



QUESTIONNAIRE



AAHOA 12 POINTS OF FAIR FRANCHISING: A BEST-PRACTICE APPROACH TO DESIGNING, DEVELOPING, AND IMPLEMENTING BEST-IN-CLASS, MUTUALLY BENEFICIAL FRANCHISE SYSTEMS

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12 Points Overview

A HIGH-LEVEL SYNOPSIS OF THE 12 POINTS



TERMINATION RIGHTS AND LIQUIDATED DAMAGES

A best-practice approach to voluntary buyout or involuntary termination, liquidated damages, windows provisions, early termination, and Franchisee termination rights



IMPACT, ENCROACHMENT, AND CROSS-BRAND PROTECTION

How to establish a fair and reasonable formula to protect a Franchisee's assets



MINIMUM PERFORMANCE AND QUALITY GUARANTEES

Minimum brand performance and quality guarantees from franchisors related to public image and reputation



QUALITY ASSURANCE INSPECTIONS AND GUEST SURVEYS

Ensuring consistent, unbiased, and reasonable standards for quality assurance inspections and accuracy of QA reports



VENDOR EXCLUSIVITY, REBATES, AND AFFILIATED COMPANIES AS VENDORS

Ensure competitive pricing



FULL TRANSPARENCY OF FRANCHISEE-FUNDED PROGRAMS AND FEES

The disclosure and accountability for the expenditure of marketing, loyalty, and reservation fees



MAINTAINING AND BUILDING RELATIONSHIPS

Establishing fruitful, long-term business relationships through recognition of value and effective communication



DISPUTE RESOLUTION

Creating a commitment to establish an independent and fair process for the resolution of disputes related to agreements or relationships



VENUE AND CHOICE-OF-LAW CLAUSES

Any party pursuing claims in a court of law should do so in the county and state in which the subject facility is located



FRANCHISE SALES ETHICS AND PRACTICES, PROPER DISCLOSURES

The mandate of fair and honest selling practices among Franchisor salespersons and agents



TRANSFERABILITY

When it comes to transferability, parties should not delay or act unreasonably



SALE OF THE FRANCHISE SYSTEM HOTEL BRAND(S)

Giving notice of a sale to existing Franchisees and pledging to a smooth transition between existing and new Franchisor owners

EARLY TERMINATION, TERMINATION RIGHTS, AND LIQUIDATED DAMAGES



A. Voluntary Buyout or Involuntary Termination, and Liquidated Damages

i. In your Franchise Agreement, for an early termination, do you require your Franchisee to pay only six (6) months of royalty fees?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. In your Franchise Agreement, for an early termination, do you require your Franchisee to pay no more than \$500/room maximum, or a negotiated lesser amount of royalty fees?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iii. In your Franchise Agreement, do you offer an opportunity to pay zero (0) LDs for early termination if the Franchisee signs a new franchise deal?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iv. In your Franchise Agreement, do you amortize the “incentive” or “key” money over the total number of months of the term of the franchise agreement, with any repayment for early termination based on the number of months remaining under the Agreement?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

EARLY TERMINATION, TERMINATION RIGHTS, AND LIQUIDATED DAMAGES



B. Windows Provisions

i. In your Franchise Agreement, does a Franchisee have the ability to terminate its agreement, with or without cause, as a matter of right, on the specified anniversary dates by giving at least six (6) months' prior written notice to you?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iii. In your Franchise Agreement, do you provide a Franchisee at least sixty (60) days' notice of an approaching "window" opportunity date?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. In your Franchise Agreement, is the only contingency for exercising an early termination right, per a windows provision, that at the time of the proposed termination, the Franchisee is not in default and has paid all dues under the Franchise Agreement?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

EARLY TERMINATION, TERMINATION RIGHTS, AND LIQUIDATED DAMAGES



C. Early Termination for Underperforming Properties

i. Do you have a “policy” that allows a Franchisee to terminate its Franchise Agreement without penalty if the Facility is underperforming and certain conditions are met?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iii. In your Franchise Agreement, do you allow a Franchisee to terminate the Franchise Agreement without penalty if the property has achieved below a pre-negotiated RevPAR for a period of twelve (12) months or more?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. If you have such a “policy” as mentioned in paragraph 1(C)(i) above, is it included as a contractual term in your Franchise Agreement?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iv. In your Franchise Agreement, do you allow a Franchisee to terminate the Franchise Agreement early without penalty for low occupancy rates without placing restrictive or unnecessary conditions on such an early termination?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

EARLY TERMINATION, TERMINATION RIGHTS, AND LIQUIDATED DAMAGES



D. Early Termination by Franchisor and Franchisee Termination Rights

i. In your Franchise Agreement, are you allowed to terminate it prior to the expiration of the term for reasons other than “Good Cause”? [“Good Cause” shall be limited to mean a Franchisee’s failure to substantially comply with the Franchise Agreement’s requirements.]

