

# FRANCHISE DISCLOSURE DOCUMENT



Hard Rock Hotel Licensing, Inc.  
A Florida corporation  
6100 Old Park Lane  
Orlando, Florida 32835  
Phone: (407) 445-7625  
E-Mail: [development\\_contact@hardrock.com](mailto:development_contact@hardrock.com)  
Website: [www.ReverbHotels.com](http://www.ReverbHotels.com)

Hard Rock Hotel Licensing, Inc. offers franchises for the operation of an upscale, select-service hotel that operates under the name “Reverb.”

If you purchase a single franchised Hotel, the total investment necessary to begin operation of a Reverb franchise ranges from \$16,090,000 to \$38,150,000. This includes an amount ranging from \$126,000 to \$375,000 that must be paid to us and our affiliates.

If you purchase area development rights, the total investment necessary to begin operation of a Reverb franchise ranges from \$16,090,000 to \$38,150,000, plus an additional deposit fee that is calculated as: (i) \$50,000 for the 2<sup>nd</sup> Hotel you will develop under the area development agreement, plus (ii) \$12,500 per Hotel for your 3<sup>rd</sup> and each additional Hotel you will commit to develop under the area development agreement. This includes an amount ranging from \$126,000 to \$375,000, plus the total amount of the deposit fee, that must be paid to us and our affiliates.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the franchisor at 6100 Old Park Lane, Orlando, Florida 32835 or by phone at (407) 445-7625.

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

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

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

Issuance Date: March 6, 2018

## STATE COVER PAGE

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

Call the state franchise administrator listed in EXHIBIT "A" for information about the franchisor, or about franchising in your state.

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

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

1. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT REQUIRE THAT ALL DISAGREEMENTS BE SETTLED BY MEDIATION OR LITIGATION IN FLORIDA. OUT-OF-STATE MEDIATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO MEDIATE OR LITIGATE WITH US IN FLORIDA THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT STATE THAT FLORIDA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

Effective Date: March 6, 2018

## TABLE OF CONTENTS

<b>ITEM 1</b>	FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES .....	1
<b>ITEM 2</b>	BUSINESS EXPERIENCE.....	3
<b>ITEM 3</b>	LITIGATION .....	5
<b>ITEM 4</b>	BANKRUPTCY .....	5
<b>ITEM 5</b>	INITIAL FEES .....	5
<b>ITEM 6</b>	OTHER FEES .....	6
<b>ITEM 7</b>	ESTIMATED INITIAL INVESTMENT .....	10
<b>ITEM 8</b>	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	10
<b>ITEM 9</b>	FRANCHISEE'S OBLIGATIONS .....	14
<b>ITEM 10</b>	FINANCING .....	20
<b>ITEM 11</b>	FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING.....	20
<b>ITEM 12</b>	TERRITORY.....	30
<b>ITEM 13</b>	TRADEMARKS .....	31
<b>ITEM 14</b>	PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION.....	33
<b>ITEM 15</b>	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS .....	33
<b>ITEM 16</b>	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....	33
<b>ITEM 17</b>	RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION .....	34
<b>ITEM 18</b>	PUBLIC FIGURES .....	39
<b>ITEM 19</b>	FINANCIAL PERFORMANCE REPRESENTATIONS .....	39
<b>ITEM 20</b>	OUTLETS AND FRANCHISEE INFORMATION .....	39
<b>ITEM 21</b>	FINANCIAL STATEMENTS.....	41
<b>ITEM 22</b>	CONTRACTS .....	41
<b>ITEM 23</b>	RECEIPT.....	41
<b>EXHIBIT "A"</b>	STATE AGENCIES AND ADMINISTRATORS	
<b>EXHIBIT "B"</b>	FRANCHISORS AGENT FOR SERVICE OF PROCESS	
<b>EXHIBIT "C"</b>	FRANCHISE AGREEMENT	
<b>EXHIBIT "D"</b>	AREA DEVELOPMENT AGREEMENT	
<b>EXHIBIT "E"</b>	TABLE OF CONTENTS OF SYSTEM STANDARDS MANUAL	
<b>EXHIBIT "F"</b>	LIST OF FRANCHISEES	
<b>EXHIBIT "G"</b>	FINANCIAL STATEMENTS FOR HARD ROCK HOTEL LICENSING, INC.	
<b>EXHIBIT "H"</b>	FRANCHISEE DISCLOSURE QUESTIONNAIRE	
<b>EXHIBIT "I"</b>	GENERAL RELEASE	
<b>EXHIBIT "J"</b>	RECEIPTS	

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

To simplify the language in this Disclosure Document, “we,” “us” and “the Company” mean Hard Rock Hotel Licensing, Inc. - the franchisor. “You” means the person who buys a Reverb franchise - the franchisee, and includes your partners if you are a partnership, your shareholders if you are a corporation, and your members if you are a limited liability company.

### **Corporate Information**

Hard Rock Hotel Licensing, Inc. is a Florida corporation that was incorporated on February 28, 2001. Our principal business address is located at 6100 Old Park Lane, Orlando, Florida 32835 and our telephone number is (407) 445-7625. Our agent for service of process is disclosed in EXHIBIT "B" to this Disclosure Document. We do not do business under any names other than “Hard Rock Hotel Licensing, Inc.” and our d/b/as “Hard Rock Hotels” and “Reverb Hotels.”

### **Business History**

We began offering franchises for Reverb hotels in February of 2017.

In addition to offering Reverb franchises, we offer franchises for Hard Rock Hotels. We initially offered Hard Rock Hotel franchises from December 2001 to March 2004. We resumed offering franchises for Hard Rock Hotels in March 2007. During this period of time, we have sold a total of 3 Hard Rock Hotel franchises. A Hard Rock Hotel is a music themed full-service hotel establishment that provides lodging and food and beverage of a distinctive character and quality under the name Hard Rock Hotel. Hard Rock Hotels are offered under a separate Franchise Disclosure Document.

We have never offered franchises in any line of business other than Reverb hotels and Hard Rock Hotels. In addition to offering Reverb and Hard Rock Hotel franchises, we have, on occasion, entered into hotel management agreements with the owners of Hard Rock Hotels, pursuant to which we agree to manage the hotel on behalf of the owner.

We have never operated a Reverb hotel. We are not engaged in any lines of business other than offering franchises for Reverb hotels and Hard Rock Hotels, administering the associated franchise systems and managing hotels.

### **Parents, Affiliates and Predecessors**

Hard Rock Cafe International (USA), Inc. (“HRC”) is a predecessor of ours. HRC is also our affiliate and direct parent company. HRC administers the hotel reservation system that must be used at your Hotel. HRC will also provide you with hotel room sales and lead generation assistance and will administer the Reverb hotel room referral services program. HRC offered franchises for Hard Rock Hotels from January of 1998 until June of 2001. During that time, HRC sold 4 Hard Rock Hotel franchises. HRC has never offered franchises in any other line of business. On occasion, HRC has also: (i) entered into trademark license agreements with the owners of non-franchised Hard Rock Hotels; (ii) entered into hotel management agreements with the owners of Hard Rock Hotels; and (iii) owned and operated Hard Rock Cafe Restaurants. Hard Rock Cafe Restaurants are sit-down restaurants that offer an American menu in a rock-music based environment. These restaurants promote the “amplified service” culture and house a variety of rock-n’-roll memorabilia. Hard Rock Cafe Restaurants also sell a variety of branded merchandise. HRC has never operated a Reverb hotel. HRC shares our principal business address.

Our indirect parent company is Seminole Hard Rock Entertainment, Inc., whose principal business address is c/o Hard Rock Cafe International (USA), Inc., 6100 Old Park Lane, Orlando, Florida 32835. This parent company has never offered franchises in this or any other line of business and does not provide any goods or services to

our franchisees.

Our affiliate, Hard Rock Limited (“Hard Rock Limited”), has offered franchises for: (i) Hard Rock Hotel franchises since 1998; and (ii) Hard Rock Cafe Restaurants since 1983. As of the date of this Disclosure Document, Hard Rock Limited has sold a total of 18 Hard Rock Hotel franchises and 105 Hard Rock Cafe Restaurant franchises. Hard Rock Limited has never offered franchises in any line of business other than Hard Rock Hotels and Hard Rock Cafe Restaurants. In addition to offering franchises, Hard Rock Limited has, on occasion, entered into hotel management agreements for Hard Rock Hotels. Hard Rock Limited has never operated a Reverb hotel. Hard Rock Limited does not provide any goods or services to our franchisees. Hard Rock Limited’s principal business address is c/o Appleby Global, 13-14 Esplanade, St. Helier, Jersey JE1 1BD, Channel Islands.

Our affiliate, Hard Rock Holdings Limited (“HRH Limited”), has offered franchises for: (i) Hard Rock Hotels since July 1997; and (ii) Hard Rock Cafe Restaurants since 2000. As of the date of this Disclosure Document, HRH Limited has sold a total of 3 Hard Rock Hotel franchise and 26 Hard Rock Cafe Restaurant franchises. In addition to offering franchises, HRH Limited has, on occasion, entered into trademark license agreements for Hard Rock Hotel & Casinos as well as trademark license agreements for Hard Rock Hotels. HRH Limited has never offered franchises in any line of business other than Hard Rock Hotels and Hard Rock Cafe Restaurants. HRH Limited has never operated a Reverb hotel. HRH Limited does not provide any goods or services to our franchisees. HRH Limited shares our principal place of business.

Our affiliate, Hard Rock International Limited (“HRIL”), has offered franchises for Hard Rock Hotels since 2016. As of the date of this Disclosure Document, HRIL has sold a total of 1 Hard Rock Hotel franchise. In addition to offering franchises, HRIL has, on occasion, entered into trademark license agreements for Hard Rock Hotels. HRIL has never offered franchises in any line of business other than Hard Rock Hotels. HRIL has never operated a Reverb hotel. HRIL does not provide any goods or services to our franchisees. HRIL’s principal business place of business is 90 High Holborn, London WC1V 6XX.

Our affiliate, Hard Rock Cafe (UK) Limited (“HRC UK”), has offered franchises for Hard Rock Cafe Restaurants in China since September, 2016. As of the date of this Disclosure Document, HRC UK has sold a total of 0 Hard Rock Cafe Restaurant franchises. In addition to offering franchises, HRC UK directly owns and operates Hard Rock Cafe Restaurants. HRC UK Has never offered franchises in any line of business other than Hard Rock HRC UK has never operated a Reverb hotel. Cafe Restaurants. HRC UK does not provide any goods or services to our franchisees. HRC UK’s principal business address is Seventh Floor, 90 High Holborn, London WC1V 6XX.

Except as described above, we do not have any parent companies, predecessors, or affiliates who have offered franchises or provide goods or services to our franchisees.

### **Description of Franchised Business**

If you acquire a Reverb franchise, you will establish and operate an upscale, select-service hotel that operates under the name “Reverb” (your “Business” or your “Hotel”). Reverb hotels include limited “grab and go” healthy food and beverage service, a lobby bar, a fitness facility and any other elements that we approve. Reverb hotels also offer a limited assortment of merchandise and retail items. In some cases, franchisees may convert an existing guest lodging facility to a Reverb hotel (a “Conversion Hotel”). Other Reverb hotels are newly constructed facilities (a “New Construction Hotel”).

We will grant you a license to use certain logos, service marks and trademarks, including the service mark “Reverb” (collectively, the “Marks”) in the operation of your Business. The “Marks” also include our distinctive trade dress used to identify a Reverb hotel, whether now in existence or created in the future. You must sign a franchise agreement (the “Franchise Agreement”) and operate your Business in accordance with the terms of the

Franchise Agreement. The form of Franchise Agreement is attached to this Disclosure Document as EXHIBIT "C". You must also follow the procedures, standards, specifications, controls, systems, manuals, guides, and other distinguishing elements or characteristics that we or our affiliates have developed for Reverb hotels (the "System"). You must comply with our Standards of Operation and Design Manual and any other manual we publish or distribute pertaining to the System (collectively, the "System Standards Manual").

Your Hotel must participate in HRC's central reservation system (the "Reservation System") at your sole cost and expense. Your Hotel must follow all requirements for participation in the Reservation System determined periodically by us and our affiliates (or our designee). These requirements are set forth in the System Standards Manual. Your Hotel must also participate in HRC's hotel room sales and lead generation program (the "Sales Referral Program"), which is also described in more detail in the System Standards Manual.

You will operate your Hotel as an independent business using the Marks, the System, the Reverb name, as well as the support, guidance and other methods and materials provided or developed by us.

