreements; (iii) file a notice of exemption or register our franchise offer per the California Franchise Law and prepare the applicable disclosure document(s) or file a letter that we have not filed a notice of exemption or obtained franchise registration because we have ceased all franchise offers and will not recommence until we have filed a notice of exemption or registered our franchise offer; and, (iv) pay the Commissioner its costs of \$3,080 (the “1988 Final Judgment of Permanent Injunction”).

In the Matter of Best Western International, Inc. Securities Division of the Office of the Attorney General of Maryland, Case No. 2018-0237 (Effective August 24, 2018).

The Securities Division of the Office of the Attorney General of Maryland (“Securities Division”) asserted that we violated the registration and disclosure provisions of the Maryland Franchise Registration and Disclosure Law (the “Maryland Franchise Law”) by entering into Membership Agreements. Without admitting or denying any violation of law, we voluntarily entered into a Consent Order with the Maryland Securities Commissioner (the “Securities Commissioner”) dated August 24, 2018. In the Consent Order, we agreed to: (i) immediately and permanently cease and desist from the offer and sale of Membership Agreements in Maryland unless and until we comply with the Maryland Franchise Law; (ii) reimburse the Office of the Attorney General \$16,500 in unpaid franchise filing fees; (iii) within 15 days of our receipt of the fully executed Consent Order, send to seven of our current Maryland Members a copy of the signed Consent Order and a rescission letter offering, for a period of 30 days, to immediately rescind the Member’s Membership Agreement and refund the Best Western entrance fee that Member paid; (iv) within 30 days of its receipt of the fully executed Consent Order, send to three Best Western Maryland members who canceled their Membership Agreements an unconditional refund of the Best Western entrance fee that member paid; (v) pay the Office of the Attorney General a civil monetary penalty in the amount of \$297,000 for the alleged violations described in the Consent Order, which amount would be reduced to as low as \$25,000 to account for rescission payments we offered to make to our existing and former Maryland Members; and, (vi) complete payments to those Maryland Members who accepted our rescission offer within 30 days of our receipt of that written acceptance.

In the Matter of Best Western International, Inc. Securities Division of Department of Financial Institutions of Washington, Order No. S-18-2510-19-CO01 (Effective February 7, 2019).

The Securities Division of Department of Financial Institutions of Washington (“Washington Securities Division”) asserted that we violated the registration and disclosure provisions of the Washington Franchise Registration and Disclosure Law (the “Washington Franchise Law”) by entering into Membership Agreements. Without admitting or denying any violation of law, we voluntarily entered into a Consent Order with Washington Chief of Enforcement, dated February 7, 2019. In the Consent Order, we agreed to: (i) cease and desist from the offer and sale of Membership Agreements in Washington unless and until we comply with the Washington Franchise Law; (ii) pay the Washington Securities Division \$3,000 for unpaid franchise filing fees for the period 2012 to 2015; (iii) pay investigative costs of \$5,600; and (iv) provide a copy of the Consent Order to all Members who were Washington residents or operated a hotel located in Washington after January 1, 2015 within 60 days of the entry of the Consent Order.

In the Matter of Best Western International, Inc., Department of Business Oversight of the State of California, FIL ORG ID.: 102063 (Effective April 9, 2019).

The Commissioner of California’s Department of Business Oversight (the “Commissioner”) claimed that we violated the 1988 Final Judgment of Permanent Injunction described above by selling franchises in California between 1988 and 2018 without being registered or filing for an exemption under the California Franchise Investment Law (Corporations Code section 31000, et. Seq.) (“California Franchise Law”). Without admitting or denying any violation of law, we voluntarily entered into a Consent Order with the Commissioner effective April 9, 2019. In the Consent Order, we agreed to: (i) cease and desist from the offer and sale of Membership Agreements in California unless and until we comply with the California Franchise Law; (ii) pay California’s Department of Business Oversight \$500,000 in administrative penalties; and (iii) pay California’s Department of Business Oversight \$10,000 in investigative costs.

In the Matter of Best Western International, Inc. Virginia Corporation Commission’s Division of Securities and Retail Franchising, Case No. SEC-2019-00060 (Effective February 24, 2020).

The State Corporation Commission’s Division of Securities and Retail Franchising (the “Commission”) asserted that we violated the registration and disclosure provisions of the Virginia Retail Franchising Act (the “Virginia Franchise Law”) by entering into Membership Agreements. Without admitting or denying any violation of law, we voluntarily entered into a Settlement Order with the Commission, which was filed on February 24, 2020. In the Settlement Order, we agreed to: (i) pay to the Treasurer of Virginia \$12,000 in monetary penalties; (ii) pay to the Treasurer of Virginia \$1,000 to defray the costs of investigation; and (iii) not violate Virginia Franchise Law in the future.

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

ITEM 4

BANKRUPTCY

No bankruptcy proceedings are required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Application Fee

All new prospective Hotel Owners of System Hotels must complete an Application (the current form of which is attached as Exhibit G). When you submit the Application to us for processing, you must pay an application fee (the “Application Fee”) of \$4,000. The Application Fee is applied uniformly to all new prospective Hotel Owners of System Hotels, is not credited toward any other payment you must make, and is non-refundable.

Affiliation Fee

All new prospective Hotel Owners of System Hotels must pay an affiliation fee (the “Affiliation Fee”) before signing the Distribution Agreement for orientation, training and other onboarding services and support. The Affiliation Fee is \$25,000. The Affiliation Fee is applied uniformly to all new prospective Hotel Owners of System Hotels and is non-refundable.

In our fiscal year ended November 30, 2022, we accepted decreased Affiliation Fees ranging from \$0 to \$25,000. The decreased Affiliation Fees were agreed upon as the result of arms-length discussions, negotiations and each party’s objective of doing business on an ongoing basis.

Impact Study Fee

If upon receipt of your Application a Member requests an impact study, you will be required to pay us an impact study fee (the “Impact Study Fee”) of \$4,000 so that we can conduct an impact study. If we deny your Application for any reason, we will refund the Impact Study Fee to you.

Computer-Related Fees

You may, but are not required to, have two-way connectivity to our reservations systems. If you elect to use two-way connectivity, you will be required to pay us up to a \$1,500 installation fee and up to a \$3,500 (depending on the complexity of the Hotel’s computer network/system) Hotel Managed Security Services Fee. If you do not elect to use two-way connectivity, you will not be required to pay either of these fees. These fees related to two-way connectivity are non-refundable.

Distribution System Photographs and Virtual Tours Fee

When we require before opening the Hotel, you must pay a distribution system photographs and virtual tours fee (“Distribution System Photographs and Virtual Tours Fee”) ranging between \$1,500 and \$2,350 plus one room night’s accommodation for the photographer (if needed) so that we can ensure our reservations systems have up-to-date material. The Distribution System Photographs and Virtual Tours Fee is applied uniformly to all new prospective Hotel Owners of System Hotels and is non-refundable.

Range of Pre-Opening Amounts Received During Prior Fiscal Year

Except as described above, we did not reduce any of the fees described above for any Hotel Owner during our 2022 fiscal year.

ITEM 6

OTHER FEES

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Required Fees for All System Hotels			
Monthly Fee	5% of Monthly Gross Rooms Revenue (“GRR”). ²	Due and payable monthly upon statement receipt.	Sales, marketing and technology fee.
Global Distribution Systems (“GDS”) Fee	\$7.90 per booking.	Due and payable monthly upon statement receipt.	Payable for reservations booked through GDS and GDS internet travel sites.
Third-Party Internet Booking Fee	\$4.60 per booking.	Due and payable monthly upon statement receipt.	Payable for reservations booked through third-party internet booking sites via Onyx, HBSi, etc.
Third-Party Partner Booking Fee	\$2.00 per booking.	Due and payable monthly upon statement receipt.	Payable for reservations booked through our third-party partner.
Best Western Rewards® (“BWR®”) Fee	\$0.0055 per BWR point issued.	Billed one month in arrears. Due and payable monthly upon statement receipt.	Fee for BWR points or airline program miles issued by the Hotel to BWR members (10 points issued for each revenue dollar).
BWR Enrollment Fee Rebate	5.5% of Monthly GRR ² for newly enrolled BWR members with valid email address, up to 5 nights stay, maximum \$500; 2.75% of Monthly GRR ² for newly enrolled BWR member without valid email address, up to 5 nights stay, maximum \$500.	Credited monthly.	Rebate of BWR fee imposed when you enroll a new BWR member.
Pay With Points	The credit portion for BWR® points redeemed: If 95% occupied or higher, a credit equal to the number of points	Credited two months in arrears.	Credit for reservations booked using a combination of BWR points and an alternative payment method.

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
	<p>times \$0.005 times 90%.</p> <p>If less than 95% occupied, a credit equal to the number of points times \$0.005 times 40%.</p> <p>The cash paid (non-points) portion of Pay with Points is collected and retained by the Hotel from the BWR® member guest.</p>		
Free Night Vouchers	<p>If the occupancy of the property is:</p> <p>90% or higher, a credit of 90% of the Hotel's Average Daily Rate ("ADR").</p> <p>70% or greater but less than 90%, a credit of 70% of the Hotel's ADR.</p> <p>Less than 70%, a credit of 40% or \$40 - whichever is greater.</p>	Credited one month in arrears.	Credit for BWR free night voucher redeemed at the Hotel.
Best Western Travel Card	Amount of travel card redeemed less 10% commission.	Credited monthly.	Credit for travel cards redeemed at the Hotel.
	Amount of travel card sold or reloaded is charged; related 10% commission is credited.	Due and payable monthly upon statement receipt.	Charge for travel cards sold or reloaded at the Hotel. Related commission is credit to the Hotel.
BestCheque	\$0.71 per commissionable transaction.	Due and payable monthly upon statement receipt.	Fee for administering the centralized travel agent commissions program.
BestCheque Consortia Marketing Program	Fee of \$3.00 per net room night reservation booked.	Due and payable monthly upon statement receipt.	Per booking fee for reservations received from Consortia partners.
Travel Agent Commissions	Commission on GRR ² that varies by travel agent and agreement.	Case by case basis. Due and payable monthly upon statement receipt.	Payable as a pass-through commission charge for travel agent reservations.

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Performance Based Marketing (“PBM”)	10% commission on consumed property revenue.	Due and payable monthly upon statement receipt.	Commission charge for reservations which result from digital opportunity.
Commission Junction	10% of GRR ² for each reservation associated with a banner ad.	Due and payable monthly upon statement receipt.	Commission charge for reservations which result from a banner ad placed on a publisher’s network.
Travel Management Companies (“TMC”)	Varies by TMC, but generally annual participation fees are: -\$350 - \$1,100 per TMC, or -Pay for Performance at \$3.00 per consumed room night plus a 10% agency commission.	Due and payable monthly upon statement receipt.	Preferred partnership status.
Group Commissions	As negotiated between the Hotel and client. 10% commission on GRR ² for HelmsBriscoe and ConferenceDirect.	Due and payable monthly upon statement receipt.	We centrally pay group commissions for worldwide sales group intermediary partners (currently HelmsBriscoe and ConferenceDirect) after receiving confirmation of the group pick up and commission due from the Hotel. Hotel is then charged on the next monthly statement.
Two-Way Support Fee	If the Hotel elects two-way connectivity, a one-time installation fee of \$1,500 and a Two-Way Monthly Support fee that ranges from \$41 to \$53 per month (based on the Hotel’s property management system).	Due and payable monthly upon statement receipt.	If the Hotel elects two-way connectivity, a one-time installation fee, plus a monthly fee for two-way connectivity to our reservations systems.
Boutique Hotels - Sales Onboarding Training	One-time fee associated with Sales Onboarding Training of \$4,000.	Due and payable monthly upon statement receipt.	Training must be completed no later than 30 days prior to activation on our reservations systems. A one day pre-activation sales onboarding visit will occur on-site by a dedicated BWH Worldwide Sales, Hotel Sales Optimization Manager (“HSO”). The sales onboarding training will encompass the necessary tools and resources to effectively activate sales revenue at the Hotel.

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
			Additionally, the Hotel must successfully complete a customized virtual onboarding training with the Hotel representative(s) responsible for the sales efforts, partnered with a dedicated sales trainer of the HSO team.
Annual Quality Assurance (“QA”) Assessment Fee	Cost recovery fee, currently \$2,100, billed annually, plus a free room for the inspector.	Due and payable monthly upon statement receipt.	Annual assessment fee.
QA Reassessment Fee	Cost recovery fee, currently \$2,100, plus a free room for the inspector.	Due and payable monthly upon statement receipt.	Fee charged for reassessment after a failed QA assessment.
Medallia Fee	\$50 monthly usage fee.	Due and payable monthly upon statement receipt.	Fee to provide System Hotel access to guest satisfaction surveys (through Medallia).
Customer Care/First Contact Resolution (“FCR”)	<p>\$50 ticket fee charged on certain contacts.</p> <p>First 4 Complaints: Free Complaints 5-10 annually: \$100 Each Complaints 11+ annually: \$250 Each Applicable taxes per file fee will be assessed plus cost of resolution.</p> <p>Non-FCR- \$75 per non-response, plus cost of any compensation to customer.</p>	Due and payable monthly upon statement receipt.	Fee for Customer Care agent to respond to and resolve customer service and accommodation complaints on first contact.
Rate Parity	System Hotels which repeatedly violate rate parity are subject to administrative fees which range up to \$4,000 per violation depending on the number of violations annually.	Due and payable upon statement receipt.	Administrative fee charged to hotels for rate parity violations.
Indemnification	Reimbursement for all payments by us arising from any claimed occurrence at the Hotel.	Case by case basis as incurred. Due and payable upon statement receipt.	You must indemnify us, hold us harmless and assume our defense with regard to System Hotel operations (to include information security) and the providing of accommodations, food, beverages, transportation, and services at the Hotel.

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Liquidated Damages for Premature Termination	An amount calculated by taking the average of the prior 12 months of fees owed to us (but if fees have been owed to us for less than 12 months, the average of all prior months) and multiplying that average by the lesser of: (i) 12, or (ii) the remaining number of months in the Term (as defined in Item 17).	On demand.	Payable if we terminate the Distribution Agreement for cause.
Interest Charge	18% Annual Percentage Rate.	Due and payable upon statement receipt.	Finance charge for late payment of account, assessed after 45 days.
Transfer Fee	\$10,000.	Due and payable upon statement receipt.	Payable to transfer or assign the Distribution Agreement.
Optional Programs/Fees			
Worldwide Sales Signature event	Varies, currently \$2,000.	Due and payable monthly upon statement receipt.	Best Western sales and marketing event.
Property Revenue Manager (“PRM”) Program	Per month fee based on size of the Hotel: \$995 for 1-120 rooms \$1,195 for 121-200 rooms \$1,395 for 201+ rooms	Due and payable monthly upon statement receipt.	Fee charged to hotels that participate in the optional program for experienced and certified PRM services. Best Western two-way interface is required to participate in the PRM program.
Studio Design Services	Per contract, determined by the scope of the project.	Due and payable monthly upon statement receipt.	Optional, affordable interior design creation and conceptual architectural services (for exteriors) available through our Studio Design team of interior designers and architects on a contract basis.

NOTES

1. Unless otherwise indicated, all fees described in this Item 6 are payable to, and imposed by, us or our affiliates and are non-refundable. You agree to allow us to automatically debit your bank account each month in the amount owing us and you agree to electronic monthly statements. We may revise fees, charges and credits.
2. Gross Room Revenue (“GRR”) is defined in the Distribution Agreement as booked revenue

from the rental, sale, use, or occupancy of guest rooms at the Hotel for whatever purpose, including cash and credit transactions, whether or not collected by the Hotel, and any proceeds from business interruption insurance. Gross Rooms Revenue does not include taxes required by law, revenue from telephone services, movie rentals, vending machines, room service, parking or food and beverage sales.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

CONVERSION OF AN EXISTING HOTEL TO A PREMIER HOTEL (120-ROOM)

Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be made
Application Fee (1)	\$4,000	Lump Sum	When you submit the Application to us for processing	Us
Affiliation Fee (2)	\$25,000	Lump Sum	Prior to execution of the Distribution Agreement	Us
Impact Study Fee (3)	\$0 - \$4,000	Lump Sum	Before Commission of Impact Study if Required	Us
Renovation Work (4)	\$0 - \$2,450,000	As Agreed	As Agreed	Contractors
Furniture, Fixtures and Equipment (5)	\$0 - \$3,100,000	As Agreed	As Agreed	Suppliers
Inventory and Operating Equipment (6)	\$69,000 - \$86,000	As Agreed	As Agreed	Suppliers
Signage (7)	\$300 - \$500	As Agreed	As Agreed	Suppliers
Distribution System Photographs and Virtual Tours Fee (8)	\$1,500 - \$2,350	Lump Sum	As Required	Us
Computer System (9)	\$0 - \$14,500	Cash, Check or Wire Transfer	As Required	Suppliers/Us
Insurance (10)	\$30,000 - \$50,000	As Required	As Required	Agent/Insurer
Organizational Expense (11)	\$1,000 - \$2,000	As Agreed	As Agreed	Accountant/Attorney
Permits and Licenses (12)	\$0 - \$60,000	As Required	As Required	Governmental Agency
Miscellaneous Project Management Expenses (13)	\$0 - \$25,000	As Incurred	As Agreed	Suppliers

Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be made
Additional Funds (3 months) (14)	\$476,000 - \$519,000	As Incurred	As Arranged	Suppliers
TOTAL (15) \$606,800 - \$6,342,350				

CONVERSION OF AN EXISTING HOTEL TO A SIGNATURE HOTEL (90-ROOM)

Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be made
Application Fee (1)	\$4,000	Lump Sum	When you submit the Application to us for processing	Us
Affiliation Fee (2)	\$25,000	Lump Sum	Prior to execution of the Distribution Agreement	Us
Impact Study Fee (3)	\$0 - \$4,000	Lump Sum	Before Commission of Impact Study	Us
Renovation Work (4)	\$0 - \$740,000	As Agreed	As Agreed	Contractors
Furniture, Fixtures and Equipment (5)	\$0 - \$1,250,000	As Agreed	As Agreed	Suppliers
Inventory and Operating Equipment (6)	\$45,000 - \$75,000	As Agreed	As Agreed	Suppliers
Signage (7)	\$300 - \$500	As Agreed	As Agreed	Suppliers
Distribution System Photographs and Virtual Tours Fee (8)	\$1,500 - \$2,350	Lump Sum	As Required	Us
Computer System (9)	\$0 - \$14,500	Cash, Check or Wire Transfer	As Required	Suppliers/Us
Insurance (10)	\$20,000 - \$30,000	As Required	As Required	Agent/Insurer
Organizational Expense (11)	\$500 - \$1,000	As Agreed	As Agreed	Accountant/Attorney
Permits and Licenses (12)	\$0 - \$30,000	As Required	As Required	Governmental Agency
Miscellaneous Project Management Expenses (13)	\$0 - \$25,000	As Incurred	As Agreed	Suppliers
Additional Funds (3 months) (14)	\$340,000 - \$369,000	As Incurred	As Arranged	Suppliers

Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be made
TOTAL (15)				
\$436,300 - \$2,570,350				

Explanatory Notes

* All amounts listed in the above tables are non-refundable, unless stated otherwise below. All estimates are based on our and our affiliates’ 70+ years of experience. The estimates in the above tables are for the conversion of an existing hotel to a Premier Hotel or a Signature Hotel, as applicable. The costs in the above tables are only estimates, and the actual costs may vary substantially depending on the type, condition, age, physical structure and quality of furnishing of the existing hotel and the building construction, material and labor costs applicable to the geographic area in which the hotel is located. You are encouraged to independently investigate the actual costs before executing the Distribution Agreement.

1. All new prospective Hotel Owners must complete an Application and submit the \$4,000 Application Fee.
2. All new prospective Hotel Owners must pay the \$25,000 Affiliation Fee for orientation, training and other on-boarding services and support.
3. If upon receipt of your Application a Member requests an impact study, you will be required to pay us the Impact Study Fee so that we can conduct an impact study. If we deny your Application for any reason, we will refund the Impact Study Fee to you.
4. Depending on the type, condition, age and physical structure of the existing hotel, you may or may not have to incur renovation work costs to bring the existing hotel into conformity with our requirements. Renovation costs will vary significantly and the amounts in the above table are just estimates.
5. Depending on the type, condition, age and quality of furnishing of the existing hotel, you may or may not have to incur costs to furnish and equip the existing property in conformity with our requirements. These costs will vary significantly and the amounts in the above table are just estimates.
6. “Inventory” includes food and beverages and other immediately consumable items such as fuel, soap, cleansing material, and similar items. "Operating equipment" includes such items as plates, cups, glasses, and uniforms. Although the estimated initial investment for inventory and operating equipment may vary significantly depending upon the number of rooms at the Hotel, occupancy and other similar factors, we anticipate the initial investment for inventory and operating equipment will equal roughly 8% to 10% of guest room revenue. The estimated ranges are for inventory and operating equipment for three months of operations. The estimated range in the tables was calculated for (i) a Premier Hotel with 120 rooms and revenue per available room (“RevPAR”) of \$85; and (ii) a Signature Hotel with 90 rooms and RevPAR of \$75. These estimates are for illustrative purposes only.

7. You will be required to place plaques at the hotel main entrance and front desk indicating your affiliation with us.
8. You will be required to pay a Distribution System Photographs and Virtual Tours Fee to us for the purpose of ensuring our reservations systems have up-to-date material. You must also pay for one room night's accommodation for the photographer (if needed).
9. The "Computer System" and the cost breakdown for each component is more fully described in Item 11. The low end of the estimated range of costs for the Computer System is \$0, since you will be converting an existing hotel to a Premier Hotel or a Signature Hotel, as applicable, and may already have all of the components of the Computer System.
10. You must maintain the minimum levels and types of insurance specified in the Distribution Agreement at your expense. This insurance must name us as an additional insured and certificate holder. Insurance premiums vary widely by reason of location, size of hotel and type of coverage purchased.
11. Actual cost depends on work done by an accountant and attorney, and standard regional rates.
12. The licenses and permits you must obtain to operate the Hotel vary depending on the state, county or other political subdivision in which the Hotel is located and the size of the Hotel. The low end of the ranges presumes the hotel was open and operating as a hotel immediately prior to converting to a System Hotel and will not have permit and license fees. This range includes licensing or permits that will be necessary for the Hotel to offer food and alcoholic beverages. The price and related costs of obtaining an alcohol permit may vary substantially by jurisdiction, especially in those jurisdictions that consider a liquor license to be an asset.
13. You may incur pre-activation expenses for salaries and wages; personnel training; sales; administrative and general expenses; project management; technical services; advertising; and, opening festivities. These costs will vary significantly and the amounts in the above table are just estimates.
14. The additional funds estimated for operating the Hotel for the initial 3-month period (e.g., working capital for staff salaries and operating expenses) will vary materially by geographic location, taxes (e.g., federal, state and local) size of your land and Hotel, age of the Hotel, your Hotel room count, seasonality, number and size of your common areas, whether you have meeting rooms and/or a conference center, food service offered (e.g., restaurant), amenities offered, labor costs, health benefits costs, utility costs, insurance costs, and the relative effectiveness of you and your staff. The estimates do not include debt service or lease costs. The estimates are not a warranty as to your actual operating costs which you best can determine.
15. You should review these estimated figures carefully with a business advisor before deciding to acquire the license. We and our affiliates do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

There is no specific product or service we require you to purchase or lease from us, a supplier we designate or a supplier we approve or according to our specifications other than the front entrance and front desk plaques. That said, you must (i) maintain a minimum of a AAA or CAA Three Diamond Rating and Official Appointment; (ii) maintain the Hotel and provide amenities as we determine from time to time consistent with an upscale hotel (for a Premier Hotel) or upper-midscale hotel (for a Signature Hotel); and (iii) maintain a passing BWI quality assurance (“QA”) assessment rating. We may provide our standards for an upscale hotel (for a Premier Hotel) or upper-midscale hotel (for a Signature Hotel) and for what we consider to be a passing QA assessment rating to you from time to time in writing.

We recommend that System Hotels maintain certain designated computer equipment, as well as two-way connectivity to our reservations systems. Since you will be converting an existing hotel to a Premier Hotel or a Signature Hotel, as applicable, you may already have all of the recommended equipment. You may obtain the recommended computer equipment from any supplier and, if you choose to have two-way connectivity, you must pay us the related fees for two-way connectivity.

Neither we nor any affiliate is an approved supplier or the sole supplier of any product or service. You currently may obtain all products and services from any source of distribution. For this reason, we do not grant or revoke approval of any suppliers.

You must maintain, at your own expense, general liability insurance, automobile liability insurance (for owned, non-owned, and hired automobiles) and cyber liability insurance, each in the following amounts:

- General Liability: \$11M. Assault and battery, abuse and molestation, and carbon monoxide exposure may not be excluded and must be covered to the full extent of the general liability limit without exclusion.
- Automobile Liability: \$1M coverage for owned, hired and non-owned automobiles.
- Cyber Liability: \$1M.

All required insurance must name us as an additional insured and certificate holder.

There is currently no supplier in which one of our officers owns an interest.

Neither we nor our affiliates received any revenue or other material consideration during 2022 from selling required items to Hotel Owners, but we and they may do so in the future. Designated suppliers did, however, make payments (i.e., commissions and rebates) to us in 2022 in connection with required and discretionary purchases by Hotel Owners and our and our affiliates’ licensees and franchisees operating under other hotel brands (collectively referred to as “BW Hotel Operators”). We generally receive a margin of 9.0% from furniture, fixtures and equipment suppliers and commissions of 3.0% from direct order suppliers (i.e., suppliers of hotel operational items such as guest room amenities, linens, etc.) based on purchases made by BW Hotel Operators. During fiscal year 2022, we received total revenue of \$495.6 million and we received \$6.1 million, or 1.2% of our total revenue,

from vendors (i.e., commissions and rebates) in connection with purchases by BW Hotel Operators. All such funds were used for the administration of the supply program.

We or an affiliate provide access to a procurement service. There are not currently any other purchasing or distribution cooperatives. We currently negotiate purchase arrangements with suppliers (including price terms). We do not provide material benefits to System Hotels based on their purchase of particular products or services, or use of particular suppliers. Collectively, the purchases and leases described above are less than 1% of your overall purchases and leases in establishing a System Hotel and approximately 1% - 2% of your overall purchases and leases in operating a hotel operating under the Licensed Marks.

ITEM 9

FRANCHISEE’S OBLIGATIONS

This table lists your principal obligations under the Distribution Agreement. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

OBLIGATION	SECTION IN DISTRIBUTION AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Not applicable	Items 7, 8 and 12
b. Pre-opening purchases/leases	Section 3(f) and Exhibit A	Items 5, 7, 8 and 11
c. Site development and other pre-opening requirements	Not applicable	Items 5, 7, 8 and 11
d. Initial and ongoing training	Sections 2(c) and 2(j) and Exhibit A	Items 5, 6, 7, 11 and 15
e. Opening	Sections 1(a), 3(c) and 3(e)	Items 7 and 11
f. Fees	Sections 3(g), 3(n) and 3(t) and Exhibit A of the Distribution Agreement	Items 5, 6, and 7
g. Compliance with standards and policies/operating manual	Section 3(a)-(ii) of the Distribution Agreement	Items 8 and 11
h. Trademarks and proprietary information	Sections 2(h), 3(o) and 3(hh) of the Distribution Agreement	Items 13 and 14
i. Restrictions on products/services offered	Section 3	Items 8, 11 and 16
j. Warranty and customer service requirements	Sections 2(e), 2(k), 3(p), 3(q), 3(y)-(cc) and Exhibit A of the Distribution Agreement	Item 6

OBLIGATION		SECTION IN DISTRIBUTION AGREEMENT	DISCLOSURE DOCUMENT ITEM
k.	Territorial development and sales quotas	Not applicable	Item 12
l.	Ongoing product/service purchases	Section 3 and Exhibit A	Items 6 and 8
m.	Maintenance, appearance, and remodeling requirements	Sections 3(a)-3(e) and 3(o) of the Distribution Agreement	Items 8, 11, 16, and 17
n.	Insurance	Section 3(ff) of the Distribution Agreement	Items 7 and 8
o.	Advertising	Sections 3(h), 3(i), 3(o), 3(p) and 3(cc) of the Distribution Agreement	Items 7 and 11
p.	Indemnification	Section 3(gg) of the Distribution Agreement	Item 6
q.	Owner's participation/management/staffing	Exhibit A	Items 11 and 15
r.	Records and reports	Sections 3(l), 3(r) and 3(t) of the Distribution Agreement	Not Applicable
s.	Inspections and audits	Sections 3(e), 3(q) and 3(s) of the Distribution Agreement	Items 8 and 11
t.	Transfer	Section 4(h) in the Distribution Agreement	Item 17
u.	Renewal	Section 1(a)	Items 17
v.	Post-termination obligations	Sections 1(c) and 1(d) of the Distribution Agreement	Item 17
w.	Non-competition covenants	Not applicable	Item 17
x.	Dispute resolution	Section 4(l) of the Distribution Agreement	Item 17
y.	Other. Guaranty of Member's obligations	Not applicable	Not applicable

ITEM 10

FINANCING

We and our affiliates do not offer direct or indirect financing. Neither we nor our affiliates will 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 begin operating the Hotel, we (or our parent, affiliate, or designee) will:

1. Furnish you with a reservation service (Distribution Agreement, Sections 2(a) and 2(b)).
2. Provide you with access to a list of suppliers that you can use that supply furniture, fixtures, equipment, opening inventory and supplies, and offer you the opportunity to engage our Studio Design Services for design and aesthetics assistance. We do not otherwise provide any assistance with obtaining, nor do we deliver or install, furniture, fixtures, equipment or opening inventory or supplies. Other than the requirements that you obtain and display front entrance and front desk plaques according to our specifications, and maintain the Hotel and provide amenities as we determine from time to time consistent with an upscale hotel (for a Premier Hotel) or upper-midscale hotel (for a Signature Hotel), we do not provide written specifications for furniture, fixtures, equipment or opening inventory or supplies.

During your operation of the Hotel, we (or our parent, affiliate, or designee) will:

1. Use commercially reasonable efforts to market the Hotel on our reservation service. We will also use commercially reasonable efforts to display relevant Hotel information (e.g., rates, availability, taxes, fees, Hotel and room information, cancellation and no-show policies, etc.) ("Hotel Information") on our reservation service (Distribution Agreement, Sections 2(a) and 2(b)).
2. Continue to furnish you access to the reservation service (Distribution Agreement, Sections 2(a) and 2(b)).
3. Use commercially reasonable efforts to provide sales and revenue management services (Distribution Agreement, Section 2(c)).
4. Allow the Hotel to participate in the Best Western Rewards® and the Best Western Travel Card® programs (Distribution Agreement, Section 2(d)).
5. Assess the Hotel at least once every 12 months to ensure the quality of the guest experience and the condition of the Hotel (Distribution Agreement, Section 2(e)).
6. Maintain information security procedures and controls to prevent the unintended disclosure of, and the unauthorized access to or misappropriation of, any personal data or information of any Hotel guest delivered through the reservation service (Distribution Agreement, Section 2(f)).
7. Provide to the Hotel digital marketing consultant services, to include: (i) primary contact for digital marketing channels; (ii) monitor/maintain optimization of hotel content; (iii) social media; and (iv) Best Western Rewards® support (Distribution Agreement, Section 2(i)).

8. Provide to the Hotel access to BWI online education and training resources, to include BWI University (BWI's online education website that offers online learning opportunities for continuing education) (Distribution Agreement, Section 2(j)).
9. For a fee, provide to the Hotel access to guest satisfaction surveys through a customer feedback program (currently Medallia) (Distribution Agreement, Section 2(k)).

Advertising

We are not required to maintain any particular advertising program or engage in any marketing for System Hotels, apart from our general obligation to use reasonable efforts to market the Hotel on our reservation systems. That said, System Hotels are required to pay us Monthly Fees, and we may use a portion of those fees to pay for various programs we choose in our sole judgment, including (i) advertising, promotions, publicity, public relations, market research, loyalty programs and other marketing programs for the benefit of BW Hotel Operators (defined in Item 8), (ii) administrative costs and overhead related to the administration or direction of these projects and programs, and (iii) other such services as we may determine from time to time related to sales and marketing. Currently, the Monthly Fee for System Hotels is 5% of Gross Rooms Revenue.

We will have the sole right to determine whether we spend any of these funds on marketing and, if we choose to, how and when we spend these funds, including sole control over the creative concepts, materials and media used in the programs, the source, placement, geographic coverage (i.e., whether local, regional or national) and allocation of advertising and the selection of promotional programs. We may enter into, modify or terminate arrangements for marketing with any other entity, including any of our affiliates or a third party. We will not use Monthly Fees to solicit new franchise sales (other than the development and maintenance of our website and its developers' pages).

Any portion of the Monthly Fees that we do spend on marketing may be, together with marketing fees paid by other BW Hotel Operators, spent for the benefit of System Hotels and other BW Hotel Operators, and they will not be used to exclusively promote or benefit the Licensed Marks or any one System Hotel or market. We will have no obligation in administering any marketing activities paid for with Monthly Fees to make expenditures for you that are equivalent or proportionate to your payments or to ensure that the Hotel benefits directly or proportionately from such expenditures.

We may create any programs and allocate monies derived from Monthly Fees to any regions or localities, as we consider appropriate in our sole business judgment. The aggregate of Monthly Fees paid to us does not constitute a trust and we are not a fiduciary with respect to Monthly Fees paid by you and other System Hotels.

The amount of Monthly Fees collected and spent on marketing currently is not audited and financial statements reflecting the collection and expenditure of Monthly Fees collected and spent on marketing are not currently available for review by Hotel Owners. Upon a Hotel Owner's request, we will make these statements available for review. During the 2022 fiscal year, the portion of Monthly Fees collected from Hotel Owners and the marketing fees collected from other BW Hotel Operators were collectively spent in the following approximate amounts: 52% on advertising and media placement, production and other associated expenses, 7% on promotions for seasonal marketing, trade shows and other associated expenses and 41% on internal technology platforms, assets, disaster

recovery and security.

We will provide you with digital marketing consultant services, to include serving as the primary contact for digital marketing channels, monitoring/maintaining optimization of hotel content, social media and Best Western Rewards® support. There is no additional cost for these services. The Distribution Agreement does not limit your ability to use your own advertising materials, although you must always use the Licensed Marks in accordance with our brand identity standards.

There is no advertising council composed of Hotel Owners that advises us on advertising policies. Hotel Owners are not required to participate in a local or regional advertising cooperative. Other than paying Annual Fees or Monthly Fees, as applicable, a portion of which we may use on advertising of System Hotels, you are not required to participate in any advertising fund.

Computer System

It is recommended that System Hotels have the following computer equipment, as well as two-way connectivity to our reservations systems, both at the following costs:

<i>Equipment</i>	<i>Cost</i>
Front Desk Workstation Hardware	\$0 to \$2,500 per Workstation
EMV/Chip and Pin Equipment for Credit Card Processing	\$0 to \$4,000 (for 2 Pin Pads)
Printer	\$0 to \$1,200
Fax Machine	\$0 to \$400
<i>Two-Way Connectivity</i>	
Two-Way Connectivity Installation Fee	\$0 to \$1,500
Hotel Managed Security Services (“HMSS”) Fee	One-time fee for installation of HMSS ranging from \$2,100 to \$3,500 (depending on complexity of the Hotel’s computer network/system) and monthly maintenance fee of \$130 per month upon installation of HMSS
Two-Way Connectivity Support Fee	\$0 to \$300 per month depending on the type of property management system

The low end of the ranges for the equipment in the above table is \$0, since you will be converting an existing hotel to a Premier Hotel or a Signature Hotel, as applicable, and may already have all of the listed equipment. The low end of the ranges for the two-way connectivity-related fees is also \$0, since you are not required to have two-way connectivity.

System Hotels are required to ensure that their property management systems are kept current on software updates/upgrades. We do not have any contractual limitations on the frequency and costs of any such obligations.

If a System Hotel is connected to our reservations systems via two-way connectivity, we will have access to information that will be generated or stored in the System Hotel’s electronic cash registers and computer systems.

Site Selection and Commencement of Operations

We grant Hotel Owners the right to convert existing hotels at specified locations to System Hotels. For this reason, you will already have the site for your Hotel. We do not select the site for the Hotel. When you submit the Application, you must include proof of land ownership, lease agreement, or contingent right to purchase. We consider several factors when evaluating an Application of an existing hotel at a specified location to convert to a System Hotel, including but not limited to: location, presence in the market, the applicant's brand, number of guest rooms, operational experience of the applicant, funding ability of the applicant, potential impact on existing Hotel Owners (if any) in the market, demand generators and projected market growth, market competition, and, the extent of the required renovation, if any. We will approve or reject the Application, which includes conversion of an existing hotel at a specified site to a System Hotel, within approximately 60 days of receiving the Application. If we reject the Application, we will not enter into a Distribution Agreement with you and we will not refund the Application Fee you paid. However, if you pay an Impact Study Fee and your Application is denied, we will refund the Impact Study Fee.

The typical length of time between signing a Distribution Agreement and commencing operations of a System Hotel and becoming active on the reservations systems is two months. The specific timetable depends on various factors, including the time to complete the renovation work (if any), putting a preventative maintenance program and a "deep clean" program in place, deep cleaning the Hotel, achieving a passing BWI QA assessment, and compliance with all branding requirements.

Operations Manual

We do not maintain or provide Hotel Owners a formal operations or procedural manual.

Training

Noting you are already operating as an existing hotel, we do not require or provide any training prior to your activating on our reservations systems as a System Hotel. We do not require or provide any on-going or refresher training.

ITEM 12

TERRITORY

We grant Hotel Owners the right to convert existing hotels at specified locations to System Hotels. For this reason, you will already have the location for your Hotel.

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

We are not restricted from soliciting or accepting reservations from hotel guests located anywhere. We and our affiliates may use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to accept reservations under the Licensed Marks and under other trademarks from hotel guests located anywhere. We do not need to pay you any compensation for soliciting or accepting reservations from hotel guests located anywhere. You are not

restricted from soliciting or accepting reservations from hotel guests located anywhere. You may use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to accept reservations under the Licensed Marks from hotel guests located anywhere. You have no options, rights of first refusal, or similar rights to acquire additional franchises.

We and certain of our affiliates operate hotels under the Best Western[®], Best Western Plus[®], Best Western Premier[®], BW Premier Collection[®], Executive Residency by Best Western[®], Vīb[®], GLō[®] Aiden[®], Sadie[®], SureStay Hotel by Best Western[®], SureStay Plus Hotel by Best Western[®], SureStay Studio by Best WesternSM and SureStay Collection by Best Western[®] names. We share offices with some of our affiliates. We and our affiliates are engaged in a variety of business activities in the lodging and hospitality industry. Guest lodging properties owned, managed or licensed to use marks by us or our affiliates may currently or in the future be located in or near your Hotel. You may compete with these guest lodging properties. There is no mechanism for resolving any conflicts that may arise between your Hotel and hotels which are owned, managed or licensed to use marks by us or our affiliates.

You are not permitted to relocate the Hotel.

ITEM 13


TRADEMARKS

You may use the Premier Marks or the Signature Marks (as applicable) in operating the System Hotel. The current principal Premier Marks we have registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”) are:

TRADEMARK	REGISTRATION NUMBER	REGISTRATION DATE
BW Premier Collection [®]	Reg. 4814572	Reg. 09/15/15
BW Premier COLLECTION [®]	Reg. 4872031	Reg. 12/15/15

The current principal Signature Marks we have registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”) are:

TRADEMARK	REGISTRATION NUMBER	REGISTRATION DATE
BW Signature Collection [®]	Reg. 5398189	Reg. 02/06/18
BW Signature Collection by Best Western [®]	Reg. 5590274	Reg. 10/23/18

TRADEMARK	REGISTRATION NUMBER	REGISTRATION DATE
 <p>The logo features the letters 'BW' in white on a brown square background, with 'SIGNATURE COLLECTION' in brown text below it, and 'by BEST WESTERN' in smaller brown text at the bottom.</p>	Reg. 5499440	Reg. 06/19/18

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving the principal Licensed Marks. We do not actually know of either superior prior rights or infringing uses that could materially affect your use of the Licensed Marks in any state. There are no currently effective agreements that significantly limit our rights to use or license the use of the principal Licensed Marks in a manner material to the franchise. No affidavits or renewal filings are yet due in connection with these registrations or applications.

The Distribution Agreement does not obligate us to protect your right to use the Licensed Marks, or to protect you against claims of infringement or unfair competition arising out of your use of the Licensed Marks. The Distribution Agreement does not obligate you to notify us of the use of, or claims of rights to, a trademark identical to or confusingly similar to a Licensed Mark. If you do provide us with notice of these uses or claims, the Distribution Agreement does not require us to take affirmative action. The Distribution Agreement does not give us or you the right to control any administrative proceedings or litigation involving the Licensed Marks. The Distribution Agreement does not require us 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 Licensed Mark, or if the proceeding is resolved unfavorably to you. You have no rights under the Distribution Agreement if we require you to modify or discontinue using a Licensed Mark.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or pending patent applications are material to the Hotel. We claim copyrights in the Distribution Agreement, brand identity standards (which contain our trade secrets), advertising and marketing materials, and similar items used in operating System Hotels. We have not registered these copyrights with the United States Copyright Office; but, we need not do so at this time to protect them. You may use these items only as we specify while operating the Hotel (and must stop using them if we so direct you).