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iii. In your Franchise Agreement, do you provide that the termination notice shall provide the Franchisee a full and fair opportunity to contest the termination?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. In your Franchise Agreement, do you provide that ninety (90) days prior to any proposed early termination, you will provide the Franchisee with a written termination notice setting forth each basis for termination and providing the Franchisee an opportunity to cure the default?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

IMPACT, ENCROACHMENT, AND CROSS-BRAND PROTECTION



A. Area of Protection (“AOP”)

i. In your Franchise Agreement, do you grant each Franchisee contractual rights to a protected area or geographic “area of protection” (“AOP”) which is at least three (3) miles in all directions of the subject property within which you will not allow another Facility with the same or similar brand name as the Franchisee’s hotel to operate?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. In your Franchise Agreement, do you allow another Facility operating under your umbrella of brands to operate in the protected area if that brand has similar characteristics, segments, and amenities to the franchised Facility in question?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

B. Company-Owned Hotels

i. In your Franchise Agreement, do you prohibit the licensing of not only other franchised hotels with the same or similar brand name to operate in the protected area or geographic AOP, but also company-owned hotels?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

IMPACT, ENCROACHMENT, AND CROSS-BRAND PROTECTION



C. Maintaining the AOP

i. In your Franchise Agreement, do you maintain and recognize the Franchisee's AOP until such time as the Franchise Agreement has been legally terminated?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

D. Fair Impact Rights

i. For the purpose of determining fair impact rights, have you adopted a reasonable and unbiased formula, which is based on objective market criteria developed and relied on by reputable national organizations (such as Smith Travel Research ("STR")), to determine which of the brand-name hotels within your system are competing in the same marketplace?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

IMPACT, ENCROACHMENT, AND CROSS-BRAND PROTECTION



E. Notice of Application for a Proposed Facility

i. Upon receipt of an application for a proposed Facility, do you give written notice to your Franchisees of all brand-name hotels within your system that are (i) competing in the same marketplace as the applicant’s proposed Facility, even if these other hotels are not the same brand name, and (ii) within a 15-mile radius of the proposed Facility?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

F. Impact Study

i. To the extent a Franchisee has a brand-name hotel that is both (i) competing in the same marketplace as the applicant’s proposed Facility and (ii) within a 15-mile radius of the proposed Facility, do you permit such Franchisee to request an impact study, so long as the Franchisee requesting the study has not been subject to a notice of termination within six (6) months of making the request?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

IMPACT, ENCROACHMENT, AND CROSS-BRAND PROTECTION



G. Conducting the Impact Study

i. In your Franchise Agreement, do you allow a Franchisee that is requesting an impact study to choose the person or company that will conduct the study, which selection shall be from a list of at least five (5) individuals or companies that have experience in the hospitality industry conducting such studies, and which list has been jointly compiled and agreed upon by the Franchisor and the Franchise Advisory Councils ("FACs") for the various brands?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

H. Costs of the Impact Study

i. In your Franchise Agreement, do you provide that the costs of the impact study should be split equally between the Franchisor and the Franchisee requesting the study (i.e., 50/50), regardless of the outcome of the impact study?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

IMPACT, ENCROACHMENT, AND CROSS-BRAND PROTECTION



I. Results of the Impact Study

i. If the impact study concludes that the proposed Facility will result in an incremental impact of 3% or more on a Franchisee’s existing hotel during the first three (3) years of projections, do you offer the Franchisee an opportunity to choose one of the following: (a) denying the application, (b) offering the existing Franchisee a first right of licensing (thereby allowing the existing Franchisee to open a Facility with the same or similar name brand in the same or nearby location), (c) offering reduced rates to the existing Franchisee being impacted, and/or (d) allowing the existing Franchisee to exit the system without LDs?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