### **Area Development Rights**

If you satisfy all of our criteria for multi-unit developers, we may (but need not) offer you the right to enter into an Area Development Agreement (an "ADA"). The ADA grants you the right and obligation to establish and operate multiple Reverb hotels within an exclusive "development territory" according to a predetermined development schedule. A copy of our current form of ADA is attached to this Disclosure Document as EXHIBIT "D". You will sign a separate franchise agreement for each Reverb hotel that you establish under the ADA.

### **Market and Competition**

The hotel business generally consists of the sale of lodging as well as food and beverages and certain ancillary goods and services. Hotel stays are typically purchased by visitors to the area, consisting of a combination of tourists and business visitors. In some areas, demand for lodging services varies significantly by season.

Reverb hotels target customers of all ages and demographics. As a franchisee, you will face direct competition from any hotel that are located in your market. The lodging industry is competitive and well developed. Many hotel systems operate under a franchise model.

### **Laws and Regulations**

You must comply with a number of federal, state and local laws and regulations which apply to businesses generally and to the construction and operation of hotels. These include environmental laws and those relating to zoning and construction, permits and licensing; public accommodations and accessibility by persons with disabilities; labor; occupational safety; fire safety; health and food storage, preparation and service; the sale of alcoholic beverages (including liquor licensing laws); privacy and data collection; and laws regulating the posting of hotel room rates and the registration and identification of guests. In addition to these laws, laws of general application may have special relevance to hotels. Consult your attorney for more information on these and other laws.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Chief Operating Officer – Hotels & Casinos: Jon Lucas**

Mr. Lucas been our and HRC's Chief Operating Officer since May 2017. From February 2015 until May 2017, Mr. Lucas served as our and HRC's Executive Vice President of Operations. From February 2013 to February 2015, he was President of HR Ohio Manager, LLC in Northfield, Ohio.

**Senior Vice President of Finance and Treasurer: Thomas Gispanski**

Mr. Gispanski has served as our and HRC's Senior Vice President of Finance and Treasurer since December 2014. From February 2006 until December 2014, he served as our and HRC's Vice President of Finance and Treasurer. He is a Director of HRH.

**Senior Vice President of Business Affairs, General Counsel and Secretary: Jay Wolszczak**

Mr. Wolszczak has served as our and HRC's Senior Vice President of Business Affairs and Secretary since December 2014. He has served as HRC's General Counsel since March 2001. From March 2001 until December 2014, he served as our and HRC's Vice President of Business Affairs and Secretary. He is a Director of HRH.

**Vice President of Hotel and Casino Operations: Enzo Andrea Melotti**

Mr. Melotti has served as our and HRC's Vice President of Hotel and Casino Operations since December 2014. From January 2005 until December 2014, he served as our and HRC's Senior Director of Hotel Operations.

**Vice President of Business Affairs: Brian Alexander**

Mr. Alexander has served as our and HRC's Vice President of Business Affairs since December 2014. From December 2009 until November 2014, he was Vice President, Legal with Wyndham Hotel Group in Parsippany, New Jersey.

**Senior Vice President of Hotels: Michael "Dale" Hipsh**

Mr. Hipsh has been our and HRC's Senior Vice President of Hotels since April 2017. From November 2014 until April 2017, Mr. Hipsh served as our and HRC's Vice President of Hotel & Casino Operations Development. From August 2010 until November 2014, he served as our and HRC's Senior Director of Operations Development.

**Senior Director of Marketing – Hotels & Casinos: Nora Swire**

Ms. Swire has served as our and HRC's Senior Director of Marketing – Hotels & Casinos since January 2013.

**Vice President, Finance - Hotels & Casinos: Jill Lemaster**

Ms. Lemaster has served as our and HRC's Vice President, Finance – Hotels & Casinos since February 2016. From January 2015 until February 2016, she served as our and HRC's Senior Director of Finance – Hotels & Casinos. Ms. Lemaster has served as our and HRC's Director of Finance – Hotels & Casinos from February 2012 until December 2014.

**Director of Worldwide Sales: Greg Naylor**

Mr. Naylor has been our and HRC's Director of Worldwide Sales since June 2011.

**Sr. Vice President, Hotel Business Development: Javier Sanchez**

Mr. Sanchez has been our and HRC's Sr. Vice President, Hotel Business Development since September 2014. From January 2013 to August 2014, he served as Vice President Development – Latin America for

Realogy in Madison, New Jersey.

**SVP, Head of North America Hotel Business Development: Michael Dean**

Mr. Dean has been our and HRC's SVP, Head of North America Hotel Business Development since December 2017. From December 2016 to November 2017, he served as Chief Development Officer of Carlson Rezidor Hotel Group in Minneapolis, Minnesota. From April 2012 to June 2016, he was Managing Director Hotels for GE Capital in Scottsdale, Arizona.

**Sr. Head of Global Hotel Business Development: Todd Hricko**

Mr. Hricko has been our and HRC's Sr. Head of Global Hotel Business Development since August 2017. From November 2014 until August 2017, he served as Vice President of Hotel Development – USA & Canada. From January 2006 until July 2014, he served as Vice President, Acquisitions for Wyndham Worldwide in Parsippany, New Jersey.

**ITEM 3 LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4 BANKRUPTCY**

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

**ITEM 5 INITIAL FEES**

The following initial fees are imposed prior to the opening of your Hotel. All initial fees are uniformly imposed and nonrefundable.

**Application Fee**

You must complete our form of franchise application to help us evaluate your qualifications to become a franchisee. At the time you submit your application, you must pay us a \$5,000 application fee.

**Reimbursement of Probity Costs**

You must reimburse us for our cost of conducting background checks on each of your owners that holds a 5% or greater equity interest in the franchisee entity. We estimate that these cost reimbursements will range from \$6,000 to \$50,000.

**Initial Franchise Fee**

You must pay us an initial franchise fee equal to the greater of: (i) \$50,000 or (ii) \$500 multiplied by the total number of guest rooms at the hotel. The initial franchise fee is due in full upon execution of the Franchise Agreement.

**Technical Services Fee**

You must pay us a technical services fee of \$500 per guest room. We expect most Hotels to have between 100 and 200 guest rooms, which results in a technical services fee ranging from \$50,000 to \$100,000. Fifty percent (50%) of this fee is payable when you sign the Franchise Agreement with the balance paid in equal installments each month until the opening of the Hotel for business. In addition to the payment of the technical services fee, you must reimburse us, within 30 days after we submit an invoice to you, for all actual costs that we incur in

providing the technical services, including travel, accommodations and other expenses (but not salaries or overhead). We estimate these costs will range from \$5,000 to \$10,000.

**Reservation Agreement**

You must pay HRC a one-time Reservation System set-up fee of \$10,000 at the time you sign the Franchise Agreement.

**Optional Architectural and Design Services Fee**

Upon your request, we will provide you with various architectural services and design services relating to the planning and development of your Hotel. We may charge you a fee for this optional service. The amount of the fee will vary depending on the specific services that you request, but the total fee will not exceed \$100,000. The fee is due within 10 days after invoicing.

**Construction Extension Fee**

If you are developing a Conversion Hotel, you must complete all required construction within 90 days after the effective date of the Franchise Agreement. If you are developing a New Construction Hotel, you must complete all required construction within: (i) 18 months after the effective date of the Franchise Agreement if your Hotel will have 100 or fewer rooms; or (ii) 20 months after the effective date of the Franchise Agreement if your Hotel will have more than 100 rooms. If you fail to complete construction within the required period of time and we agree in our sole discretion to extend the deadline for completion of construction, then you must pay us a construction extension fee equal to \$2 per guest room per day for the duration of the extension period. The extension fee is payable at the end of each 30-day extension period. By way of example, if your Hotel has 120 guest rooms and we grant you a 60-day extension of your construction deadline, you must pay us an extension fee of \$14,400, payable in two (2) installments of \$7,200 each.

**Reinspection Fee**

If we must return to your Hotel to inspect it as a result of your failure to complete any improvement by the deadline established in the Punch List, we may charge you a reinspection fee of \$5,000 per visit.

**Deposit Fee**

If you sign an ADA, you will pay us a deposit fee for the Hotels you will develop under the ADA. The amount of the deposit fee is: (i) \$50,000 for your 1<sup>st</sup> Hotel; (ii) \$50,000 for your 2<sup>nd</sup> Hotel; and (iii) \$12,500 for each additional Hotel. For example, if you commit to establish 5 Hotels, your deposit fee would be \$137,500 (\$50,000 + \$50,000 + \$12,500 + \$12,500 + \$12,500). The deposit fee is paid in full when you sign the ADA and is non-refundable. At the time you sign the Franchise Agreement for each Hotel, you will pay us the full initial franchise fee applicable to such Hotel less the associated deposit fee. If we terminate the ADA due to your default, we will retain the deposit fee but you will not be required to pay the remaining balance of the initial franchise fee for any Hotel for which a Franchise Agreement had not been signed as of the date of termination.

**ITEM 6 OTHER FEES**

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty Fee <sup>1</sup>	5% of Gross Room Revenue <sup>2</sup>	10 <sup>th</sup> day of month for prior month's operations	You must provide us with monthly reports of your Total Revenues broken down by Gross Room Revenues, Merchandise Revenues and Food and Beverage Revenues.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Food and Beverage Fee <sup>1</sup>	2% of Food and Beverage Revenues <sup>2</sup>	10 <sup>th</sup> day of month for prior month's operations	None
Merchandise Fee <sup>1</sup>	10% of Merchandise Revenues <sup>2</sup>	10 <sup>th</sup> day of month for prior month's operations	None
Marketing Fund Fee <sup>1</sup>	Up to 2% of Gross Room Revenue <sup>2</sup>	10 <sup>th</sup> day of month for prior month's operations	See Note 3.
Basic Reservation Fee <sup>1</sup>	3% of Gross Room Revenue <sup>2</sup>	10 <sup>th</sup> day of month for prior month's operations	See Note 4.
Reservation System Maintenance Costs <sup>1</sup>	\$850 per month	10 <sup>th</sup> day of month	The Reservation System maintenance cost contribution will increase each year (after 2017), by an amount equal to 3.5% per year. We may pay these amounts to our affiliate. See Note 4.
Service Fee (Sales Referral Program) <sup>1</sup>	5% of the sum of the following amounts received by the Hotel: (a) revenues resulting from Bookings, (b) any cancellation fees relating to a Booking, (c) any nonrefundable deposit relating to a Booking and (d) any attrition payment made by all Bookings.	30 days after receipt of the revenues	A " <b>Booking</b> " means a reservation for 10 or more hotel rooms at the Hotel entered into or recorded in the Reservation System as a result of a sale or lead generated by HRC.
Guest Services Assessment <sup>1</sup>	\$100 plus our costs to settle a guest complaint	10 days after invoice	If we receive a guest complaint, you must resolve the complaint within 7 business days after you receive notice from us. If you fail to do so and the guest contacts us again relating to the complaint, then we may charge you the guest services assessment.
Service Interruption Fee <sup>1</sup>	\$200 (increased to \$500 if we must reactivate service 3 or more times in any 12 month period)	10 days after invoice	We may suspend the Reservation System service for your Hotel if you default under the Franchise Agreement. We may charge you the service interruption fee when we reactivate service.
Reimbursement of Training Costs <sup>1</sup>	Varies	10 days after invoice	See Note 5.
Reimbursement of Costs of Background Checks <sup>1</sup>	Varies	10 days after invoice	We must conduct a background check on all individuals who will hold a direct or indirect equity interest of 5% or greater in the franchisee entity. You must reimburse us for the costs we incur in conducting these background checks.

<b>TYPE OF FEE</b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Room Addition Fee <sup>1</sup>	\$500 per added guest room	10 days after invoice	If we allow you to add additional guest rooms to your Hotel after opening, you must pay us an additional \$500 for each guest room that you add.
Required Purchases <sup>1</sup>	Costs will vary depending on the circumstances	When goods are delivered, unless otherwise arranged	You must purchase certain products according to our standards and specifications or from approved or designated suppliers, which may include us or our affiliates.
Technology Fee <sup>1</sup>	Varies (currently \$0)	10 days after invoice	See Note 6.
Quality Assurance Program Expense <sup>1</sup>	Varies	As incurred	See Note 7.
Audit Fee <sup>1</sup>	\$1,000 plus cost of audit	10 days after invoice	Payable only if the audit (i) reveals that you have understated Total Revenues by at least 3% or (ii) is necessary because you fail to cooperate with the audit, prepare reports, or furnish required information or reports to us in a timely manner. We may increase the audit fee by no more than 5% per year on a cumulative basis.
Late Fee <sup>1</sup>	Lesser of 1.5% per month or highest rate allowed by applicable law	10 days after invoice	Payable with respect to any fees or amounts that are not paid to us when due.
Securities Offering Review Fee <sup>1</sup>	\$5,000 plus attorneys' fees	At time you submit securities offering materials	If you intend to offer securities in the franchisee entity (or any affiliate) to any person, you must send us, for review, all offering materials relating to the securities offering. You must send us the materials at least 60 days before distributing them to prospective buyers or filing them with any government agency.
Transfer Fee (Franchise Agreement) <sup>1</sup>	Not Applicable	Not Applicable	We do not charge you a transfer fee if you transfer your franchise for your Hotel. Instead, the buyer must pay us our then-current application fee and initial franchise fee. The buyer must also reimburse us for the costs we incur for conducting a background check on the new owners.
Transfer Fee (ADA) <sup>1</sup>	\$25,000	At time of transfer of ADA	In addition to the transfer fee, the you or the transferee must reimburse us for the costs of the background check.
Indemnification <sup>1</sup>	Will vary with circumstances	10 days after invoice	You must indemnify and reimburse us for any damages, losses or expenses we incur as a result of the operation of your Hotel, your breach of the Franchise Agreement or the errors or omissions or negligence of you or your staff or other representatives.
Attorneys' Fees and Costs <sup>1</sup>	Will vary with circumstances	Upon demand	You must reimburse us for all attorneys' fees and other costs we incur relating to your breach of any term of the Franchise Agreement if we are the prevailing party. If you are the prevailing party, we must reimburse you for your attorneys' fees and costs.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Liquidated Damages <sup>1</sup>	Varies	10 days after termination (in certain instances) 30 days after termination (in other instances)	See Note 8.