There currently are no effective adverse determinations of the USPTO, the United States Copyright Office, or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use the copyrighted materials. We do not actually know of any infringing uses of our copyrights that could materially affect your use of the copyrighted materials in any state.

We need not protect or defend copyrights, although we intend to do so if in the best interests of all or some of our Hotel Owners, as we solely determine. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving a copyright.

The Distribution Agreement and other materials contain our confidential information (some of which constitutes trade secrets under applicable law).

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Whether you are an individual, corporation, limited liability company, partnership or other entity, you must at all times retain and exercise management control over the Property's business. You are required to fulfill this responsibility only by providing qualified and experienced management, which may be (i) a management company, or (ii) a full-time, dedicated, on-premises general manager ("General Manager"). You are required at all times to provide to us up-to-date information regarding the name and contact information of the Management Company (if applicable) and the General Manager. Your General Manager does not need to have an equity interest in the Property or you.

You must adopt and implement all procedures we periodically establish in our business judgment to prevent unauthorized use or disclosure of our proprietary information, including restrictions on disclosure to employees and the use of non-disclosure and non-competition clauses in agreements with employees, agents and independent contractors who have access to the proprietary information.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We do not impose any restrictions as to the customers to whom you may sell goods or services.

You must participate in and use our required reservation systems, and provide to us Hotel room rates and room plans equal to or better than those made available or offered to the public through any Hotel, third-party booking or other distribution channel.

You must (i) maintain a minimum of a AAA or CAA Three Diamond Rating and Official Appointment; (ii) maintain the Hotel and provide amenities as we determine from time to time consistent with an upscale hotel (for a Premier Hotel) or upper-midscale hotel (for a Signature Hotel); and (iii) maintain a passing BWI quality assurance ("QA") assessment rating. There is no limit on our right to make changes to our standards for an upscale hotel (for a Premier Hotel) or upper-midscale

hotel (for a Signature Hotel) or what we consider to be a passing QA assessment rating and you must comply with all changes we adopt.

Except as provided above, we do not impose on you any obligation either to offer to customers only goods or services we approve or to offer to customers goods and services we authorize.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Distribution Agreement. You should read these provisions in the Distribution Agreement attached to this Disclosure Document.

PROVISION	SECTION IN DISTRIBUTION AGREEMENT	SUMMARY
a. Length of the franchise term	Section 1(a) of the Distribution Agreement.	The Effective Date of the Distribution Agreement is the date of execution. The Term of the Distribution Agreement begins on the first day the Hotel is activated on our reservations systems and ends on December 31 st of the year that is the 10 th anniversary (“Term”).
b. Renewal or extension of the term	Section 1(a) of Distribution Agreement.	The Term automatically renews for successive 5-year terms unless one party provides the other party with written notice of its intent not to renew at least 6 months before the end of the then-current Term.
c. Requirements for Hotel Owner to renew or extend	Section 1(a) of Distribution Agreement.	The Term automatically renews for successive 5-year terms unless one party provides the other party with notice of its intent not to renew at least 6 months before the end of the then-current Term. You are not required to sign a new Distribution Agreement upon renewal.
d. Termination by Hotel Owner	Sections 1(a), 1(b) and 1(c) of the Distribution Agreement.	The Hotel Owner can terminate the Distribution Agreement: (1) on December 31 st of the year that is the 5 th anniversary of the Hotel’s activation on our reservations system with 6 months’ prior written notice; (2) at any time upon providing 1 years’ prior written notice; or (3) upon 30 days’ notice with cause if we do not cure within 15 days of receiving written notice of the cause (if the breach is capable of being cured).

PROVISION	SECTION IN DISTRIBUTION AGREEMENT	SUMMARY
e. Termination by licensor without cause	Sections 1(a) and 1(b) of the Distribution Agreement.	We can terminate the Distribution Agreement: (1) on December 31st of the year that is the 5th anniversary of the Hotel’s activation on our reservations system with 6 months’ prior written notice; or (2) at any time upon providing 1 years’ prior written notice.
f. Termination by licensor with cause	Section 1(c) of the Distribution Agreement.	We can terminate the Distribution Agreement upon 30 days’ notice with cause if you do not cure within 15 days of receiving written notice of the cause (if the breach is capable of being cured).
g. “Cause” defined - curable defaults	Section 1(c) of the Distribution Agreement.	“Cause” is defined as a party’s breach of a material term of the Distribution Agreement.
h. “Cause” defined - non-curable defaults	Not applicable	Not applicable.
i. Hotel Owner’s obligations on termination/non-renewal	Section 1(c) of the Distribution Agreement.	The Hotel must pay us liquidated damages in an amount calculated by taking the average of the prior 12 months of fees owed to us (but if fees have been owed to us for less than 12 months, the average of all prior months) and multiplying that average by the lesser of: (i) 12, or (ii) the remaining number of months in the Term.
j. Assignment of contract by licensor	Not applicable.	Not applicable.
k. “Transfer” by Hotel Owner – defined	Section 4(h) of the Distribution Agreement.	Transfer or assignment of any interest in the Hotel or of the Distribution Agreement or fifty percent (50%) or greater of the ownership interests in Hotel Owner, or a material change the legal form of Hotel Owner.
l. Licensor approval of transfer by Hotel Owner	Section 4(h) of the Distribution Agreement.	You may not transfer the Distribution Agreement without our prior written consent and payment of a transfer fee.
m. Conditions for licensor approval of transfer	Not applicable.	Not applicable.

PROVISION	SECTION IN DISTRIBUTION AGREEMENT	SUMMARY
n. Licensor's right of first refusal to acquire Hotel Owner's business	Not applicable.	Not applicable.
o. Licensor's option to purchase Hotel Owner's business	Not applicable.	Not applicable.
p. Death or disability of Hotel Owner	Not applicable.	Not applicable.
q. Non-competition covenants during the term of the franchise	Not applicable.	Not applicable.
r. Non-competition covenants after the franchise is terminated or expires	Not applicable.	Not applicable.
s. Modification of the agreement	Section 4(k) of the Distribution Agreement.	Any amendment to the Distribution Agreement must be in writing signed by both parties.
t. Integration/merger clause	Section 4(i) of the Distribution Agreement.	Only the terms of the Distribution Agreement (as amended from time to time) are enforceable (subject to state law). Any other representations or promises may not be enforceable. However, nothing in the Distribution Agreement or any related agreement is intended to disclaim our representations made in this Disclosure Document.
u. Dispute resolution by	Not applicable.	Not applicable.

PROVISION	SECTION IN DISTRIBUTION AGREEMENT	SUMMARY
arbitration or mediation		
v. Choice of forum	Section 4(l) of the Distribution Agreement.	Exclusive jurisdiction and venue for any dispute is Maricopa County, Arizona. (Subject to state law).
w. Choice of law	Section 4(l) of the Distribution Agreement.	The Distribution Agreement will be governed by the laws of the State of Arizona. (Subject to state law).

ITEM 18

PUBLIC FIGURES

We do not use any public figures to promote franchises for System Hotels.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

BEST WESTERN COLLECTIONS

As of November 30, 2022, there were 49 System Hotels open and operating in the United States; of these, 49 were franchised and 36 were Included Franchised Hotels. “Included Franchised Hotels” means hotels that (a) had STR, Inc. (“STR”) data available and (b) were, as of November 30, 2022, open and operating as a franchised System Hotel for at least one year and satisfied the Conditions. “Conditions” means the hotel did not undergo at any time during the preceding year any one or more of the following: (1) a rooms renovation that resulted in five percent or more of the total number of available rooms at such hotel being taken out of service during the year in which the renovation occurred; (2) a public space renovation that resulted in revenue displacement during the year in which such renovation occurred of five percent or more of the annual available room nights at the average daily rate of the most recent year prior to the renovation during which the hotel satisfied each of the Conditions; or (3) an expansion that resulted in an increase in revenues of five percent or

more of the annual available room nights (before the expansion) at the average daily rate of the most recent year prior to the expansion during which the hotel satisfied each of the Conditions.

The chart below shows the average performance of the Included Franchised Hotels for the one-year period ended November 30, 2022, in the following categories: (1) occupancy rate; (2) daily room rate; and (3) revenue per available room (“RevPAR”).

2022 Performance of 36 Included Franchised Hotels	
Average Occupancy Rate	61.8%
Average Daily Room Rate	\$146.52
Average RevPAR	\$90.48

Of the 36 Included Franchised Hotels, 20 hotels or 55.6% achieved an average occupancy rate equal to or greater than 61.8%; 14 hotels or 38.9% achieved an average daily room rate equal to or greater than \$146.52; and 16 hotels or 44.4% achieved or exceeded the average RevPAR of \$90.48. The occupancy rate for the 36 Included Franchised Hotels ranged from a high of 82.2% to a low of 25.3%. The average daily room rate for the 36 Included Franchised Hotels ranged from a high of \$237.07 to a low of \$79.39. The RevPAR of the 36 Included Franchised Hotels ranged from a high of \$147.20 to a low of \$33.65. For the 36 Included Franchised Hotels, the median occupancy rate equaled 63.3%, the median daily room rate equaled \$138.87, and the median RevPAR equaled \$88.61.

BW PREMIER COLLECTION

As of November 30, 2022, there were 27 System Hotels open and operating in the United States; of these, 27 were franchised and 20 were Included Franchised Hotels. “Included Franchised Hotels” means hotels that (a) had STR, Inc. (“STR”) data available and (b) were, as of November 30, 2022, open and operating as a franchised System Hotel for at least one year and satisfied the Conditions. “Conditions” means the hotel did not undergo at any time during the preceding year any one or more of the following: (1) a rooms renovation that resulted in five percent or more of the total number of available rooms at such hotel being taken out of service during the year in which the renovation occurred; (2) a public space renovation that resulted in revenue displacement during the year in which such renovation occurred of five percent or more of the annual available room nights at the average daily rate of the most recent year prior to the renovation during which the hotel satisfied each of the Conditions; or (3) an expansion that resulted in an increase in revenues of five percent or more of the annual available room nights (before the expansion) at the average daily rate of the most recent year prior to the expansion during which the hotel satisfied each of the Conditions.

The chart below shows the average performance of the Included Franchised Hotels for the one-year period ended November 30, 2022, in the following categories: (1) occupancy rate; (2) daily room rate; and (3) revenue per available room (“RevPAR”).

2022 Performance of 20 Included Franchised Hotels	
Average Occupancy Rate	60.6%
Average Daily Room Rate	\$152.38
Average RevPAR	\$92.33

Of the 20 Included Franchised Hotels, 9 hotels or 45.0% achieved an average occupancy rate equal to or greater than 60.6%; 6 hotels or 30.0% achieved an average daily room rate equal to or greater than \$152.38; and 9 hotels or 45.0% achieved or exceeded the average RevPAR of \$92.33. The occupancy rate for the 20 Included Franchised Hotels ranged from a high of 82.2% to a low of 25.3%. The average daily room rate for the 20 Included Franchised Hotels ranged from a high of \$206.05 to a low of \$93.13. The RevPAR of the 20 Included Franchised Hotels ranged from a high of \$146.44 to a low of \$41.25. For the 20 Included Franchised Hotels, the median occupancy rate equaled 60.5%, the median daily room rate equaled \$147.44, and the median RevPAR equaled \$86.50.

BW SIGNATURE COLLECTION

As of November 30, 2022, there were 22 System Hotels open and operating in the United States; of these, 22 were franchised and 16 were Included Franchised Hotels. “Included Franchised Hotels” means hotels that (a) had STR, Inc. (“STR”) data available and (b) were, as of November 30, 2022, open and operating as a franchised System Hotel for at least one year and satisfied the Conditions. “Conditions” means the hotel did not undergo at any time during the preceding year any one or more of the following: (1) a rooms renovation that resulted in five percent or more of the total number of available rooms at such hotel being taken out of service during the year in which the renovation occurred; (2) a public space renovation that resulted in revenue displacement during the year in which such renovation occurred of five percent or more of the annual available room nights at the average daily rate of the most recent year prior to the renovation during which the hotel satisfied each of the Conditions; or (3) an expansion that resulted in an increase in revenues of five percent or more of the annual available room nights (before the expansion) at the average daily rate of the most recent year prior to the expansion during which the hotel satisfied each of the Conditions.

The chart below shows the average performance of the Included Franchised Hotels for the one-year period ended November 30, 2022, in the following categories: (1) occupancy rate; (2) daily room rate; and (3) revenue per available room (“RevPAR”).

2022 Performance of 16 Included Franchised Hotels	
Average Occupancy Rate	64.0%
Average Daily Room Rate	\$135.58
Average RevPAR	\$86.84

Of the 16 Included Franchised Hotels, 8 hotels or 50.0% achieved an average occupancy rate equal to or greater than 64.0%; 6 hotels or 37.5% achieved an average daily room rate equal to or greater than \$135.58; and 9 hotels or 56.3% achieved or exceeded the average RevPAR of \$86.84. The occupancy rate for the 16 Included Franchised Hotels ranged from a high of 78.0% to a low of 32.0%. The average daily room rate for the 16 Included Franchised Hotels ranged from a high of \$237.07 to a low of \$79.39. The RevPAR of the 16 Included Franchised Hotels ranged from a high of \$147.20 to a low of \$33.65. For the 16 Included Franchised Hotels, the median occupancy rate equaled 64.2%, the median daily room rate equaled \$132.03, and the median RevPAR equaled \$88.61.

Notes:

The following notes apply to each of the Tables above.

1. The “average occupancy rate” is the total rooms sold divided by the total available rooms. The “average daily room rate” is the gross room sales divided by the total rooms sold. The “average RevPAR” is the gross room sales divided by total available rooms. The “median” is the middle data point in the range of performance data for each category.

2. STR, an independent research firm servicing the travel industry, compiles occupancy rate, average daily room rate, RevPAR, and other relevant information concerning the lodging industry and is used by substantially all of the major lodging companies for tracking this data. The information in this Item 19 used in calculating average occupancy rate, average daily room rate, and average RevPAR was compiled and reported by STR, and such information has not been audited or otherwise confirmed by us.

We will provide you with written substantiation of the data used in preparing this Item 19 upon your reasonable request. The information described above that was provided to us by third parties has not been audited or otherwise verified by us. We are under no obligation to disclose specific information for a particular hotel in the system.

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

Other than the preceding financial performance representation, we do not make any representations about a Hotel’s future financial performance or the past financial performance of company-owned or franchisee-owned outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the licensor’s management by contacting Jay Pricher, General Counsel and Corporate Secretary of Best Western International, Inc., at 6201 N. 24th Parkway, Phoenix, AZ 85016, 602-957-4200, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION – PREMIER HOTELS

**Table No. 1
Systemwide Outlet Summary
For years 2020 to 2022***

Column 1	Column 2	Column 3	Column 4	Column 5
Outlet Type	Year	Outlets at the Start of Year	Outlets at the End of Year	Net Change
Licensed	2020	26	27	+1
	2021	27	27	0
	2022	27	27	0
Company Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	26	27	+1
	2021	27	27	0
	2022	27	27	0

**Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2020 to 2022***

Column 1	Column 2	Column 3
State	Year	Number of Transfers
Alabama	2020	0
	2021	1
	2022	0
Totals	2020	0
	2021	1
	2022	0

**Table No. 3
Status of Franchised Outlets
For years 2020 to 2022***

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired By Franchisor	Col. 8 Ceased Operations - Other Reasons	Col. 9 Outlets at End of the Year
Alabama	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
California	2020	3	0	0	0	0	1	2
	2021	2	1	0	0	0	0	3
	2022	3	0	1	0	0	0	2
Connecticut	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Florida	2020	3	1	1	0	0	0	3
	2021	3	0	1	0	0	0	2
	2022	2	0	0	0	0	0	2
Idaho	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Illinois	2020	3	0	0	0	0	0	3
	2021	3	0	2	0	0	1	0
	2022	0	0	0	0	0	0	0
Louisiana	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	1	0	0	0	1
Maine	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Maryland	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Michigan	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Mississippi	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired By Franchisor	Col. 8 Ceased Operations - Other Reasons	Col. 9 Outlets at End of the Year
Nevada	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
New Jersey	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
New York	2020	2	1	0	0	0	0	3
	2021	3	1	1	0	0	0	3
	2022	3	0	0	0	0	0	3
Ohio	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Oregon	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Pennsylvania	2020	2	0	0	0	0	0	2
	2021	2	1	0	0	0	0	3
	2022	3	1	0	0	0	1	3
Puerto Rico	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
South Carolina	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	1	0	0	0	0
South Dakota	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Wisconsin	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Totals	2020	26	3	1	0	0	1	27
	2021	27	5	4	0	0	1	27
	2022	27	5	3	0	0	2	27

**Table No. 4
Status of Company-Owned Outlets
For years 2020 to 2022**

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
All States	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Totals	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 November 30, 2022**

Column 1	Column 2	Column 3	Column 4
State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Fiscal Year
Michigan	1	1	0
Tennessee	1	1	0
Texas	1	1	0
Totals	3	3	0

OUTLETS AND FRANCHISEE INFORMATION – SIGNATURE HOTELS

**Table No. 1
System-wide Outlet Summary
For years 2020 to 2022***

Column 1	Column 2	Column 3	Column 4	Column 5
Outlet Type	Year	Outlets at the Start of Year	Outlets at the End of Year	Net Change
Licensed	2020	11	11	0
	2021	11	15	+4
	2022	15	23	+8
Company Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	11	11	0
	2021	11	15	+4
	2022	15	23	+8

**Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2020 to 2022***

Column 1	Column 2	Column 3
State	Year	Number of Transfers
All States	2020	0
	2021	0
	2022	0
Totals	2020	0
	2021	0
	2022	0

Table No. 3
Status of Franchised Outlets
For years 2020 to 2022*

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired By Franchisor	Col. 8 Ceased Operations - Other Reasons	Col. 9 Outlets at End of the Year
Alaska	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Arizona	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	1	0	0	0	1
California	2020	3	1	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Florida	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Georgia	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Illinois	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Indiana	2020	0	1	0	0	0	0	1
	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
Maryland	2020	1	0	1	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Mississippi	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Missouri	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Montana	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired By Franchisor	Col. 8 Ceased Operations - Other Reasons	Col. 9 Outlets at End of the Year
New Hampshire	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New Jersey	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
New York	2020	1	0	1	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
North Carolina	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
North Dakota	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
Oregon	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
South Carolina	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Tennessee	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Vermont	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Washington	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Wyoming	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Totals	2020	11	4	2	0	0	2	11
	2021	11	6	1	0	0	1	15
	2022	15	9	1	0	0	0	23

Table No. 4
Status of Company-Owned Outlets
For years 2020 to 2022

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
All States	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Totals	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 November 30, 2022

Column 1	Column 2	Column 3	Column 4
State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Fiscal Year
Arizona	1	1	0
California	1	1	0
Florida	1	1	0
New York	1	1	0
North Carolina	1	1	0
Totals	5	5	0

* As described in Item 1, while we began offering licenses for System Hotels for the first time in April, 2020, Hotel Owners have operated Premier Hotels in the United States since 2015 and Signature Hotels in the United States since 2017. Those Hotel Owners' Premier Hotels and Signature Hotels are reflected in the tables above.

Exhibit E lists the names of all Hotel Owners operating a System Hotel as of the end of our last fiscal year, along with each System Hotel's address and telephone number. Exhibit E also lists the names of the Hotel Owners that signed Distribution Agreements as of the end of our last fiscal year but had not yet opened their System Hotels, along with the addresses and telephone numbers of the System Hotels they will open, if available, or, if not available, the Hotel Owners' cities and states and business telephone numbers or e-mail addresses.

Exhibit E also includes the Hotel Owners who had a System Hotel terminated, canceled, transferred, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Distribution Agreement during our last fiscal year or who have not communicated with us within 10 weeks of this Disclosure Document's issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

There are currently no trademark-specific franchisee organizations.

ITEM 21

FINANCIAL STATEMENTS

Exhibit D contains our audited consolidated financial statements (and the related notes) for the years ended November 30, 2022, November 30, 2021 and November 30, 2020, as well as our unaudited financial statements as of February 28, 2023.

ITEM 22

CONTRACTS

The following agreements are exhibits:

Exhibit C-1 Distribution Agreement

Exhibit C-2 State Addenda to Distribution Agreement

ITEM 23

RECEIPTS

Our and your copies of the receipt to this Disclosure Document are located on Exhibit I, which is the last two pages of this Disclosure Document.

EXHIBIT A TO FDD

LIST OF STATE ADMINISTRATORS

Listed here is the contact information for each of the state agencies responsible for franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

CALIFORNIA

Office of the Commissioner
California Department of Financial
Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(866) 275-2677

HAWAII

Commissioner of Securities of the State of
Hawaii
Department of Commerce and Consumer
Affairs,
Business Registration Division,
Securities Compliance Branch
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

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

INDIANA

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

MARYLAND

Maryland Division of Securities
Office of the Attorney General
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

MICHIGAN

Corporate Oversight Division
Franchise Section
Michigan Department of Attorney General
G. Mennen Williams Building, 1st Floor
525 W. Ottawa Street
Lansing, Michigan 48913
(517) 335-7567

MINNESOTA

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1600

NEW YORK

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

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard Avenue, 14th Floor
Bismarck, North Dakota 58505
(701) 328-2910

OREGON

Division of Financial Regulation, Corporate
Securities Section
350 Winter St. NE, Rm. 410
Salem, OR 97301-3881
(503) 378-4140

RHODE ISLAND

Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex – Building 68-2
Cranston, Rhode Island 02920
(401) 462-9527

SOUTH DAKOTA

Department of Labor and Regulation
Division of Insurance – Securities
Regulation
124 S. Euclid Ave., 2nd Floor
Pierre, South Dakota 57501-3185
(605) 773-3563

VIRGINIA

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

WASHINGTON

Securities Division
Department of Financial Institutions
150 Israel Rd. SW
Tumwater, WA 98501
(360) 902-8760

WISCONSIN

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

EXHIBIT B TO FDD

LIST OF STATE AGENTS FOR SERVICE OF PROCESS

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

CALIFORNIA

Commissioner of the Department of
Financial Protection and Innovation:
Toll Free: 1 (866) 275-2677
Suite 750
320 West 4th Street
Los Angeles, California 90013-2344
(213) 576-7500
(415) 972-8559

HAWAII

Commissioner of Securities
Business Registration Division
Department of Commerce
and Consumer Affairs
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

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

INDIANA

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

MARYLAND

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

MICHIGAN

Department of Labor and Economic Growth
Consumer Protection Division
Franchise Section
G. Mennen Williams Bldg., 1st Floor
525 West Ottawa Street
Lansing, Michigan 48913
(517) 335-7567

MINNESOTA

Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1600

NEW YORK

Secretary of State of the State of New York
Division of Corporations, State Records &
Uniform Commercial Code
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, New York 12231
(518) 473-2492

NORTH DAKOTA

Securities Commissioner, State of North
Dakota
600 East Boulevard Avenue, 14th Floor,
Bismarck, North Dakota 58505-0510
(701) 328-2910

OREGON

Oregon Division of Finance and Corporate
Securities
350 Winter Street NE, Room 410
Salem, Oregon 97301-3881
(503) 378-4387

RHODE ISLAND

Director of Department of Business
Regulation
1511 Pontiac Avenue
John O. Pastore Complex – Building 68-2
Cranston, Rhode Island 02920
(401) 462-9527

SOUTH DAKOTA

Department of Labor and Regulation
Division of Insurance – Securities Regulation
124 S. Euclid Ave., 2nd Floor
Pierre, SD 57501
(605) 773-3563

VIRGINIA

Clerk, Virginia State Corporation Commission
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9733

WASHINGTON

Director, Department of Financial Institutions
Securities Division – 3rd Floor
150 Israel Road Southwest
Tumwater, Washington 98501
(360) 902-8760

WISCONSIN

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

EXHIBIT C-1 TO FDD
DISTRIBUTION AGREEMENT



BW Premier

COLLECTION®



DISTRIBUTION AGREEMENT

This Distribution Agreement (“Agreement”) is entered into as of this ___ day of _____, 202__ (“Effective Date”) by and between Best Western International, Inc. (“BWI”), a corporation organized and existing under the laws of the State of Arizona, United States of America, and _____ (“Hotel Owner”) operating _____ (the “Hotel”). BWI and Hotel Owner may each be referred to as a “Party” or in the plural “Parties”.

It is agreed to by the Parties that the following brand shall apply:

[BW Premier Collection® or BW Signature Collection®]

1. Term.

- a. This Agreement has a term that ends on December 31st of the year that is the tenth (10th) anniversary of the date of the Hotel’s activation on BWI Reservation Channels (e.g., bestwestern.com, the BWI reservations call center, and BWI connections to GDS systems) (the “Term”). Either Party shall have the right to cancel the Agreement on December 31st of the year that is the fifth (5th) anniversary of the Hotel’s activation on BWI Reservation Channels if the Party provides at least six (6) months prior written notice to the other Party. The Term shall automatically renew for successive five (5) year Terms unless a Party provides the other with notice of its intent not to renew at least six (6) months prior to the end of the then-current Term.
- b. Other than as provided above in paragraph 1.a., either Party may cancel this Agreement without cause only upon giving one (1) year’s prior written notice to the other Party.
- c. Either Party may cancel the Agreement upon thirty (30) days’ notice with cause. Prior to such notice of cancellation, the Party alleging “cause” shall provide the other Party written notice of the “cause” and, if the breach is capable of being cured, allow for a fifteen (15) day cure period. For purposes of this Agreement, “cause” shall be defined as a Party’s breach of a material term of the Agreement (e.g., if the Hotel fails to meet an obligation listed in Section 3 of the Agreement or there is a transfer or assignment in violation of paragraph 4.h.). In the event BWI cancels the

Agreement for cause, Hotel will pay BWI liquidated damages in an amount calculated by taking the average of the prior twelve (12) months fees owed to BWI (but if fees have been owed to Best Western for less than twelve (12) months, the average of all prior months) and multiplying that average by the lesser of: (i) twelve (12), or (ii) the remaining number of months in the Term.

- d. Upon a Party providing notice of cancellation, the Hotel will not be represented in BWI's Reservation Channels beyond the end of the notice period nor represented in solicitations during the notice period.
 - e. Hotel's payment obligations under this Agreement shall continue in force until expiration of the applicable notice period described above, regardless of whether Hotel is entitled to claim any additional rights and/or benefits under this Agreement.
2. BWI Obligations. BWI agrees and shall:
- a. Use commercially reasonable efforts to market the Hotel on BWI Reservation Channels to facilitate Hotel reservations.
 - b. Use commercially reasonable efforts to display relevant Hotel information (e.g., rates, availability, taxes, fees, Hotel and room information, cancellation and no-show policies, etc.) ("Hotel Information") on BWI Reservation Channels.
 - c. Use commercially reasonable efforts to provide sales and revenue management services as noted in *Exhibit A*.
 - d. Allow Hotel to participate in the Best Western Rewards® and the Best Western Travel Card® programs.
 - e. Assess Hotel at least once every twelve (12) months to ensure quality of guest experience and condition of Hotel.
 - f. Maintain information security procedures and controls to prevent the unintended disclosure of, and the unauthorized access to or misappropriation of, any personal data or information of any Hotel guest delivered through BWI Reservation Channels.
 - g. Indemnify, hold harmless and assume the defense of Hotel with regard to BWI activities directly related to the providing of reservation services.

- h. Provide to Hotel a non-exclusive, limited, non-transferable license to use during the Term the words and marks associated with Best Western®, Best Western Rewards®, and the agreed to brand as noted above (i.e., either BW Premier Collection® or BW Signature Collection®) (“Licensed Marks”).
 - i. Provide to Hotel digital marketing consultant services, to include:
 - i. Primary contact for digital marketing channels;
 - ii. Monitor/maintain optimization of hotel content;
 - iii. Social Media; and
 - iv. Best Western Rewards support.
 - j. Provide to Hotel access to BWI online education and training resources, to include BWI University (BWI’s online education website that offers online learning opportunities for continuing education).
 - k. Provide to Hotel access to guest satisfaction surveys through Medallia. Hotel will be responsible for a per month Medallia usage fee.
3. Hotel Obligations. Hotel agrees and shall:
- a. Maintain, for the duration of the Term and any subsequent Term, a minimum of a AAA or CAA Three Diamond Rating and Official Appointment.
 - b. Maintain the Hotel and provide amenities as determined by BWI from time to time consistent with the Hotel’s competitive set.
 - c. Complete a deep-clean program prior to activation on BWI Reservation Channels.
 - d. Maintain a preventative maintenance program.
 - e. Achieve a passing BWI quality assurance (“QA”) assessment rating prior to activation on BWI Reservation Channels, and maintain a passing rating for the duration of the Agreement. If Hotel does not pass a QA assessment, Hotel: (i) will be reassessed without notice within, on, or about ninety (90) days; and (ii) will be responsible for a QA reassessment fee.
 - f. If a BW Signature Collection hotel, provide: (i) a complimentary breakfast to guests as determined by BWI from time to time, with requirements consistent with the Hotel’s competitive set; and (ii) complimentary high-speed internet access.
 - g. Pay fees and/or charges to BWI as detailed in *Exhibit A*.

- h. Make all Hotel non-booked rooms available (i.e., last room availability) for display on, and bookable through, BWI Reservation Channels, BWI distribution partner channels, including B2B channels such as the Global Distribution System (“GDS”), and online travel agencies that have a distribution contract with BWI that allows for the sale of Hotel’s rooms. If Hotel does not use a BWI two-way interface, Hotel will make inventory available using BWI’s Member Web (i.e., extranet).
- i. Provide to BWI all room rates and rate plans equal to or better than those made available or offered to the public through any Hotel, third-party booking or other distribution channel on a last room available basis. Hotel shall comply with BWI’s rate integrity requirements.
- j. Use BWI as its exclusive hotel brand distribution partner.
- k. Maintain adequate information security procedures and controls to prevent the unintended disclosure of, and the unauthorized access to or misappropriation of, any personal data or information of any Hotel guest. Hotel shall maintain PCI compliance and shall annually certify to BWI its PCI compliance. Hotel shall immediately notify BWI of any Hotel data breach or compromise of its systems. BWI shall have the right to stop the transfer of data or restrict access to BWI Reservation Channels and systems as a result of a data security breach or compromise, or suspected data security breach or compromise of Hotel’s systems.
- l. Use best efforts to provide Hotel Information to BWI.
- m. Authorize BWI to calculate relevant rates, taxes and fees based upon Hotel Information. Hotel is solely responsible for the accuracy of tax rate information, the identification of applicable taxes, any amendments to tax rate information, and the payment of taxes.
- n. Except as otherwise provided herein, all fees, costs and charges under this Agreement are due and payable immediately from the date of statement. Accounts that are not paid within forty-five (45) calendar days following the date of statement shall bear interest at a rate to be determined annually by BWI, which rate shall not exceed eighteen percent (18%) per annum. If accounts are not paid within sixty (60) calendar days following the date of statement, then, in addition to any other rights

as stated elsewhere in this Agreement, including cancellation as provided in Section 1.b. above, BWI may withhold services, including access to BWI Reservation Channels by Hotel. BWI will provide fifteen (15) calendar days' prior written notice to Hotel of any pending restriction of services. In the event services to Hotel are withheld or restricted, BWI shall have no obligation to restore such service unless and until the accounts have been paid down to a current status.

- o. Use the Licensed Marks in accordance with BWI's brand identity standards (e.g., prominently display the required plaques at the Hotel's front entrance and at the registration desk).
- p. Participate in the Best Western Rewards and the Best Western Travel Card® programs as required by BWI.
- q. Allow BWI to assess Hotel at least once every twelve (12) months on an unannounced basis to ensure quality of guest experience and condition of Hotel. Should the assessor require overnight lodging, it shall be provided complimentary. Failure of the assessment may result in additional requirements and fees, as well as termination of the Agreement by BWI with cause. Hotel shall correct any identified deficiencies in a timely manner.
- r. Provide appropriate documentation (e.g., monthly gross rooms revenue, occupancy tax records, etc.) to BWI as requested such that BWI may calculate fees, charges and credits.
- s. Allow BWI, at BWI's cost, to annually or upon reasonable cause audit Hotel records to validate Hotel revenue or compliance with this Agreement. In the event an audit reveals material inconsistencies (e.g., five percent (5%) or more of the basis of a fee calculation), Hotel shall reimburse BWI for the cost of such audit.
- t. Allow BWI to automatically debit Hotel's bank account each month in the amount owing BWI. If Hotel chooses to opt out of the automatic payment feature, Hotel shall remit required payments to BWI upon receipt of statement. Payments not received within forty-five (45) days of date of invoice will be subject to a monthly late fee of one and one-half percent (1½ %) per month or the maximum amount permitted by law, whichever is less. If Hotel chooses to opt out of the automatic

payment feature and Hotel payment is not received within sixty (60) days of the date of statement two (2) times during a trailing twelve (12) month period, BWI shall have the right to require automatic debit of Hotel's bank account. Hotel agrees to receive monthly statements electronically.

- u. Accept credit cards as required by BWI. At the option of Hotel, Hotel may allow consumers to prepay reservations through BWI's prepayment reservations system. This prepayment reservation system requires the Hotel to participate in a BWI-designated credit card program, which enables the prepayment to directly transfer to Hotel's merchant account.
- v. In the event of BWI guest relocation, Hotel shall arrange for comparable accommodations and shall pay for transportation and hotel room costs and taxes at the alternate hotel.
- w. Honor, during the Term and after the Term if contracted for during the Term, room rates and dates of arrival contracted for and/or agreed to through: (i) the execution of a contract between the Hotel and a BWI sales client (e.g., corporate, MICE or leisure); or (ii) the issuance of a confirmation generated by BWI sales staff documenting the Hotel's agreement to rates and availability.
- x. Respond to requests for proposals (e.g., transient, group, etc.) by the due date indicated on the bid.
- y. Not treat any guest that books through BWI any differently than any guest who books through a non-BWI channel (e.g., cancellations, no-shows, relocations for overbooking).
- z. Respond to customer complaints in a prompt, courteous, reasonable manner. Hotel will participate in the BWI customer complaint program and pay those related fees as detailed in *Exhibit A*.
- aa. Participate in a customer feedback program (currently Medallia).
- bb. Provide a service guarantee as determined by BWI from time to time (e.g., "If something goes wrong, we will make it right.").
- cc. Participate in and comply with the BWI Low Rate, Guaranteed! program.

- dd. Subscribe to and participate in the Smith Travel Research (“STR”) weekly reporting program. BWI will automatically submit data for Hotel if it is connected to BWI via two-way interface; otherwise, hotel must submit data manually to STR.
- ee. Ensure that its customer data collection practices, use and marketing of such data, and measures adopted for the privacy and security thereof are consistent with (i) BWI’s Privacy Policy as posted on its website at <http://www.bestwestern.com>, and as may be amended by BWI from time to time, and (ii) with any applicable local, national, regional, or international privacy and security laws, rules and regulations.
- ff. Name BWI as an additional insured and certificate holder on all policies of insurance related to Hotel operations, to include:
 - i. Hotel shall have general liability insurance with an annual aggregate of coverage of not less than eleven million dollars U.S. (\$11,000,000 USD). Assault and battery, abuse and molestation, and carbon monoxide exposure shall not be excluded from this coverage and must be covered to the full extent of the general liability limit(s) without limitation.
 - ii. Hotel shall have a policy covering liability for owned automobiles, non-owned automobiles and hired automobiles with an annual aggregate of coverage of not less than one million dollars U.S. (\$1,000,000 USD).
 - iii. Hotel shall have cyber liability insurance with an annual aggregate of coverage of not less than one million dollars (\$1,000,000 USD). The cyber liability policy shall have reasonable sub-limits with regard to regulatory fines, PCI fines, legal services, public relations and crisis management, and notifications/credit monitoring for guest or personnel records.

Hotel shall submit to BWI a copy of all such policies of insurance or an equivalent certificate of proof of insurance.

Hotel shall require the insurance carrier providing its policy of insurance to provide to BWI thirty (30) calendar days' prior written notice before cancellation of any policy of insurance and shall ensure Hotel's insurance carrier submits written proof of the same to BWI prior to execution of this Agreement. If Hotel fails to provide adequate replacement coverage within said thirty (30) calendar day period, then this

Agreement shall terminate without further action on the part of BWI on the date and at the time that insurance coverage terminates unless agreed to otherwise in writing by BWI. Said failure shall constitute “cause” under the provisions of Section 1.c.

Hotel covenants and agrees to cooperate fully with BWI in defense of any claim made against BWI arising out of loss, damage, or injury sustained on or in connection with the operation of Hotel. Prior to any settlement with a claimant, Hotel shall notify BWI of the proposed settlement and shall use best efforts to secure the release of BWI from liability.

- gg. Hotel agrees to indemnify, hold harmless and assume the defense of BWI with regard to Hotel operations and the providing of accommodations, food, beverages, transportation, and services at the Hotel.
- hh. Provide to BWI a non-exclusive, limited, non-transferable license to use during the Term the words and marks associated with Hotel (if any).
- ii. Hotel Owner and Hotel are jointly and severally liable to BWI for the responsibilities and obligations of the other.

4. Miscellaneous.

- a. This Agreement is confidential as between the Parties.
- b. The Application Fee is non-refundable.
- c. Hotel may participate in any BWI-online travel agency agreement to the extent permitted by the applicable agreement.
- d. The Parties agree to work together in good faith to resolve any disputes as between them (e.g., payment obligations).
- e. The Parties agree to work together in defense of any claim against either or both.
- f. The Parties agree that Hotel Owner and Hotel are not Members of the Best Western International, Inc. Membership association.
- g. BWI has no responsibility for the use, condition, maintenance, policies, practices or operation of Hotel, nor the safety of the design of any structure or product. BWI has no control over or responsibility for any decision related to or affecting the

employment or supervision of any personnel employed at or providing services in connection with Hotel.

- h. Hotel Owner may not transfer or assign any interest in the Hotel or this Agreement or fifty percent (50%) or greater of the ownership interests in Hotel Owner, or materially change the legal form of Hotel Owner, without the prior written consent of BWI and the payment of a transfer fee as set forth in *Exhibit A*.
- i. This Agreement is the entirety of the agreement between the Parties. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require Hotel Owner to waive reliance on any representation made by BWI in its most recent franchise disclosure document (including exhibits and amendments) delivered to Hotel Owner or its representative.
- j. The Parties agree that BWI does not guarantee, give any assurances, or provide any forecasts that shall be deemed binding regarding reservations or revenue Hotel might receive as a result of this Agreement.
- k. Any amendment to this Agreement must be in writing signed by both Parties.
- l. Exclusive jurisdiction and venue for any dispute is Maricopa County, Arizona. Arizona law shall apply.
- m. Each Party agrees to comply with all state, federal, and local laws.
- n. Each Party agrees it has the authority to enter into this Agreement.

Execution Page Follows

IN WITNESS WHEREOF, the Parties now execute this Agreement as of the Effective Date stated above.

BEST WESTERN INTERNATIONAL, INC.

By: _____
Name:
Title:

HOTEL OWNER

By: _____
Name:
Title:

HOTEL OWNER – on behalf of HOTEL

By: _____
Name:
Title:

Exhibit A

This table identifies fees, charges and credits billed to Hotel and due to BWI monthly, except as otherwise indicated annually.^{Fn 1} Additional fees and charges may apply. BWI reserves the right to revise fees, charges and credits.