J. Results of the Impact Study

i. If, despite the impact study’s denial that there will be a 3% or greater impact on the existing Franchisee, within three (3) years after the opening date of the proposed Facility, the existing Facility is able to establish that it has experienced an incremental impact of 3% or more, do you respond by (a) offering reduced rates to the Franchisee impacted by the new Facility, or (b) allowing the impacted Franchisee to exit the system without LDs?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

MINIMUM PERFORMANCE AND QUALITY GUARANTEES



i. In your Franchise Agreement, if the Franchisee’s hotel is not able to maintain certain occupancy levels over a designated period of time as discussed in Point 1 above, do you allow the Franchisee to terminate the Franchise Agreement without penalty?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. In your Franchise Agreement, if the quality of the brand name of the Franchisee’s hotel declines, do you allow the Franchisee to terminate the Franchise Agreement without penalty?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

QUALITY ASSURANCE INSPECTIONS AND GUEST SURVEYS



i. If a Franchisee fails a QA inspection and is given a punch list of items to repair, correct, or change, during the subsequent re-inspection, do you seek only to confirm that, in fact, the Franchisee has completed all of the items on the punch list?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iii. Following a failed QA inspection, during the subsequent re-inspection, if the Franchisee has completed all of the items on the punch list, do you prohibit or disallow the inspector from creating an entirely new punch list of items that were not previously mentioned?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. If a Franchisee fails a QA inspection and is given a punch list of items to repair, correct, or change, during the subsequent re-inspection, if the Franchisee has completed all of the items on the punch list, do you give a passing grade?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iv. Following a failed QA inspection, during the subsequent re-inspection, if the Franchisee has completed all of the items on the punch list, do you prohibit or disallow the inspector from giving the property a failing score for items that were not included on the original punch list?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

QUALITY ASSURANCE INSPECTIONS AND GUEST SURVEYS



v. In the event of a dispute concerning a QA inspection, or low scores arising from guest survey cards, do you have an appeal process whereby a Franchisee can appeal the decision of an inspector, or challenge the low scores it received from the guest survey cards?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

vii. For a Franchisee’s appeal of the decision of an inspector, or to challenge the low scores it received from the guest survey cards, is the Franchisee allowed to request that the director or supervisor of the Franchisor’s QA department personally visit the property and reinspect the Facility to ensure it is satisfying the necessary standards?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

vi. For a Franchisee’s appeal of the decision of an inspector, or to challenge the low scores it received from the guest survey cards, is the Franchisee allowed to present evidence that it is in compliance with the standards of the hotel brand?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

viii. Do you prohibit or disallow the use of guest surveys, online comments, or other guest rating systems as a basis for default, penalty, or termination?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

VENDOR EXCLUSIVITY, REBATES, AND AFFILIATED COMPANIES AS VENDORS



i. Do you believe it is necessary to mandate vendors for the purpose of establishing standards and specifications for your hotel brands?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iii. If your approved vendor(s) do not provide your Franchisees with competitive market pricing, do you Franchisees have the option to apply for a waiver if/when the Franchisee locates products that do provide competitive pricing and the products' specifications meet your requirements?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. For any vendor(s) that you mandate, do you strive to ensure that the Franchisees are receiving competitive prices or best-practice guarantees by providing a list of three (3) or more approved vendors from which Franchisees can purchase conforming goods or by allowing the Franchisees to take advantage of the volume discounts arising from the Franchisees' group purchase of goods and services?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iv. Do you ensure that goods or items that do not affect the guest stay should not be mandated to be purchased by your Franchisees from a designated vendor or group of vendors?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

VENDOR EXCLUSIVITY, REBATES, AND AFFILIATED COMPANIES AS VENDORS



v. Do you disclose the amount of revenues, commissions, and/or rebates that you receive from each of your vendor(s) that are mandated and/or approved?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

vi. For the amount of revenues, commissions, and/or rebates that you receive from each of your vendors that are mandated and/or approved, do you return these revenues, commissions, and/or rebates to the Franchisees in some manner for the good of the franchise system?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