**NOTES:**

(1) All fees or charges above are imposed, collected by and payable to us or an affiliate and are nonrefundable unless otherwise stated. All fees are uniformly imposed except as disclosed in this Item. All fees, expenses and reimbursements due to us or our affiliates must be paid by wire transfer of immediately available funds to an account designated by us.

(2) “Gross Room Revenues” means gross revenues attributable to or payable for rentals of guest rooms at the Hotel, including all credit transactions, whether or not collected, but excluding separate charges to guests for food and beverage, room service, telephone charges, key forfeitures and entertainment; vending machine receipts; and federal, state and local sales, occupancy and use taxes.

“Food and Beverage Revenues” means gross revenues attributable to or payable from the sale of food and beverage, including any restaurant, catering, bar/lounge, entertainment, room service, retail food or beverage operation, continental breakfast, food or beverage concessions and similar services offered at the Hotel.

“Merchandise Revenues” means gross revenues attributable to or payable from the sale of any merchandise and retail items offered at the Hotel.

“Total Revenues” means the sum of Gross Room Revenues, Food and Beverage Revenues and Merchandise Revenues.

(3) We will maintain and administer a marketing fund to promote public awareness and usage of Reverb hotels by implementing advertising, promotion, publicity, market research, loyalty marketing and other marketing programs, training programs and related activities. You will have no voting rights pertaining to the administration of the fund, the creation and placement of the marketing materials or the amount of the required contribution. In addition to the marketing fund fee, you must spend at least 1% of your Gross Room Revenue to market, advertise and promote your Hotel locally.

(4) We will operate and maintain (either directly or through a subcontracting relationship with a third party) a computerized Reservation System. The basic reservation fee and monthly Reservation System maintenance costs are paid for the acquisition, development, support, equipping, maintenance, improvement and operation of the Reservation System. In addition to the monthly Basic Reservation Fee, the monthly maintenance cost contributions, and a one-time \$10,000 Reservation System set-up fee, you will also pay all travel agent commissions generated through the Reservation System for reservations at the Hotel within 10 days after receipt of an invoice for these commissions. Third parties not affiliated with us or HRC (for example, Expedia or Hotels.com) may impose fees relating to bookings made through the Reservation System and these third-party fees, expenses or commissions are in addition to, and not included within, the Basic Reservation Fee or Reservation System set-up fee. You are solely responsible for payment of telecommunications costs and long distance carrier costs incurred in connection with “CRO” generated bookings. “CRO” refers to any of the offices of Hard Rock Cafe International (USA), Inc., including, without limitation, any central reservations system or “800” number established by Hard Rock Cafe International (USA), Inc., through which reservations are processed by voice operators. The Hotel’s property management system vendor may impose additional fees and

require you to obtain certain licenses in order to establish a two-way interface with the Reservation System. If additional customization is required in connection with the set-up of the Reservation System for your Hotel, you must reimburse HRC for all costs incurred by HRC to meet the additional scope of work required for such customization. Any of the foregoing third party fees, expenses or commissions are in addition to and not included with the Basic Reservation Fees and the Reservation Set-up Fee.

(5) We do not impose any initial or ongoing training fees. However, if training is conducted at your Hotel, you must reimburse us for all of our trainers' travel expenses, accommodations, subsistence and other similar expenses. In addition, you are responsible for all travel expenses, accommodations, subsistence and other expenses of your employees, including your employees' compensation, related to attendance at our training programs (some of which may be held at our headquarters or other training facilities that we specify).

(6) You must acquire, operate and maintain a computer-based property management system and provide guests with innovative technology for communications and entertainment. You must purchase the computer system and other equipment and software that we specify. We may modify our system standards to require new technology at all Reverb Hotels. At our request, you must participate in any intranet or extranet system developed for use in connection with the System. This intranet or extranet system may be combined with that of our affiliates. You must: (i) comply with all terms and conditions that we prescribe for the use of the intranet or extranet system; and (ii) pay any fee that we or a third-party service provider impose from time to time relating to the hosting of the system.

(7) We reserve the right to engage the services of one or more quality assurance inspection firms for purposes of inspecting Reverb hotels for quality control purposes. These inspections may address a variety of issues. Franchisees may be invoiced directly by the quality assurance firm for the services rendered. Alternatively, we may be invoiced by the quality assurance firm and charge you, in turn, the amounts we pay for the inspection of your Hotel. We will not charge you for more than 2 inspections per calendar year.

(8) If we terminate the Franchise Agreement prior to the expiration date or you terminate the Franchise Agreement prior to the expiration date (except due to condemnation or casualty or due to our uncured default), you must pay us an early termination fee as liquidated damages. Liquidated damages are calculated as the product of 36 multiplied by the average monthly Royalties, Merchandise Fees, Food and Beverage Fees and Services Assessment Fees imposed during the immediately preceding 12 full calendar months (or the number of full calendar months after the opening date if less than 12). If the termination occurs prior to the opening date, then the amount of liquidated damages will be \$150,000. You will also pay any applicable taxes assessed on such payment and default interest accruing from 30 days after the date of termination.

#### ITEM 7 ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Feasibility study	\$15,000 – \$25,000 <sup>1</sup>	As consulting firm requires	As agreed between the parties	Nationally recognized consulting firm
Application Fee	\$5,000 <sup>2</sup>	Wire Transfer	Upon submission of application	Us
Background Check Cost Reimbursement	\$6,000 - \$50,000	Wire Transfer	As invoiced	Us or our affiliate
Initial Franchise Fee	\$50,000 – \$100,000 <sup>3</sup>	Wire transfer	Upon signing Franchise Agreement	Us

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Technical Services Fee	\$50,000 - \$100,000 <sup>4</sup>	Wire Transfer	50% upon signing of Franchise Agreement with balance paid in equal installments each month until opening	Us
Technical Services Expense Reimbursement	\$5,000 - \$10,000 <sup>4</sup>	Wire Transfer	30 days after invoice	Us
Real property	Market specific <sup>5</sup>			
Phase 1 Environmental Assessment	\$50,000 - \$75,000 <sup>6</sup>	As arranged	Before you purchase the land	Engineer or consulting firm
Design, architect, engineer and structural and life/safety consultants fees	\$30,000 - \$50,000 <sup>7</sup>	As arranged	Before opening	Life safety firms
Optional Architectural and Design Services Fee	\$0 - \$100,000 <sup>8</sup>	Wire Transfer	10 days after invoice	Us
Construction	\$12,000,000 - \$30,000,000 <sup>9</sup>	As arranged	As invoiced	Independent contractors
FF&E	\$2,000,000 - \$4,000,000 <sup>10</sup>	As agreed between the parties	As agreed between the parties	Contractor/suppliers
Audio Visual System	\$30,000 - \$50,000	As supplier requires	As invoiced	Suppliers
Reservation System Set-Up Fee	\$10,000	As incurred	Upon signing Reservation Agreement	HRC
Operating supplies and operating equipment	\$1,000,000 - \$2,000,000 <sup>11</sup>	As supplier requires	As supplier requires	Supplier
Artwork	\$60,000 - \$100,000	As arranged	As invoiced	Suppliers
Computer System	\$150,000 - \$300,000 <sup>12</sup>	As arranged	As invoiced	Suppliers
Development of Branded Website Platform	\$19,000 - \$25,000	As incurred	As invoiced	Supplier
Permits and licenses	\$100,000 - \$150,000 <sup>13</sup>	As government agencies require	As government agencies require	Governmental agency
Insurance	\$100,000 - \$200,000	As agent(s) requires	Before opening	Agent(s)
Pre-opening expenses	\$30,000 - \$50,000 <sup>15</sup>	Cash	As expenses occur	Employees, suppliers of goods and services
Utility deposits	\$30,000 - \$50,000	As incurred	Before opening	Utility companies
Contingency funds	\$250,000 - \$500,000 <sup>16</sup>	As arise	As agreed with contractor/suppliers	Contractors/suppliers
Additional Funds (first 3 months)	\$100,000 - \$200,000 <sup>17</sup>	As expenses occur	Payroll weekly, other purchases according to agreed-upon terms	Employees, suppliers of goods and services and HRC-STP
Total costs (excluding real property and financing costs) <sup>20</sup>	\$16,090,000 - \$38,150,000 <sup>18, 19</sup> (This estimate is for a single Hotel. If you sign an ADA, the initial investment will increase by the amount of the applicable deposit fee described in Item 5.)			

- (1) For all New Construction Hotels and Conversion Hotels, we require a feasibility study from a nationally-recognized independent firm approved by us that discusses the market, competition and the perspective performance for your proposed Hotel.
- (2) The Application Fee is \$5,000 and is payable upon submission of the application.
- (3) The initial franchise fee ranges is calculated as the greater of \$50,000 or \$500 per guest room.
- (4) The technical services fee is \$500 per guest room. We will provide you with the technical advisory services described in Item 11. In addition to the technical services fee, you must reimburse us for the actual costs we incur in providing these services, including all travel, accommodations and other expenses (but not salaries or other overhead).
- (5) Hotels generally will be located in urban markets in metropolitan sites and in high volume resort areas. We do not estimate the cost of real estate or site work premiums because of wide variations among geographic areas and at different sites. Hotel program and square feet requirements vary greatly with each market. Each hotel should be designed to compete effectively in the given market. However, our average net hotel room size is between 325 and 350 square feet. We expect most Reverb hotels to have between 100 and 200 guest rooms.
- (6) Before you purchase the land, you should, at a minimum, consider obtaining a Phase 1 environmental assessment to determine the environmental condition of the land. Based on this Phase 1 report, additional investigations and tests may be necessary before you make your purchase decision. Many lenders will require a Phase 1 report before financing can be approved. Costs of a Phase 1 report will vary depending on the particular site conditions.
- (7) You must engage a structural and life safety consultant (the “Life Safety Consultant”) to review the plans and specifications for the Hotel and provide you with recommendations regarding certain fire and life safety measures to implement in connection with the construction and development of the Hotel. This estimate includes the cost of engaging a Life Safety Consultant.
- (8) We will provide certain design services and architectural services upon your request. The total fee for this service will not exceed \$100,000.
- (9) The cost of construction varies from site to site depending on the size and nature of the land on which the Hotel is built, the type of construction and materials used, union involvement, regional cost variations, competitive conditions and other factors. The cost also varies depending on whether you are acquiring a New Construction Hotel or a Conversion Hotel. We must approve the final plans, design and specifications for your Hotel. You must construct the Hotel in accordance with our development standards.
- (10) The cost of furniture, fixtures and equipment will depend on the number and type of guestrooms, the design scheme that is selected, the number and size of meeting and banquet facilities planned, as well as other possible factors. This estimate includes the cost of furniture, fixtures and equipment for guestrooms, corridors and all public areas. We must approve all furniture, fixtures and equipment at your Hotel.
- (11) Operating supplies include food and beverage and other immediately consumable items such as fuel, soap, cleansing materials, matches, stationery and similar items. Operating equipment includes items such as chinaware, glassware, linens, silverware and uniforms.
- (12) You must obtain the computer system we specify. This item estimates the computer hardware and the initial license, installation, set-up and support for the computer system software components as well as the

costs for certain of your employees to access our on-line based training courses through our Learning Platform, School of Hard Rock. This estimate does not include any costs necessary to configure the computers.

(13) As states and localities require. This item also includes permits relating to music played or performed at the Hotel.