APPLICATION AND MONTHLY FEES		
Fees, Charges, Credits	Description	Amount in USD
Application Fee	One-time fee for application.	\$4,000
Affiliation Fee	One-time fee for orientation, training and other on-boarding services and support.	\$25,000
Monthly Fee	Monthly sales, marketing, and technology fee.	5% of monthly Gross Rooms Revenue (“GRR”). ^{Fn 2}
SERVICES AND COSTS		
Fees, Charges, Credits	Description	Amount in USD
Global Distribution Systems (“GDS”) Fee	Fee for reservations booked through GDS and GDS internet travel sites.	\$7.90 per booking.
Third-Party Internet Booking Fee	Fee for reservations booked through third-party internet booking sites via Onyx, HBSi, etc.	\$4.60 per booking.
Third-Party Partner Booking Fee	Fee for reservations booked through our third-party partner.	\$2.00 per booking.
DerbySoft Booking Fee	Fee for reservations booked through DerbySoft.	\$2.00 per booking.
Best Western Rewards® (“BWR®”) Fee	Fee for BWR points or airline program miles issued by Hotel to BWR members (10 points issued for each revenue dollar).	\$0.0055 per point issued.
BWR Enrollment Fee Rebate	Rebate of BWR fee imposed when the Hotel enrolls a new BWR member.	5.5% of Monthly GRR ^{Fn 2} for newly enrolled BWR members with valid email address, up to 5 nights stay, maximum \$500; 2.75% of Monthly GRR ^{Fn 2} for newly enrolled BWR member without valid email address, up to 5 nights stay, maximum \$500.
Pay With Points	Credit for reservations booked using a combination of BWR points and an alternative payment method.	The credit portion for BWR® points redeemed: If 95% occupied or higher, a credit equal to the number of points times \$0.005 times 90%. If less than 95% occupied, a credit equal to the number of points times \$0.005 times 40%. The cash paid (non-points) portion of Pay with Points is collected and retained by the Hotel from the BWR® member guest.
Free Night Vouchers	Credit for BWR free night voucher redeemed at the Hotel.	If the occupancy of the property is:

		<p>90% or higher, a credit of 90% of the Hotel's Average Daily Rate ("ADR").</p> <p>70% or greater but less than 90%, a credit of 70% of the Hotel's ADR.</p> <p>Less than 70%, a credit of 40% or \$40 - whichever is greater.</p>
Best Western Travel Card®	Credit for travel cards redeemed at Hotel.	Amount of travel card redeemed less 10% commission.
	It is optional for Hotel to sell travel cards. Charge for travel cards sold or reloaded at Hotel. Related commission is a credit to Hotel.	Amount of travel card sold or reloaded is charged; related 10% commission is credited.
BestCheque	Fee for administering the centralized travel agent commissions program.	\$0.71 per commissionable transaction.
BestCheque Consortia Marketing Program	Per booking fee for reservations received from Consortia partners.	Fee of \$3.00 per net room night reservation booked.
Travel Agent Commissions	Pass-through commission charge for travel agent reservations. Commission varies by travel agent and agreement.	Commission on GRR. ^{F_n 2}
Performance Based Marketing ("PBM")	Commission charge for reservations which result from digital opportunity.	10% commission on consumed property revenue.
Commission Junction	Commission charge for reservations which result from a banner ad placed on a publisher's network.	10% of GRR ^{F_n 2} for each reservation associated with banner ads.
Travel Management Companies ("TMC")	Preferred partnership status.	Varies by TMC, but generally annual participation fees are: -\$350 - \$1,100 per TMC, or -Pay for Performance at \$3.00 per consumed room night plus a 10% agency commission.
Group Commissions	BWI centrally pays group commissions for worldwide sales group intermediary partners (currently HelmsBriscoe and ConferenceDirect) after receiving confirmation of the group pick up and commission due from Hotel. BWI then invoices Hotel.	As negotiated between Hotel and client. Mandatory 10% commission on GRR ^{F_n 2} for HelmsBriscoe and ConferenceDirect
Boutique Hotels - Sales Onboarding Training	<p>Training must be completed no later than 30 days prior to activation on our reservations systems.</p> <p>A one-day pre-activation sales onboarding visit will occur on-site by a dedicated BWH Worldwide Sales, Hotel Sales Optimization Manager ("HSO"). The sales onboarding training will encompass the necessary tools and resources to effectively activate sales revenue at the Hotel. Additionally, the Hotel must successfully</p>	One-time fee associated with Sales Onboarding Training of \$4,000.

	complete a customized virtual onboarding training with the Hotel representative(s) responsible for the sales efforts, partnered with a dedicated sales trainer of the HSO team.	
RFP Tool Fee	Fee for tool to participate in RFP process.	\$120 per year.
BW Groups RFP Tool Fee	Fee for tool to participate in Groups RFP process.	\$120 per year.
Annual Quality Assurance (“QA”) Assessment Fee	Annual assessment fee.	Cost recovery fee, currently \$2,100, billed annually, plus a free room for the inspector.
QA Reassessment Fee	Fee charged for reassessment after a failed QA assessment.	\$2,100 cost recovery fee, plus a free room for the inspector.
Medallia Fee	Fee to provide Hotel access to guest satisfaction surveys through Medallia.	\$50 monthly usage fee-required.
Customer Care/First Contact Resolution (“FCR”)	Fee for BWI Customer Care agent to respond to and resolve customer service and accommodation complaints on first contact.	\$50 ticket fee charged on certain contacts. First 4 Complaints: Free Complaints 5-10 annually: \$100 Each Complaints 11+ annually: \$250 Each Applicable taxes per file fee will be assessed plus cost of resolution. Non-FCR- \$75 per non-response, plus cost of any compensation to customer.
Rate Parity	Administrative fee charged to hotels for rate parity violations.	System Hotels which repeatedly violate rate parity are subject to administrative fees which range up to \$4,000 per violation depending on the number of violations annually
Finance Charge	Finance charge for late payment of account, assessed after 45 days.	18% Annual Percentage Rate.
Transfer Fee	Fee to transfer or assign the Agreement (requires BWI consent).	\$10,000
Business Travel Representation	Business travel support and services.	No additional cost.
Leisure Travel Representation	Leisure travel support and services.	No additional cost.
Digital Marketing	Digital Marketing consulting services.	No additional cost.
Supply	Access to supply procurement/negotiated brand pricing using the Best Western Supply Endorsed Program.	No additional cost.
BWI University	Access to Best Western online education and training resources.	No additional cost.

OPTIONAL SERVICES AND COSTS		
Fees, Charges, Credits	Description	Amount in USD
Two-Way Connectivity Support Fee	Monthly fee for connectivity to Best Western's reservations systems.	\$41 to \$53 per month depending on the type of Hotel property management system.
Worldwide Sales Signature event	Best Western sales and marketing event.	Varies, currently \$2,000.
Business Travel Forum	Best Western sales and marketing event.	\$2,000
Travel Exchange	Best Western sales and marketing event.	\$2,000
Property Revenue Manager ("PRM") Program	Fee charged to hotels that participate in the optional program for experienced and certified PRM services. Best Western two-way interface is required to participate in the PRM program.	Per month fee based on size of the Hotel: \$995 for 1-120 rooms \$1,195 for 121-200 rooms \$1,395 for 201+ rooms
High Speed Internet Access (HSIA)	Our Hotel HSIA solution.	\$65 per month for the first 50 rooms, and \$1.25 per month for each additional room over 50 rooms, plus \$1.50 per minute for HSIA support telephone calls.
Studio Design Services	Optional, affordable interior design creation and conceptual architectural services (for exteriors) available through our Studio Design team of interior designers and architects on a contract basis.	Per contract, determined by the scope of the project.

Fn 1 Unless otherwise indicated, all fees described in this Exhibit A are payable to, and imposed by, us or our affiliates and are non-refundable. You agree to allow us to automatically debit your bank account each month in the amount owing us and you agree to electronic monthly statements. Additional fees and charges may apply. We reserve the right to revise fees, charges and credits.

Fn 2 Gross Rooms Revenue ("GRR") is defined as booked revenue from the rental, sale, use, or occupancy of guest rooms at the Hotel for whatever purpose, including cash and credit transactions, whether or not collected by the Hotel, and any proceeds from business interruption insurance. Gross Rooms Revenue does not include taxes required by law, revenue from telephone services, movie rentals, vending machines, room service, parking or food and beverage sales.

EXHIBIT C-2 TO FDD

STATE ADDENDA TO DISTRIBUTION AGREEMENT

**RIDER TO THE BEST WESTERN INTERNATIONAL, INC. DISTRIBUTION AGREEMENT
FOR USE IN CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN,
MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA,
VIRGINIA, WASHINGTON AND WISCONSIN**

This Rider (the “**Rider**”) is made and entered into as of the Effective Date as stated in the Franchise Agreement (defined below), by and between Best Western International, Inc., an Arizona corporation with its principal business address at 6201 N. 24th Parkway, Phoenix, Arizona 85016 (“**we,**” “**us**” “**our,**” or “**BWI**”), and _____ (“**you,**” “**your,**” or “**Hotel Owner**”).

1. **Background.** We and you are parties to that certain Distribution Agreement that has been signed at the same time as the signing of this Rider (the “**Distribution Agreement**”). This Rider is part of the Distribution Agreement.

2. **No Waiver of Disclaimer of Reliance in Certain States.** The following provision applies only to franchisees and franchises that are subject to the state franchise disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington or Wisconsin:

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

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date stated in the Distribution Agreement.

HOTEL OWNER:

BWI:

[INSERT HOTEL OWNER ENTITY], a
[INSERT TYPE OF ENTITY]

Best Western International, Inc., an Arizona
corporation

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Executed on: _____

Executed on: _____

**RIDER TO THE BEST WESTERN INTERNATIONAL, INC.
DISTRIBUTION AGREEMENT
FOR USE IN ILLINOIS**

This Rider (the “**Rider**”) is made and entered into as of the Effective Date as stated in the Distribution Agreement (defined below), by and between Best Western International, Inc., an Arizona corporation with its principal business address at 6201 N. 24th Parkway, Phoenix, Arizona 85016 (“**we,**” “**us**” “**our,**” or “**BWI**”), and _____ (“**you,**” “**your,**” or “**Hotel Owner**”).

1. **Background.** BWI and Hotel Owner are parties to that certain Distribution Agreement that has been signed at the same time as the signing of this Rider (the “**Distribution Agreement**”). This Rider is part of the Distribution Agreement. This Rider is being signed because (a) the offer to sell or buy the franchise for the Hotel was made in the State of Illinois, and/or (b) the offer to sell or buy the franchise for the Hotel was made outside of the State of Illinois and accepted in the State of Illinois, and/or (c) Hotel Owner is domiciled in the State of Illinois, and/or (d) the franchised Hotel will be located in the State of Illinois.

2. **Governing Law/Consent to Jurisdiction.** The following language is added to the end of Section 4.1 of the Distribution Agreement:

However, Illinois law will apply to claims arising under the Illinois Franchise Disclosure Act and the parties submit to the jurisdiction and venue of the state and federal courts of competent jurisdiction in Illinois for claims arising under the Illinois Franchise Disclosure Act

3. **Limitation of Claims.** The following language is added as a new Section 4.o of the Distribution Agreement:

Nothing in this Agreement shall shorten any period within which Hotel Owner may bring a claim under Section 705/27 of the Illinois Franchise Disclosure Act or constitute a condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act of 1987 or any other Illinois law (as long as the jurisdictional requirements of that Illinois law are met).

4. **Waivers Void.** The following language is added as a new Section 4.p of the Distribution Agreement:

Nothing in this Agreement shall constitute a condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act of 1987 or any other Illinois law (as long as the jurisdictional requirements of that Illinois law are met).

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date stated in the Distribution Agreement.

HOTEL OWNER:

BWI:

[HOTEL OWNER], a [INSERT TYPE OF ENTITY]

Best Western International, Inc., an Arizona corporation

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Executed on: _____

Executed on: _____

**RIDER TO THE BEST WESTERN INTERNATIONAL, INC.
DISTRIBUTION AGREEMENT
FOR USE IN MARYLAND**

This Rider (the “**Rider**”) is made and entered into as of the Effective Date as stated in the Distribution Agreement (defined below), by and between Best Western International, Inc., an Arizona corporation with its principal business address at 6201 N. 24th Parkway, Phoenix, Arizona 85016 (“**we,**” “**us**” “**our,**” or “**BWI**”), and _____ (“**you,**” “**your,**” or “**Hotel Owner**”).

1. **Background.** BWI and Hotel Owner are parties to that certain Distribution Agreement that has been signed at the same time as the signing of this Rider (the “**Distribution Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Distribution Agreement. This Rider is being signed because (a) you are a resident of the State of Maryland and/or (b) the franchised Hotel will be or is operated in the State of Maryland, and/or (c) the offer to sell the franchise for the Hotel was made in the State or Maryland; and/or (d) the offer to buy the franchise for the Hotel was accepted in the State of Maryland.

2. **Governing Law/Consent to Jurisdiction.** The following language is added to the end of Section 4.1 of the Distribution Agreement:

However, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law. In addition, Hotel Owner may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. **Limitation of Claims.** The following language is added as a new Section 4.o of the Distribution Agreement:

However, nothing in this Agreement shall act to reduce the three (3)-year statute of limitations afforded to Hotel Owner for bringing a claim under the Maryland Franchise Registration and Disclosure Law.

4. **Acknowledgements.** The following language is added as a new Section 4.p of the Distribution Agreement:

All representations requiring Hotel Owner to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date stated in the Distribution Agreement.

HOTEL OWNER:

BWI:

[HOTEL OWNER], a [INSERT TYPE OF ENTITY]

Best Western International, Inc., an Arizona corporation

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Executed on: _____

Executed on: _____

**RIDER TO THE BEST WESTERN INTERNATIONAL, INC.
DISTRIBUTION AGREEMENT
FOR USE IN MINNESOTA**

This Rider (the “**Rider**”) is made and entered into as of the Effective Date as stated in the Distribution Agreement (defined below), by and between Best Western International, Inc., an Arizona corporation with its principal business address at 6201 N. 24th Parkway, Phoenix, Arizona 85016 (“**we,**” “**us**” “**our,**” or “**BWI**”), and _____ (“**you,**” “**your,**” or “**Hotel Owner**”).

1. **Background.** BWI and Hotel Owner are parties to that certain Distribution Agreement that has been signed at the same time as the signing of this Rider (the “**Distribution Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Distribution Agreement. This Rider is being signed because (a) the Hotel that Hotel Owner will operate under the Distribution Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Distribution Agreement occurred in Minnesota.

2. **Infringement.** The following language is added to the end of Section 3.o of the Distribution Agreement:

To the extent required by Minnesota Stat. Sec. 80C.12, Subd. 1(g), BWI will protect Hotel Owner’s right to use the Licensed Marks and indemnify Hotel Owner from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Licensed Marks.

3. **Termination.** The following is added to the end of Sections 1.a, 1.b, 1.c and 3.q of the Distribution Agreement:

However, with respect to franchises governed by Minnesota law, BWI will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a Hotel Owner be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of this Agreement.

4. **Governing Law/Consent to Jurisdiction.** The following is added to the end of Section 4.1 of the Distribution Agreement:

Minn. Statutes. Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit BWI from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the Hotel Owner to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Distribution Agreement can abrogate or reduce any of Hotel Owner’s rights as provided for in Minnesota Statutes, Chapter 80C, or the Hotel Owner’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

5. **Limitations of Claims.** The following language is added as a new Section 4.o of the Distribution Agreement:

Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than three (3) years after the cause of action accrues.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date stated in the Distribution Agreement.

HOTEL OWNER:

BWI:

[HOTEL OWNER], a [INSERT TYPE OF ENTITY]

Best Western International, Inc., an Arizona corporation

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Executed on: _____

Executed on: _____

**RIDER TO THE BEST WESTERN INTERNATIONAL, INC.
DISTRIBUTION AGREEMENT
FOR USE IN NEW YORK**

This Rider (the “**Rider**”) is made and entered into as of the Effective Date as stated in the Distribution Agreement (defined below), by and between Best Western International, Inc., an Arizona corporation with its principal business address at 6201 N. 24th Parkway, Phoenix, Arizona 85016 (“**we,**” “**us**” “**our,**” or “**BWI**”), and _____ (“**you,**” “**your,**” or “**Hotel Owner**”).

1. **Background.** BWI and Hotel Owner are parties to that certain Distribution Agreement that has been signed concurrently with the signing of this Rider (the “**Distribution Agreement**”). This Rider is annexed to and forms part of the Distribution Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Hotel that Hotel Owner will operate under the Distribution Agreement was made in the State of New York, and/or (b) Hotel Owner is a resident of New York and will operate the Hotel in New York.

2. **Governing Law/Consent to Jurisdiction.** The following language is added to the end of Section 4.1 of the Distribution Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, this Section shall not be considered a waiver of any right conferred upon Hotel Owner by the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

3. **Limitation of Claims.** The following language is added as a new Section 4.o of the Distribution Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, all rights and any causes of action arising in Hotel Owner’s favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied

4. **Our Transfer.** The following language is added as a new Section 4.p of the Distribution Agreement:

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

5. **Termination by You.** The following is added to the end of Section 1.b and 1.c of the Distribution Agreement:

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

6. **Application of Rider.** There are circumstances in which an offering made by BWI would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed to be made in New York if Hotel Owner is domiciled in and the Hotel will be opened in New York. We are required to furnish a New York prospectus to every prospective Hotel Owner who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date stated in the Distribution Agreement.

HOTEL OWNER:

BWI:

[HOTEL OWNER], a [INSERT TYPE OF ENTITY]

Best Western International, Inc., an Arizona corporation

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Executed on: _____

Executed on: _____

**RIDER TO THE BEST WESTERN INTERNATIONAL, INC.
DISTRIBUTION AGREEMENT
FOR USE IN NORTH DAKOTA**

This Rider (the “**Rider**”) is made and entered into as of the Effective Date as stated in the Distribution Agreement (defined below), by and between Best Western International, Inc., an Arizona corporation with its principal business address at 6201 N. 24th Parkway, Phoenix, Arizona 85016 (“**we,**” “**us**” “**our,**” or “**BWI**”), and _____ (“**you,**” “**your,**” or “**Hotel Owner**”).

1. **Background.** BWI and Hotel Owner are parties to that certain Distribution Agreement that has been signed concurrently with the signing of this Rider (the “**Distribution Agreement**”). This Rider is annexed to and forms part of the Distribution Agreement. This Rider is being signed because (a) Hotel Owner is a resident of North Dakota and the Hotel will be located in North Dakota, and/or (b) the offer or sale of the franchise for the Hotel that Hotel Owner will operate under the Distribution Agreement was made in the State of North Dakota.

2. **Liquidated Damages on Termination.** The following language is added to the end of Section 1.c of the Distribution Agreement:

The Commissioner has determined termination or liquidated damages to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. However, BWI and Hotel Owner agree to enforce these provisions to the extent the law allows.

3. **Governing Law/Consent to Jurisdiction.** The following language is added to the end of Section 4.1 of the Distribution Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will apply to this Agreement. In addition, to the extent required by applicable law, Hotel Owner may bring an action in North Dakota.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date stated in the Distribution Agreement.

HOTEL OWNER:

BWI:

[HOTEL OWNER], a [INSERT TYPE OF ENTITY]

Best Western International, Inc., an Arizona corporation

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Executed on: _____

Executed on: _____

**RIDER TO THE BEST WESTERN INTERNATIONAL, INC.
DISTRIBUTION AGREEMENT
FOR USE IN RHODE ISLAND**

This Rider (the “**Rider**”) is made and entered into as of the Effective Date as stated in the Distribution Agreement (defined below), by and between Best Western International, Inc., an Arizona corporation with its principal business address at 6201 N. 24th Parkway, Phoenix, Arizona 85016 (“**we**,” “**us**” “**our**,” or “**BWI**”), and _____ (“**you**,” “**your**,” or “**Hotel Owner**”).

1. **Background.** BWI and Hotel Owner are parties to that certain Distribution Agreement that has been signed concurrently with the signing of this Rider (the “**Distribution Agreement**”). This Rider is annexed to and forms part of the Distribution Agreement. This Rider is being signed because (a) Hotel Owner is a resident of Rhode Island and the Hotel that Hotel Owner will operate under the Distribution Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Distribution Agreement occurred in Rhode Island.

2. **Governing Law/Consent to Jurisdiction.** The following language is added to the end of Section 4.1 of the Distribution Agreement:

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

To the extent required by applicable law, Hotel Owner may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date stated in the Distribution Agreement.

HOTEL OWNER:

BWI:

[HOTEL OWNER], a [INSERT TYPE OF ENTITY]

Best Western International, Inc., an Arizona corporation

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Executed on: _____

Executed on: _____

**RIDER TO THE BEST WESTERN INTERNATIONAL, INC.
DISTRIBUTION AGREEMENT
FOR USE IN WASHINGTON**

This Rider (the “**Rider**”) is made and entered into as of the Effective Date as stated in the Distribution Agreement (defined below), by and between Best Western International, Inc., an Arizona corporation with its principal business address at 6201 N. 24th Parkway, Phoenix, Arizona 85016 (“**we,**” “**us**” “**our,**” or “**BWI**”), and _____ (“**you,**” “**your,**” or “**Hotel Owner**”).

1. **Background.** BWI and Hotel Owner are parties to that certain Distribution Agreement that has been signed at the same time as the signing of this Rider (the “**Distribution Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Distribution Agreement. This Rider is being signed because (a) the Hotel that Hotel Owner will operate under the Distribution Agreement will be located in Washington; and/or (b) Hotel Owner is a resident of Washington; and/or (c) any of the offering or sales activity relating to the Distribution Agreement occurred in Washington.

2. **Addition of Paragraphs.** The following is added to the end of the Distribution Agreement:

In recognition of the requirements by the Washington Franchise Investment Protection Act and the Rules and Regulations promulgated thereunder (the “**Act**”), the Distribution Agreement of Best Western International, Inc. shall be modified as follows:

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 this Agreement in Hotel Owner’s relationship with BWI including the areas of termination and renewal of Hotel Owner’s franchise. There may also be court decisions which may supersede this Agreement in Hotel Owner’s relationship with BWI including the areas of termination and renewal of Hotel Owner’s 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 this Agreement, Hotel Owner 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 Hotel Owner 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 our 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 this Agreement or elsewhere are void and unenforceable in Washington.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date stated in the Distribution Agreement.

HOTEL OWNER:

BWI:

[HOTEL OWNER], a [INSERT TYPE OF ENTITY]

Best Western International, Inc., an Arizona corporation

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Executed on: _____

Executed on: _____

EXHIBIT D TO FDD
FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARD TO THEIR CONTENT OR FORM.

Best Western Hotels & Resorts Consolidated Statements of Financial Position

(dollars in millions)

	at February 28, 2023	at November 30, 2022
Assets		
(unaudited)		
Current assets:		
Cash and cash equivalents	\$ 231.4	\$ 239.4
Restricted cash	0.2	11.1
Short-term investments	16.2	16.4
Accounts receivable, principally from Members, net	62.7	72.2
Prepaid expenses and other current assets	16.0	17.3
Income taxes receivable	1.9	8.4
Total current assets	328.4	364.8
Property, equipment and computer software, net	34.1	31.3
Hotel investments	53.1	53.4
Long-term investments	162.5	110.5
Restricted Rabbi Trust investments	16.7	19.1
Deferred income taxes	49.2	49.1
Other assets, net	22.6	23.3
Total Assets	\$ 666.6	\$ 651.5
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 78.7	\$ 78.0
Current frequent stay program liability	99.3	96.2
Current deferred revenue	14.6	16.3
Deposits	11.3	12.5
Income taxes payable	-	-
Total current liabilities	203.9	203.0
Non-current frequent stay program liability		
Non-current deferred affiliation fee revenue	47.5	48.6
Non-current deferred compensation plans liability	15.0	17.2
Non-current construction loans	38.3	37.9
Non-current operating lease liability	1.1	-
Total Liabilities	305.8	306.6
Net assets:		
Retained earnings	164.4	144.2
Accumulated other comprehensive (loss) income	(1.2)	0.5
Total Best Western International, Inc. Net Assets	163.2	144.7
Non-controlling interests	1.8	2.0
Total Net Assets	165.0	146.7
Total Liabilities and Net Assets	\$ 470.9	\$ 651.5

Best Western Hotels & Resorts Consolidated Statements of Revenues and Expenses

	Three Months Ended	
	February 28, 2023 (unaudited)	February 28, 2022 (unaudited)
(dollars in millions)		
Revenues:		
Fees, dues and assessments	\$ 66.6	\$ 61.1
Program revenues	36.2	27.4
Other revenues	13.1	9.4
Total Revenues	115.9	97.9
Expenses:		
Compensation, taxes and benefits	45.8	42.1
Advertising and promotions	17.5	13.2
Depreciation and amortization	4.2	3.1
General and administrative	19.2	15.0
Program cost of sales	5.1	3.6
Total Expenses	91.8	77.0
Net Realized and unrealized gains (losses) on investments, interest and dividend income, and interest expense	2.1	(0.4)
Excess of revenues over expenses before income taxes	26.2	20.5
Income tax provision	(6.2)	(5.0)
Excess of revenues over expenses	20.0	15.5
Excess of expenses over revenues attributable to non-controlling interests	0.2	-
Excess of Revenues over Expenses		
Attributable to Best Western International, Inc.	\$ 20.2	\$ 15.5

Certain reclassifications and adjustments have been made to the financial information to comply with the current year presentation. The Consolidated Statement of Revenues and Expenses format for reporting purposes has been updated to present Operating Income and Non-Operating Income (Expenses) separately.

Best Western Hotels & Resorts Consolidated Statements of Cash Flows

(dollars in millions)

Three Months Ended	
2023	2022
(unaudited)	(unaudited)

Cash flows from operating activities:

Excess of revenues over expenses	\$ 20.0	\$ 15.5
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	4.2	3.1
Provision for doubtful accounts	0.6	0.1
Net losses (gains) on restricted Rabbi Trust investments	0.3	0.6
Net losses (gains) on equity securities	0.1	-
Amortization/accretion of discounts/premiums on available-for-sale debt securities, net	(0.2)	-
Change in accrued interest on available-for-sale debt securities	(0.1)	-
Changes in assets and liabilities:		
Accounts receivable	8.9	6.3
Prepaid expenses and other current assets	1.3	(1.9)
Income taxes	6.5	4.8
Other assets, net	0.5	0.5
Accounts payable, accrued liabilities and deferred compensation plans	(0.3)	(11.8)
Deferred revenue	(2.8)	(0.9)
Frequent stay program liability	0.7	4.1
Deposits	(1.8)	2.8
Net cash provided by operating activities	37.9	23.2

Cash flows from investing activities:

Proceeds from maturity of held-to-maturity debt securities	2.8	6.5
Proceeds from maturity of available-for-sale debt securities	1.5	
Proceeds from sale of available-for-sale debt securities	6.7	-
Proceeds from sale of equity securities	0.7	-
Purchase of available-for-sale debt securities	(40.6)	-
Purchase of equity securities	(24.1)	-
Development costs of hotel investments	0.0	(2.8)
Fund restricted Rabbi Trust investments	(0.3)	(0.4)
Purchase of property, equipment and computer software	(4.0)	(3.1)
Net cash used (provided by) in investing activities	(57.3)	0.2

Cash flows from financing activities:

Proceeds from construction loans	0.4	5.3
Net cash provided by financing activities	0.4	5.3
Net (decrease) increase in cash and cash equivalents, and restricted cash	(19.0)	28.7
Effect of foreign exchange rate changes on cash and cash equivalents, and restricted cash	0.1	-
Cash and cash equivalents, and restricted cash at beginning of period	250.5	255.2
Cash and cash equivalents, and restricted cash at end of period	\$ 231.6	\$ 283.9

Supplemental Investment Information:

Cash, restricted cash and cash equivalents	231.6	283.9
Short-term investments	16.2	12.8
Long-term investments	162.5	14.7
Restricted Rabbi Trust investments	16.7	21.2
Cash and cash equivalents, restricted cash, and investments at end of period	\$ 427.0	\$ 332.6

Report of Independent Auditors

To the Board of Directors and Members of Best Western International, Inc.

Opinion

We have audited the consolidated financial statements of Best Western International, Inc. (the Company), which comprise the consolidated statements of financial position as of November 30, 2022 and 2021, and the related consolidated statements of revenues and expenses, other comprehensive revenues and expenses, cash flows and changes in net assets for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at November 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, no such opinion is expressed.

Report of Independent Auditors

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Other Information

Management is responsible for the other information. The other information comprises the Financial Highlights in the Annual Report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Ernst & Young LLP

Phoenix, Arizona
February 21, 2023

Consolidated Statements of Financial Position

(in thousands)	As of November 30,	
	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 239,426	\$ 244,555
Restricted cash	11,089	10,613
Short-term investments	16,396	16,509
Accounts receivable, principally from Members, net	72,182	62,626
Prepaid expenses and other current assets	17,265	14,803
Income taxes receivable	8,430	-
TOTAL CURRENT ASSETS	364,788	349,106
Property, equipment and computer software, net	31,252	27,668
Hotel investments, net	53,403	41,966
Long-term investments	110,512	17,467
Restricted Rabbi Trust investments	19,063	24,715
Deferred income taxes	49,204	50,383
Other assets, net	23,293	25,437
TOTAL ASSETS	\$ 651,515	\$ 536,742
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 78,042	\$ 70,600
Current frequent stay program liability	96,193	88,837
Current deferred revenue	16,327	16,261
Deposits	12,460	12,617
Income taxes payable	-	1,294
Line of credit	-	-
TOTAL CURRENT LIABILITIES	203,022	189,609
Non-current frequent stay program liability	198,148	190,471
Non-current deferred affiliation fee revenue	48,558	49,170
Non-current deferred compensation plans liability	17,183	24,248
Non-current construction loans	37,861	24,950
TOTAL LIABILITIES	504,772	478,448
NET ASSETS:		
Retained earnings	144,213	56,134
Accumulated other comprehensive income	576	135
TOTAL BEST WESTERN INTERNATIONAL, INC. NET ASSETS	144,789	56,269
Non-controlling interests	1,954	2,025
TOTAL NET ASSETS	146,743	58,294
TOTAL LIABILITIES AND NET ASSETS	\$ 651,515	\$ 536,742

See accompanying notes to consolidated financial statements.

Consolidated Statements of Revenues and Expenses

(in thousands)	Years Ended November 30,	
	2022	2021
REVENUES:		
Fees, dues and assessments	\$ 276,766	\$ 232,086
Program revenues	165,915	109,038
Other revenues	51,199	36,638
TOTAL REVENUES	493,880	377,762
EXPENSES:		
Compensation, taxes and benefits	175,005	151,246
Advertising and promotion	105,950	83,808
Depreciation and amortization	14,748	13,146
General and administrative	77,477	61,104
Program cost of sales	16,531	12,580
TOTAL EXPENSES	389,711	321,884
Net realized and unrealized gains (losses) on investments, interest and dividend income, and interest expense	769	4,955
Excess of revenues over expenses before income taxes	104,938	60,833
Income tax provision	(17,169)	(15,868)
Excess of revenues over expenses	87,769	44,965
Excess of expenses over revenues attributable to non-controlling interests	310	-
EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO BEST WESTERN INTERNATIONAL, INC.	\$ 88,079	\$ 44,965

See accompanying notes to consolidated financial statements.

Consolidated Statements of Other Comprehensive Revenues and Expenses

(in thousands)	Years Ended November 30,	
	2022	2021
EXCESS OF REVENUES OVER EXPENSES	\$ 87,769	\$ 44,965
Foreign currency translation adjustment, net of tax	982	678
Change in net unrealized gains (losses) on available-for-sale debt securities, net of tax:		
Net unrealized (losses) on available-for-sale debt securities	(675)	-
Adjustment for net losses realized and included in excess of revenues over expenses	134	-
Total change in net unrealized losses on available-for-sale debt securities	(541)	-
Comprehensive excess of revenues over expenses	88,210	45,643
Comprehensive excess of expenses over revenues attributable to non-controlling interests	310	-
COMPREHENSIVE EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO BEST WESTERN INTERNATIONAL, INC.	\$ 88,520	\$ 45,643

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands)	Years Ended November 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 87,769	\$ 44,965
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	14,748	13,146
Provision for doubtful accounts	(1,650)	(1,760)
Net losses (gains) on Restricted Rabbi Trust investments	1,977	(3,823)
Net unrealized (gains) on equity securities	(761)	-
Amortization of bond discounts/premiums on held-to-maturity securities, net	131	105
Amortization/accretion of discounts/premiums on available-for-sale debt securities, net	(144)	-
Change in accrued interest on available-for-sale debt securities	36	-
Provision for deferred income taxes	1,393	(4,613)
Loss on disposition of property, equipment and computer software	216	64
Changes in assets and liabilities:		
Accounts receivable	(7,988)	(30,758)
Prepaid expenses and other current assets	(2,473)	(760)
Income taxes	(9,710)	893
Other assets, net	1,002	2,182
Accounts payable, accrued liabilities and deferred compensation plans liability	2,749	19,390
Deferred revenue	(510)	(1,722)
Frequent stay program liability	15,033	25,830
Deposits	952	1,002
NET CASH PROVIDED BY OPERATING ACTIVITIES	102,770	64,141
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturity of held-to-maturity debt securities	16,500	41,500
Proceeds from sale of available-for-sale debt securities	3,460	-
Proceeds from sale of equity securities	843	-
Purchase of available-for-sale debt securities	(76,005)	-
Purchase of equity securities	(37,712)	-
Development costs of hotel investments	(11,211)	(24,976)
Fund Restricted Rabbi Trust investments	(439)	(20,661)
Purchase of property, equipment and computer software	(15,197)	(12,719)
NET CASH USED IN INVESTING ACTIVITIES	(119,761)	(16,856)

Continues on next page.

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands)	Years Ended November 30,	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from construction loans	\$ 12,515	\$ 24,684
NET CASH PROVIDED BY FINANCING ACTIVITIES	12,515	24,684
Net (decrease) increase in cash and cash equivalents, and restricted cash	(4,476)	71,969
Effect of foreign exchange rate changes on cash and cash equivalents, and restricted cash	(177)	(129)
Cash and cash equivalents, and restricted cash at beginning of period	255,168	183,328
CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	\$ 250,515	\$ 255,168
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest, net of capitalized interest of \$396 and \$266 for the years ended November 30, 2022 and 2021, respectively	\$ 501	\$ 23
Income taxes	26,067	19,836
Income tax refunds received	\$ 486	\$ 195
Non-cash investing activities:		
Disposal of fully depreciated property, equipment and computer software	\$ 5,365	\$ 5,445
Accrued additions to hotel investments	1,364	4,148
Accrued additions to property, equipment and computer software	780	421
Employee contributions to the Restricted Rabbi Trust investments	312	231
Distributions from Restricted Rabbi Trust investments	4,426	-
Non-cash financing activities:		
Equity contribution from joint venture partner	\$ 239	\$ 234

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

(in thousands)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests in Consolidated Subsidiaries	Total Net Assets
Balance - November 30, 2020	\$ 11,169	\$ (543)	\$ 1,791	\$ 12,417
Total excess of revenues over expenses	44,965	-	-	44,965
Foreign currency translation adjustment, net of tax	-	678	-	678
Contributions from non-controlling interests	-	-	234	234
Balance - November 30, 2021	56,134	135	2,025	58,294
Total excess of revenues over expenses (expenses over revenue)	88,079	-	(310)	87,769
Foreign currency translation adjustment, net of tax	-	982	-	982
Unrealized (losses) on available-for-sale debt securities, net of tax	-	(541)	-	(541)
Contributions from non-controlling interests	-	-	239	239
Balance - November 30, 2022	\$ 144,213	\$ 576	\$ 1,954	\$ 146,743

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

November 30, 2022

(1) Business, Organization and Summary of Significant Accounting Policies

(a) Nature of Business

Best Western International, Inc. and its consolidated subsidiaries ("Best Western" or the "Company") is a membership organization incorporated as a non-profit corporation in the State of Arizona. The Company is a membership association of hotels established solely to provide revenue generating opportunities and to leverage marketing and purchasing power to benefit the holders of the Company's membership interests (the "Members"). The exceptions to the membership structure are the wholly owned subsidiaries: (i) SureStay, Inc. ("SureStay"), which is a franchisor, (ii) soft brand licensees, (iii) World Hotels GmbH ("WorldHotels"), which is a licensor, (iv) AutoClerk, Inc. ("AutoClerk"), which provides property management services, and (v) BWI DevCo Tempe, LLC ("DevCo Tempe"), which owns and operates a Best Western branded hotel. The Company's wholly owned subsidiary, BWI DevCo Denver 3560, LLC, and T.W.C. LLC ("TWC"), entered into a joint venture Contribution Agreement and formed Denver 3560, LLC ("Denver 3560"), a Colorado limited liability company to develop, build, own and operate a Best Western branded hotel.

Best Western branded hotels, SureStay branded hotels, soft brand licensees, and WorldHotels branded hotels, collectively referred to as BWH Hotel Group ("BWHG"), are located throughout the world. As of November 30, 2022, there are approximately 4,300 hotels in over 100 countries and territories worldwide associated with BWHG, that are activated or currently in the development pipeline to be activated on our reservations platform.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of the Company, our wholly owned subsidiaries and entities in which the Company has a controlling financial interest, including variable interest entities where the Company is the primary beneficiary.

The determination of a controlling financial interest is based upon the terms of the governing agreements of the respective entities, including the evaluation of rights held by other ownership interests. If the entity is considered to be a variable interest entity, the Company determines whether the Company is the primary beneficiary, and then consolidates those variable interest entities for which the Company has determined that the Company is the primary beneficiary.

All significant intercompany transactions and balances are eliminated in consolidation.

(c) Basis of Presentation

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and, accordingly, ultimate results could differ from those estimates. The coronavirus ("COVID-19") pandemic began in early 2020 and had an impact on our results for the twelve months ended November 30, 2021. Due to the post-pandemic recovery which occurred during 2021 and 2022, COVID-19 did not significantly impact the results for the twelve months ended November 30, 2022. In our opinion, the consolidated financial statements reflect all adjustments, including normal recurring items, considered necessary for a fair presentation of financial performance.

(d) Reclassifications

In the Consolidated Statements of Revenues and Expenses for the year ended November 30, 2021, other revenues of \$74 thousand and general and administrative expense of \$73 thousand were reclassified to net realized and unrealized gains (losses) on investments, interest and dividend income, and interest expense to conform with the current year presentation.

(e) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid money market instruments that have original maturities of three months or less at the date of purchase.

Notes to Consolidated Financial Statements

November 30, 2022

(f) *Restricted Cash*

Restricted cash is primarily comprised of annual dues paid by Members prior to the related service period. Annual dues are held in a custodial account and are not available to the Company until December of the following fiscal year. As of November 30, 2022 and 2021, there was \$11.1 million and \$10.6 million of restricted cash, respectively.

The following table provides a reconciliation of cash and cash equivalents, and restricted cash reported in the Consolidated Statements of Financial Position that sum to the total of such amounts shown in the Consolidated Statements of Cash Flows:

(in thousands)	As of November 30,	
	2022	2021
Cash and cash equivalents	\$239,426	\$244,555
Restricted cash	11,089	10,613
Total cash and cash equivalents, and restricted cash shown in the consolidated statements of cash flows	\$250,515	\$255,168

(g) *Investments*

Investments consist of certificates of deposits, mutual funds, common shares, U.S. treasury and government agency bonds, corporate bonds, mortgage and asset-backed securities, and municipal and provincial notes and bonds, and are classified as short-term or long-term investments based on maturity dates for debt securities, and equity securities are classified as long-term based on the Company's liquidity position. The Company has not recognized any investment impairments during the years ended November 30, 2022 and 2021 (see note 3).

(h) *Restricted Rabbi Trust Investments*

The Company has a Nonqualified Deferred Compensation Plan ("NQP") in which key management employees of the Company, as determined by the Board of Directors, are selected to participate. The NQP was restated effective December 1, 2020, to provide for the use of a Rabbi Trust and to amend the design of the Company's contributions. Effective December 1, 2020, the Company established a NQP Rabbi Trust ("Trust"), whereby the Company makes contributions to this Trust to provide the Company a source of funds to assist in satisfying the NQP liability. The investments included in this Trust are carried at fair value and recorded in Restricted Rabbi Trust investments in the Consolidated Statements of Financial Position (see note 13).

(i) *Fair Value of Financial Instruments*

The carrying amount reflected in the Consolidated Statements of Financial Position for cash and cash equivalents, other assets, accounts receivable and accounts payable approximate their respective fair values based on their liquidity and/or the short-term nature of these instruments. The Company measures and discloses the estimated fair value of financial assets and liabilities utilizing a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

- Level 1 – quoted prices for identical instruments in active markets;
- Level 2 – quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3 – fair value measurements derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Notes to Consolidated Financial Statements

November 30, 2022

The Company measures fair value using a set of standardized procedures for all assets and liabilities which are required to be measured at their estimated fair value on either a recurring or non-recurring basis. When available, the Company utilizes quoted market prices from an independent third-party source to determine fair value and classifies such items in Level 1.

In accordance with the fair value accounting requirements, companies may choose to measure eligible financial instruments and certain other items at fair value. The Company has not elected the fair value option for any eligible financial instruments.

The investments in the Trust are restricted and are designated as trading securities and carried at fair value. The fair market value of these restricted investments are measured using Level 1 inputs (quoted prices for identical assets in active markets).

The following tables present information about the carrying value of the Company's financial assets compared to fair value as of November 30, 2022 and 2021, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value. The investments in certificates of deposits, mutual funds, common shares, U.S. treasury and government agency bonds, corporate bonds, mortgage and asset-backed securities, and municipal and provincial notes and bonds are included in both short-term and long-term investments in the Consolidated Statements of Financial Position, and the investments held in a Restricted Rabbi Trust are included in Restricted Rabbi Trust investments in the Consolidated Statements of Financial Position.