FULL TRANSPARENCY OF FRANCHISEE-FUNDED PROGRAMS AND FEES



i. On an annual basis, do you disclose how the marketing, "Master Service Agreements" ("MSA"), technology, loyalty rewards program, and reservation fees are collected and spent, including identifying the specific products and services that are paid for with the fees?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iii. Do you disallow using fees collected from the Franchisees arising from the marketing, MSA, technology, loyalty rewards program, and reservation fees to pay for the marketing and advertising for your sale of hotels?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. Do you disallow making profits from the marketing, MSA, technology, loyalty rewards program, and reservation fees you collect from the Franchisees?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iv. Do you have your books and records audited on an annual basis by an independent accounting firm concerning the collection and disbursement of marketing, MSA, technology, loyalty rewards, and reservation fees, and share the results of the audit with all of your Franchisees?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

FULL TRANSPARENCY OF FRANCHISEE-FUNDED PROGRAMS AND FEES



v. Do you disallow making profits directly from the expiration of loyalty reward fees and/or any liquidation of points from a sale you may have collected from the Franchisees?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

vii. Do your loyalty points derive only from guest stays?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

vi. For any profits arising directly from the expiration of loyalty reward fees and/or any liquidation of points, do you ensure they remain in the program and are used to reduce future program costs?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

viii. Do you disallow the selling of and profiting from loyalty points that are not derived from guest stays?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

FULL TRANSPARENCY OF FRANCHISEE-FUNDED PROGRAMS AND FEES



ix. Do your Franchisees have the option to voluntarily participate in any loyalty rewards programs, such that you are not mandating their participation?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

MAINTAINING AND BUILDING RELATIONSHIPS WITH FRANCHISEES



A. Maintaining the Relationship

i. Do you waive re-licensing fees for long-term Franchisees?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iii. Do you strive to build on and maintain relationships with your long-term Franchisees (i.e., those who successfully remain in the franchise system through the term of their license) by (1) tangibly recognizing their value, and (2) effectively communicating with them?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. Do you waive personal guarantees for Franchisees who have performed well and according to their franchise agreements, or alternatively, provide for a very limited time period for such personal guarantees determined by the parties after reasonable review and negotiation?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

MAINTAINING AND BUILDING RELATIONSHIPS WITH FRANCHISEES



B. Building on the Relationship – Franchise Advisory Councils and Franchisee Associations

i. Do you strive to build on your relationships with the Franchisees by actively seeking feedback from the Franchisees themselves, and by working with the various councils and associations that represent the Franchisees, including the brand Franchisee Associations, Franchise Advisory Councils (FACs), and AAHOA?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. Do you allow your Franchisees to freely associate with other franchisees or associations without interference, retaliation, contingencies, or limitations?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iii. Do you encourage and support the establishment of independent and democratic FACs or Franchisee Associations, which are comprised of a representative group of Franchisees elected by the Franchisees themselves, and who can advise you on matters of importance to the franchise system?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iv. At least six (6) months before implementing any changes to the franchise system, do you seek feedback from the FACs and/or Franchisee Associations, and use your best efforts to follow the recommendations proposed by the franchisee representatives on such matters?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

MAINTAINING AND BUILDING RELATIONSHIPS WITH FRANCHISEES



Amenity Creep

i. Do you regularly seek input from the FACs and/or Franchisee Associations concerning whether specific amenities should be added, eliminated, or changed for the brand name hotels?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. Prior to mandating the addition of a new amenity, when the costs are solely incurred by the Franchisees, do you submit the issue for a vote to the Franchisees themselves and obtain at least a 66% vote of approval from all Franchisees who vote on the matter?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

Marketing and Advertising

i. Do you regularly seek input from the FACs and/or Franchisee Associations concerning how best to market and advertise the various brand name hotels and their services?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. Do you consult with the FACs concerning the annual marketing and advertising budgets, the annual marketing and advertising plans, the format and scope of the directories of hotels in the franchise systems, the franchise system internet websites, and the operational plans for the franchise central reservation system?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

MAINTAINING AND BUILDING RELATIONSHIPS WITH FRANCHISEES



C. AAHOA Relations

i. Do you strive to work closely with AAHOA and its members to promote fairness in the franchise system and to enhance their respective business interests?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iii. Do you attempt to meet with AAHOA personnel on a regular basis to discuss these and other related issues that are of importance to the AAHOA Franchisee members?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. Do you seek ways in which you can (1) increase and improve your communications with AAHOA and its members, (2) obtain input and feedback from AAHOA and its members on issues concerning the franchise systems, and (3) educate and train AAHOA and its members on matters that will improve the individual hotels and strengthen the franchise system on a global basis?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