(14) This estimate includes 1 to 2 months premium for required insurance coverage. This estimate also includes Builder's Risk Insurance allowance.

(15) You will incur pre-opening expenses for salaries and wages; personnel training; sales; administrative and general expenses; project management; technical service; advertising; and opening festivities. Sales and marketing expenses vary greatly with each location based upon competitive conditions. You must spend a minimum of \$25,000 on your grand opening marketing, advertising and promotional activities.

(16) The term "Contingency" refers to funds that will be needed to manage development risks, unanticipated design or construction costs and other unanticipated expenses.

(17) The estimate of additional funds for the initial phase of your Hotel is based on your staff salaries and operating expenses for the first 3 months of operation. The amount of required additional funds will vary and depend on factors such as the area of your Hotel, the occupancy rate of the Hotel and the relative effectiveness of you and your staff. We have prepared this estimate based on our extremely limited experience in franchising and managing Hard Rock Hotels. We have never operated or franchised a Reverb hotel so these amounts are rough approximations.

(18) We do not finance any portion of your initial investment. Normally, you must provide equity capital for at least 20% to 50% of the total initial cost. You may supply the remainder by debt financing, but only if we approve your financing plan. Due to variations in the term of debt financing and other market factors and conditions, we cannot estimate the period and amount of loan repayments, the interest rate, or other terms and conditions of any financing.

(19) We have prepared these estimates based on our extremely limited experience in franchising and managing Hard Rock Hotels. We have never operated or franchised a Reverb hotel so these amounts are rough approximations. Except as expressly indicated otherwise, these estimates cover your initial cash investment up to the opening of your Hotel, but do not include real property costs or financing and related costs. You should not plan to draw income from the operation during the start-up and development stage of your Hotel. The actual duration of the start-up and development stage for Reverb hotels is expected to vary materially from hotel to hotel, and we cannot predict the duration for your Hotel. You must have additional sums available (e.g., cash, bank lines of credit, liquid assets or other assets against which you may borrow) to cover other expenses and any operating losses you may sustain during and/or after your start-up and development stage. The amount of necessary reserves will vary greatly from franchisee to franchisee and will depend upon many factors, including: (a) the rate of growth and success of your business (which will in turn depend upon factors such as the demographic and economic conditions in the area in which your Hotel is located, the presence of other Reverb Hotels or other public awareness of our business and Marks within the general vicinity of your proposed Hotel); (b) your ability to operate efficiently and in conformance with our recommended methods of doing business; and (c) competition. The exact amount of reserves varies from hotel to hotel so we cannot meaningfully estimate the amount of reserves for your Hotel. Therefore, we urge you to retain the services of an experienced accountant or financial advisor (preferably with substantial experience in the lodging industry) to develop a business plan and financial projections for your particular Hotel.

(20) The costs in this chart describe the estimated initial investment for a Hotel with 100 guest rooms for the low estimate and 200 guest rooms for the high estimate.

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

### **Source Restricted Purchases and Leases – Generally**

We require that you purchase or lease certain “source restricted” goods and services for the development and ongoing operation of your Hotel. By “source restricted,” we mean that the good or service must meet our specifications and/or must be purchased from an approved or designated supplier (in some cases, an exclusive designated supplier, which may be us or an affiliate).

We will issue various bulletins and notices that will contain the specifications and standards for the products and services you must purchase as well as designated or approved suppliers. We may also list our required specifications and standards and our list of designated and approved suppliers in the System Standards Manual. As we determine consumer preferences and trends in the marketplace, or develop new marketing techniques, technologies, products and services, we anticipate that we will formulate and modify our standards and specifications as we consider appropriate and useful. We will notify you of changes to our standards and specifications through articles, newsletters, other bulletins or amendments to the System Standards Manual. If you wish to procure or offer for sale any items or services that deviate from our System Standards Manual, you must obtain our approval, which we may withhold in our sole discretion.

### **Supplier Criteria**

Our criteria for evaluating a supplier include standards for quality, delivery, performance, design, appearance and price of the product or service as well as the dependability, reputation and financial viability of the supplier. Upon your request, we will provide you with any objective specifications pertaining to our evaluation of a supplier, although certain important subjective criteria (e.g., product appearance, design, taste, functionality, etc.) are important to our evaluation but cannot be described in writing.

To obtain our approval of a new supplier or product that you propose, you must send us a written proposal for the new item or service, which must include a sample, a clear photograph and a valid reason for the change. We will then have 60 days to test the item for quality, value and presentation, and either grant or deny your request. If product specifications for the item are not in the System Standards Manual, we will furnish the specifications to you at your request, unless the item is proprietary. We do not charge any fees to secure our approval of new items.

### **Current Source Restricted Items**

As described below in more detail, we currently require that you purchase or lease the following source restricted goods and services: the site for your Hotel; design and construction of your Hotel; furniture, fixtures and equipment; artwork; merchandise; operating supplies; operating equipment; insurance policies; advertising and promotional materials; accounting services; Hotel management services; services relating to the Reservation System; and services relating to the Sales Referral Program. We estimate that up to 75% of the total required purchases and leases that will be required to develop and establish your Hotel and 50% of your ongoing operating expenses will consist of source restricted goods or services.

#### *Site Approval*

You must select a site for your Hotel according to our criteria. We must approve the site for your Hotel.

#### *Hotel Design and Construction*

After you obtain possession of the location for the Hotel and secure financing, you must design and develop the Hotel project in accordance with the approved plans, designs and specifications (the “Approved Plans”) as well

as our development standards and the System Standards Manual. We must approve the Approved Plans and all components of your Hotel. We must also approve the identify and background of certain individuals or firms involved with the design and construction of your Hotel, including your contractors, designers, Life Safety Consultant and other consultants for preparing preliminary, final and other plans and specifications for the Hotel and construction.

#### *Furniture, Fixtures and Equipment*

Your furniture, fixtures and equipment (including items such as carpeting, cabinets, lighting, doors, televisions, interior plantings, communications equipment, computer hardware and software, telephone and call accounting systems, room management systems, point-of-sale systems, vehicles, cleaning and engineering equipment, recreational equipment, office equipment, etc.) must meet our specifications and must be approved by us. You may purchase certain of these items only from approved or designated suppliers. We may require that you purchase certain equipment from us or our affiliates, although we do not currently require that you do so.

#### *Artwork*

We must approve the artwork displayed at the Hotel. All artwork must be purchased from approved or designated suppliers. We (and our affiliates HRC and HRC-STP) are approved suppliers for certain artwork although we also have approved third party suppliers.

#### *Merchandise*

All merchandise and retail items sold at your Hotel must be approved by us and must meet our standards and specifications. All branded merchandise bearing the Marks must be purchased from approved or designated suppliers.

#### *Operating Supplies*

All operating supplies (including consumable items used in the operation of the Hotel, such as fuel, soap, shampoo, toiletries, cleaning material, matches, napkins, stationery and similar items) must meet our standards and specifications. Certain operating supplies must be purchased from approved or designated suppliers.

#### *Operating Equipment*

All operating equipment (including china, glassware, silverware, linens, towels, uniforms and similar items use in the operation of the Hotel) must meet our standards and specifications. Certain operating equipment must be purchased from approved or designated suppliers.

#### *Insurance*

You must obtain the insurance coverage that we require from time to time (whether in the Franchise Agreement or in the System Standards Manual). You must purchase these policies from carriers who are qualified to do business in the jurisdiction in which your Hotel is located and that have a Best rating of at least AX. We must approve all insurance companies that you use. The required coverage includes: (i) Builder's Risk Insurance in an amount not less than the estimated cost of construction (during the construction period); (ii) All Risk property damage insurance; (iii) Business Interruption Insurance for 3 years of Royalty Fees, Merchandise Fees and Food and Beverage Fees; (iv) general public liability insurance in an amount not less than \$5,000,000 per occurrence; (v) umbrella/excess liability insurance with a minimum of \$25,000,000 per occurrence; (vi) statutory workers' compensation and disability benefits insurance as required by law (except that employers liability coverage must be at least \$1,000,000); (vii) professional liability insurance with a minimum of \$1,000,000 per occurrence; (viii) products liability insurance with a minimum of \$1,000,000 per occurrence; (ix) fidelity and dishonesty

insurance and money and securities insurance in an amount not less than \$100,000; and (x) insurance against loss, theft, damage, confiscation or destruction of the memorabilia for the full appraised value of each item of memorabilia.

*Advertising and Promotional Materials*

All advertising and promotional materials you use relating to your Hotel must be in strict conformity with the guidelines in the System Standards Manual. Any deviation from these guidelines must be approved by us. We must approve all signage and other advertisements placed at the Hotel. Your signage must meet our signage guidelines and we must approve the supplier from whom you purchase your signage.

*Accounting Services*

You are required to periodically provide us with financial statements relating to the operation of your Hotel. We must approve the independent certified public accountants that you use to prepare these financial statements.

*Hotel Management Services*

You must retain and exercise full operating control of the Hotel unless you sign a management agreement with a qualified management company to operate your Hotel. We must approve the management company you use as well as the management agreement you sign with them. The management agreement must execute the form of Manager’s Acknowledge attached to the Franchise Agreement as Schedule E.

*Reservation System*

You must exclusively use the Reservation System administered by our affiliate HRC for the types of bookings specified in the Reservation Agreement. You will pay fees in connection with this program as further described in Item 5 and Item 6 of this Disclosure Document.

*Sales Referral Program*

Your Hotel must also participate in HRC’s Sales Referral Program under the terms described in the Franchise Agreement and System Standards Manual. You will pay fees in connection with this program as further described in Item 6 of this Disclosure Document.

In addition to the above restrictions, we must approve any tenant you propose to operate any commercial outlet or establishment within or as part of your Hotel.

Below is a table that lists in greater detail the goods/services specified above that must be purchased from approved or designated suppliers:

<b>Item</b>	<b>Provided by Third Party Supplier Proposed by You and Approved by Us</b>	<b>Provided by Third Party Supplier Designated by Us</b>	<b>Provided by Us or an Affiliate of Ours</b>
Furniture, Fixtures and Equipment	Yes	No	No
Artwork	Yes	No	No
Fountain Drink Products	No	Yes	No
Mattresses	No	Yes	No
Bathroom Amenities	No	Yes	No
In-room linens and towels	No	Yes	No

<b>Item</b>	<b>Provided by Third Party Supplier Proposed by You and Approved by Us</b>	<b>Provided by Third Party Supplier Designated by Us</b>	<b>Provided by Us or an Affiliate of Ours</b>
Hard Rock Audio Visual System	Yes	Yes	No
Insurance Policies	Yes	No	No
Accounting Services and Call Accounting Services	Yes	No	No
Reservation System Services and CRS	No	Yes	Yes
Hotel Room Sales and Lead Generation Services	No	No	Yes
Referral Program Services	No	No	Yes
Services Relating to Design, Construction and Operation of Hotels, including but not limited to Architect, General Contractors, Interior Designer, and AV Design	Yes	No	Yes (for certain services)
Probity Investigation Services	No	No	Yes
Digital Signage	Yes	No	No
Loyalty Program	No	Yes	Yes
Website Design and Analytics	No	Yes	No
Internet Television Services	Yes	No	No
Network Design and Support Services	Yes	Yes	No
Spa Management Software	Yes	No	No
Labor Scheduling Software	Yes	No	No
Golf Management Software	Yes	No	No
Quality Management System	No	Yes	No
Phone System	Yes	No	No
F&B Inventory and Menu Management Systems	Yes	No	No
Back Office Systems	Yes	No	No
Point of Sale System	Yes	No	No
Energy Management System	Yes	No	No
Property Management System	No	Yes	No
Sales & Catering System	No	Yes	No
Video and Music Distribution System	No	No	Yes

<b>Item</b>	<b>Provided by Third Party Supplier Proposed by You and Approved by Us</b>	<b>Provided by Third Party Supplier Designated by Us</b>	<b>Provided by Us or an Affiliate of Ours</b>
Revenue Management System	Yes	Yes	No
Business Intelligence Reporting System	Yes	No	No
Advertising & Design Agency and Public Relations Agency	Yes	No	No
Human Resources	Yes	No	No
eLearning System	No	Yes	No
Performance Management System	No	Yes	No
Applicant Tracking System	Yes	No	No
Nametags	Yes	No	No
Uniforms	Yes	No	No
Retail Inventory	Yes	No	No
Hard Rock Pins	No	Yes	No
Hard Rock Accessories & Jewelry	No	Yes	No

### **Purchase Agreements**

We have negotiated a purchase agreement, including favorable price terms, with a supplier for certain in-room operating supplies (shampoo, conditioner, shower gel, lotion, bath salt and soap). We may, but need not, negotiate other purchase agreements in the future. There are no purchasing cooperatives although we reserve the right to establish one or more purchasing cooperatives in the future. You do not receive any material benefits for using designated or approved suppliers other than having access to any discounted pricing that we negotiate.