Carrying Value vs. Fair Value Measurements

(in thousands)	November 30, 2022			
	Carrying Value	Total	Fair Value	
			Quoted Prices in Significant Other Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)
Corporate bonds	\$ 39,107	\$ 38,674	\$ 38,674	\$ -
Mortgage and asset-backed securities	25,708	25,632	25,632	-
Mutual funds	19,126	19,126	19,126	-
Common shares	18,504	18,504	18,504	-
U.S. treasury and government agency bonds	15,415	15,319	15,319	-
Investments in certificates of deposits	5,250	5,121	5,121	-
Municipal and provincial notes and bonds	3,798	3,770	3,770	-
Restricted Rabbi Trust investments	19,063	19,063	19,063	-
Total	\$ 145,971	\$ 145,209	\$ 145,209	\$ -

(in thousands)	November 30, 2021			
	Carrying Value	Total	Fair Value	
			Quoted Prices in Significant Other Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)
Corporate bonds	\$ 13,175	\$ 13,298	\$ -	\$ 13,298
U.S. treasury and government agency bonds	11,051	11,126	11,126	-
Investments in certificates of deposits	9,750	9,904	9,904	-
Restricted Rabbi Trust investments	24,715	24,703	24,703	-
Total	\$ 58,691	\$ 59,031	\$ 45,733	\$ 13,298

Notes to Consolidated Financial Statements

November 30, 2022

(j) *Property, Equipment and Computer Software and Hotel Investments*

Property, equipment and computer software and hotel investments are recorded at cost. Costs of improvements that extend the economic life or improve service potential are also capitalized. Depreciation on land improvements, buildings, and furniture and equipment is computed using straight-line and accelerated methods over estimated useful lives ranging from 3 to 39 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the related lease term or the estimated useful lives of the assets.

Purchased software license fees and related implementation costs, and costs to develop software for internal use are capitalized and amortized on a straight-line basis over a three-year useful life. Repair and maintenance costs are charged to expenses as incurred.

The Company developed, opened and is operating two hotels and the property and equipment related to these hotels are included in hotel investments, net in the Consolidated Statements of Financial Position (see notes 7, 16, and 17).

(k) *Goodwill and Other Intangible Assets*

Goodwill arises from business combinations and represents the excess of the cost of an acquired entity over the net fair value amounts that were assigned to the identifiable assets acquired and the liabilities assumed. Goodwill is amortized on a straight-line basis over a ten-year useful life and is tested for impairment if circumstances indicate that the goodwill carrying value may exceed its fair value. Goodwill is included in other assets, net in the Consolidated Statements of Financial Position.

Other intangible assets include acquired customers, developed technologies, and trademarks and trade names resulting from business acquisitions. Other intangible assets are valued based on their acquisition date fair values and, other than trademarks and trade names, are amortized using the straight-line method over their estimated useful lives, ranging from 7.5 years to 10 years. Other intangible assets are included in other assets, net in the Consolidated Statements of Financial Position.

The Company evaluates the potential impairment of goodwill and other intangible assets annually. In evaluating these assets for impairment, the Company may elect to first assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit or the intangible assets is less than its carrying amount. If the conclusion is that the fair value of the assets is not more likely than not less than its carrying value, then no further testing is required. If the conclusion is that the fair value of the assets is more likely than not less than its carrying value, then a quantitative impairment test is performed. For intangible assets, if the carrying value is greater than the fair value of the assets, an impairment charge is recognized for this excess. The Company may elect to forgo the qualitative assessment and move directly to the quantitative impairment tests for goodwill and other intangible assets. The Company determines the fair value of its reporting units and intangible assets using income and market methods.

Goodwill has been allocated to two reporting units: (i) WorldHotels, and (ii) AutoClerk. The Company performed a quantitative impairment analysis for the WorldHotels reporting unit in both 2022 and 2021. As of November 30, 2022 and November 30, 2021, the Company determined that the fair value of the WorldHotels reporting unit exceeded the carrying value and no impairment was recorded. The Company performed a qualitative impairment analysis for the AutoClerk reporting unit during both 2022 and 2021, concluding that it is more likely than not that the fair value of the reporting unit is greater than its carrying amount (see note 15).

(l) *Impairment or Disposal of Long-Lived Assets*

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. The Company has not recognized any impairments during the years ended November 30, 2022 and 2021.

Notes to Consolidated Financial Statements

November 30, 2022

(m) Income Taxes

The Company utilizes the liability method of accounting for income taxes whereby deferred taxes are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

Recognition of deferred tax assets is limited to amounts considered by management to be more likely than not realized in future period.

The Company assesses whether a valuation allowance should be established based on its determination of whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Both positive and negative evidence is considered when determining the necessity of the valuation allowance as well as the sources of taxable income supporting the realization of the deferred tax assets, including taxable income in carryback years, future reversals of existing taxable temporary differences, tax-planning strategies and projected taxable income from future operations.

Based on the history of positive earnings, in addition to the expected reversal of taxable temporary differences and forecasted positive results of operations, management determined, based on its assessment of both positive and negative evidence and objective and subjective evidence, that it is more likely than not that the Company will realize its deferred tax assets, with the exception of certain deferred tax assets related to foreign net operating losses, ("NOL"), and foreign tax credit, ("FTC"), carryforwards. The Company has provided a valuation allowance against net deferred tax assets for certain foreign loss entities as the realization of such assets are not more likely than not to occur.

As of November 30, 2022, the Company had foreign NOL carryforwards of \$10.5 million and U.S. FTC carryforwards of \$0.6 million. The foreign NOLs will not expire and will carryforward indefinitely. The FTC carryforwards were generated in the years ended November 30, 2019 and 2020, in the amounts of \$0.2 million and \$0.4 million, respectively, and expire in the years ended November 30, 2029 and 2030, respectively.

The Company reviews uncertain tax positions taken, or expected to be taken, in the course of preparing the Company's tax returns to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Management of the Company is required to analyze all open tax years, as defined by the statutes of limitations for all major jurisdictions, which include federal, state, and foreign. As of November 30, 2022 and 2021, the Company has not recognized any asset or liability for unrecognized income tax benefits or liabilities. It is the Company's policy to recognize interest and penalties related to uncertain tax positions as a component of the income tax provision.

(n) Revenue Recognition

Fees, dues and assessments

Fees, dues and assessments are established by the membership and the Board of Directors to compensate the Company for providing services to Members, soft brand licensees, SureStay franchisees, and WorldHotels licensees. The Company has performance obligations to provide hotel support, and marketing, and a license to our hotel system intellectual property for the use of our brand names. Our performance obligations are a series of distinct goods or services for which we receive the following types of variable consideration through our membership agreements with our Members. Monthly fees and assessments (which include advertising, sales and marketing and reimbursement for the Company's technology expenses) represent fixed and variable consideration and are billed monthly and recognized as revenue in the same month as the services are provided and charges become fixed or determinable and payable. Annual dues are established, billed and payable each year for continuing membership during the succeeding year. Annual dues are recognized as revenue ratably in the year to which the continuing membership applies. Any Member may resign from the Company at any time, but if the Member resigns or is terminated, fees and dues become immediately due and payable per the terms of the applicable contract and are recognized as revenue when cash is received regardless of the term of the contract.

Affiliation fee revenues from Best Western branded hotels are fixed consideration payable upon approval of the Member or licensee by the Board of Directors and acceptance of membership or license terms by the property owner. These revenues are recognized on a straight-line basis over the hotelier's expected life as a Best Western branded hotel or over the initial contract term. SureStay franchisee initial fees are due upon execution of a franchise agreement and recognized over the initial term of the franchise agreement. WorldHotels hotel integration fees are recognized on

Notes to Consolidated Financial Statements

November 30, 2022

a straight-line basis over the expected life as a WorldHotels branded hotel. Affiliation fee revenues were \$8.9 million and \$7.8 million for the years ended November 30, 2022 and 2021, respectively.

Best Western Rewards® frequent stay program ("BWR® program").

The Company administers the BWR program for the benefit of BWHG and BWR program members. Under our BWR program, we have a performance obligation to provide or arrange for the provision of goods or services between BWR program members and BWHG hotels in exchange for the redemption of points earned from past activities. Costs of operating the BWR program, including costs for marketing, promotion, and other member services, are charged to the BWHG hotels through an assessment fee that is based on members' qualified expenditures. The assessment fees received from the BWHG hotels are deferred and recognized as program revenues as the loyalty points are redeemed and the related service, net of redemption expense, is provided. The amount of revenue the Company recognizes upon point redemption is impacted by the Company's estimate of the breakage for points that BWR members will never redeem. The Company estimates breakage based on historical experience and expectations of future BWR member behavior. All BWR program costs are recognized as incurred.

Program revenues in excess of redemption costs are used to fund the operational expenses of the BWR program.

Best Western Travel Card® (a card having no expiration date and no usage or non-usage fees) revenue is recognized when: (i) the Best Western Travel Card is redeemed, or (ii) the likelihood of the Best Western Travel Card being redeemed is remote (Best Western Travel Card breakage), and the Company determines that there is not a legal obligation to remit the unredeemed Best Western Travel Card balance to the relevant jurisdiction. The determination of the Best Western Travel Card breakage rate is based upon Company specific historical redemption patterns. Best Western Travel Card breakage is included in program revenues in the Consolidated Statements of Revenues and Expenses.

Other revenues

Other revenues in the Consolidated Statements of Revenues and Expenses consist of: (i) international fees and other fees from hotelier meetings, training, quality assurance inspections and other services, and (ii) owned-hotel operations revenues, and are recognized in the month the services are provided. International fees include fees and charges for reservations and other services billed to international organizations monthly and were \$21.2 million and \$16.5 million for the years ended November 30, 2022 and 2021, respectively. Owned-hotel operations revenues were \$3.3 million and \$0.0 million for the years ended November 30, 2022 and 2021, respectively.

All other revenue sources, such as program fees, are recognized in the month that the product or service is provided. Revenues, including rebates from vendors, and associated costs of product sold to hoteliers when the Company does not assume the risk and rewards of ownership of the product, is not the primary obligator, and does not possess other indicators of gross reporting, are reported as a net amount earned and included in program revenues in the Consolidated Statements of Revenues and Expenses.

Contract balances

The Company records a receivable as performance obligations are satisfied and there is an unconditional right to receive payment. Deferred revenue is recorded when the Company receives payment, or has the unconditional right to receive payment, in advance of the satisfaction of the Company's performance obligations related to initial affiliation fees and the BWR program.

Certain costs to obtain contracts with customers are capitalized and amortized on a straight-line basis over the hotelier's expected life as a branded hotel or over the initial contract term. The costs of obtaining a contract with a customer are recorded in prepaid expenses and other current assets, and other assets, net in our Consolidated Statements of Financial Position. The related amortization is recorded in compensation, taxes and benefits in our Consolidated Statements of Revenues and Expenses. The Company had capitalized costs to obtain contracts with customers of \$13.3 million and \$13.7 million at November 30, 2022 and 2021, respectively.

Notes to Consolidated Financial Statements

November 30, 2022

The contract asset balances consisted of the following:

(in thousands)	As of November 30,	
	2022	2021
Current contract assets	\$ 964	\$ 943
Non-current contract assets	12,305	12,740
Total contract assets	\$ 13,269	\$ 13,683

At November 30, 2022 and 2021, the contract liabilities balances related to affiliation fees and the BWR program include the following components and are included in current frequent stay program liability, current deferred revenue, non-current frequent stay program liability, and non-current deferred affiliation fee revenue in the Consolidated Statements of Financial Position:

(in thousands)	As of November 30,	
	2022	2021
Current contract liabilities	\$ 100,161	\$ 93,306
Non-current contract liabilities	246,706	239,641
Total contract liabilities	\$ 346,867	\$ 332,947

(in thousands)	As of November 30,	
	2022	2021
Liability related to the loyalty program	\$ 292,993	\$ 278,774
Affiliation fees received from hoteliers	53,874	54,173
Total contract liabilities	\$ 346,867	\$ 332,947

(o) *Significant Estimates and Assumptions*

Management of the Company has made certain estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with GAAP. Actual results could differ from those estimates.

(p) *Concentration of Credit Risk*

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable, principally from Members, net.

The Company has concentrated its credit risk for cash by maintaining deposits in financial institutions which exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash and cash equivalents.

Accounts receivable, principally from Members, net, are primarily from Member, franchisee, licensee fees and services, and product sales. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of hoteliers located throughout the world comprising the Company's customer base. The Company does not require collateral within credit limits established. In those instances when a Member, franchisee, or licensee requests product in excess of the credit limit allowed by Company policy, the Company requests a letter of credit, deposit, or prepayment to secure the collection of accounts receivable. The Company performs ongoing evaluations of its hotelier receivables; non-payment can lead to cancellation of the applicable Best Western membership, license or franchise.

Notes to Consolidated Financial Statements

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(q) *Advertising Costs*

Advertising costs are expensed as incurred and recorded as advertising and promotion expenses.

(r) *Foreign Currency*

Non-U.S. dollar assets and liabilities are remeasured using period-end exchange rates; income and expense items are remeasured at average exchange rates prevailing during the periods reported. Exchange rate gains and losses, unrealized and realized, are included in general and administrative expenses in the Consolidated Statements of Revenues and Expenses and were losses of approximately \$1.8 million and \$0.9 million during the years ended November 30, 2022 and 2021, respectively.

(s) *Self-Insurance Programs*

The Company self-insures for certain levels of employee medical and dental coverage. For medical, the Company accrues estimated costs of this self-insurance program based on its history of claims experience and the estimated time lag between the incident and the date claims are payable. Because of the short-term nature of the time lag, no discount rate is used when evaluating the present value of the projected settlements. The ultimate cost of claims for a covered period may differ from the original estimates.

(t) *Recent Accounting Guidance Not Yet Adopted*

In November 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-10 "Leases (Topic 842): Effective Dates" ("ASU 2019-10"). This was related to prior standards issued by the FASB, including ASU 2019-01 "Codification Improvements", which was issued in March 2019, and ASU 2018-11 "Targeted Improvements", which was issued in July 2018, amending ASU 2016-02 "Leases", which was issued in February 2016. This new guidance is intended to improve financial reporting regarding leasing transactions. These new standards will require companies that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. ASU 2019-10 deferred the effective date for private companies by one year to be effective for fiscal years beginning after December 15, 2020 for private companies. In June 2020, the FASB issued ASU 2020-05 "Leases (Topic 842): Effective Dates for Certain Entities", which allows for private companies to elect to defer adoption of the guidance by one additional year to become effective for reporting periods beginning after December 15, 2021. The Company is currently assessing the impact of the adoption of this guidance.

In November 2019, the FASB issued ASU 2019-10 "Financial Instruments – Credit Losses (Topic 326): Effective Dates". This was related to prior standards issued by the FASB, including ASU 2019-04 "Codification Improvements", which was issued in April 2019, ASU 2018-19 "Codification Improvements", which was issued in November 2018 amending ASU 2016-13 "Financial Instruments — Credit Losses", which was issued in June 2016. The main objective of this new guidance is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. ASU 2019-10 defers the effective date for private companies by two years. The standard is effective for fiscal years beginning after December 15, 2022 for private companies, and early adoption is permitted. The Company is currently assessing the impact of the adoption of this guidance.

In December 2019, the FASB issued ASU 2019-12 "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes". This new guidance is intended to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The standard is effective for fiscal years beginning after December 15, 2021 for private companies. The Company is currently assessing the impact of the adoption of this guidance.

(u) *New Accounting Standards Adopted*

In August 2018, the FASB issued ASU 2018-15 "Intangibles - Goodwill and Other - Internal Use Software (Subtopic 350-40)", which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The Company adopted this guidance in the first quarter of fiscal year 2022. There was no impact on the Company's financial statements.

Notes to Consolidated Financial Statements

November 30, 2022

(2) Accounts Receivable, Principally from Members, net and Allowance for Doubtful Accounts

Accounts receivable, principally from Members, net primarily consists of amounts due from hoteliers with whom we have membership, franchise, or license agreements and include reimbursements of costs we incurred on behalf of the hoteliers. We record an allowance for doubtful accounts when losses are probable, based on an assessment of historical collection activity and current business conditions.

The activity in the allowance for doubtful accounts which is included in accounts receivable, principally from Members, net in the Consolidated Statements of Financial Position consisted of the following:

(in thousands)	As of November 30,	
	2022	2021
Beginning balance	\$ 21,213	\$ 24,362
Recoveries	1,210	1,225
Provisions	(1,650)	(1,760)
Write offs	(3,400)	(2,614)
Ending balance	\$ 17,373	\$ 21,213

In the normal course of business, the Company extends credit to its hoteliers, tour operators, central bill accounts and other third parties. The Company evaluates the collectability of the accounts receivable balances based on a combination of factors. These factors include the type of relationship the Company has with the account, the prior experience the Company has with accounts in each relationship type, and an evaluation of current and projected economic conditions including the impact of COVID-19 as of the Consolidated Statements of Financial Position date. Based on the current economic conditions, the Company believes the estimate to be appropriate as of November 30, 2022. Actual collections of accounts receivable could differ from management's estimates.

(3) Debt and Equity Securities

The Company invests in debt and equity securities that are strategically and operationally important to the business.

Marketable securities held for investment purposes, which are recorded at cost or fair value, depending on the nature of the investment, in the Consolidated Statements of Financial Position, were as follows:

(in thousands)	As of November 30,	
	2022	2021
Short-term debt securities held-to-maturity (at cost)	\$ 13,035	\$ 16,509
Short-term debt securities available-for-sale (at fair value)	3,361	-
Total short-term debt securities	\$ 16,396	\$ 16,509

(in thousands)	As of November 30,	
	2022	2021
Long-term debt securities available-for-sale (at fair value)	\$ 68,573	\$ -
Long-term equity securities (at fair value)	37,630	-
Long-term debt securities held-to-maturity (at cost)	4,309	17,467
Total long-term debt and equity securities	\$ 110,512	\$ 17,467

Notes to Consolidated Financial Statements

November 30, 2022

Gross unrealized gains and losses for available-for-sale securities recognized on our Consolidated Statements of Financial Position were as follows:

November 30, 2022	Available-For-Sale Debt Securities				
	Amortized Cost basis	Gross Unrealized Gains	Gross Unrealized Losses	Accrued Interest	Fair Value
(in thousands)					
Corporate bonds	\$ 29,124	\$ 38	\$ (386)	\$ 257	\$ 29,033
Mortgage and asset-backed securities	25,780	185	(332)	77	25,710
U.S. treasury and government agency bonds	13,539	-	(190)	45	13,394
Municipal and provincial notes and bonds	3,803	51	(85)	28	3,797
Total available-for-sale debt securities	\$ 72,246	\$ 274	\$ (993)	\$ 407	\$ 71,934

The amortized cost basis and fair value of debt securities at November 30, 2022, by contractual maturity date, are shown below:

(in thousands)	Available-For-Sale Debt Securities	
	Amortized cost	Fair Value
Due in one year or less	\$ 3,364	\$ 3,361
Due after one year through five years	23,172	23,129
Due after five years through ten years	11,616	11,493
Due after ten years	34,094	33,951
Total	\$ 72,246	\$ 71,934

(in thousands)	Held-To-Maturity Debt Securities	
	Amortized cost	Fair Value
Due in one year or less	\$ 13,035	\$ 12,871
Due after one year through five years	4,309	4,118
Due after five years through ten years	-	-
Due after ten years	-	-
Total	\$ 17,344	\$ 16,989

The portion of unrealized gains and losses for the period related to equity securities still held at the reporting date is calculated as follows:

(in thousands)	Years Ended November 30,	
	2022	2021
Net unrealized gains recognized during the period on equity securities still held	\$ 762	\$ -
Less: Net realized losses recognized during the period on equity securities sold during the period	(43)	-
Net gains recognized during the period on equity securities	\$ 719	\$ -

Notes to Consolidated Financial Statements

November 30, 2022

(4) Prepaid Expenses and Other Current Assets

Prepaid expenses (primarily related to payments for insurance, software and hardware maintenance and support costs, third party internet, Global Distribution System's reservation fees, and advertising costs) and other current assets are expensed when services are rendered. Contract assets represent the current portion of the costs incurred to obtain a membership, licensee, or franchise agreement.

Prepaid expenses and other current assets consisted of the following:

(in thousands)	Years Ended November 30,	
	2022	2021
Prepaid expenses and other current assets	\$ 16,301	\$ 13,860
Current contract assets	964	943
Total	\$ 17,265	\$ 14,803

(5) Income Taxes

The income tax provision for the years ended November 30, 2022 and 2021, consisted of the following:

(in thousands)	Years Ended November 30,	
	2022	2021
Current:		
Federal	\$ 15,966	\$ 16,776
Foreign	335	275
State	(311)	3,453
Total current	15,990	20,504
Deferred:		
Federal	1,019	(3,795)
Foreign	28	(104)
State	132	(737)
Total deferred	1,179	(4,636)
Income tax provision	\$ 17,169	\$ 15,868

The provision for income tax differs from that computed using the federal statutory rate applied to income before taxes as follows:

(in thousands)	Years Ended November 30,	
	2022	2021
Income taxes computed at statutory rates	\$ 22,042	\$ 12,774
State taxes, net of federal benefit	3,364	2,089
Valuation allowance	912	1,493
Other non-deductible items	276	189
Non-deductible meals and entertainment	236	103
Research and development and foreign tax credit	(7,802)	60
Other	(1,040)	(294)
Foreign-derived intangible income	(819)	(546)
Income tax provision	\$ 17,169	\$ 15,868

Notes to Consolidated Financial Statements

November 30, 2022

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of November 30, 2022 and 2021, are presented below:

(in thousands)	As of November 30,	
	2022	2021
Deferred tax assets:		
Loyalty program	\$ 33,375	\$ 31,232
Deferred revenue	10,017	9,997
Deferred compensation plans	5,766	7,298
Allowance for doubtful accounts	4,286	5,237
Net operating loss	3,367	2,559
Compensated absences	1,519	1,424
Acquisition of new trademarks and trade names	690	729
Travel Card liability	646	1,042
Tax credits	572	572
Free night voucher liability	333	132
Total deferred tax assets	60,571	60,222
Deferred tax liabilities:		
Fixed assets	6,354	4,336
Prepaid expenses	1,614	1,638
Intangible assets	195	422
Other	(814)	337
Total deferred tax liabilities	7,349	6,733
Less valuation allowance	(4,018)	(3,106)
Net deferred tax assets	\$ 49,204	\$ 50,383

As of November 30, 2022 and 2021, the Company had no unrecognized tax benefits which would impact the Company's effective tax rate if recognized, and the Company has no accrued interest or penalties related to uncertain tax positions. Management is unaware of any provisions that need to be made for any penalties and fees that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty and the Company could be required to adjust its provision for income taxes in the period such resolution occurs.

The Company is subject to taxation and files income tax returns in the U.S. federal jurisdiction and in many state and foreign jurisdictions. Currently, the Company has statutes of limitation open in various states ranging from fiscal years ended November 30, 2018 through November 30, 2021, which relate to tax years 2017 through 2020. The federal statute of limitations is currently open from fiscal years ended November 30, 2019 through November 30, 2021, which relate to tax years 2018 through 2020.

The Company has not provided for applicable income or withholding taxes on the undistributed earnings from continuing operations of its subsidiaries operating outside of the United States. Undistributed net income of these subsidiaries as of November 30, 2022 and 2021, net to zero. Any undistributed earnings are considered permanently reinvested.

Notes to Consolidated Financial Statements

November 30, 2022

(6) Property, Equipment and Computer Software, net

Property, equipment and computer software consisted of the following:

(in thousands)	As of November 30,	
	2022	2021
Property and equipment, at cost:		
Furniture and equipment	\$ 29,189	\$ 30,827
Buildings	19,385	19,244
Land	2,335	2,335
Leasehold improvements	2,155	2,632
Land improvements	1,234	1,234
Work in process	70	6
Property and equipment	54,368	56,278
Less accumulated depreciation	(44,756)	(45,365)
Property and equipment, net	9,612	10,913
Computer software, at cost:		
Developed	80,819	65,740
Purchased	13,367	15,800
Work in process	2,260	3,182
Computer software	96,446	84,722
Less accumulated amortization	(74,806)	(67,967)
Computer software, net	21,640	16,755
Property, equipment and computer software, net	\$ 31,252	\$ 27,668

Depreciation and amortization expense consisted of the following:

(in thousands)	Years Ended November 30,	
	2022	2021
Depreciation of property and equipment	\$ 2,111	\$ 2,672
Amortization of computer software	10,064	9,278
Depreciation and amortization of property, equipment and computer software	12,175	11,950
Depreciation of hotel investments (Note 7)	1,377	-
Amortization of goodwill and other intangible assets (Note 15)	1,196	1,196
Depreciation and amortization	\$ 14,748	\$ 13,146

(7) Hotel Investments, net

In December 2019 and March 2020, the Company acquired land to develop two hotels, located in Tempe, Arizona, and Denver, Colorado, respectively. Property development costs, including property construction costs, interest and other financing fees, property taxes, architectural and engineering fees, and other direct and indirect development costs, are capitalized beginning when the development activity commences and ending when all infrastructure is substantially complete and the property is available for occupancy.

The hotels were under construction as of November 30, 2021. The Vib in Tempe, Arizona opened in March 2022 and the Vib in Denver, Colorado opened in June 2022. During the month the respective hotel opened, the development in process assets were placed into service and depreciation of these assets commenced.

The results of operations for the hotels are reported in other revenues and general and administrative expenses in the Consolidated Statements of Revenues and Expenses. Hotel operations revenues were \$3.3 million and \$0.0 million for the years ended November 30, 2022 and 2021, respectively. Hotel operations expenses were \$4.4 million and \$0.0 million for the years ended November 30, 2022 and 2021, respectively.

Notes to Consolidated Financial Statements

November 30, 2022

Hotel investments, net consisted of the following:

(in thousands)	As of November 30,	
	2022	2021
Hotel investments, at cost:		
Buildings	\$ 39,328	\$ -
Land	6,985	6,985
Furniture and equipment	6,431	-
Land improvements	1,362	-
Development in process	674	34,981
Hotel investments	54,780	41,966
Less accumulated depreciation	(1,377)	-
Hotel investments, net	\$ 53,403	\$ 41,966

Depreciation expense on hotel investments was approximately \$1.4 million and \$0.0 million for the years ended November 30, 2022 and 2021, respectively.

(8) Line of Credit

The Company had a Uncommitted Revolving Line of Credit and Security Agreement (the "LOC Agreement") with the Royal Bank of Canada ("RBC") at November 30, 2022 and 2021. The LOC Agreement allows for up to a \$160 million credit advance and is secured by the Company's unencumbered and unrestricted marketable securities ("Securities") at RBC. Based on the Company's Securities at RBC as of November 30, 2022, the Company may request a credit advance up to \$64 million at a variable interest rate based on the 1 month SOFR plus 0.75%. Interest is due and payable monthly, with the principal due and payable upon demand of the bank. The Company had no outstanding borrowings against this line of credit at November 30, 2022 and 2021.

(9) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

(in thousands)	As of November 30,	
	2022	2021
Accrued compensation and benefits	\$ 26,034	\$ 23,600
Accounts payable	24,679	20,047
Accrued liabilities	22,931	18,635
Travel Card liability	4,398	8,318
Total	\$ 78,042	\$ 70,600

(10) Contingencies and Commitments

From time to time, the Company has been, and expects to continue to be, subject to legal proceedings and claims in the ordinary course of business. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources, divert management's attention from the Company's business objectives, and adversely affect the Company's business, results of operations, financial condition and cash flow.

The Company is committed to providing certain payments or credits to: (i) applicants who were offered an incentive to become a new Member, and (ii) Members who were offered an incentive to allow approval of an application in a Member's protected area. These payments or credits are due and payable when the contract terms are met and refundable back to the Company or cease, pursuant to contract terms. As of November 30, 2022 and 2021, the amount of commitments not yet paid was \$11.4 million and \$11.2 million, respectively, which is not recorded in the Consolidated Statements of Financial Position.

Notes to Consolidated Financial Statements

November 30, 2022

(11) Leases

The Company leases certain office space and equipment under various operating leases, which expire on various dates through March 2028. Rental expenses on operating leases are recorded on a straight-line basis. Rental expense for operating leases was \$1.5 million and \$2.1 million for the years ended November 30, 2022 and 2021, respectively. The Company also has certain software agreements for which rental expense is recorded on a straight-line basis. Rental expense for software agreements was \$9.1 million and \$9.6 million for the years ended November 30, 2022 and 2021, respectively. These amounts are included in general and administrative expenses in the Consolidated Statements of Revenues and Expenses. Minimum future rentals on non-cancelable operating leases, having an initial or remaining term in excess of one year as of November 30, 2022 are as follows (in thousands):

Years ending November 30,	Office Space	Equipment	Total Minimum Rental
2023	\$ 719	\$ 205	\$ 924
2024	652	99	751
2025	446	50	496
2026	58	17	75
2027 and thereafter	77	-	77
Total	\$ 1,952	\$ 371	\$ 2,323

Future payments under the existing non-cancelable software agreements having an initial or remaining term in excess of one year are \$5.3 million over the next three years.

(12) Employee Retirement Savings Plans

The Company sponsors a 401(k) investment plan which is available to all U.S. employees on the first day of service, and a Canadian Registered Retirement Savings Plan (the "RRSP") which is available to all Canadian employees on the first day of service. Under the plans, employees may contribute a percentage of their eligible wages to the plans, subject to maximum statutory regulations. The Company contributes 3% of the annual salary of all eligible employees to these plans.

The Company may also contribute a discretionary amount, as determined by the Board of Directors, up to 6% of employees' eligible compensation, to be allocated in proportion to the employees' contributions provided an employee has worked 1,000 hours during the plan year and is employed on the last day of the plan year.

The Company's expense related to the 401(k) investment plan was \$7.1 million and \$5.8 million for the years ended November 30, 2022 and 2021, respectively, and the Company's expense related to the RRSP was \$124.0 thousand and \$95.2 thousand for the years ended November 30, 2022 and 2021, respectively. These amounts are included in compensation, taxes and benefits in the Consolidated Statements of Revenues and Expenses. The Company's liability related to the 401(k) investment plan was \$4.8 million and \$3.6 million as of November 30, 2022 and 2021, respectively, and \$75.2 thousand and \$55.7 thousand as of November 30, 2022 and 2021, respectively, for the RRSP and is included in accounts payable and accrued liabilities in the Consolidated Statements of Financial Position as of November 30, 2022 and 2021, respectively.

(13) Deferred Compensation Plans and Restricted Rabbi Trust Investments

Nonqualified Deferred Compensation Plan ("NQP") and Restricted Rabbi Trust ("Trust") Investments

The Company has a NQP in which key management employees of the Company, as determined by the Board of Directors, are selected to participate. The NQP is a defined contribution plan, in which participating employees may defer a percentage of their annual salaries and a percentage of any incentive compensation into the NQP. The Company contributes: (i) a non-discretionary contribution of 3% of a participating employee's compensation each pay period, and (ii) an annual discretionary contribution, as determined by the Board of Directors, up to 9% of a participating employee's annual compensation.

Notes to Consolidated Financial Statements

November 30, 2022

Effective December 1, 2020, the Company established a Trust, whereby the Company makes contributions to this Trust to provide the Company a source of funds to assist in satisfying the NQP liability. It is the intention of the Company that the NQP and the Trust shall constitute an unfunded arrangement for the purpose of providing tax-deferred compensation in accordance with Title I of the Employee Retirement Income Security Act of 1974, as amended. It is also the intention of the Company to fund the Trust and have its assets invested in a manner that matches each participant's deemed investment elections under the NQP, so that the investment gains and losses of the Trust mirror the investment gains and losses credited/debited to participants' accounts. Accordingly, the Company funded the Trust during fiscal year 2021, including an initial funding of \$20.2 million into the Trust in December 2020, based on amounts due and owing to participating employees at that time. The Trust balance was \$19.1 million and \$24.7 million as of November 30, 2022 and 2021, respectively. Realized and unrealized gains and losses on these investments were realized losses of \$0.5 million and unrealized gains of \$2.5 million, for the year ended November 30, 2022, and were realized gains of \$1.5 million and unrealized gains of \$2.3 million, respectively, for the year ended November 30, 2021, and are recognized in net realized and unrealized gains/losses on investments, interest and dividend income, and interest expense in the Consolidated Statements of Revenues and Expenses.

The Company's expense related to this NQP was \$1.6 million (including a liability reduction associated with net investment losses of \$2.0 million as of November 30, 2022) and \$4.4 million (including a liability provision associated with net investment gains of \$3.8 million as of November 30, 2021) for the years ended November 30, 2022 and 2021, respectively, and is included in compensation, taxes and benefits in the Consolidated Statements of Revenues and Expenses. The Company's total liability for the NQP was \$19.3 million and \$25.0 million as of November 30, 2022 and 2021, respectively, of which the current portion of \$3.6 million and \$3.2 million is included in accounts payable and accrued liabilities in the Consolidated Statements of Financial Position as of November 30, 2022 and 2021, respectively.

Long-term Incentive Plan

The Company has a long-term incentive plan for key executives, as determined by the Board of Directors. Amounts awarded under the plan for each performance period are payable to each key executive in March of the third year after the performance period ends. The key executive must be employed by the Company or retired from the Company on the payment date, noting there are qualifying events with regard to vesting. The plan allows for proration of the accrued benefit for key executives because of death, disability or retirement. The Company records expense for this plan over the three-year required service period. The Company's expense related to this plan was \$1.7 million and \$1.9 million for the years ended November 30, 2022 and 2021, respectively, and is included in compensation, taxes and benefits in the Consolidated Statements of Revenues and Expenses. The Company's total liability for this long-term incentive plan was \$4.1 million and \$4.5 million as of November 30, 2022 and 2021, respectively, of which the current portion of \$2.9 million and \$2.1 million is included in accounts payable and accrued liabilities in the Consolidated Statements of Financial Position as of November 30, 2022 and 2021, respectively.

(14) Related Party Transactions

Each member of our Board of Directors ("Director", or an entity affiliated with a Director) is a party to a membership agreement with the Company, and as a result, our Directors pay system and other fees to us based upon the terms of their respective membership agreements. Our Directors are party to such membership agreements on the same terms and conditions as each of the other Members of the Company.

Director compensation consisted of \$109,218 and \$104,198 in annual Director fees per district for the years ended November 30, 2022 and 2021, respectively. Directors are reimbursed reasonable, ordinary and necessary business and travel expenses in accordance with the Company's travel and expense policies.

Notes to Consolidated Financial Statements

November 30, 2022

(15) Amortizing Goodwill and Other Intangible Assets

Goodwill is allocated to two reporting units: (i) WorldHotels, and (ii) AutoClerk. Activity by reporting unit in the current and prior period is organized by reporting unit noted below.

WorldHotels

On February 15, 2019, the Company entered into and closed a definitive Share Sale and Purchase Agreement with WorldHotels Holdings, LLC ("WH Holdings") and ALHI Holdings, LLC ("ALHI") to purchase 100% of the outstanding shares of BV Acquisitions X GmbH from WH Holdings (thereby also acquiring BV Acquisitions' approximately 98% ownership of the outstanding shares of WorldHotels Aktiengesellschaft ("WH")), and assumed certain rights and obligations of ALHI. During 2020, the Company acquired the remaining approximately 2% ownership of the outstanding shares of WH and now owns 100% of the outstanding shares. The WorldHotels Acquisition was accounted for as a business combination in accordance with ASC Topic 805, Business Combinations.

The total purchase price was allocated based upon: (i) the amounts reported in the WH historical financial statements for any assets that were reported at fair value in accordance with WH's historical accounting policies, or (ii) management's estimates of fair value. The Company determined estimated fair value for other intangible assets with the assistance of valuations performed by third-party specialists. Other intangible assets of acquired customers and trademarks and trade names were valued at \$2.1 million and \$1.3 million, respectively. To the extent the consideration exceeded the fair value of the net assets acquired in this transaction, the excess was assigned to goodwill.

As of August 31, 2022 and 2021, a quantitative analysis of goodwill and other intangible asset impairment was performed. An impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. To estimate the fair value for the reporting unit, the Company utilized a combination of market and income approach valuation methods via quoted market prices, market multiples of comparable businesses, and performance of a discounted cash flow analysis. No impairment was recorded for the years ended November 30, 2022 and 2021.

AutoClerk

On July 31, 2019, the Company entered into and closed a definitive Share Sale and Purchase Agreement with the shareholders of AutoClerk, Inc. ("AC"), to purchase 100% of the outstanding shares of AC. The AC Acquisition was accounted for as a business combination in accordance with ASC Topic 805, Business Combinations.

The total purchase price was allocated based upon: (i) the amounts reported in the AC historical financial statements for any assets that were reported at fair value in accordance with AC's historical accounting policies, or (ii) management's estimates of fair value. The Company determined estimated fair value for other intangible assets with the assistance of valuations performed by third-party specialists. Other intangible assets of developed technology and acquired customers were valued at \$1.9 million and \$1.5 million, respectively. To the extent the consideration exceeded the fair value of the net assets acquired in this transaction, the excess was assigned to goodwill.

The Company assessed the qualitative factors attributable to the AC reporting unit and determined that the fair value of the reporting unit is not more likely than not less than its carrying amount as of August 31, 2022 and 2021. Therefore, no quantitative analysis was performed and no impairment was recorded for the years ended November 30, 2022 and 2021.

Notes to Consolidated Financial Statements

November 30, 2022

Amortized goodwill and other intangible assets consisted of the following:

(in thousands)	As of November 30, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount at November 30
Amortizing goodwill:			
WorldHotels	\$ 4,554	\$ (1,211)	\$ 3,343
AutoClerk	2,198	(733)	1,465
Amortizing other intangible assets:			
Acquired customers:			
AutoClerk	1,500	(667)	833
Developed technology:			
AutoClerk	1,900	(792)	1,108
(in thousands)	As of November 30, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount at November 30
Amortizing goodwill:			
WorldHotels	\$ 4,554	\$ (673)	\$ 3,881
AutoClerk	2,198	(513)	1,685
Amortizing other intangible assets:			
Acquired customers:			
AutoClerk	1,500	(467)	1,033
Developed technology:			
AutoClerk	1,900	(554)	1,346

The Company has elected the private-company alternative to amortize goodwill over 10 years. Amortization expense for goodwill was approximately \$0.8 million and \$0.8 million for the years ended November 30, 2022 and 2021, respectively, and is estimated to be approximately \$0.8 million annually for fiscal years ended 2023 through 2027.

Acquired customers and developed technology are definite-life intangible assets, and as such, amortization expense is calculated using a method that most appropriately reflects expected cash flows from these assets with an amortization period, ranging from 7.5 years to 10 years, depending on the type of asset. Amortization expense for definite-life intangible assets was approximately \$0.4 million and \$0.4 million for the years ended November 30, 2022 and 2021, respectively, and is estimated to be approximately \$0.4 million annually for fiscal years ended 2023 through 2027.

Trademarks and trade names are indefinite-life assets as there is no foreseeable limit to the cash flows generated by these assets. The Company has determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful lives of these acquired trademarks and trade names and therefore are considered to be indefinite-lived intangible assets that are not subject to amortization. Trademarks and trade names value resulting from the WorldHotels acquisition was \$1.3 million as of November 30, 2022 and 2021.

(16) Joint Venture

On May 2, 2019, the Company's wholly owned subsidiary, BWI DevCo Denver 3560, LLC, and a third-party, TWC, entered into a joint venture Contribution Agreement and formed Denver 3560, a Colorado limited liability company to develop, build, own and operate a Best Western Vīb-branded hotel in Denver. Under the terms of the Contribution Agreement, the Company's interest in the joint venture is seventy-five percent (75%) and the TWC interest in the joint venture is twenty-five percent (25%). The hotel started operations in mid-2022.

The joint venture was accounted for as a variable interest entity in accordance with ASC Topic 810, "Consolidations". The Company evaluated the provisions of this standard and determined that the joint venture should be consolidated as the Company has both the power to direct the activities of the joint venture and will participate in the benefits.

Notes to Consolidated Financial Statements

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The Company has consolidated the results of the Denver 3560 joint venture as of November 30, 2022 and 2021. The contribution by the Company was \$0.7 million and \$0.7 million in the fiscal years ending November 30, 2022 and 2021, respectively, with total contributions of \$6.8 million since inception. The contribution by TWC was \$0.2 million and \$0.2 million in the fiscal years ending November 30, 2022 and 2021, respectively, with total contributions of \$2.3 million since inception through November 30, 2022. The total contributions were used primarily for the land purchase, development and other start-up construction related costs, which are included in hotel investments, net in the Consolidated Statements of Financial Position. The equity contribution from the joint venture partner of \$2.3 million, offset by 25% of the net loss from operations amounting to \$0.3 million, are included in non-controlling interests in the Consolidated Statements of Financial Position. The contributions by TWC are presented as a supplemental disclosure in the Consolidated Statements of Cash Flows.