DISPUTE RESOLUTION



i. Do you commit to establishing an independent and fair process for the resolution of any disputes concerning the terms of the franchise agreement itself or the relationship between the parties?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iii. Do you agree not submit a dispute to binding arbitration unless and until all parties agree to do so, including mutually agreeing on the arbitrator, the location of the arbitration, and the corresponding rules and procedures for the arbitration?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. Do you agree in good faith to participate in an informal, in-person meeting between the authorized representatives of the parties to resolve a dispute, and to then go to non-binding mediation if the informal meeting is unsuccessful?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iv. Absent an agreement by you and a Franchisee to use binding arbitration to resolve a dispute, do you agree that any party should be entitled to pursue its claims against the other party in a court of law, with no waiver of the right to a jury trial, and no caps or limits on the amount of damages, including punitive damages?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

VENUE AND CHOICE-OF-LAW CLAUSES



i. In the event a dispute between you and a Franchisee has not been resolved via an informal, in-person meeting with authorized representatives from the parties, do you agree that a party pursuing its claims in a court of law should be allowed to do so in the county and state in which the subject Facility is located?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iii. In your Franchise Agreement, do you disallow a Confession of Judgment, or corresponding contract, rider, attachment, or promissory note carried by you?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. Do you agree that any lawsuit or claims should be governed by the laws of the county or state in which the lawsuit or claims are filed?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

FRANCHISE SALES ETHICS AND PRACTICES, PROPER DISCLOSURES



i. Do you use your best efforts to identify whether any of your sales agents, or any persons acting on your behalf, made any oral or written representations or promises to any Franchisee applicants, or reached any agreements with any Franchisee applicants, that are not contained in the required FDD?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iii. Do you disallow the use of any database developed from one hotel brand to market sell to your other hotel brand to the detriment of the Franchisees?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. In your Franchise Agreement, do you include contractual terms that grant a Franchisee all rights, title, and interest in its own guest lists and in all related information for guests that have stayed at the Franchisee’s particular Facility, which survives the termination of the franchise agreement?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iv. Do you disallow “churning” properties (i.e., seeking the early termination of an older hotel on the basis of low-quality QA inspection scores, or otherwise, so you can then seek and approve an application for the conversion of a newer hotel, or the construction of a new hotel, with a particular brand name in the same geographic region or AOP as the older hotel for which you are seeking an early termination)?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

TRANSFERABILITY



i. Are your transfer fees fair and reasonable (i.e., generally no more than \$1,500) and based solely on the estimated administrative costs to process the transfer?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iii. Do you waive all fees for a Franchisee's transfer to a spouse, child, parent, sibling, niece, nephew, descendant, spouse's descendant, or other family members if the transferee is legally competent to assume the Franchisee's obligations under the franchise agreement?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. If you disapprove a transfer, do you provide a written statement outlining the reasons for disapproval?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

iv. Do you waive all fees for a Franchisee's buyout of other shareholders or partners who had an interest in the Facility, or for the addition of any shareholders or partners who will gain an interest in the Facility?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

SALE OF THE FRANCHISE SYSTEM HOTEL BRAND(S)



i. In the event of the sale of one or more of your hotel brand(s), do you commit to promptly give notice of the sale to your existing Franchisees, and pledge to work with them and the new Franchisor owners to ensure the transition is as smooth as possible?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

ii. In the event of the purchase by you of one or more hotel brand(s) of another Franchisor, do you commit to ensuring the transition is a smooth one, and work closely with the existing Franchisee Associations or FACs for the hotel brand(s), or, if circumstances warrant, a newly created FAC to address all issues involving your purchase and ownership of the hotel brand(s)?

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No
<input type="checkbox"/>	Sometimes (depends on the circumstances)
<input type="checkbox"/>	Not yet, but willing to consider making changes

COMMENTARY

For any comments concerning the above answers, please write the Question Nos. and provide an explanation of your responses.

COMMENTARY, CONTINUED

(Please feel free to use extra sheets as necessary.)





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