### **Franchisor and Affiliate Revenues from Source Restricted Purchases**

We and our affiliates are approved or designated suppliers for certain goods and services that you must purchase. We may designate ourselves (or our affiliates) as approved or designated suppliers of other goods and services in the future. Currently, there are no third party approved or designated suppliers in which any of our officers owns an interest.

Currently, we are the only approved supplier for the technical services described in Item 11 of this Disclosure Document and we are one of multiple approved suppliers for architectural services and design services. Our affiliate HRC is the only approved supplier of the Reservation System that you must use as well as the services associated with the Sales Referral Program. At any time we may designate ourselves or our affiliates as an approved or designated supplier of any goods or services.

We and/or our affiliates have license agreements with certain suppliers that allow use of our Marks on their product. We and/or our affiliates do not derive any revenue from these agreements although we reserve the right to do so in the future. We and/or our affiliates reserve the right to receive additional rebates, discounts or other allowances and benefits from approved suppliers in the future and we have no obligation to remit any portion of these amounts to our franchisees or use them in any particular manner.

During the fiscal year ended December 31, 2017, neither we nor any of our affiliates received any revenues based on Reverb franchisee purchases or leases from approved or designated suppliers (including us).

**ITEM 9 FRANCHISEE’S OBLIGATIONS**

**This table lists your principal obligations under the Franchise Agreement (FA), Area Development Agreement (ADA) and other agreements. It will help you find more detailed information about your obligations in these agreements and other items in this Disclosure Document.**

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	FA: Not Applicable	Item 7 & Item 11
	ADA: Section 4.2	
b. Pre-opening purchases/leases	FA: Section 3.1 & Schedule D	Item 5, Item 7, 0 & Item 11
	ADA: Not Applicable	
c. Site development and other pre-opening requirements	FA: Section 3.1 & Schedule D	Item 6, Item 7 & Item 11
	ADA: Section 4.2	
d. Initial and ongoing training	FA: Section 3.3, 3.9 & 4.1	Item 6 & Item 11
	ADA: Not Applicable	
e. Opening	FA: Schedule D	Item 11
	ADA: Section 4.1	
f. Fees	FA: Section 3.4, 3.6, 3.7, 3.12, 3.15, 4.1, 4.2, 4.3, 4.8, 6, 7, 9.2, 11.4, Schedule C & Schedule D	Item 5 & Item 6
	ADA: Section 3 & 6.2	
g. Compliance with standards and policies/Operating Manuals	FA: Section 3.2, 3.4, 3.15, 4.5, 4.6 & 4.7	Item 11
	ADA: Not Applicable	
h. Trademarks and proprietary information	FA: Section 3.11, 4.5 & 15	Item 13 & Item 14
	ADA: Section 2	
i. Restrictions on products/services offered	FA: Section 3.2 & Schedule B	Item 16
	ADA: Not Applicable	
j. Warranty and client service requirements	FA: Section 3.7, 3.11 & Schedule C	Not Applicable
	ADA: Not Applicable	
k. Territorial development and sales quotas	FA: Not Applicable	Item 12
	ADA: Section 4.1	
l. Ongoing product/service purchases	FA: Section 3.10, 3.15 & 4.4	Item 6 & Item 8
	ADA: Not Applicable	
m. Maintenance, appearance and remodeling requirements	FA: Section 3.2, 3.12 & 3.14	Item 11
	ADA: Not Applicable	
n. Insurance	FA: Section 3.8	Item 7 & Item 8
	ADA: Not Applicable	
o. Advertising	FA: Section 3.4, 4.3 & 15.6	Item 6, Item 7 & Item 11
	ADA: Not Applicable	
p. Indemnification	FA: Section 8	Item 6

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
	ADA: Not Applicable	
q. Owner's participation/ management/staffing	FA: Section 3.2, 3.3 & 3.16	Item 11 & Item 15
	ADA: Not Applicable	
r. Records/reports	FA: Section 3.6	Item 6
	ADA: Not Applicable	
s. Inspections/audits	FA: Section 3.6, 3.7 & 4.8	Item 6 & Item 11
	ADA: Not Applicable	
t. Transfer	FA: Section 9	Item 17
	ADA: Section 6	
u. Renewal	FA: Section 5	Item 17
	ADA: Section 4.4	
v. Post termination obligations	FA: Section 12 & 13	Item 17
	ADA: Section 7.2	
w. Non-competition covenants	FA: Section 3.11 & 17.9	Item 17
	ADA: Not Applicable	
x. Dispute resolution	FA: Section 17.6	Item 17
	ADA: Section 8	
y. Guaranty	FA: Section 3.16	Item 15
	ADA: Section 5	

## ITEM 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee any of your notes, leases or obligations.

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

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

Before you open your Business, we will:

1. License you the Marks to identify your Hotel as a Reverb hotel. (Section 1)
2. Make available to you prototype plans for your Hotel. See Section below entitled "Site Development" for additional information. (Schedule D)
3. Review and approve the plans for your Hotel (our review is limited to ensuring the plans comply with our System Standards). See Section below entitled "Site Development" for additional information. (Schedule D)
4. Provide you with certain technical advisory services. See Section below entitled "Site Development" for additional information. (Section 4.9)
5. Provide you with access to the Manual. See Section below entitled "System Standards Manual" for additional information. (Section 4.7)

6. Provide you with a list of approved and/or designated suppliers for purposes of acquiring certain goods and services. We do not deliver or install any of the items that you are required to purchase. (Section 3.10 & 4.4)

7. Provide an initial training program. See Section below entitled “Training Program” for additional information. (Section 3.3 & 4.1)

During the operation of your Business, we will:

1. Operate and maintain the reservation system for purposes of booking reservations at your Hotel. We may subcontract all or a portion of this service to an affiliate or third party. (Section 4.2)

2. Provide periodic training programs. See Section below entitled “Training Program” for additional information. (Section 3.3, 3.9 & 4.1)

3. Provide guidance and advice pertaining to compliance with our System Standards through various means. (Section 4.6)

4. Provide telephone and mail consultation on Hotel operation and marketing through our representatives. (Section 4.6)

5. Provide you with access to any online franchisee services and information that we make available to Reverb hotels. We may terminate this access at any time you are in default. (Section 4.6)

6. Establish and implement the marketing fund. See Section below entitled “Marketing Fund” for additional information. (Section 4.3)

During the operation of your Business, we may, but need not:

1. Implement “group booking” programs created to encourage use of Reverb hotels for tours, conventions and the like. (Section 4.3.4)

2. Offer optional assistance to you with purchasing items used at the Hotel. (Section 4.4)

3. Hold periodic Global Conferences to discuss business and operational issues affecting Reverb franchisees. (Section 2.2 & 3.9)

4. Establish the Reverb National Association, which is planned to be an unincorporated association of franchisees. See Section below entitled “Advisory Council” for additional information. (Section 2.1)

5. Administer our sales referral program for purposes of referring clients to your Hotel and to allow you to refer clients to other Reverb hotels in exchange for referral fees. We may subcontract all or a portion of this service to an affiliate or third party. (Section 3.4.1 & 3.4.4)

We do not provide area developers with any support under their ADA.

**Training Program** (Section 3.3 & 4.1)

*Generally*

The General Manager of the Hotel and any of your other key personnel that we designate must attend our initial training programs. Generally, training is held at the Hollywood Corporate Support Center, although we have the

right to designate 1 or more other locations for training. The Hotel's management personnel must attend any additional training that we require at the location that we designate. You may not open the Hotel to the public until the General Manager has satisfactorily completed all training we require and has been approved by us in writing as competent. We require that the General Manager complete initial training at least 90 days before the opening date.

### Initial Training

Our initial training program consists of 2 components: (1) the Walk This Way program, a leadership program devoted to teaching the Hard Rock culture, best practices and standards; (2) the New Team Transition training program, which covers hotel operational and management issues. The training materials will consist of the System Standards Manual, presentations, workbooks, collateral and videos. We will not charge you for these materials. We also require certain Hotel employees to participate in our on-line based training courses through our learning management system, School of Hard Rock Learning Platform.

Our initial training programs will be offered periodically to meet the demands of new licensees, and there are no fixed (i.e. monthly or bi-monthly) training schedules.

### Ongoing Training

Periodically, we may require that your Hotel employees attend various supplemental training programs that we require. For example, we currently require that you send your General Manager (and an owner) to our annual "global leadership conference." We also require that your General Managers complete recertification training every 3 years. We will not require these training programs more than once in any calendar year.

We may also require that your General Manager and other staff members participate in remedial training if your Hotel receives a D or F (or equivalent score) on a quality assurance inspection, a D or F +GX score on Medallia electronic guest survey (or equivalent evaluation system), or experiences significant complaints to our guest services department. This training may be offered at our corporate offices, at a regional location, on-line or at the Hotel. The training may be in the form of one or more classes held at different times and locations as we may require.

### Training Fees and Expenses

All training will be conducted at your expense. You are responsible for all travel, lodging and other expenses incurred by your employees during training. We will not charge you an additional fee for training. However, if any training is conducted at your Hotel, you must reimburse us for reasonable travel expenses, accommodations, subsistence, materials and other reasonable expenses of those reasonably necessary persons we send to your Hotel to conduct the training.

### Instructors

Our training team consists of the following individuals:

Jennifer Rice is the Vice President of Organizational Development for Hard Rock Hotels, Casinos and Cafes. She brings over 25 years of experience in hospitality and organizational development field for global brands.

Antonia Elliott brings 17 years of hospitality experience to her role as Director of Training and Development for the Hotel and Casino division.

Angela Leavell, Director of eLearning and Development, brings 13 years of instructional design and technology to the Reverb brand.

Dustin Maurhoff is the Manager of Training and Development for Hotels and Casinos and brings over 12 years of experience in the hospitality industry, specifically within Human Resources and Training and Development, for organizations that operate theme parks, restaurants, hotels and casinos.

Cristina Anez is the Regional Training Manager. She carries the experience of 10 years in the worldwide hospitality industry holding different management roles within Operations and Human Resources, including 5 years in instructional design and training project management at regional level.

### Description of Training Programs

Below is an outline of our training programs we offer as of the date of this Disclosure Document. We reserve the right to add, modify or eliminate training programs at any time.

#### Walk This Way

Walk This Way is a 3-day training conference that is devoted to teaching Reverb Culture, Best Practices, and Standards. Walk This Way provides attendees with the knowledge and skills required to consistently execute their Reverb property in compliance with our brand image and programs. Some of the classes included in the course are: Brand Identity and Strategy, Amplified Service, Music Strategy, Communication, Hiring Rock Stars, Employee Engagement, Crisis Communication and Global Strategy and Brand Marketing.

#### Induction Training

When new staff members join the Reverb team, they attend Reverb's Induction (orientation) Training Program. The program begins with a 1-day course in the Reverb brand, followed by a 1-day course on property specific information, safety and policies, and a 1-day course in department specific information. After the completion of these 3 days, the employee begins position specific training that varies in length based on position and system requirements. During this portion of the training, employees will receive training on the Service Standards and Quality Assurance Program related to their specific area of the property.

#### Amplified Service

Amplified Service is Reverb's program dedicated to ensuring that we are exceeding both our internal and external guests' expectations. All Reverb employees attend this course that includes service basics, guest name usage, employee motivation, creating memorable experiences, empowerment and service recovery. This program not only teaches specific service skills, but also reinforces our Reverb culture and incorporates our universal service standards.

#### Facilitation that Rocks

Facilitation that Rocks is available to properties as a 2-day leadership training course that helps our leaders develop their platform speaking and group training skills. The course is a full-day training in skill development and practical exercises.

#### Global Leadership Conference

Each year, Hard Rock International holds a Global Leadership Conference that is designed to update executives from each location on our current company initiatives. Each attendee is provided with materials that enable them to return to their properties and train/retrain their staff on our global brand. Representatives are invited from operations, human resources and sales/marketing.

## School of Hard Rock - Learning Platform

Hard Rock offers E-learning based courses through our Learning Management System, the Learning Platform. The Learning Platform and other proprietary courses are required to be available to all Hotel managers. Some of the courses offered are mandatory.

Reverb's classroom training programs cover company culture, technical skills, leadership development and brand compliance. The topics included, and approximate number of hours devoted to each topic, are listed below:

### **TRAINING PROGRAM**

<b>SUBJECT</b>	<b>HOURS OF CLASSROOM TRAINING</b>	<b>HOURS ON THE JOB TRAINING</b>	<b>LOCATION</b>
Walk this Way	24	0	Hollywood, Florida
Induction Training	24	0	Hollywood, Florida
Position Specific Training	160*	0	Hollywood, Florida
Amplified Service	16	0	Hollywood, Florida
Facilitation That Rocks	16	0	Hollywood, Florida
Global Leadership Conference	24**	0	Varies annually
Learning Platform	Varies by position	0	On-line
Total	264	0	

\* Position specific training varies from 5 days to 6 months, based on position. Average training time is approximately 4 weeks or 160 hours.