(17) Construction Loans

Denver 3560

In March 2020, Denver 3560 entered into an initial Construction Loan Agreement (the "Denver Loan") with UMB Bank, which allowed Denver 3560 to request advances up to \$21.6 million. In July 2021, this Denver Loan was modified to increase the availability of loan advances from \$21.6 million to \$24.4 million. For the period May 1, 2020 through April 1, 2023, interest on the outstanding principal balance of the Denver Loan is due and payable monthly. Beginning April 1, 2023, through the maturity date of March 11, 2027, principal and interest are due and payable in an amount determined by UMB to be sufficient to amortize the outstanding principal balance of the Denver Loan over a twenty-five (25) year period. The outstanding principal balance of this Denver Loan is due and payable on the maturity date. Principal due over the next five years as of November 30, 2022 is as follows (in thousands):

Years ending November 30,	Principal
2023	\$ 424
2024	644
2025	665
2026	687
2027	21,365
Total	\$ 23,785

The interest rate on the Denver Loan is a fixed annual rate of 3.21% and is computed and accrued on an ACT/360 basis. The Denver Loan is secured by, among other things, the Deed of Trust and is guaranteed by the Company.

The Company had borrowings of \$23.8 million and \$14.6 million as of November 30, 2022 and 2021, respectively. The current portion of \$0.4 million and \$0.0 million is included in accounts payable and accrued liabilities and \$23.4 million and \$14.6 million is included in non-current construction loans in the Consolidated Statements of Financial Position for the years ended November 30, 2022 and 2021, respectively.

Interest costs of \$0.5 million and \$0.2 million were capitalized and included in hotel investments, net in the Consolidated Statements of Financial Position for the years ended November 30, 2022 and 2021, respectively. Accrued interest of \$0.7 million and \$0.2 million was included in non-current construction loans in the Consolidated Statements of Financial Position for the years ended November 30, 2022 and 2021, respectively.

The Company is required to maintain certain financial and operational covenants. At November 30, 2022 and 2021, the Company was in compliance with all covenants.

Notes to Consolidated Financial Statements

November 30, 2022

DevCo Tempe

In October 2020, company wholly owned DevCo Tempe entered into a Construction Loan Agreement (the “Tempe Loan”) with UMB Bank. Under terms of the Tempe Loan, DevCo Tempe can request advances up to \$15.3 million. For the period November 1, 2020 through October 31, 2023, interest on the outstanding principal balance of the Tempe Loan is due and payable monthly. Beginning November 1, 2023, through the maturity date of October 2, 2027, principal and interest are due and payable in an amount determined by UMB to be sufficient to amortize the outstanding principal balance of the Tempe Loan over a twenty-five (25) year period. The outstanding principal balance of this Tempe Loan is due and payable on the maturity date. Principal due over the next five years as of November 30, 2022 is as follows (in thousands):

Years ending November 30,	Principal
2023	\$ 74
2024	372
2025	386
2026	399
2027	13,343
Total	\$ 14,574

The interest rate on the Tempe Loan is a fixed annual rate of 3.50% and is computed and accrued on an ACT/360 basis. The Tempe Loan is secured by, among other things, the Deed of Trust and is guaranteed by the Company.

The Company had borrowed \$14.6 million and \$10.4 million as of November 30, 2022 and 2021, respectively. The current portion of \$0.1 million and \$0.0 million is included in accounts payable and accrued liabilities and \$14.5 million and \$10.4 million is included in non-current construction loans in the Consolidated Statements of Financial Position for the years ended November 30, 2022 and 2021, respectively.

Interest costs of \$0.2 million and \$0.1 million were capitalized and included in hotel investments, net in the Consolidated Statements of Financial Position for the years ended November 30, 2022 and 2021, respectively. Accrued interest of \$0.3 million and \$0.1 million was included in non-current construction loans in the Consolidated Statements of Financial Position at November 30, 2022 and 2021, respectively.

The Company is required to maintain certain financial and operational covenants. At November 30, 2022 and 2021, the Company was in compliance with all covenants.

(18) Subsequent Events

In connection with the preparation of the consolidated financial statements, the Company evaluated events and transactions occurring after November 30, 2022, for potential recognition or disclosure. The Company has evaluated its subsequent events through February 21, 2023, the date financial statements were available to be issued.

Report of Independent Auditors

To the Board of Directors and Members of Best Western International, Inc.

We have audited the accompanying consolidated financial statements of Best Western International, Inc. (the Company), which comprise the consolidated statements of financial position as of November 30, 2021 and 2020, and the related consolidated statements of revenues and expenses, other comprehensive revenues and expenses, cash flows and changes in net assets for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 consolidated financial position of Best Western International, Inc. at November 30, 2021 and 2020, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers (Topic 606)"

As discussed in Note 1(u) to the financial statements, the Company changed its method for recognizing revenue from contracts with its customers as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," and the subsequently issued amendments, effective December 1, 2020 using the full retrospective adoption method. Our opinion is not modified with respect to this matter.

Phoenix, Arizona
February 18, 2022

Ernst + Young LLP

Consolidated Statements of Financial Position

(in thousands)	As of November 30,	
	2021	2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 244,555	\$ 173,533
Restricted cash	10,613	9,795
Short-term investments	16,509	39,465
Accounts receivable, principally from Members, net	62,626	30,126
Prepaid expenses and other current assets	14,803	14,051
TOTAL CURRENT ASSETS	349,106	266,970
Property, equipment and computer software, net	27,668	26,545
Hotel investments	41,966	12,608
Long-term investments	17,467	36,115
Restricted Rabbi Trust investments	24,715	-
Deferred income taxes	50,383	45,746
Other assets, net	25,437	28,816
TOTAL ASSETS	\$ 536,742	\$ 416,800
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 70,600	\$ 47,984
Current frequent stay program liability	88,837	72,154
Current deferred revenue	16,261	16,055
Deposits	12,617	12,292
Income taxes payable	1,294	411
Line of credit	-	-
TOTAL CURRENT LIABILITIES	189,609	148,896
Non-current frequent stay program liability	190,471	181,323
Non-current deferred affiliation fee revenue	49,170	51,119
Non-current deferred compensation plans liability	24,248	23,045
Construction loans	24,950	-
TOTAL LIABILITIES	478,448	404,383
NET ASSETS:		
Retained earnings	56,134	11,169
Accumulated other comprehensive income (loss)	135	(543)
TOTAL BEST WESTERN INTERNATIONAL, INC. NET ASSETS	56,269	10,626
Non-controlling interests	2,025	1,791
TOTAL NET ASSETS	58,294	12,417
TOTAL LIABILITIES AND NET ASSETS	\$ 536,742	\$ 416,800

See accompanying notes to consolidated financial statements.

Consolidated Statements of Revenues and Expenses

(in thousands)	Years Ended November 30,	
	2021	2020
REVENUES:		
Fees, dues and assessments	\$ 232,086	\$ 178,039
Program revenues	109,038	96,934
Other revenues	36,712	32,987
TOTAL REVENUES	377,836	307,960
EXPENSES:		
Compensation, taxes and benefits	151,246	133,531
Advertising and promotion	83,808	34,332
Depreciation and amortization	13,146	13,984
General and administrative	61,177	78,847
Program cost of sales	12,580	11,775
TOTAL EXPENSES	321,957	272,469
Net gains on investments and interest income	4,954	3,005
Impairment of goodwill and other intangible assets	-	(2,497)
Excess of revenues over expenses before income taxes	60,833	35,999
Income tax provision	(15,868)	(9,297)
Excess of revenues over expenses	44,965	26,702
Excess of expenses over revenues attributable to non-controlling interests	-	117
EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO BEST WESTERN INTERNATIONAL, INC.	\$ 44,965	\$ 26,819

See accompanying notes to consolidated financial statements.

Consolidated Statements of Other Comprehensive Revenues and Expenses

(in thousands)	Years Ended November 30,	
	2021	2020
EXCESS OF REVENUES OVER EXPENSES:		
Foreign currency translation adjustment, net of tax expense (benefit)	\$ 44,965 678	\$ 26,702 (611)
Comprehensive excess of revenues over expenses	45,643	26,091
Comprehensive excess of expenses over revenues attributable to non-controlling interests	-	117
COMPREHENSIVE EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO BEST WESTERN INTERNATIONAL, INC.	\$ 45,643	\$ 26,208

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands)	Years Ended November 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 44,965	\$ 26,702
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	13,146	13,984
Impairment of goodwill and other intangible assets	-	2,497
Provision for doubtful accounts	(1,760)	19,335
Net gains on restricted Rabbi Trust investments	(3,823)	-
Amortization of bond discounts/premiums, net	105	57
Provision for deferred income taxes	(4,613)	(7,390)
Loss on disposition of property, equipment and computer software	64	185
Changes in assets and liabilities:		
Accounts receivable	(30,758)	19,499
Prepaid expenses and other current assets	(760)	19,607
Income taxes	893	353
Other assets, net	2,182	(2,235)
Accounts payable, accrued liabilities and deferred compensation plans liability	19,390	(26,106)
Deferred revenue	(1,722)	(2,338)
Frequent stay program liability	25,830	3,381
Deposits	1,002	(2,016)
NET CASH PROVIDED BY OPERATING ACTIVITIES	64,141	65,515
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturity of investments	41,500	62,747
Purchase of investments	-	(19,379)
Development costs of hotel investments	(24,976)	(9,578)
Fund restricted Rabbi Trust investments	(20,661)	-
Purchase of property, equipment and computer software	(12,719)	(8,226)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(16,856)	25,564
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from construction loans	24,684	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	24,684	-
Net increase in cash and cash equivalents, and restricted cash	71,969	91,079
Effect of foreign exchange rate changes on cash and cash equivalents, and restricted cash	(129)	(197)
Cash and cash equivalents, and restricted cash at beginning of period	183,328	92,446
CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	\$ 255,168	\$ 183,328

Continues on next page.

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands)	Years Ended November 30,	
	2021	2020
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest, net of capitalized interest of \$266 and \$0 for the years ended November 30, 2021 and 2020, respectively	\$ 23	\$ 30
Income taxes	19,836	16,230
Income tax refunds received	\$ 195	\$ 55
Non-cash investing activities:		
Disposal of fully depreciated property, equipment and computer software	\$ 5,445	\$ 2,118
Accrued additions to hotel investments	4,148	922
Accrued additions to property, equipment and computer software	421	325
Employee contributions to the restricted Rabbi Trust investments	231	-
Non-cash financing activities:		
Equity contribution from joint venture partner	\$ 234	\$ 1,142

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

(in thousands)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests in Consolidated Subsidiaries	Total Net Assets
Balance - November 30, 2019	\$ 99,045	\$ 68	\$ 619	\$ 99,732
Adoption of ASU 2014-09 (see note 1(u))	(114,548)	-	-	(114,548)
Total excess of revenues over expenses	26,819	-	(117)	26,702
Foreign currency translation adjustment	-	(611)	-	(611)
Contributions from non-controlling interests	-	-	1,142	1,142
Non-cash acquisition of non-controlling interest	(147)	-	147	-
Balance - November 30, 2020	11,169	(543)	1,791	12,417
Total excess of revenues over expenses	44,965	-	-	44,965
Foreign currency translation adjustment	-	678	-	678
Contributions from non-controlling interests	-	-	234	234
Balance - November 30, 2021	\$ 56,134	\$ 135	\$ 2,025	\$ 58,294

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

November 30, 2021

(1) Business, Organization and Summary of Significant Accounting Policies

(a) Nature of Business

Best Western International, Inc. and its consolidated subsidiaries ("Best Western" or the "Company") is a membership organization incorporated as a non-profit corporation in the State of Arizona. The Company is a membership association of hotels established solely to provide revenue generating opportunities and to leverage marketing and purchasing power to benefit the holders of the Company's membership interests (the "Members"). The exceptions to the membership structure are the wholly owned subsidiaries: (i) SureStay, Inc. ("SureStay"), which is a franchisor, (ii) soft brand licensees, (iii) World Hotels GmbH ("WorldHotels"), (formerly known as World Hotels AG), which is a licensor, (iv) AutoClerk, Inc. ("AutoClerk"), which provides property management services, and (v) BWI DevCo Tempe, LLC ("DevCo Tempe"), which owns and is developing a Best Western branded hotel. The Company's wholly owned subsidiary, BWI DevCo Denver 3560, LLC, and T.W.C. LLC ("TWC"), entered into a joint venture Contribution Agreement and formed Denver 3560, LLC ("Denver 3560"), a Colorado limited liability company to develop, build, own and operate a Best Western branded hotel.

Best Western branded hotels, SureStay branded hotels, and WorldHotels branded hotels, collectively referred to as BWH Hotel Group ("BWHG"), are located throughout the world. As of November 30, 2021, there are approximately 4,500 hotels in over 100 countries and territories worldwide associated with BWHG, that are activated or currently in the development pipeline to be activated on our reservations platform.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of the Company, our wholly owned subsidiaries and entities in which the Company has a controlling financial interest, including variable interest entities where the Company is the primary beneficiary.

The determination of a controlling financial interest is based upon the terms of the governing agreements of the respective entities, including the evaluation of rights held by other ownership interests. If the entity is considered to be a variable interest entity, the Company determines whether the Company is the primary beneficiary, and then consolidates those variable interest entities for which the Company has determined that the Company is the primary beneficiary.

All significant intercompany transactions and balances are eliminated in consolidation.

(c) Basis of Presentation

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and, accordingly, ultimate results could differ from those estimates. The coronavirus ("COVID-19") pandemic began in early 2020 and had a significant impact on our results for the twelve months ended November 30, 2020, which has continued in 2021. Management is making estimates and judgments in light of these circumstances and actual results are unlikely to be comparable to past performance or indicative of future performance and could differ materially from our estimated amounts. In our opinion, the consolidated financial statements reflect all adjustments, including normal recurring items, considered necessary for a fair presentation of financial performance.

(d) Reclassifications

In the Consolidated Statements of Financial Position as of November 30, 2020, property, equipment and computer software, net of \$12.6 million was reclassified to hotel investments to conform with the current year presentation.

In the Consolidated Statements of Revenues and Expenses for the year ended November 30, 2021, other revenues of \$3.0 million was reclassified to net gains on investments and interest income, and general and administrative expenses of \$2.5 million was reclassified to impairment of goodwill and other intangible assets to conform with the current year presentation.

Notes to Consolidated Financial Statements

November 30, 2021

(e) *Cash and Cash Equivalents*

Cash and cash equivalents include highly liquid money market instruments that have original maturities of three months or less at the date of purchase.

(f) *Restricted Cash*

Restricted cash is primarily comprised of annual dues paid by Members prior to the related service period. Annual dues are held in a custodial account and are not available to the Company until December of the following fiscal year. As of November 30, 2021 and 2020, there was \$10.6 million and \$9.8 million of restricted cash, respectively.

The following table provides a reconciliation of cash and cash equivalents, and restricted cash reported in the Consolidated Statements of Financial Position that sum to the total of such amounts shown in the Consolidated Statements of Cash Flows:

(in thousands)	As of November 30,	
	2021	2020
Cash and cash equivalents	\$244,555	\$173,533
Restricted cash	10,613	9,795
Total cash and cash equivalents, and restricted cash shown in the consolidated statements of cash flows	\$255,168	\$183,328

(g) *Investments*

Investments consist of certificates of deposits, U.S. treasury and government agency bonds, and corporate bonds, and are classified as short-term or long-term investments based on maturity dates. The Company has not recognized any investment impairments during the years ended November 30, 2021 and 2020.

(h) *Restricted Rabbi Trust Investments*

The Company has a Nonqualified Deferred Compensation Plan ("NQP") in which key management employees of the Company, as determined by the Board of Directors, are selected to participate. The NQP was restated effective December 1, 2020, to provide for the use of a Rabbi Trust and to amend the design of the Company's contributions ("Amendment"). Effective December 1, 2020, the Company established a NQP Rabbi Trust (the "Trust"), whereby the Company makes contributions to this Trust to provide the Company a source of funds to assist in satisfying the NQP liability. The investments included in this Trust are carried at fair value, and recorded in restricted Rabbi Trust investments in the Consolidated Statements of Financial Position (see note 12).

(i) *Fair Value of Financial Instruments*

The carrying amount reflected in the Consolidated Statements of Financial Position for cash and cash equivalents, other assets, accounts receivable and accounts payable approximate their respective fair values based on their liquidity and/or the short-term nature of these instruments. The Company measures and discloses the estimated fair value of financial assets and liabilities utilizing a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

- Level 1 – quoted prices for identical instruments in active markets;
- Level 2 – quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3 – fair value measurements derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company measures fair value using a set of standardized procedures for all assets and liabilities which are required to be measured at their estimated fair value on either a recurring or non-recurring basis. When available, the Company

Notes to Consolidated Financial Statements

November 30, 2021

utilizes quoted market prices from an independent third-party source to determine fair value and classifies such items in Level 1.

In accordance with the fair value accounting requirements, companies may choose to measure eligible financial instruments and certain other items at fair value. The Company has not elected the fair value option for any eligible financial instruments.

The investments in the Trust are restricted and are designated as trading securities and carried at fair value. The fair market value of these restricted investments are measured using Level 1 inputs (quoted prices for identical assets in active markets).

The following tables present information about the carrying value of the Company's financial assets compared to fair value as of November 30, 2021 and 2020, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value. The investments in certificates of deposits, U.S. treasury and government agency bonds, and corporate bonds are included in short-term and long-term investments in the Consolidated Statements of Financial Position, and the investments held in a restricted Rabbi Trust are included in restricted Rabbi Trust investments in the Consolidated Statements of Financial Position.

Carrying Value vs. Fair Value Measurements

(in thousands)	November 30, 2021			
	Carrying Value	Total	Fair Value	
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments in certificates of deposits	\$ 9,750	\$ 9,904	\$ 9,904	\$ -
U.S. treasury and government agency bonds	11,051	11,126	11,126	-
Corporate bonds	13,175	13,298	-	13,298
Restricted Rabbi Trust investments	24,715	24,703	24,703	-
Total	\$ 58,691	\$ 59,031	\$ 45,733	\$ 13,298

(in thousands)	November 30, 2020			
	Carrying Value	Total	Fair Value	
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments in certificates of deposits	\$ 15,250	\$ 15,674	\$ 15,674	\$ -
U.S. treasury and government agency bonds	32,072	32,598	32,598	-
Corporate bonds	28,258	28,783	-	28,783
Total	\$ 75,580	\$ 77,055	\$ 48,272	\$ 28,783

(j) *Property, Equipment and Computer Software and Hotel Investments*

Property, equipment and computer software and hotel investments are recorded at cost. Costs of improvements that extend the economic life or improve service potential are also capitalized. Depreciation on land improvements, buildings, and furniture and equipment is computed using straight-line and accelerated methods over estimated useful lives ranging from 3 to 39 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the related lease term or the estimated useful lives of the assets.

Notes to Consolidated Financial Statements

November 30, 2021

Purchased software license fees and related implementation costs, and costs to develop software for internal use are capitalized and amortized on a straight-line basis over a three-year useful life. Repair and maintenance costs are charged to expenses as incurred.

The Company is developing two hotels and the amounts related to these development projects are included in hotel investments in the Consolidated Statements of Financial Position (see notes 6, 15, and 16).

(k) *Goodwill and Other Intangible Assets*

Goodwill arises from business combinations and represents the excess of the cost of an acquired entity over the net fair value amounts that were assigned to the identifiable assets acquired and the liabilities assumed. Goodwill is amortized on a straight-line basis over a ten-year useful life and is tested for impairment if circumstances indicate that the goodwill carrying value may exceed its fair value. Goodwill is included in other assets, net in the Consolidated Statements of Financial Position.

Other intangible assets include acquired customers, developed technologies, and trademarks and trade names resulting from business acquisitions. Other intangible assets are valued based on their acquisition date fair values and, other than trademarks and trade names, are amortized using the straight-line method over their estimated useful lives, ranging from 7.5 years to 10 years. Other intangible assets are included in other assets, net in the Consolidated Statements of Financial Position.

The Company evaluates the potential impairment of goodwill and other intangible assets annually. In evaluating these assets for impairment, the Company may elect to first assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit or the intangible assets is less than its carrying amount. If the conclusion is that the fair value of the assets is not more likely than not less than its carrying value, then no further testing is required. If the conclusion is that the fair value of the assets is more likely than not less than its carrying value, then a quantitative impairment test is performed. For intangible assets, if the carrying value is greater than the fair value of the assets, an impairment charge is recognized for this excess. The Company may elect to forgo the qualitative assessment and move directly to the quantitative impairment tests for goodwill and other intangible assets. The Company determines the fair value of its reporting units and intangible assets using income and market methods.

Goodwill has been allocated to two reporting units: (i) WorldHotels, and (ii) AutoClerk. The Company performed the quantitative impairment test for the WorldHotels reporting unit in both 2021 and 2020. As of August 31, 2020, the Company determined that the carrying value of the WorldHotels reporting unit exceeded the fair value. As a result, the Company recognized an impairment charge of \$0.7 million for goodwill and \$1.8 million for acquired customers, which is included in impairment of goodwill and other intangible assets in the Consolidated Statements of Revenues and Expenses during the year ended November 30, 2020. As of November 30, 2021, the Company determined that the fair value of the WorldHotels reporting unit exceeded the carrying value and no impairment was recorded. The Company performed the qualitative impairment analysis for the AutoClerk reporting unit during both 2021 and 2020, concluding that it is more likely than not that the fair value of the reporting unit is greater than its carrying amount (see note 14).

(l) *Impairment or Disposal of Long-Lived Assets*

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Other than noted above in note 1(k), the Company has not recognized any impairments during the years ended November 30, 2021 and 2020.

(m) *Income Taxes*

The Company utilizes the liability method of accounting for income taxes whereby deferred taxes are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

Recognition of deferred tax assets is limited to amounts considered by management to be more likely than not realized in future periods.

Notes to Consolidated Financial Statements

November 30, 2021

The Company assesses whether a valuation allowance should be established based on its determination of whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Both positive and negative evidence is considered when determining the necessity of the valuation allowance as well as the sources of taxable income supporting the realization of the deferred tax assets, including taxable income in carryback years, future reversals of existing taxable temporary differences, tax-planning strategies and projected taxable income from future operations.

Based on the history of positive earnings, in addition to the expected reversal of taxable temporary differences and forecasted positive results of operations, management determined, based on its assessment of both positive and negative evidence and objective and subjective evidence, that it is more likely than not that the Company will realize its deferred tax assets, with the exception of certain deferred tax assets related to foreign net operating losses, ("NOL"), and foreign tax credit, ("FTC"), carryforwards. The Company has provided a valuation allowance against net deferred tax assets for certain foreign loss entities as the realization of such assets are not more likely than not to occur.

As of November 30, 2021, the Company had foreign NOL carryforwards of \$7.9 million and U.S. FTC carryforwards of \$0.6 million. The foreign NOLs will not expire and will carryforward indefinitely. The FTC carryforwards were generated in the years ended November 30, 2019 and 2020, in the amounts of \$0.2 million and \$0.4 million, respectively, and expire in the years ended November 30, 2029 and 2030, respectively.

The Company reviews uncertain tax positions taken, or expected to be taken, in the course of preparing the Company's tax returns to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Management of the Company is required to analyze all open tax years, as defined by the statutes of limitations for all major jurisdictions, which include federal, state, and foreign. As of November 30, 2021 and 2020, the Company has not recognized any asset or liability for unrecognized income tax benefits or liabilities. It is the Company's policy to recognize interest and penalties related to uncertain tax positions as a component of the income tax provision.

(n) *Revenue Recognition*

Fees, dues and assessments

Fees, dues and assessments are established by the membership and the Board of Directors to compensate the Company for providing services to Members, soft brand licensees, SureStay franchisees, and WorldHotels licensees. The Company has performance obligations to provide hotel support, marketing, and technology services, and a license to our hotel system intellectual property for the use of our brand names. Our performance obligations are a series of distinct goods or services, for which we receive the following types of variable consideration through our membership agreements with our Members. Monthly fees and assessments (which include advertising, sales and marketing and technology) represent fixed and variable consideration and are billed monthly and recognized as revenue in the same month as the services are provided and charges become fixed or determinable and payable. Annual dues are established, billed and payable each year for continuing membership during the succeeding year. Annual dues are recognized as revenue ratably in the year to which the continuing membership applies. Any Member may resign from the Company at any time, but if the Member resigns or is terminated, fees and dues become immediately due and payable per the terms of the applicable contract and are recognized as revenue when cash is received regardless of the term of the contract.

Affiliation fee revenues from Best Western branded hotels are fixed consideration payable upon approval of the Member or licensee by the Board of Directors and acceptance of membership or license terms by the property owner. These revenues are recognized on a straight-line basis over the hotelier's expected life as a BWHG branded hotel or over the initial contract term. SureStay franchisee initial fees are due upon execution of a franchise agreement and recognized over the initial term of the franchise agreement. WorldHotels hotel integration fees are recognized on a straight-line basis over the expected life as a WorldHotels branded hotel. Affiliation fee revenues were \$7.8 million and \$7.1 million for the years ended November 30, 2021 and 2020, respectively.

Best Western Rewards® frequent stay program ("BWR® program")

The Company administers the BWR program for the benefit of BWHG and BWR program members. Under our BWR program, we have a performance obligation to provide or arrange for the provision of goods or services between BWR program members and BWHG hotels in exchange for the redemption of points earned from past activities. Costs of operating the BWR program, including costs for marketing, promotion, and other member services, are charged to

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the BWHG hotels through an assessment fee that is based on members' qualified expenditures. The assessment fees received from the BWHG hotels are deferred and recognized as program revenues as the loyalty points are redeemed and the related service, net of redemption expense, is provided. The amount of revenue the Company recognizes upon point redemption is impacted by the Company's estimate of the "breakage" for points that BWR members will never redeem. The Company estimates breakage based on historical experience and expectations of future BWR member behavior. All BWR program costs are recognized as incurred.

Program revenues in excess of redemption costs are used to fund the operational expenses of the program.

Best Western Travel Card® (a card having no expiration date and no usage or non-usage fees) revenue is recognized when: (i) the Best Western Travel Card is redeemed, or (ii) the likelihood of the Best Western Travel Card being redeemed is remote (Best Western Travel Card breakage), and the Company determines that there is not a legal obligation to remit the unredeemed Best Western Travel Card balance to the relevant jurisdiction. The determination of the Best Western Travel Card breakage rate is based upon Company specific historical redemption patterns. Best Western Travel Card breakage is included in program revenues in the Consolidated Statements of Revenues and Expenses.

Other revenues in the Consolidated Statements of Revenues and Expenses consist of international fees and other fees from hotelier meetings, training, quality assurance inspections and other services, and are recognized in the month the services are provided. International fees include fees and charges for reservations and other services billed to international organizations monthly and were \$16.5 million and \$16.7 million for the years ended November 30, 2021 and 2020, respectively.

All other revenue sources, such as program fees, are recognized in the month that the product or service is provided. Revenues, including rebates from vendors, and associated costs of product sold to hoteliers when the Company does not assume the risk and rewards of ownership of the product, is not the primary obligator, and does not possess other indicators of gross reporting, are reported as a net amount earned and included in program revenues in the Consolidated Statements of Revenues and Expenses.

(o) *Significant Estimates and Assumptions*

Management of the Company has made certain estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with GAAP. Actual results could differ from those estimates.

(p) *Concentration of Credit Risk*

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable, principally from Members, net.

The Company has concentrated its credit risk for cash by maintaining deposits in financial institutions which exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash and cash equivalents.

Accounts receivable, principally from Members, net, are primarily from Member, franchisee, licensee fees and services, and product sales. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of hoteliers, located throughout the world, comprising the Company's customer base. The Company does not require collateral within credit limits established. In those instances when a Member, franchisee, or licensee requests product in excess of the credit limit allowed by Company policy, the Company requests a letter of credit, deposit, or prepayment to secure the collection of accounts receivable. The Company performs ongoing evaluations of its hotelier receivables; non-payment can lead to cancellation of the applicable Best Western membership, license or franchise.

(q) *Advertising Costs*

Advertising costs are expensed as incurred and recorded as advertising and promotion expenses.

(r) *Foreign Currency*

Non-U.S. dollar assets and liabilities are remeasured using period-end exchange rates; income and expense items are remeasured at average exchange rates prevailing during the periods reported. Exchange rate gains and losses,

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unrealized and realized, are included in general and administrative expenses in the Consolidated Statements of Revenues and Expenses and were approximately a \$0.9 million loss and a \$0.5 million gain during the years ended November 30, 2021 and 2020, respectively.

(s) *Self-Insurance Programs*

The Company self-insures for certain levels of employee medical and dental coverage. For medical, the Company accrues estimated costs of this self-insurance program based on its history of claims experience and the estimated time lag between the incident and the date claims are payable. Because of the short-term nature of the time lag, no discount rate is used when evaluating the present value of the projected settlements. The ultimate cost of claims for a covered period may differ from the original estimates.

(t) *Recent Accounting Guidance Not Yet Adopted*

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-15 "Intangibles - Goodwill and Other - Internal Use Software (Subtopic 350-40)", which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard is effective for fiscal years beginning after December 15, 2020 for private companies and early adoption is permitted. The Company is currently assessing the impact of the adoption of this guidance.

In November 2019, the FASB issued ASU 2019-10 "Leases (Topic 842): Effective Dates" ("ASU 2019-10"). This was related to prior standards issued by the FASB, including ASU 2019-01 "Codification Improvements", which was issued in March 2019, and ASU 2018-11 "Targeted Improvements" which was issued in July 2018, amending ASU 2016-02 "Leases", which was issued in February 2016. This new guidance is intended to improve financial reporting regarding leasing transactions. These new standards will require companies that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. ASU 2019-10 deferred the effective date for private companies by one year to be effective for fiscal years beginning after December 15, 2020 for private companies and early adoption is permitted. In June 2020, the FASB issued ASU 2020-05 "Leases (Topic 842): Effective Dates for Certain Entities", which allows for private companies to elect to defer adoption of the guidance by one additional year to become effective for reporting periods beginning after December 15, 2021 and early adoption is permitted. The Company is currently assessing the impact of the adoption of this guidance.

In November 2019, the FASB issued ASU 2019-10 "Financial Instruments – Credit Losses (Topic 326): Effective Dates". This was related to prior standards issued by the FASB, including ASU 2019-04 "Codification Improvements", which was issued in April 2019, ASU 2018-19 "Codification Improvements", which was issued in November 2018 amending ASU 2016-13 "Financial Instruments — Credit Losses", which was issued in June 2016. The main objective of this new guidance is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. ASU 2019-10 defers the effective date for private companies by two years. The standard is effective for fiscal years beginning after December 15, 2022 for private companies and early adoption is permitted. The Company is currently assessing the impact of the adoption of this guidance.

In December 2019, the FASB issued ASU 2019-12 "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes". This new guidance is intended to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The standard is effective for fiscal years beginning after December 15, 2021 for private companies and early adoption is permitted. The Company is currently assessing the impact of the adoption of this guidance.

(u) *New Accounting Standards Adopted*

In August 2018, the FASB issued ASU 2018-13 "Fair Value Measurement (Topic 820): Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement", which modifies the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. The Company adopted this guidance in the first quarter of fiscal year 2021. There was no impact on the Company's financial statements.

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In March 2021, the FASB issued ASU 2021-03 “Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events”, which provides private companies and not-for-profit entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as required in Subtopic 350-20 as of the end of the reporting period, whether the reporting period is an interim or annual period. An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and if so, whether it is more likely than not that goodwill is impaired. The Company adopted this guidance in fiscal year 2021. There was no impact on the Company’s financial statements.

In May 2014, the FASB issued ASU 2014-09 “Revenue from Contracts with Customers (Topic 606)”. Subsequent to that date, the “FASB” issued several related ASUs. These ASUs (collectively referred to as “ASU 2014-09”) supersede the revenue recognition requirements in Topic 605. On December 1, 2020, the Company adopted the requirements of ASU 2014-09 using the full retrospective approach as of December 1, 2019. All amounts and disclosures set forth in these consolidated financial statements reflect the necessary adjustments required for the adoption of this standard, including the reclassification of prior period balances to conform to current year presentation.

When the Company adopted ASU 2014-09, the Company applied the following expedients and exemptions, which are allowed by the standard, to our prior year audited Financial Statements and disclosures:

- The Company used the transaction price at the date of contract completion for our contracts that had variable consideration and were completed before December 1, 2020.
- The Company considered the aggregate effect of all contract modifications that occurred before December 1, 2019 when: (i) identifying satisfied and unsatisfied performance obligations, (ii) determining the transaction price, and (iii) allocating the transaction price to the satisfied and unsatisfied performance obligations.
- The Company did not: (i) disclose the amount of the transaction price that the Company allocated to remaining performance obligations, or (ii) include an explanation of when the Company expects to recognize the revenue allocated to remaining performance obligations.

The cumulative effect of adopting ASU 2014-09 was a decrease in retained earnings of \$114.5 million as of December 1, 2019, primarily relating to the deferral of revenue previously recognized for: (i) BWR points which were previously recognized at time of point issuance, to time of point redemption, and (ii) affiliation fees which were previously recognized at the time of Board approval, to over the hotelier’s expected life as a BWHG branded hotel or over the initial contract term.

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The following tables present the impact of the changes made to our consolidated financial statements as a result of the adoption of ASU 2014-09 (see the Consolidated Statements of Changes in Net Assets for the impact of the adoption of this accounting standard on net assets). These tables do not reflect reclassifications to conform to current year presentation that are unrelated to ASU 2014-09 (see note 1(d)).

Consolidated Statement of Financial Position

	As of November 30, 2020		
	As Previously Reported	Effect of the Adoption of ASU 2014-09	As Adjusted
(in thousands)			
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 173,533	\$ -	\$ 173,533
Restricted cash	9,795	-	9,795
Short-term investments	39,465	-	39,465
Accounts receivable, principally from Members, net	30,126	-	30,126
Prepaid expenses and other current assets	13,193	858	14,051
TOTAL CURRENT ASSETS	266,112	858	266,970
Property, equipment and computer software, net	39,153	-	39,153
Long-term investments	36,115	-	36,115
Deferred income taxes	8,220	37,526	45,746
Other assets, net	15,681	13,135	28,816
TOTAL ASSETS	\$ 365,281	\$ 51,519	\$ 416,800
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	\$ 47,984	\$ -	\$ 47,984
Current frequent stay program liability	40,660	31,494	72,154
Current deferred revenue	12,447	3,608	16,055
Deposits	12,292	-	12,292
Income taxes payable	411	-	411
TOTAL CURRENT LIABILITIES	113,794	35,102	148,896
Non-current frequent stay program liability	101,707	79,616	181,323
Non-current deferred affiliation fee revenue	-	51,119	51,119
Non-current deferred compensation plans liability	23,045	-	23,045
TOTAL LIABILITIES	238,546	165,837	404,383
NET ASSETS:			
Retained earnings	125,487	(114,318)	11,169
Accumulated other comprehensive loss	(543)	-	(543)
TOTAL BEST WESTERN INTERNATIONAL, INC. NET ASSETS	124,944	(114,318)	10,626
Non-controlling interests	1,791	-	1,791
TOTAL NET ASSETS	126,735	(114,318)	12,417
TOTAL LIABILITIES AND NET ASSETS	\$ 365,281	\$ 51,519	\$ 416,800

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Consolidated Statement of Revenues and Expenses

(in thousands)	Year Ended November 30, 2020		
	As Previously Reported	Effect of the Adoption of ASU 2014-09	As Adjusted
REVENUES			
Fees, dues and assessments	\$ 176,628	\$ 1,411	\$ 178,039
Program revenues	127,811	(30,877)	96,934
Other revenues	35,992	-	35,992
TOTAL REVENUES	340,431	(29,466)	310,965
EXPENSES			
Compensation, taxes and benefits	133,518	13	133,531
Advertising and promotion	38,335	(4,003)	34,332
Depreciation and amortization	13,984	-	13,984
General and administrative	81,100	244	81,344
Program cost of sales	37,599	(25,824)	11,775
TOTAL EXPENSES	304,536	(29,570)	274,966
Excess of revenues over expenses before income taxes	35,895	104	35,999
Income tax provision	(9,423)	126	(9,297)
Excess of revenues over expenses	26,472	230	26,702
Excess of expenses over revenues attributable to non-controlling interests	117	-	117
EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO BEST WESTERN INTERNATIONAL, INC.	\$ 26,589	\$ 230	\$ 26,819

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**Consolidated Statement of Other
Comprehensive Revenues and Expenses**

(in thousands)	Year Ended November 30, 2020		
	As Previously Reported	Effect of the Adoption of ASU 2014-09	As Adjusted
EXCESS OF REVENUES OVER EXPENSES	\$ 26,472	\$ 230	\$ 26,702
Foreign currency translation adjustment, net of tax benefit	(611)	-	(611)
Comprehensive excess of revenues over expenses	25,861	230	26,091
Comprehensive excess of expenses over revenue, attributable to non-controlling interests	117	-	117
COMPREHENSIVE EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO BEST WESTERN INTERNATIONAL, INC.	\$ 25,978	\$ 230	\$ 26,208

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Consolidated Statement of Cash Flows

	Year Ended November 30, 2020		
	As Previously Reported	Effect of the Adoption of ASU 2014-09	As Adjusted
(in thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ 26,472	\$ 230	\$ 26,702
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	13,984	-	13,984
Impairment of goodwill and other intangible assets	2,497	-	2,497
Provision for doubtful accounts	19,335	-	19,335
Amortization of bond discounts/premiums, net	57	-	57
Provision for deferred income taxes	(7,263)	(127)	(7,390)
Loss on disposition of property, equipment and computer software	185	-	185
Changes in assets and liabilities:			
Accounts receivable	19,499	-	19,499
Prepaid expenses and other current assets	19,618	(11)	19,607
Income taxes	353	-	353
Other assets, net	(2,249)	14	(2,235)
Accounts payable, accrued liabilities and deferred compensation plans liability	(26,117)	11	(26,106)
Deferred revenue	(456)	(1,882)	(2,338)
Frequent stay program liability	1,618	1,763	3,381
Deposits	(2,016)	-	(2,016)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	65,517	(2)	65,515
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from maturity of investments	62,747	-	62,747
Purchase of investments	(19,379)	-	(19,379)
Purchase of property, equipment and computer software	(17,804)	-	(17,804)
NET CASH PROVIDED BY INVESTING ACTIVITIES	25,564	-	25,564
Net increase (decrease) cash and cash equivalents, and restricted cash	91,081	(2)	91,079
Effect of foreign exchange rate changes on cash and cash equivalents, and restricted cash	(199)	2	(197)
Cash and cash equivalents, and restricted cash at beginning of period	92,446	-	92,446
CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	\$ 183,328	\$ -	\$ 183,328

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Contract balances

The Company records a receivable as performance obligations are satisfied and there is an unconditional right to receive payment. Deferred revenue is recorded when the Company receives payment, or has the unconditional right to receive payment, in advance of the satisfaction of the Company's performance obligations related to initial affiliation fees and the BWR program.

Certain costs to obtain contracts with customers are capitalized and amortized on a straight-line basis over the hotelier's expected life as a BWHG branded hotel or over the initial contract term. The costs of obtaining a contract with a customer are recorded in prepaid expenses and other current assets, and other assets, net in our Consolidated Statements of Financial Position. The related amortization is recorded in compensation, taxes and benefits in our Consolidated Statements of Revenues and Expenses. The Company had capitalized costs to obtain contracts with customers of \$13.7 million and \$14.0 million at November 30, 2021 and 2020, respectively.

The contract asset balances consisted of the following:

(in thousands)	As of November 30,	
	2021	2020
Current contract assets	\$ 943	\$ 858
Long-term contract assets	12,740	13,136
Total contract assets	\$ 13,683	\$ 13,994

At November 30, 2021 and 2020, the contract liabilities balances related to affiliation fees and the BWR program include the following components and are included in current frequent stay program liability, current deferred revenue, non-current frequent stay program liability, and non-current deferred affiliation fee revenue in the Consolidated Statements of Financial Position:

(in thousands)	As of November 30,	
	2021	2020
Current contract liabilities	\$ 93,306	\$ 76,427
Long-term contract liabilities	239,641	232,442
Total contract liabilities	\$ 332,947	\$ 308,869

(in thousands)	As of November 30,	
	2021	2020
Liability related to the loyalty program	\$ 278,774	\$ 253,068
Affiliation fees received from hoteliers	54,173	55,801
Total contract liabilities	\$ 332,947	\$ 308,869

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(2) Accounts Receivable, Principally from Members, net and Allowance for Doubtful Accounts

Accounts receivable, principally from Members, net primarily consists of amounts due from hoteliers with whom we have membership, franchise, or license agreements and include reimbursements of costs we incurred on behalf of the hoteliers. We record an allowance for doubtful accounts when losses are probable, based on an assessment of historical collection activity and current business conditions.

The activity in the allowance for doubtful accounts which is included in accounts receivable, principally from Members, net in the Consolidated Statements of Financial Position consists of the following:

(in thousands)	As of November 30,	
	2021	2020
Beginning balance	\$ 24,362	\$ 6,588
Recoveries	1,225	897
Provisions	(1,760)	19,335
Write offs	(2,614)	(2,458)
Ending balance	\$ 21,213	\$ 24,362

In the normal course of business, the Company extends credit to its hoteliers, tour operators, central bill accounts and other third parties. The Company evaluates the collectability of the accounts receivable balances based on a combination of factors. These factors include the type of relationship the Company has with the account, the prior experience the Company has with accounts in each relationship type, and an evaluation of current and projected economic conditions including the impact of COVID-19 as of the Consolidated Statements of Financial Position date. Due to the uncertainty and greater risk of collections of accounts receivable, the Company provided for an estimate to increase the provision for allowance for doubtful accounts as of November 30, 2020, and believe the estimate to be appropriate as of November 30, 2021. Actual collections of accounts receivable could differ from management's estimates.

(3) Prepaid Expenses and Other Current Assets

Prepaid expenses (primarily related to payments for insurance, software and hardware maintenance and support costs, third party internet, Global Distribution System's reservation fees, and advertising costs) and other current assets are expensed when services are rendered. Contract assets represent the current portion of the costs incurred to obtain a membership, licensee, or franchise agreement.

Prepaid expenses and other current assets consisted of the following:

(in thousands)	As of November 30,	
	2021	2020
Prepaid expenses other current assets	\$ 13,860	\$ 13,193
Current contract assets	943	858
Total	\$ 14,803	\$ 14,051

(4) Income Taxes

The income tax provision for the years ended November 30, 2021 and 2020 consisted of the following:

(in thousands)	Years Ended November 30,	
	2021	2020
Current:		
Federal	\$ 16,776	\$ 12,265
State	3,453	3,596
Foreign	275	646
Total current	20,504	16,507

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(in thousands)	Years Ended November 30,	
	2021	2020
Deferred:		
Federal	(3,795)	(5,265)
State	(737)	(1,313)
Foreign	(104)	(632)
Total deferred	(4,636)	(7,210)
Income tax provision	\$ 15,868	\$ 9,297

The provision for income tax differs from that computed using the federal statutory rate applied to income before taxes as follows:

(in thousands)	Years Ended November 30,	
	2021	2020
Income taxes computed at statutory rates	\$ 12,774	\$ 7,560
State taxes, net of federal benefit	2,089	1,526
Valuation allowance	1,493	7
Other non-deductible items	189	382
Non-deductible meals and entertainment	103	184
Foreign tax credit	60	975
Foreign-derived intangible income	(546)	(863)
Other	(294)	(474)
Income tax provision	\$ 15,868	\$ 9,297

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of November 30, 2021 and 2020 are presented below:

(in thousands)	As of November 30,	
	2021	2020
Deferred tax assets:		
Loyalty program	\$ 31,232	\$ 27,192
Deferred revenue	9,997	10,334
Deferred compensation plans	7,298	6,248
Allowance for doubtful accounts	5,237	6,020
Net operating loss	2,559	1,629
Compensated absences	1,424	1,067
Travel Card liability	1,042	798
Acquisition of new trademarks and trade names	729	776
Tax credits	572	-
Free night voucher liability	132	101
Total deferred tax assets	60,222	54,165
Deferred tax liabilities:		
Fixed assets	4,336	4,219
Prepaid expenses	1,638	1,439
Intangible assets	422	1,111
Other	337	37
Total deferred tax liabilities	6,733	6,806
Less valuation allowance	(3,106)	(1,613)
Net deferred tax assets	\$ 50,383	\$ 45,746

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As of November 30, 2021 and 2020, the Company had no unrecognized tax benefits which would impact the Company's effective tax rate if recognized, and the Company has no accrued interest or penalties related to uncertain tax positions. Management is unaware of any provisions that need to be made for any penalties and fees that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty and the Company could be required to adjust its provision for income taxes in the period such resolution occurs.

The Company is subject to taxation and files income tax returns in the U.S. federal jurisdiction and in many state and foreign jurisdictions. Currently, the Company has statutes of limitation open in various states ranging from fiscal years ended November 30, 2017 through November 30, 2020, tax years 2016 through 2019. The federal statute of limitations is currently open from fiscal years ended November 30, 2018 through November 30, 2020, tax years 2017 through 2019.

The Company has not provided for applicable income or withholding taxes on the undistributed earnings from continuing operations of its subsidiaries operating outside of the United States. Undistributed net income of these subsidiaries as of November 30, 2021 and 2020 net to zero. Any undistributed earnings are considered permanently reinvested.

(5) Property, Equipment and Computer Software, net

Property, equipment and computer software consisted of the following:

(in thousands)	As of November 30,	
	2021	2020
Property and equipment, at cost:		
Furniture and equipment	\$ 30,827	\$ 30,748
Buildings	19,244	19,261
Land	2,335	2,335
Leasehold improvements	2,632	2,706
Land improvements	1,234	1,244
Work in process	6	-
Property and equipment	56,278	56,294
Less accumulated depreciation	(45,365)	(43,311)
Property and equipment, net	10,913	12,983
Computer software, at cost:		
Developed	65,740	58,878
Purchased	15,800	17,913
Work in process	3,182	1,084
Computer software	84,722	77,875
Less accumulated amortization	(67,967)	(64,313)
Computer software, net	16,755	13,562
Property, equipment and computer software, net	\$ 27,668	\$ 26,545

Depreciation and amortization expense consisted of the following:

(in thousands)	Years Ended November 30,	
	2021	2020
Depreciation of property and equipment	\$ 2,672	\$ 4,036
Amortization of computer software	9,278	8,531
Depreciation and amortization of property, equipment and computer software	11,950	12,567
Amortization of goodwill and other intangible assets (Note 14)	1,196	1,417
Depreciation and amortization	\$ 13,146	\$ 13,984

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(6) Hotel Investments

In December 2019 and March 2020, the Company acquired land to develop two hotels, located in Tempe, Arizona, and Denver, Colorado, respectively. Property development costs, including property construction costs, interest and other financing fees, property taxes, architectural and engineering fees, and other direct and indirect development costs, are capitalized beginning when the development activity commences and ending when all infrastructure is substantially complete and the property is available for occupancy.

Both Tempe, Arizona, and the Denver, Colorado hotels were under construction as of November 30, 2021. Hotel investments consisted of the following:

(in thousands)	As of November 30,	
	2021	2020
Hotel investments, at cost:		
Land	\$ 6,985	\$ 6,985
Development in process	34,981	5,623
Hotel investments	\$ 41,966	\$ 12,608

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of an asset held and used is measured by a comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Based on its evaluation of the hotel investments, determined using management estimates and other unobservable inputs, the Company concluded that no impairment occurred for the years ended November 30, 2021 and 2020.

(7) Line of Credit

In April 2020, the Company entered into an Uncommitted Revolving Line of Credit and Security Agreement (the "LOC Agreement") with the Royal Bank of Canada ("RBC"). The Company may request a credit advance up to \$160 million at a fixed or variable interest rate at the sole discretion of the Company under the LOC Agreement. The fixed rate is based on a RBC fixed rate plus 0.75%. The variable rate is based on the LIBOR rate(s) plus 0.75%. The LOC Agreement is secured by the Company's unencumbered and unrestricted marketable securities at RBC. Interest is due and payable monthly, with the principal due and payable upon demand of the bank. The Company had no outstanding borrowings against this line of credit at November 30, 2021 and 2020.

(8) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

(in thousands)	As of November 30,	
	2021	2020
Accrued compensation and benefits	\$ 23,600	\$ 13,757
Accounts payable	20,047	14,621
Accrued liabilities	18,635	11,754
Travel Card liability	8,318	7,852
Total	\$ 70,600	\$ 47,984

(9) Contingencies and Commitments

From time to time, the Company has been, and expects to continue to be, subject to legal proceedings and claims in the ordinary course of business. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources, divert management's attention from the Company's business objectives, and adversely affect the Company's business, results of operations, financial condition and cash flow.

The Company is committed to providing certain payments or credits to: (i) applicants who were offered an incentive to become

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a new Member, and (ii) Members who were offered an incentive to allow approval of an application in a Member's protected area. These payments or credits are due and payable when the contract terms are met and refundable back to the Company or cease, pursuant to contract terms. As of November 30, 2021 and 2020, the amount of commitments not yet paid was \$11.2 million and \$10.4 million, respectively, which is not recorded in the Consolidated Statements of Financial Position.

(10) Leases

The Company leases certain office space, equipment and software under various operating leases, which expire on various dates through November 2025. Rental expenses on operating leases are recorded on a straight-line basis. Rental expense for operating leases was \$11.7 million and \$12.3 million for the years ended November 30, 2021 and 2020, respectively, and is included in general and administrative expenses in the Consolidated Statements of Revenues and Expenses. Minimum future rentals on non-cancelable operating leases, having an initial or remaining term in excess of one year as of November 30, 2021 are as follows (in thousands):

Years ending November 30,	Equipment and Software	Office Space	Total Minimum Rental
2022	\$ 2,846	\$ 455	\$ 3,301
2023	2,680	390	3,070
2024	2,187	273	2,460
2025	200	127	327
2026 and thereafter	-	-	-
Total	\$ 7,913	\$ 1,245	\$ 9,158

(11) Employee Retirement Savings Plans

The Company sponsors a 401(k) investment plan which is available to all U.S. employees on the first day of service, and a Canadian Registered Retirement Savings Plan (the "RRSP") which is available to all Canadian employees on the first day of service. Under the plans, employees may contribute a percentage of their eligible wages to the plans, subject to maximum statutory regulations. The Company contributes 3% of the annual salary of all eligible employees to these plans.

The Company may also contribute a discretionary amount, as determined by the Board of Directors, up to 6% of employees' eligible compensation, to be allocated in proportion to the employees' contributions provided an employee has worked 1,000 hours during the plan year and is employed on the last day of the plan year.

The Company's expense related to the 401(k) investment plan was \$5.8 million and \$3.7 million for the years ended November 30, 2021 and 2020, respectively, and the Company's expense related to the RRSP was \$95.2 thousand and \$78.1 thousand for the years ended November 30, 2021 and 2020, respectively. These amounts are included in compensation, taxes and benefits in the Consolidated Statements of Revenues and Expenses. The Company's liability related to the 401(k) investment plan was \$3.6 million and \$1.8 million as of November 30, 2021 and 2020, respectively, and \$55.7 thousand and \$35.3 thousand as of November 30, 2021 and 2020, respectively, for the RRSP and is included in accounts payable and accrued liabilities in the Consolidated Statements of Financial Position as of November 30, 2021 and 2020, respectively.

(12) Deferred Compensation Plans and Restricted Rabbi Trust Investments

Nonqualified Deferred Compensation Plan ("NQP") and Restricted Rabbi Trust Investments

The Company has a NQP in which key management employees of the Company, as determined by the Board of Directors, are selected to participate. The NQP is a defined contribution plan, in which participating employees may defer a percentage of their annual salaries and a percentage of any incentive compensation into the NQP. The NQP was restated effective December 1, 2020 to provide for the use of a restricted Rabbi Trust and to amend the design of the Company's contributions.

Prior to the Amendment, the Company's annual contributions were based on several formulas designed to restore benefits otherwise lost to participating employees due to statutory limits in the 401(k) investment plan and by an amount equal to the rate of the old age survivors and disability insurance tax under IRS code Section 3101 multiplied by a participant's compensation in excess of the social security tax base. Pursuant to the Amendment, the Company contributes: (i) a non-discretionary contribution of 3% of a participating employee's compensation each pay period, and (ii) an annual discretionary contribution, as determined by the Board of Directors, up to 9% of a participating employee's annual compensation.

Notes to Consolidated Financial Statements

November 30, 2021

Effective December 1, 2020, the Company established a Trust, whereby the Company makes contributions to this Trust to provide the Company a source of funds to assist in satisfying the NQP liability. It is the intention of the Company that the NQP and the Trust shall constitute an unfunded arrangement for the purpose of providing tax-deferred compensation in accordance with Title I of the Employee Retirement Income Security Act of 1974, as amended. It is also the intention of the Company to fund the Trust and have its assets invested in a manner that matches each participant's deemed investment elections under the NQP, so that the investment gains and losses of the Trust mirror the investment gains and losses credited/debited to participants' accounts. Accordingly, the Company has funded the Trust during fiscal year 2021, including an initial funding of \$20.2 million into the Trust in December 2020, based on amounts due and owing to participating employees at that time. The Trust balance was \$24.7 million as of November 30, 2021. Realized and unrealized gains and losses on these investments were gains of \$1.5 million and \$2.3 million, respectively, for the year ended November 30, 2021, and are recognized in net gains on investments and interest income in the Consolidated Statements of Revenues and Expenses.

The Company's expense related to this NQP was \$4.4 million (including a liability provision associated with net investment gains of \$3.8 million as of November 30, 2021) and \$2.7 million for the years ended November 30, 2021 and 2020, respectively, and is included in compensation, taxes and benefits in the Consolidated Statements of Revenues and Expenses. The Company's total liability for the NQP was \$25.0 million and \$20.4 million as of November 30, 2021 and 2020, respectively, of which the current portion of \$3.2 million and \$0 is included in accounts payable and accrued liabilities in the Consolidated Statements of Financial Position as of November 30, 2021 and 2020, respectively.

Long-term Incentive Plan

The Company has a long-term incentive plan for key executives, as determined by the Board of Directors. Amounts awarded under the plan for each performance period are payable to each key executive in March of the third year after the performance period ends. The key executive must be employed by the Company or retired from the Company on the payment date, noting there are qualifying events with regard to vesting. The plan allows for proration of the accrued benefit for key executives because of death, disability or retirement. The Company records expense for this plan over the three-year required service period. The Company's expense related to this plan was \$1.9 million and \$2.7 million for the years ended November 30, 2021 and 2020, respectively, and is included in compensation, taxes and benefits in the Consolidated Statements of Revenues and Expenses. The Company's total liability for this long-term incentive plan was \$4.5 million and \$4.9 million as of November 30, 2021 and 2020, respectively, of which the current portion of \$2.1 million and \$2.2 million is included in accounts payable and accrued liabilities in the Consolidated Statements of Financial Position as of November 30, 2021 and 2020, respectively.

(13) Related Party Transactions

Each member of our Board of Directors ("Director", or an affiliate of a Director) is a party to a membership agreement with the Company, and as a result, our Directors pay system and other fees to us based upon the terms of their respective membership agreements. Our Directors are party to such membership agreements on the same terms and conditions as each of the other Members of the Company.

Director compensation consisted of \$104,198 and \$79,209 in annual Director fees per district for the years ended November 30, 2021 and 2020, respectively. In fiscal year ending November 30, 2020, Directors reduced their annual Director fees to support the Company's cost savings austerity plan and in fiscal year ending November 30, 2021, annual Director fees were restored to usual levels. Directors are reimbursed reasonable, ordinary and necessary business and travel expenses in accordance with the Company's travel and expense policies.

(14) Amortizing Goodwill and Other Intangible Assets

Goodwill is allocated to two reporting units: (i) WorldHotels, and (ii) AutoClerk. Activity by reporting unit in the current and prior period is organized by reporting unit noted below.

WorldHotels

On February 15, 2019, the Company entered into and closed a definitive Share Sale and Purchase Agreement with WorldHotels Holdings, LLC ("WH Holdings") and ALHI Holdings, LLC ("ALHI") to purchase 100% of the outstanding shares of BV Acquisitions X GmbH from WH Holdings (thereby also acquiring BV Acquisitions' approximately 98% ownership of the outstanding shares of WorldHotels Aktiengesellschaft ("WH")), and assumed certain rights and obligations of ALHI. During 2020, the Company acquired the remaining approximately 2% ownership of the outstanding shares of WH and

Notes to Consolidated Financial Statements

November 30, 2021

now owns 100% of the outstanding shares. The WorldHotels Acquisition was accounted for as a business combination in accordance with ASC Topic 805, Business Combinations.

The total purchase price was allocated based upon: (i) the amounts reported in the WH historical financial statements for any assets that were reported at fair value in accordance with WH's historical accounting policies, or (ii) management's estimates of fair value. The Company determined estimated fair value for other intangible assets with the assistance of valuations performed by third-party specialists. Other intangible assets of acquired customers and trademarks and trade names were valued at \$2.1 million and \$1.3 million, respectively. To the extent the consideration exceeded the fair value of the net assets acquired in this transaction, the excess was assigned to goodwill.

Due to the negative impacts of COVID-19 on our business and industry, as of August 31, 2021 and 2020, a quantitative analysis of goodwill and other intangible asset impairment was performed. An impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. To estimate the fair value for the reporting unit, the Company utilized a combination of market and income approach valuation methods via quoted market prices, market multiples of comparable businesses, and performance of a discounted cash flow analysis. The Company recognized a non-cash pre-tax impairment charge on the WorldHotels reporting unit's intangible assets of \$1.8 million of acquired customers and \$0.7 million of goodwill for the year ended November 30, 2020, representing the amount by which the carrying amount exceeded fair value. The total impairment charge of \$2.5 million is included in impairment of goodwill and other intangible assets in the Consolidated Statements of Revenues and Expenses for the year ended November 30, 2020. No impairment was recorded for the year ended November 30, 2021 (see note 1(k)).

AutoClerk

On July 31, 2019, the Company entered into and closed a definitive Share Sale and Purchase Agreement with the shareholders of AutoClerk, Inc. ("AC"), to purchase 100% of the outstanding shares of AC. The AC Acquisition was accounted for as a business combination in accordance with ASC Topic 805, Business Combinations.

The total purchase price was allocated based upon: (i) the amounts reported in the AC historical financial statements for any assets that were reported at fair value in accordance with AC's historical accounting policies, or (ii) management's estimates of fair value. The Company determined estimated fair value for other intangible assets with the assistance of valuations performed by third-party specialists. Other intangible assets of developed technology and acquired customers were valued at \$1.9 million and \$1.5 million, respectively. To the extent the consideration exceeded the fair value of the net assets acquired in this transaction, the excess was assigned to goodwill.

The Company assessed the qualitative factors attributable to the AC reporting unit and determined that the fair value of the reporting unit is not more likely than not less than its carrying amount as of August 31, 2021 and 2020. Therefore, no quantitative analysis was performed and no impairment was recorded for the years ended November 30, 2021 and 2020.

Amortized goodwill and other intangible assets consisted of the following:

(in thousands)	Gross Carrying Amount	As of November 30, 2021	
		Accumulated Amortization	Net Carrying Amount at November 30
Amortizing goodwill:			
WorldHotels	\$ 4,554	\$ (673)	\$ 3,881
AutoClerk	2,198	(513)	1,685
Amortizing other intangible assets:			
Acquired customers:			
AutoClerk	1,500	(467)	1,033
Developed technology:			
AutoClerk	1,900	(554)	1,346

Notes to Consolidated Financial Statements

November 30, 2021

(in thousands)	Gross Carrying Amount	As of November 30, 2020				
		Accumulated Amortization	Impairment	Net Carrying Amount at August 31	Accumulated Amortization	Net Carrying Amount at November 30
Amortizing goodwill:						
WorldHotels	\$ 6,237	\$ (962)	\$ (721)	\$ 4,554	\$ (135)	\$ 4,419
AutoClerk	2,198	(238)	-	1,960	(55)	1,905
Amortizing other intangible assets:						
Acquired customers:						
WorldHotels	2,100	(324)	(1,776)	-	-	-
AutoClerk	1,500	(217)	-	1,283	(50)	1,233
Developed technology:						
AutoClerk	1,900	(257)	-	1,643	(60)	1,583

The Company has elected the private-company alternative to amortize goodwill over 10 years. Amortization expense for goodwill was approximately \$0.8 million and \$0.8 million for the years ended November 30, 2021 and 2020, respectively, and is estimated to be approximately \$0.8 million annually for fiscal years ended 2022 through 2026.

Acquired customers and developed technology are definite-life intangible assets, and as such, amortization expense is calculated using a method that most appropriately reflects expected cash flows from these assets with an amortization period, ranging from 7.5 years to 10 years, depending on the type of asset. Amortization expense for definite-life intangible assets was approximately \$0.4 million and \$0.6 million for the years ended November 30, 2021 and 2020, respectively, and is estimated to be approximately \$0.4 million annually for fiscal years ended 2022 through 2026.

Trademarks and trade names are indefinite-life assets as there is no foreseeable limit to the cash flows generated by these assets. The Company has determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful lives of these acquired trademarks and trade names and therefore are considered to be indefinite-lived intangible assets that are not subject to amortization. Trademarks and trade names value resulting from the WorldHotels acquisition was \$1.3 million as of November 30, 2021 and 2020.

(15) Joint Venture

On May 2, 2019, the Company's wholly owned subsidiary, BWI DevCo Denver 3560, LLC, and a third-party, TWC, entered into a joint venture Contribution Agreement and formed Denver 3560, a Colorado limited liability company to develop, build, own and operate a Best Western Vīb-branded hotel in Denver. Under the terms of the Contribution Agreement, the Company interest in the joint venture is seventy-five percent (75%) and the TWC interest in the joint venture is twenty-five percent (25%).

The joint venture was accounted for as a variable interest entity in accordance with ASC Topic 810, "Consolidations". The Company evaluated the provisions of this standard and determined that the joint venture should be consolidated as the Company has both the power to direct the activities of the joint venture and will participate in the benefits.

The Company has consolidated the results of the Denver 3560 joint venture as of November 30, 2021 and 2020. The contribution by the Company was \$0.7 million and \$4.7 million in the fiscal years ending November 30, 2021 and 2020, respectively, with total contributions of \$6.1 million since inception. The contribution by TWC was \$0.2 million and \$1.1 million in the fiscal years ending November 30, 2021 and 2020, respectively, with total contributions of \$2.0 million since inception. Expenditures of \$17.1 million were made during the fiscal year ending November 30, 2021, with total expenditures of \$24.8 million since inception. The total contributions were used primarily for the land purchase, development and other start-up construction related costs, which are included in hotel investments in the Consolidated Statements of Financial Position. The equity contribution from the joint venture partner of \$2.0 million has been included in non-controlling interests in the Consolidated Statement of Financial Position and as a supplemental disclosure in the Consolidated Statements of Cash Flows.

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November 30, 2021

(16) Construction Loans

BWI Denver 3560

In March 2020, Denver 3560 entered into an initial Construction Loan Agreement (the "Denver Loan") with UMB Bank, which allowed Denver 3560 to request advances up to \$21.6 million. In July 2021, this Denver Loan was modified to increase the availability of loan advances from \$21.6 million to \$24.4 million. For the period May 1, 2020 through April 1, 2023, interest on the outstanding principal balance of the Denver Loan is due and payable monthly. Beginning April 1, 2023, through the maturity date of March 11, 2027, principal and interest is due and payable in an amount determined by UMB to be sufficient to amortize the outstanding principal balance of the Denver Loan over a twenty-five (25) year period. The outstanding principal balance of this Denver Loan is due and payable on the maturity date.

The interest rate on the Denver Loan is a fixed annual rate of 3.21% and is computed and accrued on an ACT/360 basis. The Denver Loan is secured by, among other things, the Deed of Trust and is guaranteed by the Company.

The Company had borrowings of \$14.6 million and \$0 as of November 30, 2021 and 2020, respectively.

Interest costs of \$0.2 million and \$0 were capitalized and included in hotel investments in the Consolidated Statements of Financial Position for the years ended November 30, 2021 and 2020, respectively. Accrued interest of \$0.2 million and \$0 was included in construction loans in the Consolidated Statements of Financial Position for the years ended November 30, 2021 and 2020, respectively.

The Company is required to maintain certain financial and operational covenants. At November 30, 2021 and 2020, the Company was in compliance with all covenants.

BWI DevCo Tempe

In October 2020, company wholly owned DevCo Tempe entered into a Construction Loan Agreement (the "Tempe Loan") with UMB Bank. Under terms of the Tempe Loan, DevCo Tempe can request advances up to \$15.3 million. For the period November 1, 2020 through October 31, 2023, interest on the outstanding principal balance of the Tempe Loan is due and payable monthly. Beginning November 1, 2023, through the maturity date of October 2, 2027, principal and interest is due and payable in an amount determined by UMB to be sufficient to amortize the outstanding principal balance of the Tempe Loan over a twenty-five (25) year period. The outstanding principal balance of this Tempe Loan is due and payable on the maturity date.

The interest rate on the Tempe Loan is a fixed annual rate of 3.50% and is computed and accrued on an ACT/360 basis. The Tempe Loan is secured by, among other things, the Deed of Trust and is guaranteed by the Company.

The Company borrowed \$10.4 million and \$0 as of November 30, 2021 and 2020, respectively.

Interest costs of \$0.1 million and \$0 were capitalized and included in hotel investments in the Consolidated Statements of Financial Position for the years ended November 30, 2021 and 2020, respectively. Accrued interest of \$0.1 million and \$0 was included in construction loans in the Consolidated Statements of Financial Position at November 30, 2021 and 2020, respectively.

The Company is required to maintain certain financial and operational covenants. At November 30, 2021 and 2020, respectively the Company was in compliance with all covenants.

(17) Subsequent Events

In connection with the preparation of the consolidated financial statements, the Company evaluated events and transactions occurring after November 30, 2021, for potential recognition or disclosure. The Company has evaluated its subsequent events through February 18, 2022, the date financial statements were available to be issued.

Report of Independent Auditors

To the Board of Directors and Members of Best Western International, Inc.

We have audited the accompanying consolidated financial statements of Best Western International, Inc. (the Company), which comprise the consolidated statements of financial position as of November 30, 2021 and 2020, and the related consolidated statements of revenues and expenses, other comprehensive revenues and expenses, cash flows and changes in net assets for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 consolidated financial position of Best Western International, Inc. at November 30, 2021 and 2020, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers (Topic 606)"

As discussed in Note 1(u) to the financial statements, the Company changed its method for recognizing revenue from contracts with its customers as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," and the subsequently issued amendments, effective December 1, 2020 using the full retrospective adoption method. Our opinion is not modified with respect to this matter.

Phoenix, Arizona
February 18, 2022

Ernst + Young LLP

Consolidated Statements of Financial Position

(in thousands)	As of November 30,	
	2021	2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 244,555	\$ 173,533
Restricted cash	10,613	9,795
Short-term investments	16,509	39,465
Accounts receivable, principally from Members, net	62,626	30,126
Prepaid expenses and other current assets	14,803	14,051
TOTAL CURRENT ASSETS	349,106	266,970
Property, equipment and computer software, net	27,668	26,545
Hotel investments	41,966	12,608
Long-term investments	17,467	36,115
Restricted Rabbi Trust investments	24,715	-
Deferred income taxes	50,383	45,746
Other assets, net	25,437	28,816
TOTAL ASSETS	\$ 536,742	\$ 416,800
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 70,600	\$ 47,984
Current frequent stay program liability	88,837	72,154
Current deferred revenue	16,261	16,055
Deposits	12,617	12,292
Income taxes payable	1,294	411
Line of credit	-	-
TOTAL CURRENT LIABILITIES	189,609	148,896
Non-current frequent stay program liability	190,471	181,323
Non-current deferred affiliation fee revenue	49,170	51,119
Non-current deferred compensation plans liability	24,248	23,045
Construction loans	24,950	-
TOTAL LIABILITIES	478,448	404,383
NET ASSETS:		
Retained earnings	56,134	11,169
Accumulated other comprehensive income (loss)	135	(543)
TOTAL BEST WESTERN INTERNATIONAL, INC. NET ASSETS	56,269	10,626
Non-controlling interests	2,025	1,791
TOTAL NET ASSETS	58,294	12,417
TOTAL LIABILITIES AND NET ASSETS	\$ 536,742	\$ 416,800

See accompanying notes to consolidated financial statements.

Consolidated Statements of Revenues and Expenses

(in thousands)	Years Ended November 30,	
	2021	2020
REVENUES:		
Fees, dues and assessments	\$ 232,086	\$ 178,039
Program revenues	109,038	96,934
Other revenues	36,712	32,987
TOTAL REVENUES	377,836	307,960
EXPENSES:		
Compensation, taxes and benefits	151,246	133,531
Advertising and promotion	83,808	34,332
Depreciation and amortization	13,146	13,984
General and administrative	61,177	78,847
Program cost of sales	12,580	11,775
TOTAL EXPENSES	321,957	272,469
Net gains on investments and interest income	4,954	3,005
Impairment of goodwill and other intangible assets	-	(2,497)
Excess of revenues over expenses before income taxes	60,833	35,999
Income tax provision	(15,868)	(9,297)
Excess of revenues over expenses	44,965	26,702
Excess of expenses over revenues attributable to non-controlling interests	-	117
EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO BEST WESTERN INTERNATIONAL, INC.	\$ 44,965	\$ 26,819

See accompanying notes to consolidated financial statements.

Consolidated Statements of Other Comprehensive Revenues and Expenses

(in thousands)	Years Ended November 30,	
	2021	2020
EXCESS OF REVENUES OVER EXPENSES:		
Foreign currency translation adjustment, net of tax expense (benefit)	\$ 44,965 678	\$ 26,702 (611)
Comprehensive excess of revenues over expenses	45,643	26,091
Comprehensive excess of expenses over revenues attributable to non-controlling interests	-	117
COMPREHENSIVE EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO BEST WESTERN INTERNATIONAL, INC.	\$ 45,643	\$ 26,208

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands)	Years Ended November 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 44,965	\$ 26,702
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	13,146	13,984
Impairment of goodwill and other intangible assets	-	2,497
Provision for doubtful accounts	(1,760)	19,335
Net gains on restricted Rabbi Trust investments	(3,823)	-
Amortization of bond discounts/premiums, net	105	57
Provision for deferred income taxes	(4,613)	(7,390)
Loss on disposition of property, equipment and computer software	64	185
Changes in assets and liabilities:		
Accounts receivable	(30,758)	19,499
Prepaid expenses and other current assets	(760)	19,607
Income taxes	893	353
Other assets, net	2,182	(2,235)
Accounts payable, accrued liabilities and deferred compensation plans liability	19,390	(26,106)
Deferred revenue	(1,722)	(2,338)
Frequent stay program liability	25,830	3,381
Deposits	1,002	(2,016)
NET CASH PROVIDED BY OPERATING ACTIVITIES	64,141	65,515
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturity of investments	41,500	62,747
Purchase of investments	-	(19,379)
Development costs of hotel investments	(24,976)	(9,578)
Fund restricted Rabbi Trust investments	(20,661)	-
Purchase of property, equipment and computer software	(12,719)	(8,226)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(16,856)	25,564
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from construction loans	24,684	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	24,684	-
Net increase in cash and cash equivalents, and restricted cash	71,969	91,079
Effect of foreign exchange rate changes on cash and cash equivalents, and restricted cash	(129)	(197)
Cash and cash equivalents, and restricted cash at beginning of period	183,328	92,446
CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	\$ 255,168	\$ 183,328

Continues on next page.

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands)	Years Ended November 30,	
	2021	2020
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest, net of capitalized interest of \$266 and \$0 for the years ended November 30, 2021 and 2020, respectively	\$ 23	\$ 30
Income taxes	19,836	16,230
Income tax refunds received	\$ 195	\$ 55
Non-cash investing activities:		
Disposal of fully depreciated property, equipment and computer software	\$ 5,445	\$ 2,118
Accrued additions to hotel investments	4,148	922
Accrued additions to property, equipment and computer software	421	325
Employee contributions to the restricted Rabbi Trust investments	231	-
Non-cash financing activities:		
Equity contribution from joint venture partner	\$ 234	\$ 1,142

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

(in thousands)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests in Consolidated Subsidiaries	Total Net Assets
Balance - November 30, 2019	\$ 99,045	\$ 68	\$ 619	\$ 99,732
Adoption of ASU 2014-09 (see note 1(u))	(114,548)	-	-	(114,548)
Total excess of revenues over expenses	26,819	-	(117)	26,702
Foreign currency translation adjustment	-	(611)	-	(611)
Contributions from non-controlling interests	-	-	1,142	1,142
Non-cash acquisition of non-controlling interest	(147)	-	147	-
Balance - November 30, 2020	11,169	(543)	1,791	12,417
Total excess of revenues over expenses	44,965	-	-	44,965
Foreign currency translation adjustment	-	678	-	678
Contributions from non-controlling interests	-	-	234	234
Balance - November 30, 2021	\$ 56,134	\$ 135	\$ 2,025	\$ 58,294

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

November 30, 2021

(1) Business, Organization and Summary of Significant Accounting Policies

(a) Nature of Business

Best Western International, Inc. and its consolidated subsidiaries ("Best Western" or the "Company") is a membership organization incorporated as a non-profit corporation in the State of Arizona. The Company is a membership association of hotels established solely to provide revenue generating opportunities and to leverage marketing and purchasing power to benefit the holders of the Company's membership interests (the "Members"). The exceptions to the membership structure are the wholly owned subsidiaries: (i) SureStay, Inc. ("SureStay"), which is a franchisor, (ii) soft brand licensees, (iii) World Hotels GmbH ("WorldHotels"), (formerly known as World Hotels AG), which is a licensor, (iv) AutoClerk, Inc. ("AutoClerk"), which provides property management services, and (v) BWI DevCo Tempe, LLC ("DevCo Tempe"), which owns and is developing a Best Western branded hotel. The Company's wholly owned subsidiary, BWI DevCo Denver 3560, LLC, and T.W.C. LLC ("TWC"), entered into a joint venture Contribution Agreement and formed Denver 3560, LLC ("Denver 3560"), a Colorado limited liability company to develop, build, own and operate a Best Western branded hotel.

Best Western branded hotels, SureStay branded hotels, and WorldHotels branded hotels, collectively referred to as BWH Hotel Group ("BWHG"), are located throughout the world. As of November 30, 2021, there are approximately 4,500 hotels in over 100 countries and territories worldwide associated with BWHG, that are activated or currently in the development pipeline to be activated on our reservations platform.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of the Company, our wholly owned subsidiaries and entities in which the Company has a controlling financial interest, including variable interest entities where the Company is the primary beneficiary.

The determination of a controlling financial interest is based upon the terms of the governing agreements of the respective entities, including the evaluation of rights held by other ownership interests. If the entity is considered to be a variable interest entity, the Company determines whether the Company is the primary beneficiary, and then consolidates those variable interest entities for which the Company has determined that the Company is the primary beneficiary.

All significant intercompany transactions and balances are eliminated in consolidation.

(c) Basis of Presentation

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and, accordingly, ultimate results could differ from those estimates. The coronavirus ("COVID-19") pandemic began in early 2020 and had a significant impact on our results for the twelve months ended November 30, 2020, which has continued in 2021. Management is making estimates and judgments in light of these circumstances and actual results are unlikely to be comparable to past performance or indicative of future performance and could differ materially from our estimated amounts. In our opinion, the consolidated financial statements reflect all adjustments, including normal recurring items, considered necessary for a fair presentation of financial performance.

(d) Reclassifications

In the Consolidated Statements of Financial Position as of November 30, 2020, property, equipment and computer software, net of \$12.6 million was reclassified to hotel investments to conform with the current year presentation.

In the Consolidated Statements of Revenues and Expenses for the year ended November 30, 2021, other revenues of \$3.0 million was reclassified to net gains on investments and interest income, and general and administrative expenses of \$2.5 million was reclassified to impairment of goodwill and other intangible assets to conform with the current year presentation.

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(e) *Cash and Cash Equivalents*

Cash and cash equivalents include highly liquid money market instruments that have original maturities of three months or less at the date of purchase.

(f) *Restricted Cash*

Restricted cash is primarily comprised of annual dues paid by Members prior to the related service period. Annual dues are held in a custodial account and are not available to the Company until December of the following fiscal year. As of November 30, 2021 and 2020, there was \$10.6 million and \$9.8 million of restricted cash, respectively.

The following table provides a reconciliation of cash and cash equivalents, and restricted cash reported in the Consolidated Statements of Financial Position that sum to the total of such amounts shown in the Consolidated Statements of Cash Flows:

(in thousands)	As of November 30,	
	2021	2020
Cash and cash equivalents	\$244,555	\$173,533
Restricted cash	10,613	9,795
Total cash and cash equivalents, and restricted cash shown in the consolidated statements of cash flows	<u>\$255,168</u>	<u>\$183,328</u>

(g) *Investments*

Investments consist of certificates of deposits, U.S. treasury and government agency bonds, and corporate bonds, and are classified as short-term or long-term investments based on maturity dates. The Company has not recognized any investment impairments during the years ended November 30, 2021 and 2020.

(h) *Restricted Rabbi Trust Investments*

The Company has a Nonqualified Deferred Compensation Plan ("NQP") in which key management employees of the Company, as determined by the Board of Directors, are selected to participate. The NQP was restated effective December 1, 2020, to provide for the use of a Rabbi Trust and to amend the design of the Company's contributions ("Amendment"). Effective December 1, 2020, the Company established a NQP Rabbi Trust (the "Trust"), whereby the Company makes contributions to this Trust to provide the Company a source of funds to assist in satisfying the NQP liability. The investments included in this Trust are carried at fair value, and recorded in restricted Rabbi Trust investments in the Consolidated Statements of Financial Position (see note 12).

(i) *Fair Value of Financial Instruments*

The carrying amount reflected in the Consolidated Statements of Financial Position for cash and cash equivalents, other assets, accounts receivable and accounts payable approximate their respective fair values based on their liquidity and/or the short-term nature of these instruments. The Company measures and discloses the estimated fair value of financial assets and liabilities utilizing a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

- Level 1 – quoted prices for identical instruments in active markets;
- Level 2 – quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3 – fair value measurements derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company measures fair value using a set of standardized procedures for all assets and liabilities which are required to be measured at their estimated fair value on either a recurring or non-recurring basis. When available, the Company

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utilizes quoted market prices from an independent third-party source to determine fair value and classifies such items in Level 1.

In accordance with the fair value accounting requirements, companies may choose to measure eligible financial instruments and certain other items at fair value. The Company has not elected the fair value option for any eligible financial instruments.

The investments in the Trust are restricted and are designated as trading securities and carried at fair value. The fair market value of these restricted investments are measured using Level 1 inputs (quoted prices for identical assets in active markets).

The following tables present information about the carrying value of the Company's financial assets compared to fair value as of November 30, 2021 and 2020, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value. The investments in certificates of deposits, U.S. treasury and government agency bonds, and corporate bonds are included in short-term and long-term investments in the Consolidated Statements of Financial Position, and the investments held in a restricted Rabbi Trust are included in restricted Rabbi Trust investments in the Consolidated Statements of Financial Position.

Carrying Value vs. Fair Value Measurements

(in thousands)	November 30, 2021			
	Carrying Value	Total	Fair Value	
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments in certificates of deposits	\$ 9,750	\$ 9,904	\$ 9,904	\$ -
U.S. treasury and government agency bonds	11,051	11,126	11,126	-
Corporate bonds	13,175	13,298	-	13,298
Restricted Rabbi Trust investments	24,715	24,703	24,703	-
Total	\$ 58,691	\$ 59,031	\$ 45,733	\$ 13,298

(in thousands)	November 30, 2020			
	Carrying Value	Total	Fair Value	
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments in certificates of deposits	\$ 15,250	\$ 15,674	\$ 15,674	\$ -
U.S. treasury and government agency bonds	32,072	32,598	32,598	-
Corporate bonds	28,258	28,783	-	28,783
Total	\$ 75,580	\$ 77,055	\$ 48,272	\$ 28,783

(j) *Property, Equipment and Computer Software and Hotel Investments*

Property, equipment and computer software and hotel investments are recorded at cost. Costs of improvements that extend the economic life or improve service potential are also capitalized. Depreciation on land improvements, buildings, and furniture and equipment is computed using straight-line and accelerated methods over estimated useful lives ranging from 3 to 39 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the related lease term or the estimated useful lives of the assets.

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Purchased software license fees and related implementation costs, and costs to develop software for internal use are capitalized and amortized on a straight-line basis over a three-year useful life. Repair and maintenance costs are charged to expenses as incurred.

The Company is developing two hotels and the amounts related to these development projects are included in hotel investments in the Consolidated Statements of Financial Position (see notes 6, 15, and 16).

(k) Goodwill and Other Intangible Assets

Goodwill arises from business combinations and represents the excess of the cost of an acquired entity over the net fair value amounts that were assigned to the identifiable assets acquired and the liabilities assumed. Goodwill is amortized on a straight-line basis over a ten-year useful life and is tested for impairment if circumstances indicate that the goodwill carrying value may exceed its fair value. Goodwill is included in other assets, net in the Consolidated Statements of Financial Position.

Other intangible assets include acquired customers, developed technologies, and trademarks and trade names resulting from business acquisitions. Other intangible assets are valued based on their acquisition date fair values and, other than trademarks and trade names, are amortized using the straight-line method over their estimated useful lives, ranging from 7.5 years to 10 years. Other intangible assets are included in other assets, net in the Consolidated Statements of Financial Position.