\*\* Global Leadership Conference and associated training are dependent upon the business needs. The 24 'class hours' are conference attendance only and do not include hours of re-training at Hotel property.

Total training hours may also vary based on location, property type and local regulations.

### **System Standards Manual** (Section 4.7)

We will provide you with access to our System Standards Manual in text or electronic form for the term of your Franchise Agreement. The System Standards Manual may include, among other things, (i) a description of the authorized goods and services that you may offer at your Hotel; (ii) mandatory and suggested specifications, operating procedures, and quality standards for products, services and procedures that we prescribe from time to time for Reverb franchisees; (iii) mandatory reporting and insurance requirements; (iv) mandatory and suggested specifications for your hotel; (v) policies and procedures pertaining to any gift card program, membership program, loyalty program or other program that we establish; and (vi) a written list of goods and services (or specifications for goods and services) you must purchase for the construction, development and operation of your Hotel and a list of any designated or approved suppliers for these goods or services. All mandatory provisions contained in the System Standards Manual are binding on you. The System Standards Manual is confidential and remains our property. We may modify the System Standards Manual from time to time, but the modification(s) will not alter your status or fundamental rights under the Franchise Agreement.

The current version of the System Standards Manual is the same as the Hard Rock Hotel System Standards

Manual due to the significant commonalities in terms of policies, procedures, brand standards and other requirements. We will advise you of any provisions that are not relevant to a Reverb hotel. The System Standards Manual contains a total of approximately 975 pages. A copy of the Table of Contents to the System Standards Manual is attached to this Disclosure Document as EXHIBIT "E". We are currently preparing a stand-alone Reverb manual which we expect to be completed by April 30, 2017.

**Site Development** (Section 3.1, 3.2, 3.12, 3.14 & Schedule D)

*Location of Facility*

The location for your Hotel will be identified in the Franchise Agreement before we sign it. We do not select the site for your Hotel. It is your responsibility to select a potential site. You must obtain our approval of the site. Our approval of your site does not constitute a representation by us as to the likelihood of success of the location. We strongly urge you to hire independent consultants to analyze and investigate your proposed site. In approving or disapproving a site, we will consider the potential site's location, visibility, accessibility, and proximity to commercial, residential and tourist centers. Additional factors include size and layout of the facility, tenant mix of surrounding properties, market trends and lease terms, and our other criteria.

After you notify us of a potential site and provide all of the documents and information we require, we will generally approve or reject the site within 30 days. As noted above, your site will be approved before you sign the Franchise Agreement. Therefore, the Franchise Agreement does not specify a time limit in which you must locate an approved site. However, you must provide us with proof of ownership or a ground lease of the location within 30 days after signing the Franchise Agreement.

*Size and Characteristics of a Reverb Facility*

A Reverb facility typically includes between 100 and 200 guest rooms (which usually range in size between 325 and 350 square feet), limited "grab and go" healthy food and beverage service, a lobby bar, a fitness facility and any other elements that we approve.

*Development of Facility*

Prior to commencing construction or renovation of your facility, you must prepare plans and specifications for the construction and/or renovation of your facility and submit those plans to us for approval. Our review is limited to confirming that the plans you prepare comply with our system standards. We may offer to provide you or your architect with interior design or other prototypes.

If you operate a Conversion Hotel, then you must sign the "Addendum For Conversion Hotels" that is attached to the Franchise Agreement as Schedule D. You must begin renovating the facility within 30 days after signing the Franchise Agreement. All renovations must comply with our system standards, the approved plans and the punch list attached that is part of Schedule D, all as outlined in Schedule D. If you fail to complete all pre-opening renovations within 90 days after signing the Franchise Agreement, then we may, in our sole discretion, either terminate the Franchise Agreement or give you an extension to complete the renovations (in which case you must pay us the extension fee of \$2.00 per room per day until the pre-opening renovations are complete). You must pay us a reinspection fee of \$5,000 if we must send our representative to conduct an additional inspection as a result of your failure to complete all pre-opening renovations by the required deadline.

If you operate a New Construction Hotel, then you must sign the "Addendum For New Construction Hotels" that is attached to the Franchise Agreement as Schedule D. You will select and acquire the facility and design, construct, equip and supply the facility in accordance with our system standards and the approved plans as outlined in Schedule D. You must begin constructing the facility by the later of (i) 30 days after signing the Franchise Agreement or (ii) 90 days after we deliver prototype plans to you. You must complete construction

within: (i) 18 months after the date you sign the Franchise Agreement if your Hotel has 100 or fewer guest rooms; or (ii) 20 months after the date you sign the Franchise Agreement if your Hotel has more than 100 guest rooms. If you fail to complete construction by the applicable deadline, then we may, in our sole discretion, either terminate the Franchise Agreement or give you an extension to complete such construction (in which case you must pay us the extension fee of \$2.00 per room per day until the construction is complete and we may charge you the reinspection fee if we must conduct an additional inspection).

You must also install the equipment, fixtures, signs and other items that we require. Before you open, we must approve the pre-opening renovations, construction and other development obligations that we require in Schedule D. Certain renovations may be completed after opening.

Upon your request, we will provide you with optional architectural services and design services relating to the planning of your Hotel. We may charge you a fee for this service (not to exceed \$100,000). We will also render certain technical services to you, including: (a) consulting with you regarding vendor contracts for artwork, graphics, fixtures and other items as well as preliminary plans and specifications for the construction of the Hotel and related facilities (including landscaping, layout and related matters, advice on architects, contractors, engineers, designers, decorators, landscape architects, and such other specialists and consultants as may be necessary to complete your Hotel); and (b) advising you regarding preparing budgets for the initial purchase of FF&E. You will pay us a fee of \$500 per guest room for the technical services we provide. In addition to the payment of the technical services fee, you must reimburse us, within 30 days after we submit an invoice to you, for all actual costs that we incur in providing the technical services, including travel, accommodations and other expenses (but not salaries or overhead). We estimate these costs will range from \$5,000 to \$10,000.

#### Remodeling and Maintenance

You must clean, repair, replace, renovate, refurbish, paint and redecorate your Hotel and its furniture, fixtures and equipment whenever necessary to comply with our system standards. There are no limitations on the cost or frequency of these obligations.

Beginning 3 years after the opening date of your Hotel, we may require that you commence certain upgrading and renovation requirements, including repairs, refurbishing, repainting, and other redecorating of the interior, exterior, guest rooms, public areas and grounds of the Hotel and replacements of furniture, fixtures and equipment (a "Minor Renovation"). The cost of each Minor Renovation will not exceed \$3,000 per guest room. We will not require a Minor Renovation more often than once during any 3-year period or if certain quality assurance inspection scores are attained.

You are permitted to materially modify, diminish or expand your Hotel (or change the interior design, layout, furniture, fixtures and equipment or other facilities) only with our prior written consent, which we may withhold in our sole discretion. We may require that you submit the plans to us for approval. If we allow you to add additional guest rooms, you must pay us the Room Addition Fee in the amount of \$500 per additional room. We must inspect and approve any material modification to your Hotel to confirm that it conforms to the approved plans and our system standards.

#### Lease or Purchase Agreement

We do not review or approve the terms of your lease or purchase agreement for the facility. However, you must ensure that your lease includes provisions that require the landlord to: (i) notify us of any of your defaults under the lease; (ii) notify us of the termination or expiration of your lease; and (iii) allow us to enter the premises and remove any trade fixtures, signs, trade dress and other items bearing our Marks if you fail to do so within a reasonable period of time after the termination or expiration of the Franchise Agreement.

### **Computer System** (Section 3.15)

You must, at your expense, purchase or lease, install and use the computer hardware and purchase or license, install and use all required software, including any future hardware and/or software enhancements, additions, substitutions, modifications and upgrades at your Hotel that we periodically prescribe (the “Computer System”).

The Computer System will be used to perform a variety of functions in managing the Hotel and consists of a number of components, including the Reservation System, the property management system, the point of sale system and our learning management system. You will obtain hotel reservation services from HRC through the Reservation System designated by us and HRC. We (or HRC) will provide the specifications for any software and hardware necessary to interface with the Reservation System, the cost of which must be paid by you. You will pay us (or HRC if we so instruct) the following amounts relating to the Reservation System: (i) a one-time \$10,000 Reservation System set-up fee; (ii) a monthly Basic Reservation Fee in the amount of 3% of Gross Room Revenues; and (iii) a monthly fee of \$850 (which increases by 3.5% each year after the year 2017) towards the maintenance of the Reservation System.

At our request, you must participate in any intranet or extranet system developed for use in connection with the System. This intranet or extranet system may be combined with that of our affiliates. You must comply with all terms and conditions that we prescribe for use of the intranet or extranet system, which may include: (a) confidentiality requirements for materials transmitted via such system; (b) password protocols and other security precautions; (c) grounds and procedures for our suspension or revocation of access to the system by you and others; and (d) a privacy policy governing the parties’ access to and use of electronic communications posted on electronic bulletin boards or transmitted via the system. You agree to pay any fee imposed from time to time by us or a third-party service provider in connection with hosting the system.

You will obtain all other software for the Computer System from our designated vendors. Each of these other software packages is the proprietary product of its vendor and any maintenance, repairs, upgrades or updates for these software packages will be obtained from the vendor according to the vendor’s terms and conditions.

Currently, we are in the process of formulating the specific components of the Computer System. We estimate that the cost to purchase the Computer System will range from \$150,000 to \$300,000. At this time, we do not know: (i) whether we, an affiliate or any third party will be obligated to provide any ongoing maintenance, repairs, upgrades or updates for your Computer System; (ii) whether there will be any optional or required maintenance, updating, upgrading or support contracts (or the annual cost of any such contracts); or (iii) the type of data that will be generated by and store in your Computer System.

You must utilize the services of our designated supplier (currently Vizergy) to develop a new branded website platform for your Hotel. The current estimated costs for these services are \$19,000 to \$25,000 for the initial development services and an annual maintenance plan fee ranging from \$3,000 to \$10,000 depending on the services selected. Additional information about the website is discussed below under “Local Advertising.”

There are no contractual limits on the frequency or cost of your obligation to update, upgrade or change the Computer System. We will have independent access to the information the Computer System collects and generates, and there are no contractual limits on our right to access this information.

### **Marketing Program** (Section 3.4 & 4.3)

You must contribute the amount that we specify (not to exceed 2% of Gross Room Revenues) (the “Marketing Fees”) to our marketing fund that is used to promote public awareness and usage of Reverb facilities by implementing advertising, promotion, publicity, market research, loyalty marketing and other marketing programs, training programs and related activities, and the production and distribution of Reverb publications and directories (the “Marketing Program”). We will utilize the Marketing Fees for any of the following

expenditures, in our discretion: (i) developing maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions, directories and programs; (ii) public awareness of any of the Marks; (iii) public and consumer relations and publicity; (iv) brand development; (v) research and development of technology, products and services; (vi) website development and search engine optimization; (vii) development and implementation of quality control programs; (viii) changes and improvements to the System; (ix) the fees and expenses of any advertising agency we engage, in our discretion, to assist in producing or conducting advertising or marketing efforts; (x) any other programs or activities that we deem necessary or appropriate to promote or improve the System; and (xi) our or our affiliates' expenses associated with direct or indirect labor, administrative, overhead or other expenses incurred in connection with promotional, marketing or advertising efforts or any of the foregoing activities.

We will have sole discretion as to the nature and type of any media placement, the allocation (if any) between international, national, regional and local markets, and the nature and type of advertising copy and other materials and programs. We are not obligated to insure that you or any particular franchisee will receive direct or pro rata benefits from our advertising and promotional placement. We are not obligated to expend all or any minimum portion of the Marketing Fees received during any specific period of time or to refund any contribution. We may choose to engage an advertising agency to assist us to produce and conduct advertising efforts and we may pay the agency from the Marketing Fees received. Reverb facilities owned by us or our affiliates and located in the United States are not required to contribute to the Marketing Program on the same basis as franchised Reverb facilities located in the United States. Currently, the Marketing Fee is uniformly imposed on all franchised Reverb facilities. We did not collect or spend any Marketing Fees in our fiscal year ended December 31, 2017.