The Company evaluates the potential impairment of goodwill and other intangible assets annually. In evaluating these assets for impairment, the Company may elect to first assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit or the intangible assets is less than its carrying amount. If the conclusion is that the fair value of the assets is not more likely than not less than its carrying value, then no further testing is required. If the conclusion is that the fair value of the assets is more likely than not less than its carrying value, then a quantitative impairment test is performed. For intangible assets, if the carrying value is greater than the fair value of the assets, an impairment charge is recognized for this excess. The Company may elect to forgo the qualitative assessment and move directly to the quantitative impairment tests for goodwill and other intangible assets. The Company determines the fair value of its reporting units and intangible assets using income and market methods.

Goodwill has been allocated to two reporting units: (i) WorldHotels, and (ii) AutoClerk. The Company performed the quantitative impairment test for the WorldHotels reporting unit in both 2021 and 2020. As of August 31, 2020, the Company determined that the carrying value of the WorldHotels reporting unit exceeded the fair value. As a result, the Company recognized an impairment charge of \$0.7 million for goodwill and \$1.8 million for acquired customers, which is included in impairment of goodwill and other intangible assets in the Consolidated Statements of Revenues and Expenses during the year ended November 30, 2020. As of November 30, 2021, the Company determined that the fair value of the WorldHotels reporting unit exceeded the carrying value and no impairment was recorded. The Company performed the qualitative impairment analysis for the AutoClerk reporting unit during both 2021 and 2020, concluding that it is more likely than not that the fair value of the reporting unit is greater than its carrying amount (see note 14).

(l) Impairment or Disposal of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Other than noted above in note 1(k), the Company has not recognized any impairments during the years ended November 30, 2021 and 2020.

(m) Income Taxes

The Company utilizes the liability method of accounting for income taxes whereby deferred taxes are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

Recognition of deferred tax assets is limited to amounts considered by management to be more likely than not realized in future periods.

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The Company assesses whether a valuation allowance should be established based on its determination of whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Both positive and negative evidence is considered when determining the necessity of the valuation allowance as well as the sources of taxable income supporting the realization of the deferred tax assets, including taxable income in carryback years, future reversals of existing taxable temporary differences, tax-planning strategies and projected taxable income from future operations.

Based on the history of positive earnings, in addition to the expected reversal of taxable temporary differences and forecasted positive results of operations, management determined, based on its assessment of both positive and negative evidence and objective and subjective evidence, that it is more likely than not that the Company will realize its deferred tax assets, with the exception of certain deferred tax assets related to foreign net operating losses, ("NOL"), and foreign tax credit, ("FTC"), carryforwards. The Company has provided a valuation allowance against net deferred tax assets for certain foreign loss entities as the realization of such assets are not more likely than not to occur.

As of November 30, 2021, the Company had foreign NOL carryforwards of \$7.9 million and U.S. FTC carryforwards of \$0.6 million. The foreign NOLs will not expire and will carryforward indefinitely. The FTC carryforwards were generated in the years ended November 30, 2019 and 2020, in the amounts of \$0.2 million and \$0.4 million, respectively, and expire in the years ended November 30, 2029 and 2030, respectively.

The Company reviews uncertain tax positions taken, or expected to be taken, in the course of preparing the Company's tax returns to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Management of the Company is required to analyze all open tax years, as defined by the statutes of limitations for all major jurisdictions, which include federal, state, and foreign. As of November 30, 2021 and 2020, the Company has not recognized any asset or liability for unrecognized income tax benefits or liabilities. It is the Company's policy to recognize interest and penalties related to uncertain tax positions as a component of the income tax provision.

(n) Revenue Recognition

Fees, dues and assessments

Fees, dues and assessments are established by the membership and the Board of Directors to compensate the Company for providing services to Members, soft brand licensees, SureStay franchisees, and WorldHotels licensees. The Company has performance obligations to provide hotel support, marketing, and technology services, and a license to our hotel system intellectual property for the use of our brand names. Our performance obligations are a series of distinct goods or services, for which we receive the following types of variable consideration through our membership agreements with our Members. Monthly fees and assessments (which include advertising, sales and marketing and technology) represent fixed and variable consideration and are billed monthly and recognized as revenue in the same month as the services are provided and charges become fixed or determinable and payable. Annual dues are established, billed and payable each year for continuing membership during the succeeding year. Annual dues are recognized as revenue ratably in the year to which the continuing membership applies. Any Member may resign from the Company at any time, but if the Member resigns or is terminated, fees and dues become immediately due and payable per the terms of the applicable contract and are recognized as revenue when cash is received regardless of the term of the contract.

Affiliation fee revenues from Best Western branded hotels are fixed consideration payable upon approval of the Member or licensee by the Board of Directors and acceptance of membership or license terms by the property owner. These revenues are recognized on a straight-line basis over the hotelier's expected life as a BWHG branded hotel or over the initial contract term. SureStay franchisee initial fees are due upon execution of a franchise agreement and recognized over the initial term of the franchise agreement. WorldHotels hotel integration fees are recognized on a straight-line basis over the expected life as a WorldHotels branded hotel. Affiliation fee revenues were \$7.8 million and \$7.1 million for the years ended November 30, 2021 and 2020, respectively.

Best Western Rewards® frequent stay program ("BWR® program")

The Company administers the BWR program for the benefit of BWHG and BWR program members. Under our BWR program, we have a performance obligation to provide or arrange for the provision of goods or services between BWR program members and BWHG hotels in exchange for the redemption of points earned from past activities. Costs of operating the BWR program, including costs for marketing, promotion, and other member services, are charged to

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the BWHG hotels through an assessment fee that is based on members' qualified expenditures. The assessment fees received from the BWHG hotels are deferred and recognized as program revenues as the loyalty points are redeemed and the related service, net of redemption expense, is provided. The amount of revenue the Company recognizes upon point redemption is impacted by the Company's estimate of the "breakage" for points that BWR members will never redeem. The Company estimates breakage based on historical experience and expectations of future BWR member behavior. All BWR program costs are recognized as incurred.

Program revenues in excess of redemption costs are used to fund the operational expenses of the program.

Best Western Travel Card® (a card having no expiration date and no usage or non-usage fees) revenue is recognized when: (i) the Best Western Travel Card is redeemed, or (ii) the likelihood of the Best Western Travel Card being redeemed is remote (Best Western Travel Card breakage), and the Company determines that there is not a legal obligation to remit the unredeemed Best Western Travel Card balance to the relevant jurisdiction. The determination of the Best Western Travel Card breakage rate is based upon Company specific historical redemption patterns. Best Western Travel Card breakage is included in program revenues in the Consolidated Statements of Revenues and Expenses.

Other revenues in the Consolidated Statements of Revenues and Expenses consist of international fees and other fees from hotelier meetings, training, quality assurance inspections and other services, and are recognized in the month the services are provided. International fees include fees and charges for reservations and other services billed to international organizations monthly and were \$16.5 million and \$16.7 million for the years ended November 30, 2021 and 2020, respectively.

All other revenue sources, such as program fees, are recognized in the month that the product or service is provided. Revenues, including rebates from vendors, and associated costs of product sold to hoteliers when the Company does not assume the risk and rewards of ownership of the product, is not the primary obligator, and does not possess other indicators of gross reporting, are reported as a net amount earned and included in program revenues in the Consolidated Statements of Revenues and Expenses.

(o) *Significant Estimates and Assumptions*

Management of the Company has made certain estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with GAAP. Actual results could differ from those estimates.

(p) *Concentration of Credit Risk*

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable, principally from Members, net.

The Company has concentrated its credit risk for cash by maintaining deposits in financial institutions which exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash and cash equivalents.

Accounts receivable, principally from Members, net, are primarily from Member, franchisee, licensee fees and services, and product sales. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of hoteliers, located throughout the world, comprising the Company's customer base. The Company does not require collateral within credit limits established. In those instances when a Member, franchisee, or licensee requests product in excess of the credit limit allowed by Company policy, the Company requests a letter of credit, deposit, or prepayment to secure the collection of accounts receivable. The Company performs ongoing evaluations of its hotelier receivables; non-payment can lead to cancellation of the applicable Best Western membership, license or franchise.

(q) *Advertising Costs*

Advertising costs are expensed as incurred and recorded as advertising and promotion expenses.

(r) *Foreign Currency*

Non-U.S. dollar assets and liabilities are remeasured using period-end exchange rates; income and expense items are remeasured at average exchange rates prevailing during the periods reported. Exchange rate gains and losses,

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unrealized and realized, are included in general and administrative expenses in the Consolidated Statements of Revenues and Expenses and were approximately a \$0.9 million loss and a \$0.5 million gain during the years ended November 30, 2021 and 2020, respectively.

(s) *Self-Insurance Programs*

The Company self-insures for certain levels of employee medical and dental coverage. For medical, the Company accrues estimated costs of this self-insurance program based on its history of claims experience and the estimated time lag between the incident and the date claims are payable. Because of the short-term nature of the time lag, no discount rate is used when evaluating the present value of the projected settlements. The ultimate cost of claims for a covered period may differ from the original estimates.

(t) *Recent Accounting Guidance Not Yet Adopted*

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-15 "Intangibles - Goodwill and Other - Internal Use Software (Subtopic 350-40)", which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard is effective for fiscal years beginning after December 15, 2020 for private companies and early adoption is permitted. The Company is currently assessing the impact of the adoption of this guidance.

In November 2019, the FASB issued ASU 2019-10 "Leases (Topic 842): Effective Dates" ("ASU 2019-10"). This was related to prior standards issued by the FASB, including ASU 2019-01 "Codification Improvements", which was issued in March 2019, and ASU 2018-11 "Targeted Improvements" which was issued in July 2018, amending ASU 2016-02 "Leases", which was issued in February 2016. This new guidance is intended to improve financial reporting regarding leasing transactions. These new standards will require companies that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. ASU 2019-10 deferred the effective date for private companies by one year to be effective for fiscal years beginning after December 15, 2020 for private companies and early adoption is permitted. In June 2020, the FASB issued ASU 2020-05 "Leases (Topic 842): Effective Dates for Certain Entities", which allows for private companies to elect to defer adoption of the guidance by one additional year to become effective for reporting periods beginning after December 15, 2021 and early adoption is permitted. The Company is currently assessing the impact of the adoption of this guidance.

In November 2019, the FASB issued ASU 2019-10 "Financial Instruments – Credit Losses (Topic 326): Effective Dates". This was related to prior standards issued by the FASB, including ASU 2019-04 "Codification Improvements", which was issued in April 2019, ASU 2018-19 "Codification Improvements", which was issued in November 2018 amending ASU 2016-13 "Financial Instruments — Credit Losses", which was issued in June 2016. The main objective of this new guidance is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. ASU 2019-10 defers the effective date for private companies by two years. The standard is effective for fiscal years beginning after December 15, 2022 for private companies and early adoption is permitted. The Company is currently assessing the impact of the adoption of this guidance.

In December 2019, the FASB issued ASU 2019-12 "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes". This new guidance is intended to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The standard is effective for fiscal years beginning after December 15, 2021 for private companies and early adoption is permitted. The Company is currently assessing the impact of the adoption of this guidance.

(u) *New Accounting Standards Adopted*

In August 2018, the FASB issued ASU 2018-13 "Fair Value Measurement (Topic 820): Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement", which modifies the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. The Company adopted this guidance in the first quarter of fiscal year 2021. There was no impact on the Company's financial statements.

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In March 2021, the FASB issued ASU 2021-03 “Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events”, which provides private companies and not-for-profit entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as required in Subtopic 350-20 as of the end of the reporting period, whether the reporting period is an interim or annual period. An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and if so, whether it is more likely than not that goodwill is impaired. The Company adopted this guidance in fiscal year 2021. There was no impact on the Company’s financial statements.

In May 2014, the FASB issued ASU 2014-09 “Revenue from Contracts with Customers (Topic 606)”. Subsequent to that date, the “FASB” issued several related ASUs. These ASUs (collectively referred to as “ASU 2014-09”) supersede the revenue recognition requirements in Topic 605. On December 1, 2020, the Company adopted the requirements of ASU 2014-09 using the full retrospective approach as of December 1, 2019. All amounts and disclosures set forth in these consolidated financial statements reflect the necessary adjustments required for the adoption of this standard, including the reclassification of prior period balances to conform to current year presentation.

When the Company adopted ASU 2014-09, the Company applied the following expedients and exemptions, which are allowed by the standard, to our prior year audited Financial Statements and disclosures:

- The Company used the transaction price at the date of contract completion for our contracts that had variable consideration and were completed before December 1, 2020.
- The Company considered the aggregate effect of all contract modifications that occurred before December 1, 2019 when: (i) identifying satisfied and unsatisfied performance obligations, (ii) determining the transaction price, and (iii) allocating the transaction price to the satisfied and unsatisfied performance obligations.
- The Company did not: (i) disclose the amount of the transaction price that the Company allocated to remaining performance obligations, or (ii) include an explanation of when the Company expects to recognize the revenue allocated to remaining performance obligations.

The cumulative effect of adopting ASU 2014-09 was a decrease in retained earnings of \$114.5 million as of December 1, 2019, primarily relating to the deferral of revenue previously recognized for: (i) BWR points which were previously recognized at time of point issuance, to time of point redemption, and (ii) affiliation fees which were previously recognized at the time of Board approval, to over the hotelier’s expected life as a BWHG branded hotel or over the initial contract term.

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The following tables present the impact of the changes made to our consolidated financial statements as a result of the adoption of ASU 2014-09 (see the Consolidated Statements of Changes in Net Assets for the impact of the adoption of this accounting standard on net assets). These tables do not reflect reclassifications to conform to current year presentation that are unrelated to ASU 2014-09 (see note 1(d)).

Consolidated Statement of Financial Position

	As of November 30, 2020		
	As Previously Reported	Effect of the Adoption of ASU 2014-09	As Adjusted
(in thousands)			
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 173,533	\$ -	\$ 173,533
Restricted cash	9,795	-	9,795
Short-term investments	39,465	-	39,465
Accounts receivable, principally from Members, net	30,126	-	30,126
Prepaid expenses and other current assets	13,193	858	14,051
TOTAL CURRENT ASSETS	266,112	858	266,970
Property, equipment and computer software, net	39,153	-	39,153
Long-term investments	36,115	-	36,115
Deferred income taxes	8,220	37,526	45,746
Other assets, net	15,681	13,135	28,816
TOTAL ASSETS	\$ 365,281	\$ 51,519	\$ 416,800
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	\$ 47,984	\$ -	\$ 47,984
Current frequent stay program liability	40,660	31,494	72,154
Current deferred revenue	12,447	3,608	16,055
Deposits	12,292	-	12,292
Income taxes payable	411	-	411
TOTAL CURRENT LIABILITIES	113,794	35,102	148,896
Non-current frequent stay program liability	101,707	79,616	181,323
Non-current deferred affiliation fee revenue	-	51,119	51,119
Non-current deferred compensation plans liability	23,045	-	23,045
TOTAL LIABILITIES	238,546	165,837	404,383
NET ASSETS:			
Retained earnings	125,487	(114,318)	11,169
Accumulated other comprehensive loss	(543)	-	(543)
TOTAL BEST WESTERN INTERNATIONAL, INC. NET ASSETS	124,944	(114,318)	10,626
Non-controlling interests	1,791	-	1,791
TOTAL NET ASSETS	126,735	(114,318)	12,417
TOTAL LIABILITIES AND NET ASSETS	\$ 365,281	\$ 51,519	\$ 416,800

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Consolidated Statement of Revenues and Expenses

(in thousands)	Year Ended November 30, 2020		
	As Previously Reported	Effect of the Adoption of ASU 2014-09	As Adjusted
REVENUES			
Fees, dues and assessments	\$ 176,628	\$ 1,411	\$ 178,039
Program revenues	127,811	(30,877)	96,934
Other revenues	35,992	-	35,992
TOTAL REVENUES	340,431	(29,466)	310,965
EXPENSES			
Compensation, taxes and benefits	133,518	13	133,531
Advertising and promotion	38,335	(4,003)	34,332
Depreciation and amortization	13,984	-	13,984
General and administrative	81,100	244	81,344
Program cost of sales	37,599	(25,824)	11,775
TOTAL EXPENSES	304,536	(29,570)	274,966
Excess of revenues over expenses before income taxes	35,895	104	35,999
Income tax provision	(9,423)	126	(9,297)
Excess of revenues over expenses	26,472	230	26,702
Excess of expenses over revenues attributable to non-controlling interests	117	-	117
EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO BEST WESTERN INTERNATIONAL, INC.	\$ 26,589	\$ 230	\$ 26,819

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**Consolidated Statement of Other
Comprehensive Revenues and Expenses**

(in thousands)	Year Ended November 30, 2020		
	As Previously Reported	Effect of the Adoption of ASU 2014-09	As Adjusted
EXCESS OF REVENUES OVER EXPENSES	\$ 26,472	\$ 230	\$ 26,702
Foreign currency translation adjustment, net of tax benefit	(611)	-	(611)
Comprehensive excess of revenues over expenses	25,861	230	26,091
Comprehensive excess of expenses over revenue, attributable to non-controlling interests	117	-	117
COMPREHENSIVE EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO BEST WESTERN INTERNATIONAL, INC.	\$ 25,978	\$ 230	\$ 26,208

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Consolidated Statement of Cash Flows

	Year Ended November 30, 2020		
	As Previously Reported	Effect of the Adoption of ASU 2014-09	As Adjusted
(in thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ 26,472	\$ 230	\$ 26,702
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	13,984	-	13,984
Impairment of goodwill and other intangible assets	2,497	-	2,497
Provision for doubtful accounts	19,335	-	19,335
Amortization of bond discounts/premiums, net	57	-	57
Provision for deferred income taxes	(7,263)	(127)	(7,390)
Loss on disposition of property, equipment and computer software	185	-	185
Changes in assets and liabilities:			
Accounts receivable	19,499	-	19,499
Prepaid expenses and other current assets	19,618	(11)	19,607
Income taxes	353	-	353
Other assets, net	(2,249)	14	(2,235)
Accounts payable, accrued liabilities and deferred compensation plans liability	(26,117)	11	(26,106)
Deferred revenue	(456)	(1,882)	(2,338)
Frequent stay program liability	1,618	1,763	3,381
Deposits	(2,016)	-	(2,016)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	65,517	(2)	65,515
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from maturity of investments	62,747	-	62,747
Purchase of investments	(19,379)	-	(19,379)
Purchase of property, equipment and computer software	(17,804)	-	(17,804)
NET CASH PROVIDED BY INVESTING ACTIVITIES	25,564	-	25,564
Net increase (decrease) cash and cash equivalents, and restricted cash	91,081	(2)	91,079
Effect of foreign exchange rate changes on cash and cash equivalents, and restricted cash	(199)	2	(197)
Cash and cash equivalents, and restricted cash at beginning of period	92,446	-	92,446
CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	\$ 183,328	\$ -	\$ 183,328

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November 30, 2021

Contract balances

The Company records a receivable as performance obligations are satisfied and there is an unconditional right to receive payment. Deferred revenue is recorded when the Company receives payment, or has the unconditional right to receive payment, in advance of the satisfaction of the Company's performance obligations related to initial affiliation fees and the BWR program.

Certain costs to obtain contracts with customers are capitalized and amortized on a straight-line basis over the hotelier's expected life as a BWHG branded hotel or over the initial contract term. The costs of obtaining a contract with a customer are recorded in prepaid expenses and other current assets, and other assets, net in our Consolidated Statements of Financial Position. The related amortization is recorded in compensation, taxes and benefits in our Consolidated Statements of Revenues and Expenses. The Company had capitalized costs to obtain contracts with customers of \$13.7 million and \$14.0 million at November 30, 2021 and 2020, respectively.

The contract asset balances consisted of the following:

(in thousands)	As of November 30,	
	2021	2020
Current contract assets	\$ 943	\$ 858
Long-term contract assets	12,740	13,136
Total contract assets	\$ 13,683	\$ 13,994

At November 30, 2021 and 2020, the contract liabilities balances related to affiliation fees and the BWR program include the following components and are included in current frequent stay program liability, current deferred revenue, non-current frequent stay program liability, and non-current deferred affiliation fee revenue in the Consolidated Statements of Financial Position:

(in thousands)	As of November 30,	
	2021	2020
Current contract liabilities	\$ 93,306	\$ 76,427
Long-term contract liabilities	239,641	232,442
Total contract liabilities	\$ 332,947	\$ 308,869

(in thousands)	As of November 30,	
	2021	2020
Liability related to the loyalty program	\$ 278,774	\$ 253,068
Affiliation fees received from hoteliers	54,173	55,801
Total contract liabilities	\$ 332,947	\$ 308,869

Notes to Consolidated Financial Statements

November 30, 2021

(2) Accounts Receivable, Principally from Members, net and Allowance for Doubtful Accounts

Accounts receivable, principally from Members, net primarily consists of amounts due from hoteliers with whom we have membership, franchise, or license agreements and include reimbursements of costs we incurred on behalf of the hoteliers. We record an allowance for doubtful accounts when losses are probable, based on an assessment of historical collection activity and current business conditions.

The activity in the allowance for doubtful accounts which is included in accounts receivable, principally from Members, net in the Consolidated Statements of Financial Position consists of the following:

(in thousands)	As of November 30,	
	2021	2020
Beginning balance	\$ 24,362	\$ 6,588
Recoveries	1,225	897
Provisions	(1,760)	19,335
Write offs	(2,614)	(2,458)
Ending balance	\$ 21,213	\$ 24,362

In the normal course of business, the Company extends credit to its hoteliers, tour operators, central bill accounts and other third parties. The Company evaluates the collectability of the accounts receivable balances based on a combination of factors. These factors include the type of relationship the Company has with the account, the prior experience the Company has with accounts in each relationship type, and an evaluation of current and projected economic conditions including the impact of COVID-19 as of the Consolidated Statements of Financial Position date. Due to the uncertainty and greater risk of collections of accounts receivable, the Company provided for an estimate to increase the provision for allowance for doubtful accounts as of November 30, 2020, and believe the estimate to be appropriate as of November 30, 2021. Actual collections of accounts receivable could differ from management's estimates.

(3) Prepaid Expenses and Other Current Assets

Prepaid expenses (primarily related to payments for insurance, software and hardware maintenance and support costs, third party internet, Global Distribution System's reservation fees, and advertising costs) and other current assets are expensed when services are rendered. Contract assets represent the current portion of the costs incurred to obtain a membership, licensee, or franchise agreement.

Prepaid expenses and other current assets consisted of the following:

(in thousands)	As of November 30,	
	2021	2020
Prepaid expenses other current assets	\$ 13,860	\$ 13,193
Current contract assets	943	858
Total	\$ 14,803	\$ 14,051

(4) Income Taxes

The income tax provision for the years ended November 30, 2021 and 2020 consisted of the following:

(in thousands)	Years Ended November 30,	
	2021	2020
Current:		
Federal	\$ 16,776	\$ 12,265
State	3,453	3,596
Foreign	275	646
Total current	20,504	16,507

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(in thousands)	Years Ended November 30,	
	2021	2020
Deferred:		
Federal	(3,795)	(5,265)
State	(737)	(1,313)
Foreign	(104)	(632)
Total deferred	(4,636)	(7,210)
Income tax provision	\$ 15,868	\$ 9,297

The provision for income tax differs from that computed using the federal statutory rate applied to income before taxes as follows:

(in thousands)	Years Ended November 30,	
	2021	2020
Income taxes computed at statutory rates	\$ 12,774	\$ 7,560
State taxes, net of federal benefit	2,089	1,526
Valuation allowance	1,493	7
Other non-deductible items	189	382
Non-deductible meals and entertainment	103	184
Foreign tax credit	60	975
Foreign-derived intangible income	(546)	(863)
Other	(294)	(474)
Income tax provision	\$ 15,868	\$ 9,297

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of November 30, 2021 and 2020 are presented below:

(in thousands)	As of November 30,	
	2021	2020
Deferred tax assets:		
Loyalty program	\$ 31,232	\$ 27,192
Deferred revenue	9,997	10,334
Deferred compensation plans	7,298	6,248
Allowance for doubtful accounts	5,237	6,020
Net operating loss	2,559	1,629
Compensated absences	1,424	1,067
Travel Card liability	1,042	798
Acquisition of new trademarks and trade names	729	776
Tax credits	572	-
Free night voucher liability	132	101
Total deferred tax assets	60,222	54,165
Deferred tax liabilities:		
Fixed assets	4,336	4,219
Prepaid expenses	1,638	1,439
Intangible assets	422	1,111
Other	337	37
Total deferred tax liabilities	6,733	6,806
Less valuation allowance	(3,106)	(1,613)
Net deferred tax assets	\$ 50,383	\$ 45,746

Notes to Consolidated Financial Statements

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As of November 30, 2021 and 2020, the Company had no unrecognized tax benefits which would impact the Company's effective tax rate if recognized, and the Company has no accrued interest or penalties related to uncertain tax positions. Management is unaware of any provisions that need to be made for any penalties and fees that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty and the Company could be required to adjust its provision for income taxes in the period such resolution occurs.

The Company is subject to taxation and files income tax returns in the U.S. federal jurisdiction and in many state and foreign jurisdictions. Currently, the Company has statutes of limitation open in various states ranging from fiscal years ended November 30, 2017 through November 30, 2020, tax years 2016 through 2019. The federal statute of limitations is currently open from fiscal years ended November 30, 2018 through November 30, 2020, tax years 2017 through 2019.

The Company has not provided for applicable income or withholding taxes on the undistributed earnings from continuing operations of its subsidiaries operating outside of the United States. Undistributed net income of these subsidiaries as of November 30, 2021 and 2020 net to zero. Any undistributed earnings are considered permanently reinvested.

(5) Property, Equipment and Computer Software, net

Property, equipment and computer software consisted of the following:

(in thousands)	As of November 30,	
	2021	2020
Property and equipment, at cost:		
Furniture and equipment	\$ 30,827	\$ 30,748
Buildings	19,244	19,261
Land	2,335	2,335
Leasehold improvements	2,632	2,706
Land improvements	1,234	1,244
Work in process	6	-
Property and equipment	56,278	56,294
Less accumulated depreciation	(45,365)	(43,311)
Property and equipment, net	10,913	12,983
Computer software, at cost:		
Developed	65,740	58,878
Purchased	15,800	17,913
Work in process	3,182	1,084
Computer software	84,722	77,875
Less accumulated amortization	(67,967)	(64,313)
Computer software, net	16,755	13,562
Property, equipment and computer software, net	\$ 27,668	\$ 26,545

Depreciation and amortization expense consisted of the following:

(in thousands)	Years Ended November 30,	
	2021	2020
Depreciation of property and equipment	\$ 2,672	\$ 4,036
Amortization of computer software	9,278	8,531
Depreciation and amortization of property, equipment and computer software	11,950	12,567
Amortization of goodwill and other intangible assets (Note 14)	1,196	1,417
Depreciation and amortization	\$ 13,146	\$ 13,984

Notes to Consolidated Financial Statements

November 30, 2021

(6) Hotel Investments

In December 2019 and March 2020, the Company acquired land to develop two hotels, located in Tempe, Arizona, and Denver, Colorado, respectively. Property development costs, including property construction costs, interest and other financing fees, property taxes, architectural and engineering fees, and other direct and indirect development costs, are capitalized beginning when the development activity commences and ending when all infrastructure is substantially complete and the property is available for occupancy.

Both Tempe, Arizona, and the Denver, Colorado hotels were under construction as of November 30, 2021. Hotel investments consisted of the following:

(in thousands)	As of November 30,	
	2021	2020
Hotel investments, at cost:		
Land	\$ 6,985	\$ 6,985
Development in process	34,981	5,623
Hotel investments	\$ 41,966	\$ 12,608

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of an asset held and used is measured by a comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Based on its evaluation of the hotel investments, determined using management estimates and other unobservable inputs, the Company concluded that no impairment occurred for the years ended November 30, 2021 and 2020.

(7) Line of Credit

In April 2020, the Company entered into an Uncommitted Revolving Line of Credit and Security Agreement (the "LOC Agreement") with the Royal Bank of Canada ("RBC"). The Company may request a credit advance up to \$160 million at a fixed or variable interest rate at the sole discretion of the Company under the LOC Agreement. The fixed rate is based on a RBC fixed rate plus 0.75%. The variable rate is based on the LIBOR rate(s) plus 0.75%. The LOC Agreement is secured by the Company's unencumbered and unrestricted marketable securities at RBC. Interest is due and payable monthly, with the principal due and payable upon demand of the bank. The Company had no outstanding borrowings against this line of credit at November 30, 2021 and 2020.

(8) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

(in thousands)	As of November 30,	
	2021	2020
Accrued compensation and benefits	\$ 23,600	\$ 13,757
Accounts payable	20,047	14,621
Accrued liabilities	18,635	11,754
Travel Card liability	8,318	7,852
Total	\$ 70,600	\$ 47,984

(9) Contingencies and Commitments

From time to time, the Company has been, and expects to continue to be, subject to legal proceedings and claims in the ordinary course of business. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources, divert management's attention from the Company's business objectives, and adversely affect the Company's business, results of operations, financial condition and cash flow.

The Company is committed to providing certain payments or credits to: (i) applicants who were offered an incentive to become

Notes to Consolidated Financial Statements

November 30, 2021

a new Member, and (ii) Members who were offered an incentive to allow approval of an application in a Member's protected area. These payments or credits are due and payable when the contract terms are met and refundable back to the Company or cease, pursuant to contract terms. As of November 30, 2021 and 2020, the amount of commitments not yet paid was \$11.2 million and \$10.4 million, respectively, which is not recorded in the Consolidated Statements of Financial Position.

(10) Leases

The Company leases certain office space, equipment and software under various operating leases, which expire on various dates through November 2025. Rental expenses on operating leases are recorded on a straight-line basis. Rental expense for operating leases was \$11.7 million and \$12.3 million for the years ended November 30, 2021 and 2020, respectively, and is included in general and administrative expenses in the Consolidated Statements of Revenues and Expenses. Minimum future rentals on non-cancelable operating leases, having an initial or remaining term in excess of one year as of November 30, 2021 are as follows (in thousands):

Years ending November 30,	Equipment and Software	Office Space	Total Minimum Rental
2022	\$ 2,846	\$ 455	\$ 3,301
2023	2,680	390	3,070
2024	2,187	273	2,460
2025	200	127	327
2026 and thereafter	-	-	-
Total	\$ 7,913	\$ 1,245	\$ 9,158

(11) Employee Retirement Savings Plans

The Company sponsors a 401(k) investment plan which is available to all U.S. employees on the first day of service, and a Canadian Registered Retirement Savings Plan (the "RRSP") which is available to all Canadian employees on the first day of service. Under the plans, employees may contribute a percentage of their eligible wages to the plans, subject to maximum statutory regulations. The Company contributes 3% of the annual salary of all eligible employees to these plans.

The Company may also contribute a discretionary amount, as determined by the Board of Directors, up to 6% of employees' eligible compensation, to be allocated in proportion to the employees' contributions provided an employee has worked 1,000 hours during the plan year and is employed on the last day of the plan year.

The Company's expense related to the 401(k) investment plan was \$5.8 million and \$3.7 million for the years ended November 30, 2021 and 2020, respectively, and the Company's expense related to the RRSP was \$95.2 thousand and \$78.1 thousand for the years ended November 30, 2021 and 2020, respectively. These amounts are included in compensation, taxes and benefits in the Consolidated Statements of Revenues and Expenses. The Company's liability related to the 401(k) investment plan was \$3.6 million and \$1.8 million as of November 30, 2021 and 2020, respectively, and \$55.7 thousand and \$35.3 thousand as of November 30, 2021 and 2020, respectively, for the RRSP and is included in accounts payable and accrued liabilities in the Consolidated Statements of Financial Position as of November 30, 2021 and 2020, respectively.

(12) Deferred Compensation Plans and Restricted Rabbi Trust Investments

Nonqualified Deferred Compensation Plan ("NQP") and Restricted Rabbi Trust Investments

The Company has a NQP in which key management employees of the Company, as determined by the Board of Directors, are selected to participate. The NQP is a defined contribution plan, in which participating employees may defer a percentage of their annual salaries and a percentage of any incentive compensation into the NQP. The NQP was restated effective December 1, 2020 to provide for the use of a restricted Rabbi Trust and to amend the design of the Company's contributions.

Prior to the Amendment, the Company's annual contributions were based on several formulas designed to restore benefits otherwise lost to participating employees due to statutory limits in the 401(k) investment plan and by an amount equal to the rate of the old age survivors and disability insurance tax under IRS code Section 3101 multiplied by a participant's compensation in excess of the social security tax base. Pursuant to the Amendment, the Company contributes: (i) a non-discretionary contribution of 3% of a participating employee's compensation each pay period, and (ii) an annual discretionary contribution, as determined by the Board of Directors, up to 9% of a participating employee's annual compensation.

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Effective December 1, 2020, the Company established a Trust, whereby the Company makes contributions to this Trust to provide the Company a source of funds to assist in satisfying the NQP liability. It is the intention of the Company that the NQP and the Trust shall constitute an unfunded arrangement for the purpose of providing tax-deferred compensation in accordance with Title I of the Employee Retirement Income Security Act of 1974, as amended. It is also the intention of the Company to fund the Trust and have its assets invested in a manner that matches each participant's deemed investment elections under the NQP, so that the investment gains and losses of the Trust mirror the investment gains and losses credited/debited to participants' accounts. Accordingly, the Company has funded the Trust during fiscal year 2021, including an initial funding of \$20.2 million into the Trust in December 2020, based on amounts due and owing to participating employees at that time. The Trust balance was \$24.7 million as of November 30, 2021. Realized and unrealized gains and losses on these investments were gains of \$1.5 million and \$2.3 million, respectively, for the year ended November 30, 2021, and are recognized in net gains on investments and interest income in the Consolidated Statements of Revenues and Expenses.

The Company's expense related to this NQP was \$4.4 million (including a liability provision associated with net investment gains of \$3.8 million as of November 30, 2021) and \$2.7 million for the years ended November 30, 2021 and 2020, respectively, and is included in compensation, taxes and benefits in the Consolidated Statements of Revenues and Expenses. The Company's total liability for the NQP was \$25.0 million and \$20.4 million as of November 30, 2021 and 2020, respectively, of which the current portion of \$3.2 million and \$0 is included in accounts payable and accrued liabilities in the Consolidated Statements of Financial Position as of November 30, 2021 and 2020, respectively.

Long-term Incentive Plan

The Company has a long-term incentive plan for key executives, as determined by the Board of Directors. Amounts awarded under the plan for each performance period are payable to each key executive in March of the third year after the performance period ends. The key executive must be employed by the Company or retired from the Company on the payment date, noting there are qualifying events with regard to vesting. The plan allows for proration of the accrued benefit for key executives because of death, disability or retirement. The Company records expense for this plan over the three-year required service period. The Company's expense related to this plan was \$1.9 million and \$2.7 million for the years ended November 30, 2021 and 2020, respectively, and is included in compensation, taxes and benefits in the Consolidated Statements of Revenues and Expenses. The Company's total liability for this long-term incentive plan was \$4.5 million and \$4.9 million as of November 30, 2021 and 2020, respectively, of which the current portion of \$2.1 million and \$2.2 million is included in accounts payable and accrued liabilities in the Consolidated Statements of Financial Position as of November 30, 2021 and 2020, respectively.

(13) Related Party Transactions

Each member of our Board of Directors ("Director", or an affiliate of a Director) is a party to a membership agreement with the Company, and as a result, our Directors pay system and other fees to us based upon the terms of their respective membership agreements. Our Directors are party to such membership agreements on the same terms and conditions as each of the other Members of the Company.

Director compensation consisted of \$104,198 and \$79,209 in annual Director fees per district for the years ended November 30, 2021 and 2020, respectively. In fiscal year ending November 30, 2020, Directors reduced their annual Director fees to support the Company's cost savings austerity plan and in fiscal year ending November 30, 2021, annual Director fees were restored to usual levels. Directors are reimbursed reasonable, ordinary and necessary business and travel expenses in accordance with the Company's travel and expense policies.

(14) Amortizing Goodwill and Other Intangible Assets

Goodwill is allocated to two reporting units: (i) WorldHotels, and (ii) AutoClerk. Activity by reporting unit in the current and prior period is organized by reporting unit noted below.

WorldHotels

On February 15, 2019, the Company entered into and closed a definitive Share Sale and Purchase Agreement with WorldHotels Holdings, LLC ("WH Holdings") and ALHI Holdings, LLC ("ALHI") to purchase 100% of the outstanding shares of BV Acquisitions X GmbH from WH Holdings (thereby also acquiring BV Acquisitions' approximately 98% ownership of the outstanding shares of WorldHotels Aktiengesellschaft ("WH")), and assumed certain rights and obligations of ALHI. During 2020, the Company acquired the remaining approximately 2% ownership of the outstanding shares of WH and

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now owns 100% of the outstanding shares. The WorldHotels Acquisition was accounted for as a business combination in accordance with ASC Topic 805, Business Combinations.

The total purchase price was allocated based upon: (i) the amounts reported in the WH historical financial statements for any assets that were reported at fair value in accordance with WH's historical accounting policies, or (ii) management's estimates of fair value. The Company determined estimated fair value for other intangible assets with the assistance of valuations performed by third-party specialists. Other intangible assets of acquired customers and trademarks and trade names were valued at \$2.1 million and \$1.3 million, respectively. To the extent the consideration exceeded the fair value of the net assets acquired in this transaction, the excess was assigned to goodwill.

Due to the negative impacts of COVID-19 on our business and industry, as of August 31, 2021 and 2020, a quantitative analysis of goodwill and other intangible asset impairment was performed. An impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. To estimate the fair value for the reporting unit, the Company utilized a combination of market and income approach valuation methods via quoted market prices, market multiples of comparable businesses, and performance of a discounted cash flow analysis. The Company recognized a non-cash pre-tax impairment charge on the WorldHotels reporting unit's intangible assets of \$1.8 million of acquired customers and \$0.7 million of goodwill for the year ended November 30, 2020, representing the amount by which the carrying amount exceeded fair value. The total impairment charge of \$2.5 million is included in impairment of goodwill and other intangible assets in the Consolidated Statements of Revenues and Expenses for the year ended November 30, 2020. No impairment was recorded for the year ended November 30, 2021 (see note 1(k)).

AutoClerk

On July 31, 2019, the Company entered into and closed a definitive Share Sale and Purchase Agreement with the shareholders of AutoClerk, Inc. ("AC"), to purchase 100% of the outstanding shares of AC. The AC Acquisition was accounted for as a business combination in accordance with ASC Topic 805, Business Combinations.

The total purchase price was allocated based upon: (i) the amounts reported in the AC historical financial statements for any assets that were reported at fair value in accordance with AC's historical accounting policies, or (ii) management's estimates of fair value. The Company determined estimated fair value for other intangible assets with the assistance of valuations performed by third-party specialists. Other intangible assets of developed technology and acquired customers were valued at \$1.9 million and \$1.5 million, respectively. To the extent the consideration exceeded the fair value of the net assets acquired in this transaction, the excess was assigned to goodwill.

The Company assessed the qualitative factors attributable to the AC reporting unit and determined that the fair value of the reporting unit is not more likely than not less than its carrying amount as of August 31, 2021 and 2020. Therefore, no quantitative analysis was performed and no impairment was recorded for the years ended November 30, 2021 and 2020.

Amortized goodwill and other intangible assets consisted of the following:

(in thousands)	Gross Carrying Amount	As of November 30, 2021	
		Accumulated Amortization	Net Carrying Amount at November 30
Amortizing goodwill:			
WorldHotels	\$ 4,554	\$ (673)	\$ 3,881
AutoClerk	2,198	(513)	1,685
Amortizing other intangible assets:			
Acquired customers:			
AutoClerk	1,500	(467)	1,033
Developed technology:			
AutoClerk	1,900	(554)	1,346

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(in thousands)	Gross Carrying Amount	As of November 30, 2020				
		Accumulated Amortization	Impairment	Net Carrying Amount at August 31	Accumulated Amortization	Net Carrying Amount at November 30
Amortizing goodwill:						
WorldHotels	\$ 6,237	\$ (962)	\$ (721)	\$ 4,554	\$ (135)	\$ 4,419
AutoClerk	2,198	(238)	-	1,960	(55)	1,905
Amortizing other intangible assets:						
Acquired customers:						
WorldHotels	2,100	(324)	(1,776)	-	-	-
AutoClerk	1,500	(217)	-	1,283	(50)	1,233
Developed technology:						
AutoClerk	1,900	(257)	-	1,643	(60)	1,583

The Company has elected the private-company alternative to amortize goodwill over 10 years. Amortization expense for goodwill was approximately \$0.8 million and \$0.8 million for the years ended November 30, 2021 and 2020, respectively, and is estimated to be approximately \$0.8 million annually for fiscal years ended 2022 through 2026.

Acquired customers and developed technology are definite-life intangible assets, and as such, amortization expense is calculated using a method that most appropriately reflects expected cash flows from these assets with an amortization period, ranging from 7.5 years to 10 years, depending on the type of asset. Amortization expense for definite-life intangible assets was approximately \$0.4 million and \$0.6 million for the years ended November 30, 2021 and 2020, respectively, and is estimated to be approximately \$0.4 million annually for fiscal years ended 2022 through 2026.