The fund will not be a trust and we will have no fiduciary obligations with respect to our administration of the fund. We are under no obligation to provide you with any accounting of the receipts and disbursements related to the Marketing Program and we are not required to have the financial statements of the Marketing Program audited. We are not required to maintain a separate account for the Marketing Fees and we may commingle Marketing Fees with other monies. We may spend in any fiscal year an amount more or less than the total contributions to the Marketing Program in that year and we may invest any surplus for future use by the Marketing Program. In the past fiscal year, we did not collect or spend any Marketing Fees. The fund will not be used for pay for advertisements principally directed at selling additional franchises, although consumer advertising may include notations such as "franchises available" and one or more pages on our website may promote the franchise opportunity.

We do not require that you participate in an advertising cooperative.

#### **Loyalty Programs** (Section 3.4.4 & Schedule C)

You must participate in all loyalty, special marketing and frequent traveler programs that we establish from time to time. These programs and the fees associated with these programs are subject to change. You must pay your fair share of the cost of system-wide programs and other marketing initiatives now existence or developed in the future, including, without limitation, Hard Rock Rewards and other frequent travel programs, market initiatives or other programs that we may develop. These fees and costs would be in addition to the Marketing Fees you are required to pay us.

Currently, we require that you participate in our "Hard Rock Rewards" program, which is our guest recognition program that is affiliated with "Reverb" and "Hard Rock" branded facilities. You must purchase certain equipment to install at your Hotel in connection with the Hard Rock Rewards program as required by the System Standards Manual. In addition, you must obtain software licenses from third parties as specified in the System Standards Manual at your cost in order to participate in the Hard Rock Rewards program. Under the current version of the program, you are not required to make any contributions to the Rewards program based on purchases made by Hard Rock Rewards members.

We reserve the right to change terms of the program, the costs and redemption reimbursement amounts, the calculation factors and the required equipment and software licenses at any time. We also may require you to participate in other special marketing programs or frequent traveler programs, and you must pay any fees and purchase any equipment that we require to participate in in these programs.

### **Local Advertising** (Section 3.4, 4.3 & 15.6)

In addition to advertising and promotions that will be conducted by us through the Marketing Program and our loyalty programs, you must place advertising through your own efforts. During each year of operation, you must spend a minimum of 1% of your Gross Room Revenues to market, advertise and promote your Hotel in your local market. In addition, you are required to spend a minimum of \$25,000 on grand opening marketing, advertising and promotional activities.

We may create and make available to you advertising and marketing materials for your purchase (the purchase price will reasonably cover the materials' direct and indirect costs). All advertising and promotional materials that you prepare and that are not in strict conformance with our guidelines in the System Standards Manual must be submitted to us for approval prior to use. You must stop using any non-conforming, outdated or misleading advertising materials upon our request.

You must participate in all of our Reverb System marketing programs, including any directory we prepare listing all Reverb facilities that have submitted the requested information in a timely manner and are not in default. We may, but need not, implement "group booking" programs created to encourage use of Reverb facilities for tours, conventions and the like.

You must utilize the services of our designated supplier (currently Vizergy) to develop a new branded website platform for your Hotel. You may market your Hotel on the Internet in accordance with the Franchise Agreement and the System Standards Manual. The format, content and promotion of the website is subject to our approval.

You must participate in all Reverb Internet marketing activities that we specify, including any arrangements we make with third party distribution channels that are mandated in the System Standards Manual. You must discontinue any Internet marketing that conflicts with any of our system-wide Internet marketing activities. You must provide us with all content and photos pertaining to your Hotel that we specify (either for online marketing created by you or us). You must modify or remove any online content in accordance with our instructions. You agree to pay any fees, commissions, charges and reimbursements relating to Internet marketing activities (i) in which you agree to participate, or (ii) that we designate as mandatory on a System-wide basis. We may suspend the Hotel's participation in Internet marketing activity if you default under the Franchise Agreement.

### **Advisory Council** (Section 2)

We may, but need not, create a franchise advisory council called the Reverb National Association ("RENA"). If we form RENA then all franchisees must, upon our request, become members of RENA. The purpose of RENA would be to consider and discuss common issues relating to advertising and operation of Reverb Facilities in the System. We may form a RENA executive committee that would make recommendations to us based upon the ideas and thoughts raised by members of RENA. We would consider all recommendations in good faith, but we would not be required to accept or implement any such recommendation. RENA would be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of the members of the executive committee. We reserve the right to form, change and dissolve RENA in our discretion.

## **Opening Requirements** (Schedule D)

You may not open your Business before: (i) successful completion of the initial training program; (ii) you purchase all required insurance; (iii) you obtain all required licenses, permits and other governmental approvals; and (iv) we provide our written approval of the construction, build-out and layout of your Hotel.

We will determine your required opening date when you sign the Franchise Agreement. The required opening date will range from 6 months to 24 months after a franchisee signs the Franchise Agreement. The specific opening date will vary depending on the degree of construction and remodeling that will be required to bring the Hotel into compliance with system standards. Conversion Hotels have an earlier required opening date than New Construction Hotels. We expect most Conversion Hotels to open within 6 to 12 months after signing of the Franchise Agreement and we expect most New Construction Hotels to open within 12 to 18 months after signing of the Franchise Agreement. Some of the factors that may affect this time include (i) the site's location and condition; (ii) the Hotel's construction schedule; (iii) the extent to which you must upgrade or remodel an existing location; (iv) the delivery schedule for building materials and FF&E; (v) completing training; (vi) obtaining financing; (vii) obtaining insurance and all required licenses and permits; and (viii) complying with local laws and regulations. If you fail to open the Hotel by the required opening date, we have the right to terminate your Franchise Agreement and charge you liquidated damages in the amount of \$150,000.

## **ITEM 12 TERRITORY**

### **Location of Your Hotel**

Each Franchise Agreement grants you the right to operate a single Reverb hotel at a single location that will be identified in the Franchise Agreement before you sign it. You are not permitted to relocate your Reverb facility under any circumstances.

### **Your Exclusive Territory**

You will receive a territory that will be identified in Section 17.9 of the Franchise Agreement (your "Territory"). Each franchise territory will include a minimum radius of ¼ mile from the site of the Hotel, although most will have a larger radius. The specific radius will vary depending on the population density of the market and other relevant factors. Your Territory will be exclusive, meaning we will not operate or authorize a third party to operate a Reverb hotel using our Marks and System that is physically located within your Territory during the term of your Franchise Agreement. Your exclusivity does not prevent us from developing, or authorizing third parties to develop, lodging facilities in your Territory as long as they are not Reverb hotels (for example, Hard Rock Hotels may be located within your Territory). Other Reverb franchisees may advertise within your Territory. Likewise, you may advertise within the exclusive territories of other Reverb franchisees.

### **Alternative Channels of Distribution**

We reserve the right to sell or license others to sell competitive products (whether under the Marks or under different trademarks) through alternative channels of distribution, such as over the Internet. For example, if we authorize you to sell Reverb or Hard Rock branded merchandise, we may also sell the same merchandise over the Internet, including to customers in your Territory. You are not entitled to any compensation for sales that take place through alternative channels of distribution.

### **Restrictions on Your Sales and Marketing Activities**

We do not prevent you from marketing your Hotel outside of your Territory. You are permitted to market your Hotel through alternative channels of distribution, such as over the Internet. Our designated supplier will help you develop a new branded website platform for your Hotel. Your online marketing activities are subject to all

requirements and restrictions imposed under Section 15.6 of the Franchise Agreement and the System Standards Manual. You are not permitted to sell any merchandise or conduct any other business over the Internet, such as online gaming operations. You must comply with our requirements for links to and from our Reverb website. All content of your website and online marketing is subject to our approval. There are no other restrictions on your right to solicit customers, whether from inside or outside of your Territory.

### **Minimum Performance Requirements**

Your territorial exclusivity does not depend on achieving a certain sales volume, market penetration, or other contingency, unless you sign an ADA (discussed below).

### **Additional Territories**

You are not granted any options, rights of first refusal or similar rights to acquire additional territories or franchises, unless you sign an ADA (discussed below).

### **Area Development Rights**

If you sign an ADA, we will not establish or grant rights to other persons to establish another Reverb hotel in your development territory during the term of the ADA (these territory protections do not extend to any lodging facility other than a Reverb hotel). A development territory will typically consist of a geographic area that coincides with the boundaries of a municipality, such as a city, county or state. There is no specific minimum or maximum size for a development territory. In determining the size of your development territory, we primarily consider the number of franchises we believe your development territory can sustain.

You must sign a separate Franchise Agreement for each Hotel that you establish under the ADA and you may only operate from the locations approved by us. We identify your development territory and the development schedule in the ADA before you sign it. If you fail to satisfy the development schedule under the ADA, we may terminate the ADA.

### **Competitive Businesses Under Different Marks**



As discussed in Item 1, we also offer franchises for Hard Rock Hotels. Hard Rock Hotels also offer guests lodging and food and beverage. While Reverb hotels and Hard Rock Hotels may compete for customers, Hard Rock Hotels are not authorized to use any of the Marks. Specifically, Hard Rock Hotels will operate under the name "Hard Rock Hotel." Some Hard Rock Hotels may be owned by us or our affiliates while others are franchised. Hard Rock Hotels may be located within your Territory. We will resolve any conflicts between Hard Rock Hotel franchisees and Reverb franchisees regarding territory, customers and franchise support on a case-by-case basis (for example we may potentially utilize impact studies). Our principal business address for Hard Rock Hotels is the same as our principal business address for Reverb hotels and we do not intend to maintain physically separate offices and training facilities for Hard Rock Hotels and Reverb hotels.

We reserve to own, operate and franchise other competitive businesses in the future under different trademarks.

## **ITEM 13 TRADEMARKS**

Our affiliate, HRC, applied to register the following trademarks on the Principal Register at the United States Patent and Trademark Office based on an intent to use application:

<b>MARK</b>	<b>SERIAL NUMBER</b>	<b>APPLICATION DATE</b>
<b>REVERB</b>	<b>86/612,788</b>	<b>April 28, 2015</b>

MARK	SERIAL NUMBER	APPLICATION DATE
	87/780,100	February 1, 2018
	87/780,197	February 1, 2018

We do not have a federal registration for the Mark above. Therefore, this Mark does not have many legal benefits and rights as a federally registered trademark. If our right to use this Mark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

HRC has authorized us to use and to sublicense the use of the Marks pursuant to a Trademark License Agreement dated March 1, 2002 (as amended from time to time). Under the Trademark License Agreement, HRC grants us rights to use and sublicense the use of the Licensed Marks in the United States. The initial term of the Trademark License Agreement is 50 years (expiring March 1, 2052) and it includes an unlimited number of automatic 20 year renewal terms.

We grant you the right to operate a franchise under the name “Reverb” and logo shown on the cover page of this Disclosure Document. By trademark, we mean trade names, trademarks, service marks, and logotypes used to identify your Reverb franchise or the products or services sold at your Hotel. We may change the trademarks you may use from time to time (including by discontinuing use of the Marks listed in this Item 13). If this happens, you must change to the new trademark at your expense.

You must follow our rules when using the Marks. You cannot use our name or mark as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You may not use the Reverb name relating to the sale of any product or service that is not previously authorized by us in writing.

You must notify us immediately when you learn about an infringing or challenging use of the Marks. We will take the action we think appropriate, but we are not required to take any action if we do not feel it is warranted. Specifically, we need not take any action if we do not believe the infringing use has a material adverse impact on your Hotel. We may require your assistance, but you are not permitted to control any proceeding or litigation relating to our Marks.

We will indemnify you against, and reimburse you for all damages and expenses you incur in any action or claim that your use of the Marks in compliance with the Franchise Agreement and our System infringes upon the intellectual property rights of a third party. You must promptly notify us in writing of the action or claim and you must cooperate with our defense and resolution of the claim.

Except as disclosed above, we are not required under the Franchise Agreement to: (i) protect your right to use the Marks or protect you against claims of infringement or unfair competition arising out of your use of the Marks; or (ii) participate in your defense or indemnify you for expenses or damages you incur if you are a party to an administrative or judicial proceeding involving our marks or if the proceeding is resolved in a manner that is unfavorable to you.

There are no currently effective material determinations of the Patent and Trademark Office, the Trademark

Trial and Appeal Board, the trademark administrator of this state or any court; no pending infringements, oppositions or cancellations; and no pending material litigation involving any of the Marks. We do not know of any infringing uses that could materially affect your use of the Marks.

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

No patents or pending patent applications are material to the franchise. Although we have not filed an application for copyright registration for the System Standards Manual, our website or our marketing materials, we do claim a copyright to these items. During the term of your Franchise Agreement, we will allow you to use our proprietary information relating to the development, marketing and operation of a Reverb hotel, including, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the System and the System Standards Manual. All ideas, improvements, inventions, marketing materials, and other concepts you develop relating to the operation of your Hotel will be owned by us.

You are required to maintain the confidentiality of all of our proprietary information and use it only in strict accordance with the terms of the Franchise Agreement and the System Standards Manual. All information that you collect or capture through your property management system is jointly owned by you and us.