Trademarks and trade names are indefinite-life assets as there is no foreseeable limit to the cash flows generated by these assets. The Company has determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful lives of these acquired trademarks and trade names and therefore are considered to be indefinite-lived intangible assets that are not subject to amortization. Trademarks and trade names value resulting from the WorldHotels acquisition was \$1.3 million as of November 30, 2021 and 2020.

(15) Joint Venture

On May 2, 2019, the Company's wholly owned subsidiary, BWI DevCo Denver 3560, LLC, and a third-party, TWC, entered into a joint venture Contribution Agreement and formed Denver 3560, a Colorado limited liability company to develop, build, own and operate a Best Western Vīb-branded hotel in Denver. Under the terms of the Contribution Agreement, the Company interest in the joint venture is seventy-five percent (75%) and the TWC interest in the joint venture is twenty-five percent (25%).

The joint venture was accounted for as a variable interest entity in accordance with ASC Topic 810, "Consolidations". The Company evaluated the provisions of this standard and determined that the joint venture should be consolidated as the Company has both the power to direct the activities of the joint venture and will participate in the benefits.

The Company has consolidated the results of the Denver 3560 joint venture as of November 30, 2021 and 2020. The contribution by the Company was \$0.7 million and \$4.7 million in the fiscal years ending November 30, 2021 and 2020, respectively, with total contributions of \$6.1 million since inception. The contribution by TWC was \$0.2 million and \$1.1 million in the fiscal years ending November 30, 2021 and 2020, respectively, with total contributions of \$2.0 million since inception. Expenditures of \$17.1 million were made during the fiscal year ending November 30, 2021, with total expenditures of \$24.8 million since inception. The total contributions were used primarily for the land purchase, development and other start-up construction related costs, which are included in hotel investments in the Consolidated Statements of Financial Position. The equity contribution from the joint venture partner of \$2.0 million has been included in non-controlling interests in the Consolidated Statement of Financial Position and as a supplemental disclosure in the Consolidated Statements of Cash Flows.

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(16) Construction Loans

BWI Denver 3560

In March 2020, Denver 3560 entered into an initial Construction Loan Agreement (the "Denver Loan") with UMB Bank, which allowed Denver 3560 to request advances up to \$21.6 million. In July 2021, this Denver Loan was modified to increase the availability of loan advances from \$21.6 million to \$24.4 million. For the period May 1, 2020 through April 1, 2023, interest on the outstanding principal balance of the Denver Loan is due and payable monthly. Beginning April 1, 2023, through the maturity date of March 11, 2027, principal and interest is due and payable in an amount determined by UMB to be sufficient to amortize the outstanding principal balance of the Denver Loan over a twenty-five (25) year period. The outstanding principal balance of this Denver Loan is due and payable on the maturity date.

The interest rate on the Denver Loan is a fixed annual rate of 3.21% and is computed and accrued on an ACT/360 basis. The Denver Loan is secured by, among other things, the Deed of Trust and is guaranteed by the Company.

The Company had borrowings of \$14.6 million and \$0 as of November 30, 2021 and 2020, respectively.

Interest costs of \$0.2 million and \$0 were capitalized and included in hotel investments in the Consolidated Statements of Financial Position for the years ended November 30, 2021 and 2020, respectively. Accrued interest of \$0.2 million and \$0 was included in construction loans in the Consolidated Statements of Financial Position for the years ended November 30, 2021 and 2020, respectively.

The Company is required to maintain certain financial and operational covenants. At November 30, 2021 and 2020, the Company was in compliance with all covenants.

BWI DevCo Tempe

In October 2020, company wholly owned DevCo Tempe entered into a Construction Loan Agreement (the "Tempe Loan") with UMB Bank. Under terms of the Tempe Loan, DevCo Tempe can request advances up to \$15.3 million. For the period November 1, 2020 through October 31, 2023, interest on the outstanding principal balance of the Tempe Loan is due and payable monthly. Beginning November 1, 2023, through the maturity date of October 2, 2027, principal and interest is due and payable in an amount determined by UMB to be sufficient to amortize the outstanding principal balance of the Tempe Loan over a twenty-five (25) year period. The outstanding principal balance of this Tempe Loan is due and payable on the maturity date.

The interest rate on the Tempe Loan is a fixed annual rate of 3.50% and is computed and accrued on an ACT/360 basis. The Tempe Loan is secured by, among other things, the Deed of Trust and is guaranteed by the Company.

The Company borrowed \$10.4 million and \$0 as of November 30, 2021 and 2020, respectively.

Interest costs of \$0.1 million and \$0 were capitalized and included in hotel investments in the Consolidated Statements of Financial Position for the years ended November 30, 2021 and 2020, respectively. Accrued interest of \$0.1 million and \$0 was included in construction loans in the Consolidated Statements of Financial Position at November 30, 2021 and 2020, respectively.

The Company is required to maintain certain financial and operational covenants. At November 30, 2021 and 2020, respectively the Company was in compliance with all covenants.

(17) Subsequent Events

In connection with the preparation of the consolidated financial statements, the Company evaluated events and transactions occurring after November 30, 2021, for potential recognition or disclosure. The Company has evaluated its subsequent events through February 18, 2022, the date financial statements were available to be issued.

EXHIBIT E TO FDD

LISTS OF CURRENT AND FORMER HOTEL OWNERS

Open Hotels as of 11/30/22

Name of Hotel	Legal Entity	Address	City	State	Zip Code	Phone
Baranof Downtown, BW Signature Collection	YC Juneau Hotel, LLC	127 N Franklin St	Juneau	AK	99801-1222	(907) 586-2660
Hotel Finial, BW Premier Collection	Finial LLC	1600 Quintard Ave	Anniston	AL	36201-3849	(256) 236-0503
Fountain Park Hotel, BW Signature Collection	Fountain Park Hotel, LP	12800 N Saguaro Blvd	Fountain Hills	AZ	85268-5102	(480) 837-6565
Hotel Lulu, BW Premier Collection	1850 Harbor, LLC	1850 S Harbor Blvd	Anaheim	CA	92802-3510	(657) 688-5858
The Agrarian Hotel, BW Signature Collection	SRK Hotels, Inc.	325 E Branch St	Arroyo Grande	CA	93420-2705	(805) 574-6040
Aristocrat Hotel, BW Signature Collection	STAY CAL HMB LLC	1400 Cabrillo Hwy S	Half Moon Bay	CA	94019	(650) 713-5151
SFO Airport Hotel, El Rancho Inn, BW Signature Collection	Anton Millbrae, LLC	1100 El Camino Real	Millbrae	CA	94030-2015	(650) 588-8500
Hartford Hotel, BW Signature Collection	Hartford Hotel Investments Inc	8832 Glendon Way	Rosemead	CA	91770-1806	(626) 656-6191
The Cartwright Hotel - Union Square, BW Premier Collection	Cartwright Hotel Group, LP	524 Sutter St	San Francisco	CA	94102-1102	(415) 421-2865
Heritage Hotel, Golf, Spa & Conf Ctr, BW Premier Collection	Heritage Food and Beverage LLC	522 Heritage Rd	Southbury	CT	06488-1869	(203) 264-8200
Hotel Arya, BW Premier Collection	YC Boulder Hotel, LLC	2889 McFarlane Rd	Miami	FL	33133-6008	(305) 529-2828
Ameniti Bay, BW Signature Collection	Saginaw Hospitality LLC	5985 Brookhill Blvd	Sarasota	FL	34232	(941) 500-9960
Magnolia Pointe, BW Signature Collection	Saginaw Hospitality LLC	5965 Brookhill Blvd	Sarasota	FL	34232	(941) 500-4700
Floridan Palace Hotel, BW Premier Collection	905 N Florida Ave Property Owner LLC	905 N Florida Ave	Tampa	FL	33602-3805	(813) 225-1700
The Riverside Hotel, BW Premier Collection	Riverside Hospitality, LLC	2900 Chinden Blvd	Boise	ID	83714-6629	(208) 343-1871
Parke Regency Hotel & Conf Ctr., BW Signature Collection	Auctus LLC	1413 Leslie Dr	Bloomington	IL	61704-5409	(309) 662-4300
Blake Hotel New Orleans, BW Premier Collection	JM Hotels, LLC	500 Saint Charles Ave	New Orleans	LA	70130-3410	(504) 522-9000
Rocky Gap Casino Resort, BW Premier Collection	Lakes Maryland Development, LLC	16701 Lakeview Rd	Flintstone	MD	21530-1059	(301) 784-8400
Bangor Aviator Hotel, BW Premier Collection	WNC Bangor Company, LLC	308 Godfrey Blvd	Bangor	ME	04401-3024	(207) 947-6721
Gateway Hotel & Convention Center, BW Premier Collection	Golden Horizon, LLC	5353 Gateway Centre Blvd	Flint	MI	48507-6351	(810) 232-5300
Crown Pointe Lodge, BW Signature Collection	Eagle Lake Restaurant, Inc.	4245 Hunt Rd	Farmington	MO	63640-7291	(573) 701-9747
Aviator Hotel & Suites, BW Signature Collection	Widewaters St. Louis Company, LLC	6921 S Lindbergh Blvd	St Louis	MO	63125-4220	(314) 892-3600
Magnolia Bluffs, BW Signature Collection	Magnolia Bluffs Casino LLC	645 S Canal St	Natchez	MS	39120-3485	(601) 861-4600
The Forge Hotel, BW Signature Collection	Show Me Anaconda, LLC	100 Union Avenue	Anaconda	MT	59711	(406) 797-4100
Lighthouse Suites, BWSC by Best Western	SITARAM Hospitality, LLC	216 Islander Dr	Emerald Isle	NC	28594-2429	(252) 764-0980
Woodwards White Mountain Resort, BW Signature Collection	Ossipee Hospitality, LLC	527 US Route 3	Lincoln	NH	03251-4126	(603) 745-8141
The Hub Middletown Red Bank, BW Signature Collection	JSK Middletown, LLC	750 State Route 35	Middletown	NJ	07748-3410	(732) 671-3400
The Hub Murray Hill, BW Premier Collection	Murray Hill Hospitality, LLC	535 Central Ave.	New Providence	NJ	07974-1561	(908) 665-9200
Robert Treat Hotel, BW Premier Collection	Robert Treat Hotel Inc.	50 Park Pl	Newark	NJ	07102-4398	(973) 622-1000
The Westfield Inn, BW Signature Collection	Westfield Hospitality Associates, LLC	435 North Ave W	Westfield	NJ	07090-1433	(908) 654-5600
Aquarius Casino Resort, BW Premier Collection	Aquarius Gaming, LLC	1900 S Casino Dr	Laughlin	NV	89029-1513	(702) 298-5111
Inn at Great Neck, BW Premier Collection	Sussex Great Neck, LLC	30 Cuttermill Rd	Great Neck	NY	11021-3111	(516) 773-2000

Open Hotels as of 11/30/22

Vista LIC Hotel, BW Premier Collection	39th Ave Holding, LLC	2705 39th Ave	Long Island City	NY	11101-2703	(718) 786-8500
Niagara Riverside Resort, BW Premier Collection	Lasalle Hospitality Inc	7001 Buffalo Ave	Niagara Falls	NY	14304-4001	(716) 299-0344
Hotel on Monroe, BW Signature Collection	Towpath Motel, Inc. dba Hotel on Monroe	2323 Monroe Ave	Rochester	NY	14618-3024	(585) 736-4488
Cherry Valley Hotel, BW Premier Collection	Newark Hotel Ownership, LLC	2299 Cherry Valley Rd SE	Newark	OH	43055-9393	(740) 788-1200
The Bard's Inn, BW Signature Collection by Best Western	Warren Resort Hotels of Oregon, Inc.	132 N Main St	Ashland	OR	97520	(541) 482-0049
Hotel Eastlund, BW Premier Collection	Grand Ventures Holdings, LLC	1021 NE Grand Ave	Portland	OR	97232-3490	(503) 235-2100
Mt Hood Oregon Resort, BW Premier Collection	Y Hospitality RATM, LLC	68010 E Fairway Ave	Welches	OR	97067-9706	(503) 622-3101
Inn at Fox Chase, BW Premier Collection	Bensalem Lodging Associates, LLC	3327 Street Rd	Bensalem	PA	19020-2021	(215) 639-9100
Eden Resort & Suites, BW Premier Collection	THIRTY INC.	222 Eden Rd	Lancaster	PA	17601-4216	(717) 569-6444
Independence Park Hotel, BW Premier Collection	235 CHESTNUT STREET ASSOCIATES, LLC	235 Chestnut St	Philadelphia	PA	19106-2813	(215) 922-4443
Urban Boutique Hotel, BW Signature Collection	Gita Divya Investment LLC	536 Wade Hampton Blvd	Greenville	SC	29609-4936	(864) 214-8425
The Rushmore Hotel & Suites, BW Premier Collection	Tzadik Mount Rushmore Hotel, LLC	445 Mount Rushmore Rd	Rapid City	SD	57701-2754	(605) 348-8300
Hotel LeBlanc, BW Signature Collection	R.M. Hospitality, Inc.	114 Pickel St	Pigeon Forge	TN	37863-3301	(865) 453-2999
Hotel Nexus, BW Signature Collection	Northgate Inns Inc	2140 N Northgate Way	Seattle	WA	98133-9007	(206) 365-0700
CopperLeaf Boutique Hotel & Spa, BW Premier Collection	Fox Cities Hotel Investors, LLC	300 W College Ave.	Appleton	WI	54911-5829	(920) 749-0303
Hotel Marshfield, BW Premier Collection Sheridan Inn, B/W Signature Collection	Marshfield Hospitality, LLC Wild West Hotel, LLC	2700 S Central Ave 856 Broadway St	Marshfield Sheridan	WI WY	54449-5246 82801-3623	(715) 387-2700 (307) 674-2178

Franchise Agreements Signed But Outlet Not Yet Open as of 11/30/22

Name of Hotel	Legal Entity	Address	City	State	Zip Code	Phone
Egyptian Motor Hotel, BW Signature Collection	Egyptian Motor Hotel, LLC	765 Grand Ave	Phoenix	AZ	85007	(602) 807-5225
EOD Winter 2022 Hotel Xola, BW Signature Collection	Ramesh (Ron) Pitamber	24630 Sunnymead Blvd	Moreno Valley	CA	92553-3713	(951) 243-0075
EOD Spring 2023 Chateau by The Sea, BW Signature Collection	Chateau, LLC	12525 Front Beach Rd	Panama City Beach	FL	32407-3306	(850) 234-2174
EOD SPRING 2023 The Hotel Harrington, BW Premier Collection	Hip Hip, Huron!, LLC	1028 Military Street	Port Huron	MI	48060-5417	(818) 990-1475
EOD Fall 2023 Blue Water Inn & Suites, BWSC	HV Hospitality, LLC	1565 NC Highway 210	N Topsail Beach	NC	28460-9148	(910) 327-8282
EOD Winter 2021 Atlantis Hotel, BW Signature Collection	Bamsag Builders, LLC	3294 Atlantic Ave	Brooklyn	NY	11208-1919	(718) 309-6777
EOD Winter 2023 Grand Smokies Resort Lodge, BWPC	Spirit of the Smokies Condo Lodge dba Grand Smokies Resort Lodge	2385 Parkway	Pigeon Forge	TN	37863	(865) 429-0020
EOD Summer 2022 Hotel Corpus Christi Bayfront, BWPC	YC Texas Hotel, LLC	601 N Water St	Corpus Christi	TX	78401-2327	(361) 882-8100

Left the System Between 12/1/21 and 11/30/22

Name of Hotel	Legal Entity	Address	City	Account State	Zip Code	Phone
Hotel Bixby Scottsdale, BW Signature Collection	Revival Scottsdale LP	409 N Scottsdale Rd.	Scottsdale	AZ	85257-4216	(480) 949-5115
Hotel Solarena, BW Premier Collection	CHATRISA ENTERPRISES LLC	6208 W Coast Hwy	Newport Beach	CA	92663-1924	(949) 642-8252
Cypress Bend Resort, BW Premier Collection	ALH Properties No. Five, Inc.	2000 Cypress Bend Pkwy	Many	LA	71449-7932	(318) 590-1500
Stratosphere Hotel, Casino & Tower, BW Premier Collection	Stratosphere Gaming, LLC	2000 Las Vegas Blvd S	Las Vegas	NV	89104	(702) 380-7777
Inn at Mendenhall, BW Premier Collection	Hionis & Hionis Partnership	323 Kennett Pike	Chadds Ford	PA	19317	(610) 388-2100
Hotel Cabana Shores, BW Premier Collection	MB Hotel, Inc.	5701 N Ocean Blvd	Myrtle Beach	SC	29577-2343	(843) 449-6441

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

EXHIBIT F TO FDD

STATE ADDENDA TO DISCLOSURE DOCUMENT

ADDITIONAL DISCLOSURES FOR THE MULTI-STATE FRANCHISE DISCLOSURE DOCUMENT OF BEST WESTERN INTERNATIONAL, INC.

The following are additional disclosures for the Franchise Disclosure Document of Best Western International, Inc. required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.

No Waiver of Disclaimer of Reliance in Certain States. The following provision applies only to franchisees and franchises that are subject to the state franchise disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington or Wisconsin:

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

CALIFORNIA

1. The following paragraph is added at the end of Item 3 of the Disclosure Document:

Except as disclosed above, neither we nor any person identified in Item 2 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, 15 U.S.C.A. Section 78a et seq., suspending or expelling such person from membership in such association or exchange.

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

3. OUR WEBSITE, www.bestwestern.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

4. The Item 6 chart row entitled “Finance Charge” is replaced with the following:

Finance Charge	1 ½ % of delinquent account balance assessed monthly (18% Annual Percentage Rate) (10% in California)	Due and payable upon statement receipt.	Finance charge for late payment of account, assessed after 45 days.
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5. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

California Law Regarding Termination and Nonrenewal. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer or nonrenewal of the franchise. If the Distribution Agreement contains any provision that is inconsistent with the law, and the law applies, then the law will control.

Material Modification. California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

ILLINOIS

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.

MARYLAND

1. The following information is added to the Special Risks to Consider About This Franchise Page of the Disclosure Document:

Turnover Rate. In the last year, a high percentage of franchised outlets were terminated, transferred, or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

2. The following is added to the end of the fifth paragraph under the heading “Advertising” in Item 11 of the Disclosure Document:

You may obtain an accounting of Annual Fees and Monthly Fees expenditures upon written request to us.

3. The “Summary” section of Item 17(v), entitled **Choice of forum**, of the Disclosure Document is amended by adding the following:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The following language is added to the end of Item 17 of the Disclosure Document:

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

MICHIGAN

The following language is added before the “Table of Contents” page of the Disclosure Document:

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives 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 franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonably opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising of 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 or ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

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

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

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

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

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

provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE ATTORNEY GENERAL. ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

State of Michigan
Office of the Attorney General
Consumer Protection Division
Attention: Franchise Section
670 Law Building
525 West Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

MINNESOTA

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

To the extent required by Minnesota Stat. Sec. 80C.12, Subd. 1(g), we will protect your right to use the Licensed Marks and indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Licensed Marks.

2. The following is added at the end of the chart in Item 17:

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

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota. Those provisions also provide that no condition, stipulations or provision in the Distribution Agreement shall in any way abrogate or reduce any rights you have under the Minnesota Franchises Law, including (if applicable) the right to submit matters to the jurisdiction of the courts of Minnesota and the right to any procedure, forum or remedies that the laws of the jurisdiction provide.

Minn. Rule Part 2860.4400J might prohibit a franchisee from waiving rights to a jury trial; waiving rights to any procedure, forum or remedies provided by the laws of the jurisdiction; or consenting to liquidated damages, termination penalties or judgment notes. However, we and you will enforce these provisions in our Distribution Agreement to the extent the law allows.

NEW YORK

1. The following information is added to the Special Risks to Consider About This Franchise Page of the Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTMENT PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. 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 PROSPECTUS.

2. The following paragraphs are added at the beginning of Item 3 of the Disclosure Document:

Except as provided below, neither we, any predecessor, any person identified in Item 2, or an affiliate offering franchises under our principal trademark:

(a) has an administrative, criminal, or civil action pending against us, it, him, or her 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) 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 been held liable in a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion;

misappropriation of property; unfair or deceptive practices; or comparable allegations.

(c) is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, as a result of 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 paragraph is added at the beginning of Item 4 of the Disclosure Document:

Except as described below, neither we nor any of our affiliates, predecessors, or officers identified in Item 2 have, during the 10-year period immediately preceding the date of the Disclosure Document: (a) filed as debtor (or had filed against us, it, him, or her) a petition to start an action under the U.S. Bankruptcy Code or any foreign bankruptcy code; (b) obtained a discharge of our, its, his, or her debts under the U.S. Bankruptcy Code or any foreign 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 any foreign bankruptcy code or that obtained a discharge of its debts under the U.S. Bankruptcy Code or any foreign bankruptcy code during or within 1 year after the officer or general partner held this position in the company or partnership.

4. The following is added at the end of Item 5 of the Disclosure Document:

The application fee and affiliation fee constitute part of our general operating funds and will be used as such in our discretion.

5. The first paragraph of the Item 17 chart is deleted and replaced with the following:

EACH TABLE BELOW LISTS CERTAIN IMPORTANT PROVISIONS OF THE DISTRIBUTION AND RELATED AGREEMENTS. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS DISCLOSURE DOCUMENT.

6. The “Summary” sections of Items 17(c), entitled **Requirements for Hotel Owner to renew or extend**, and 17(m), entitled **Conditions for licensor approval of transfer**, of the Distribution Agreement chart in the Disclosure Document are amended by adding the following:

, provided, however, that to the extent required by Article 33 of the General Business Law of the State of New York, 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 GBL Sections 687.4 and 687.5 be satisfied.

7. The “Summary” section of Item 17(d), entitled **Termination by Hotel Owner**, of the Distribution Agreement chart in the Disclosure Document is amended by adding the following:

You also may terminate the agreement on any grounds available by law.

8. The “Summary” sections of Items 17(v), entitled **Choice of forum**, and 17(w), entitled **Choice of law**, of the Distribution Agreement chart in the Disclosure Document are amended by adding the following:

This choice of law and forum should not be considered a waiver of any right conferred upon you by Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

9. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed made in New York if you are domiciled in and the Hotel will be operated in New York. We are required to furnish a New York prospectus to every prospective hotel owner who is protected under the New York General Business Law, Article 33.

NORTH DAKOTA

1. The “Summary” sections of Item 17(i), entitled **Hotel Owner's obligations on termination/non-renewal**, of the Distribution Agreement chart in the Disclosure Document is amended by adding the following:

The Commissioner has determined termination or liquidated damages to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. However, we and you agree to enforce these provisions to the extent the law allows.

2. The “Summary” sections of Item 17(v), entitled **Choice of Forum**, of the Distribution Agreement chart in the Disclosure Document is amended by adding the following:

To the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

3. The “Summary” sections of Item 17(w), entitled **Choice of law**, of the Distribution Agreement chart in the Disclosure Document is amended by adding the following:

Except for Federal Arbitration Act and other federal law, North Dakota law governs.

VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the "Summary" section of Item 17(g), entitled **"Cause" defined – curable defaults**, is amended by adding the following:

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

WASHINGTON

The following is added at the end of Item 17:

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 Distribution 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 Distribution 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 Distribution Agreement, a Hotel Owner 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 Hotel Owner 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 Hotel Owner, 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 Hotel Owner 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 Distribution 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 Hotel Owner from (i) soliciting or hiring any employee of a Hotel Owner of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Distribution Agreement or elsewhere are void and unenforceable in Washington.

NEW YORK REPRESENTATIONS PAGE

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

EXHIBIT G TO FDD

APPLICATION



BW Premier

COLLECTION®



APPLICATION

Before You Begin...

A Few Things to Remember.

Forms

All information must be completed prior to submitting the Application and associated forms. Incomplete information will delay the process for consideration of your Application.

Ownership

If the owning/leasing entity has not yet been formed, please list "TBD" as the name of the entity and provide all known information.

When you have finished the forms

- Prepare the forms and other required submission information:
 - Print the forms and obtain required signature. **NOTE:** Pages 1 – 12 must be returned.
 - Obtain required supporting documents as listed on page 11.
 - Obtain all other items outlined in the correspondence you received with these forms.
 - Include confirmation that the \$4,000 nonrefundable application fee has been sent via electronic wire transfer with your submission. Wiring instructions are enclosed. *Be advised applicant is responsible for any fees associated with sending the wire.*
 - Submit all information via express mail to the Property Transition Representative listed in the correspondence you received with these forms. Sending all information via express mail is recommended as we cannot begin to process your Application until all required materials have been received.
NOTE: To further expedite the process, before mailing any items, it is also recommended that the items be sent via fax (602-957-5575) to the Property Transition Representative, along with the express mail tracking information.
- Keep a copy of all information submitted for your records.
- ***E-mail transmission cannot be guaranteed to be secure or error-free as information could be intercepted, disseminated, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. Please note, if you elect to return this application via e-mail transmission, you do so at your own election and risk and Best Western does not accept liability for any actual or alleged claims that arise as a result of such communication or its unauthorized interception, dissemination, theft or other use by 3rd parties.***

Questions – please contact your Regional Director or Property Transition Representative



BW Premier

COLLECTION®



SIGNATURE
COLLECTION
by BEST WESTERN

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Please complete this Application in its entirety and provide all required documents.

The following terms and conditions apply to the Application.

1. Best Western International, Inc. (“Best Western”) requires payment of a \$4,000 *non-refundable* Application Fee via electronic wire transfer
2. The Best Western Board of Directors (“Board”) will not consider the Application until first preliminarily reviewed by a Best Western management committee and Best Western has received the First Year Fee via electronic wire transfer, (*See Exhibit A*), which will be held by Best Western as a good-faith deposit until execution of a Distribution Agreement (the “Agreement”).
3. In the event an impact study is required as further described in paragraph 6 below, it is understood and agreed that you will be responsible for a *non-refundable* Impact Study Fee, which must be paid via electronic wire transfer before the impact study is conducted and which will be a prerequisite to your Application’s processing.
4. All Application, Impact Study and Application Fees (collectively, “Fees”) are payable in U.S. funds or Canadian funds. Payment of any Fee or submission of this Application does not give any Applicant the right to affiliate with Best Western. By submitting this Application, it is agreed that the Board may deny an Application for any or for no reason.
5. In the event the Application is approved by the Board, you will be asked to execute an Agreement. You will have fifteen (15) days from offer to execute the Agreement. You may not hold yourself or the hotel out to the public (e.g. market, sell, advertise, promote, etc.) as a BW Premier Collection or BW Signature Collection hotel or as being affiliated with Best Western until all conditions and requirements are met.
6. Best Western’s Regulatory Documents grant Best Western Members certain rights with respect to market area considerations. An Application for a hotel located within the member market area of an existing Best Western Member hotel may not be accepted. An exception to this will only apply if the hotel with member market area rights advises the Board in writing that the hotel has no objection to the approval of the Application. Likewise, when an Applicant’s hotel is located within a certain vicinity of an existing Best Western Member’s hotel, an impact study may be commissioned. Accordingly, Best Western may inform nearby Best Western hotels of this Application. By submitting this Application, you expressly consent to this disclosure and waive any right which you may have as to the confidentiality of this Application. You hereby acknowledge, understand, and agree that the Board’s decision with respect to the Application will consider any factors of impact the study determines to exist.
7. If the Applicant owns (in whole or in part) any Best Western branded hotel, Applicant agrees to cure any past or current obligations or defaults at such other Best Western branded hotels prior to consideration of this Application.
8. Applicant agrees that it shall have no recourse of any kind against Best Western, its directors, officers, employees, agents or Members if this Application is denied.

I. HOTEL INFORMATION

Please provide the following with regard to the hotel:

Select One:

BW Premier Collection

BW Signature Collection

Hotel Name _____

Current Number of Guest Rooms _____ Proposed number of Guest Rooms (if different) _____ Number of Floors _____

Explain variance between current and proposed number of Guest Rooms (if applicable) _____

Property Address _____

(Provide intersection if street address is not yet assigned)

City _____ State/Province _____ Postal/Zip Code _____

Major cross streets _____

Property telephone number _____ Property fax number _____

Year built _____ Addition(s) (year(s) built) _____

Select applicable boxes and list any other services and amenities.

Water park

Indoor swimming pool

Outdoor swimming pool

Fitness room

Sauna

Whirlpool

Game room

Guest laundry

Elevator (#____)

Sundry

Banquet service

Meeting/function space total sq. ft. _____

Owned Leased

Other (explain): _____

Business center

Airport courtesy car

Concierge

Gift Shop Owned Leased

Tennis courts On premises Adjacent

Golf Course On premises Adjacent

Interior corridors

Exterior corridors

Continental breakfast

Complimentary

Cocktail lounge on premises

Owned Leased

Restaurant on premises (inside, within or attached to the hotel)

Owned Leased

EXISTING PROPERTY

Hotel Status:

- Property is open and operating
- Property is presently closed
- Property will be closed during renovation

If renovating, estimated completion/opening date
(Month/Year) _____

Please outline intentions for renovations, e.g., exterior and or interior modifications, room additions/removals, etc. Also, submit any color boards and/or renderings, if available.

Please list associated buildings and facilities other than hotel on the site (e.g., restaurant, lounge, gift shop, etc.), noting they will be subject to Best Western inspections.

Current Room Type Inventory: Complete the information below and **submit a property map** showing the location of unit types.

Room Type	Number of Rooms
Queen	
Double Queen	
ADA Queen	
King	
ADA King	
Suites	
2-Room Suites	
Other	

Is the hotel currently or has it previously been affiliated with any chain, franchise, or other hotel/lodging company?

- Yes No

If yes, provide the name and date of each affiliation and the reason for the termination of the affiliation.

Brand name* _____

Contract start date _____

Contract end date _____

Reason for termination: _____

** Please provide copies of the Hotel's three (3) most recent inspections.*

PROPOSED CONSTRUCTION / UNDER CONSTRUCTION PROJECT

Select one:

Proposed construction hotel

Estimated date when construction will begin _____ (Mo/Yr)

Under construction hotel (soil bearing elements and foundation in place; concrete footings have been poured)

Estimated opening date _____ (Mo/Yr)

Select applicable boxes:

Architectural plans enclosed. Preliminary Complete (full)

Site plan enclosed. (*A site plan, at minimum, is required if no preliminary plans are available.*)

Proof of lender financing enclosed

Proof of land ownership enclosed

Proposed development cost Estimated construction cost \$ _____

Operating projections ADR \$ _____ Percent occupancy _____

Proposed financing

Provide proposed sources of equity and the percentage of total development cost the equity represents.

Is financing in place? Yes No

If so, who? _____

II. OWNER/LESSEE INFORMATION

Complete ownership or leasing information is required for consideration of an Application. Copies of recorded ownership/leasing documents and financial statements for each individual and entity listed are required.

Select one:

- Applicant owns/will own the Property (**provide a copy of the Bill of Sale, Deed, Title Insurance or other document confirming ownership or potential ownership of the Property**).

Date Property Purchased/Estimated Close of Escrow (Mo/Day/Yr) _____

- Applicant leases/will lease the Property (**provide a copy of the lease or evidence of intent to lease**).

Start of Lease/Estimated Start of Lease (Mo/Day/Yr) _____

Select ownership/lessee type:

Corporation

Limited Liability Company

Limited Partnership

Partnership

Trust

Individuals

Other Entity (state entity type):

A. ENTITY BREAKDOWN

Complete the following for the entity that holds the ownership or leasing interest in the Property. Attachment A (page 12), must be completed.

Name of Entity _____

Address _____

City _____ State/Province _____ Zip/Postal code _____

Phone number _____ Extension _____

Date entity formed (Mo/Day/Yr) _____ State/Province where entity formed _____

III. BACKGROUND INFORMATION

1. Have any applicant entities or individuals ever owned, leased, or operated any Best Western properties? Use additional pages if necessary.

Yes No

Name of Property _____ Property Number _____

Address _____ City _____ State/Province _____

Name of individual _____ Own Lease Operate

Percent interest _____ From (Mo/Yr) _____ To (Mo/Yr) _____

Is the Property still BW branded? Yes No If not, explain why not: _____

Name of Property _____ Property Number _____

Address _____ City _____ State/Province _____

Name of individual _____ Own Lease Operate

Percent interest _____ From (Mo/Yr) _____ To (Mo/Yr) _____

Is the Property still BW branded? Yes No If not, explain why not: _____

Name of Property _____ Property Number _____

Address _____ City _____ State/Province _____

Name of individual _____ Own Lease Operate

Percent interest _____ From (Mo/Yr) _____ To (Mo/Yr) _____

Is the Property still BW branded? Yes No If not, explain why not: _____

Name of Property _____ Property Number _____

Address _____ City _____ State/Province _____

Name of individual _____ Own Lease Operate

Percent interest _____ From (Mo/Yr) _____ To (Mo/Yr) _____

Is the Property still BW branded? Yes No If not, explain why not: _____

2. Have any applicant entities or individuals owned, leased, or operated any non-Best Western properties in the past 5 years? Use additional pages if necessary.

Yes No

Name of Property _____

Address _____ City _____ State/Province _____

Name of individual _____ Own Lease Operate

Percent interest _____ From (Mo/Yr) _____ To (Mo/Yr) _____

While owned, leased or operated, was the Property terminated from a brand? Yes No

If yes, why? _____

Name of Property _____

Address _____ City _____ State/Province _____

Name of individual _____ Own Lease Operate

Percent interest _____ From (Mo/Yr) _____ To (Mo/Yr) _____

While owned, leased or operated, was the Property terminated from a brand? Yes No

If yes, why? _____

Name of Property _____

Address _____ City _____ State/Province _____

Name of individual _____ Own Lease Operate

Percent interest _____ From (Mo/Yr) _____ To (Mo/Yr) _____

While owned, leased or operated, was the Property terminated from a brand? Yes No

If yes, why? _____

Name of Property _____

Address _____ City _____ State/Province _____

Name of individual _____ Own Lease Operate

Percent interest _____ From (Mo/Yr) _____ To (Mo/Yr) _____

While owned, leased or operated, was the Property terminated from a brand? Yes No

If yes, why? _____

3. Have any applicant entities or individuals been involved in any litigation or dispute with Best Western? Use additional pages if necessary.

Yes No

Name of entity or individual _____ Property Number _____

Explain litigation or dispute _____

Date resolved _____

4. Has the applicant entity or an owner been placed in bankruptcy or receivership, or been subject to a judicial or non-judicial foreclosure action within the last 10 years? Use additional pages if necessary.

Yes * No

Name of entity or individual _____

Explain bankruptcy, receivership, foreclosure, other _____

Date resolved _____

Name of entity or individual _____

Explain bankruptcy, receivership, foreclosure, other _____

Date resolved _____

* Provide final documentation.

5. Has the applicant entity or an owner been involved in any civil or criminal action or litigation within the last 10 years (other than for minor traffic violations)? Use additional pages if necessary.

Yes ** No

Name of entity or individual _____

Nature of action _____

Date _____

Name of entity or individual _____

Nature of action _____

Date _____

* Provide documentation of Court decision.

IV. MANAGEMENT COMPANY INFORMATION

Regarding the Property's operations, a management company:

- WILL NOT BE USED
- WILL BE USED (complete below)
- TO BE DETERMINED

1. If a management company will be used, and has already been selected or is already in place at the Property, please list the management company's experience below:

Name of management company _____

Address _____ Unit # _____

City _____ State/Province _____ Postal code _____

Phone number _____ Ext. _____ Fax number _____

Email address _____

2. List all hotels currently owned and/or operated by the management company. Use additional pages if necessary.

Property Name _____

Address _____ City _____ State/Province _____

Position held _____ Since (Mo/Yr) _____

Property Name _____

Address _____ City _____ State/Province _____

Position held _____ Since (Mo/Yr) _____

Property Name _____

Address _____ City _____ State/Province _____

Position held _____ Since (Mo/Yr) _____

Property Name _____

Address _____ City _____ State/Province _____

Position held _____ Since (Mo/Yr) _____

**3. List all hotels *previously* (past 5 years) owned and/or operated by the management company.
Use additional pages if necessary.**

Property Name _____

Address _____ City _____ State/Province _____

Position held _____ From (Mo/Yr) _____ To (Mo/Yr) _____

Property Name _____

Address _____ City _____ State/Province _____

Position held _____ From (Mo/Yr) _____ To (Mo/Yr) _____

Property Name _____

Address _____ City _____ State/Province _____

Position held _____ From (Mo/Yr) _____ To (Mo/Yr) _____

Property Name _____

Address _____ City _____ State/Province _____

Position held _____ From (Mo/Yr) _____ To (Mo/Yr) _____

V. REQUIRED DOCUMENTS CHECKLIST

- Property map showing location of all guest room types
- Recorded ownership or leasing documents (reference Page 5, Owner/Lessee Information)
- Final documentation for bankruptcy, receivership, judicial or non-judicial foreclosure action (reference Page 8, Background Information)
- Documentation of Court decision for any civil or criminal action or litigation (reference Page 8, Background Information)
- Application Fee - \$4,000 USD (or CAD equivalent) paid via electronic wire transfer

VI. CERTIFICATION

I HEREBY CERTIFY THAT ALL INFORMATION PROVIDED IN THIS APPLICATION IS TRUE AND ACCURATE. BY EXECUTING THIS APPLICATION, THE UNDERSIGNED HEREBY REPRESENTS AND WARRANTS THAT IT HAS THE PROPER AUTHORITY AND CONSENT, WHETHER DULY GRANTED BY LAW, CONTRACT OR OTHERWISE, TO SUBMIT THIS APPLICATION ON BEHALF OF ANY AND ALL OTHER INTERESTED PARTIES TO THE TRANSACTION CONTEMPLATED HEREUNDER (THE "APPLICANT").

I UNDERSTAND AND AGREE THAT FALSIFICATION OF ANY INFORMATION SHALL BE GROUNDS FOR DENIAL OF THE APPLICATION OR TERMINATION OF THE DISTRIBUTION AGREEMENT.

Signature of Authorized Representative

Office Phone No.

Cell Phone No.

Name of Authorized Representative

Fax No.

Email Address

Title

Street Address (no P.O. Boxes)

Date

City

State/Province

Postal Code

ATTACHMENT A

OWNER/LESSEE INFORMATION ENTITY

LEVEL 1

Name of entity _____ Tax ID #/Employer ID # _____

LEVEL 2 - Breakdown of entity shareholders (use additional pages if necessary).

**Percentage
of ownership**

Full legal name _____ #/SI#/Tax ID# _____ %

Full legal name _____ #/SI#/Tax ID# _____ %

Full legal name _____ #/SI#/Tax ID# _____ %

Full legal name _____ #/SI#/Tax ID# _____ %

State Effective Dates

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

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

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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

EXHIBIT H TO FDD

RECEIPTS

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Best Western International, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Best Western 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 state agency listed on Exhibit A.

The franchisor is Best Western International, Inc., located at 6201 N. 24th Parkway, Phoenix, Arizona 85016. Its telephone number is (602) 957-4200.

Issuance date: March 31, 2023.

The franchise seller(s) for this offering is or are:

- Brad LeBlanc, 6201 N. 24th Parkway, Phoenix, AZ 85016, (443) 624-5590;
- Thomas Giuliano, 6201 N. 24th Parkway, Phoenix, AZ 85016, (443) 624-5590;
- Kristen Pike Baldon, 6201 N. 24th Parkway, Phoenix, AZ 85016, (443) 624-5590;
- Joshua Miehl, 6201 N. 24th Parkway, Phoenix, AZ 85016, (443) 624-5590;
- Jesse Heydorff, 6201 N. 24th Parkway, Phoenix, AZ 85016, (443) 624-5590;
- David Romero, 6201 N. 24th Parkway, Phoenix, AZ 85016, (443) 624-5590; and/or
- _____.

Best Western International, Inc. authorizes the respective state agencies identified on Exhibit B to receive service of process for it in the particular state.

I have received a disclosure document dated March 31, 2023 that included the following Exhibits:

Exhibit A	List of State Administrators	Exhibit E	Lists of Current and Former
Exhibit B	List of State Agents for		Hotel Owners
	Service of Process	Exhibit F	State Addenda to Disclosure
Exhibit C-1	Distribution Agreement		Document
Exhibit C-2	State Addenda to Distribution	Exhibit G	Application
	Agreement	Exhibit H	Receipts
Exhibit D	Financial Statements		

Date

(Sign, Date and Return to us, the franchisor)

Prospective Franchisee

Authorized Signature

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Best Western International, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Best Western 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 state agency listed on Exhibit A.

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Exhibit C-2	State Addenda to Distribution	Exhibit G	Application
	Agreement	Exhibit H	Receipts
Exhibit D	Financial Statements		

Date

(Sign, Date and keep for your records)

Prospective Franchisee

Authorized Signature