You must promptly tell us when you learn about unauthorized use of our proprietary information. We are not obligated to act, but will respond to this information as we deem appropriate. Specifically, we need not take any action if we do not believe the unauthorized use has a material adverse impact on your Hotel.

We may require your assistance, but you are not permitted to control any proceeding or litigation relating to our proprietary information. You are not permitted to control any proceeding or litigation alleging the unauthorized use of any of our proprietary information. There are no infringements that are known by us at this time.

We will indemnify you against, and reimburse you for all damages and expenses you incur in any action or claim that your use of our proprietary information in compliance with the Franchise Agreement and our System infringes upon the intellectual property rights of a third party. You must promptly notify us in writing of the action or claim and you must cooperate with our defense and resolution of the claim.

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

We do not require that any of the owners of the franchise participate personally in the direct operation of the Hotel. However, we may require that certain owners (or other persons that we designate) personally guaranty your obligations under the Franchise Agreement by signing the form of Guaranty attached to the Franchise Agreement as Schedule F.

Your Hotel must be managed by either a management company or an individual general manager with significant training and experience in general management of similar lodging facilities. You do not need our approval of your general manager and we do not require that your general manager own any equity interest in the franchise. We do not have any requirements for your general manager except that the general manager must meet our training and experience requirements. Any management company that you engage must sign the form of Manager's Acknowledgment that is attached to the Franchise Agreement as Schedule E.

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

You must offer transient guest lodging and other related services that we specify from time to time. The specific amenities, services and facilities that you must make available will be specified on Schedule B to the Franchise Agreement. You must offer all goods and services that we specify. You may not offer any goods or services that we have not approved. You may not permit any vending equipment, slot machines or gaming machinery of any

description at the Hotel, except with our prior written approval in each instance. We have the unrestricted right to change the goods and/or services that you are required to offer at any time in our sole discretion, and you must comply with any such change.

**ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

**This table lists certain important provisions of the Franchise Agreement (FA), Area Development Agreement (ADA) and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.**

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
a. Length of the franchise term	FA: Section 5	Term is equal to 15 years for a Conversion Hotel or 20 years for a New Construction Hotel.
	ADA: Section 1 (definition of "Term")	Term expires on opening of last Hotel to be developed under the development schedule (unless earlier terminated).
b. Renewal or extension of the term	FA: Section 5	You may not renew or extend the term.
	ADA: Section 4.4	You may not renew or extend the term.
c. Requirements for you to renew or extend	FA: Not Applicable	Not Applicable
	ADA: Not Applicable	Not Applicable
d. Termination by you	FA: Section 5	You can terminate only if we fail to cure a material default within the cure period. If you have paid all fees and charges due, you also may terminate without cause on the 5 <sup>th</sup> or 10 <sup>th</sup> anniversary of the opening date of the Hotel (or the 15 <sup>th</sup> anniversary of the opening date if you operate a New Construction Hotel) by providing between 6 and 12 months prior written notice.
	ADA: Section 7	You can terminate only if we default.
e. Termination by us without cause	FA: Section 5	We may terminate without cause on the 5 <sup>th</sup> or 10 <sup>th</sup> anniversary of the opening date of the Hotel (or the 15 <sup>th</sup> anniversary of the opening date if you operate a New Construction Hotel) by providing between 6 and 12 months prior written notice.
	ADA: Not Applicable	We may not terminate the ADA without cause.
f. Termination by us with cause	FA: Section 11.1 & 11.2	We can terminate if you default.
	ADA: Section 7.2 & 7.3	We can terminate if you default.

**THE FRANCHISE RELATIONSHIP**

PROVISION	SECTIONS IN AGREEMENT	SUMMARY
g. "Cause" defined - curable defaults	FA: Section 11.1	<p>You have 10 days to cure any monetary default, failure to file monthly report or breach of confidentiality obligation. You have 30 days to cure any other default (other than defaults described below under "non-curable defaults"). If you fail a quality assurance inspection and the default does not relate to a health or safety issue, we may allow you additional time (up to a maximum of 90 days) to cure under the terms of an improvement agreement.</p> <p>During default we may suspend your Hotel from the reservation system, discontinue the reservation system referrals to your Hotel and divert previously made reservations to other Reverb hotels.</p>
	ADA: Section 7	You have 30 days to cure any default, other than defaults described below under "non-curable defaults".
h. "Cause" defined - non-curable defaults	FA: Section 11.2 and <u>Schedule D</u>	<p>The following defaults cannot be cured: failure to commence or complete construction in required period of time; identifying your Hotel as a Reverb facility or operating under the System prior to obtaining our approval; you discontinue operating the facility as a Reverb hotel; commission of act that could be injurious or prejudicial to goodwill associated with the Marks or System; loss of possession or right to possession of the facility; termination of any other franchise agreement with you (or any guarantor); you intentionally maintain false books and records or submit materially false report to us; failure or you or guarantor to pay debts when due; misstatement of material fact by you, a guarantor or owner; receipt of 2 or more default notices in any 12 month period; unauthorized transfer or transfer prior to satisfaction of transfer conditions; you or an owner challenges in our interest in or validity of the System or Marks; bankruptcy, insolvency or similar event of you or a guarantor; health or safety danger; failure to complete restoration of Hotel within 180 days after casualty or condemnation resulting in less than 75% room availability; or if we determine continued existence of Franchise Agreement could put us or an affiliate ours in jeopardy of losing a gaming license, being denied a gaming license, or being subjected to materially adverse effects.</p>
	ADA: Section 7	You cannot cure any default relating to the termination of a Franchise Agreement based on your default. Any termination of a Franchise Agreement is a default under the ADA allowing us to terminate without cure period.
i. Your obligations on termination/non-renewal	FA: Section 12 & 13	<p>Obligations include: pay liquidated damages (in certain instances of termination or condemnation); past due fees and other amounts; return System Standards Manual and other items including our confidential information; cease use of intellectual property; complete deidentification; cease online marketing using the Marks; upon our request, sell us Mark-bearing FF&amp;E, supplies and signage; honor any advance reservations made prior to termination and honor rates and other terms at time reservation made and pay all related travel agent commissions.</p>
	ADA: Not Applicable	The ADA does not impose any specific obligations on you after it is terminated or expires.
j. Assignment of contract by us	FA: Section 10	No restriction on our right to assign.
	ADA: Section 6.1	No restriction on our right to assign.

**THE FRANCHISE RELATIONSHIP**

PROVISION	SECTIONS IN AGREEMENT	SUMMARY
k. "Transfer" by you – definition	FA: <u>Appendix A</u> (definition of "Transfer")	Means (1) an transfer of equity interests in the franchisee entity, (2) you assign, pledge, transfer, delegate or grant a security interest in all or any of your rights, benefits and obligations under the Franchise Agreement, as security or otherwise without our consent, (3) you assign (other than as collateral security for financing the Hotel) your leasehold interest in (if any), lease or sublease all or any part of the Hotel to any third party, (4) you engage in the sale, conveyance, transfer, or donation of your right, title and interest in and to the Hotel, (5) your lender or secured party forecloses on or takes possession of your interest in the Hotel, directly or indirectly, or (6) a receiver or trustee is appointed for the Hotel or your assets, including the Hotel. A Transfer does not occur when you pledge or encumber the Hotel to finance its acquisition or improvement, you refinance it, or you engage in a Permitted Transferee transaction. A "Permitted Transferee" means (i) any entity, natural person(s) or trust receiving from the personal representative of an owner any or all of the owner's equity interests upon the death of the owner, if no consideration is paid by the transferee or (ii) the spouse or adult issue of the transferor, if the equity interest transfer is accomplished without consideration or payment, or (iii) any natural person or trust receiving an equity interest if the transfer is from a guardian or conservator appointed for an incapacitated or incompetent transferor.
	ADA: Section 1 (definition of "Transfer") & 6.2	Includes transfer of ADA or assets, or ownership change.
l. Our approval of transfer by you	FA: Section 9	We have the right to approve all transfers (other than a collateral assignment or transfer in connection with a financing of the Hotel that we have approved or a Permitted Transferee transaction). We will not unreasonably withhold our approval as long as all of the conditions for transfer are satisfied. Even in instances where we need not approve the transfer, any person who, as a result of the transfer, will directly or indirectly own at least 5% of the equity interests in the franchisee entity must successfully complete a background check in order to acquire the interest. See "m" below for more information.
	ADA: Section 1 (definition of "Permitted Transfer") 6.2 & 6.3	If certain conditions are met, you may transfer to a newly-formed entity owned by you, or to an existing approved owner, without our approval. We have the right to approve all other transfers but will not unreasonably withhold approval.

**THE FRANCHISE RELATIONSHIP**

PROVISION	SECTIONS IN AGREEMENT	SUMMARY
m. Conditions for our approval of transfer	FA: Section 9.2, 9.3, 9.6 & 9.7	<p>Conditions to transfer include: you provide at least 30 days written notice of transfer; you pay all amounts owed; we approve application submitted by transferee; transferee meets our qualifications to be a franchisee and passes a background check; transferee pays application fee and initial franchise fee and signs then-current form of Franchise Agreement; transferee agrees to renovate Hotel as we specify; you and your owners sign a general release of claims in our favor. If structural changes to the Hotel are required to bring it into compliance with system standards, then we may (as an alternative to requiring the transferee to complete the structural changes) alternatively require one of the following: (i) limit the term of the transferee’s Franchise Agreement to the remaining term under your Franchise Agreement; (ii) add right to terminate without cause by either party after a specified period of time; or (iii) allow you to terminate the Franchise Agreement when you sell the Hotel and pay us liquidated damages.</p> <p>In addition to the requirements above, you must notify us of the identity of all new persons who will own any equity interest in the franchisee entity. We must conduct a background check on all persons who own at least 5% of the equity interests in the franchisee entity and you must reimburse us for those costs. You may not complete the transfer if the transfer would (based upon the results of our background check) jeopardize any existing or future gaming license held by us or any of our affiliates.</p> <p>In order to issue securities, you must send us copies of all offering materials to be used in the offer and sale of the securities and we must review them. You must pay us the \$5,000 review fee and pay any additional costs we incur in reviewing the materials. We must approve certain information in the offering documents relating to us, the Franchise Agreement, your relationship to us or any use of our Marks.</p>
	ADA: Section 6.2	Transferee and its owners must meet our qualifications, pass a background check, successfully complete training (or commit to do so) and sign a new area development agreement for the remainder of the term (or at our option, take assignment of existing ADA). You must be in compliance with all Franchise Agreements and ADA, pay us the transfer fee and sign a general release. We must notify you that we do not intend to exercise our right of first refusal.
n. Our right of first refusal to acquire your business	FA: Not Applicable	Not Applicable
	ADA: Section 6.4	We have the right to match any bona fide, arms-length offer for your area development rights.
o. Our option to purchase your business	FA: Not Applicable	Not Applicable
	ADA: Not Applicable	We do not have a right to purchase your area development rights unless you attempt to transfer your rights to a third party purchaser.
p. Your death or disability	FA: Section 9.4	Transfers to a Permitted Transferee as a result of the death of an owner are not subject to other transfer requirements other than passing a background check. We may also require that the transferee agree in writing to be bound by the Franchise Agreement or, at our option, execute the Franchise Agreement.
	ADA: Not Applicable	ADA does not address death or disability of an owner.

<b>THE FRANCHISE RELATIONSHIP</b>		
<b>PROVISION</b>	<b>SECTIONS IN AGREEMENT</b>	<b>SUMMARY</b>
q. Non-competition covenants during the term of the franchise	FA: Section 3.11 & 17.9	No promotion or advertising of a competing business at your Hotel other than a competing business owned, managed or franchised by us or our affiliates.  While the Franchise Agreement is in effect, neither you nor your officers, directors, general partners or owners of 25% or more of your equity interests, may own, operate, lease, manage or franchise (i) any guest lodging facility other than the Hotel in your Territory unless we or our affiliate franchises or licenses the facility, and/or (ii) any time share resort, vacation club, residence club, fractional ownership residence, condominium/apartment leasing or rental business, or the like, for any facility or business that shares directly or indirectly, common areas, amenities, recreation facilities, services, supplies or support activities with the Hotel.
	ADA: Not Applicable	The ADA does not impose any noncompetition covenants.
r. Non-competition covenants after the franchise is terminated or expires	FA: Not Applicable	The Franchise Agreement does not impose any noncompetition covenants after the termination or expiration of the Franchise Agreement.
	ADA: Not Applicable	The ADA does not impose any noncompetition covenants after the termination or expiration of the ADA.
s. Modification of the agreement	FA: Section 17.2	Requires writing signed by both parties (except for unilateral changes to System Standards Manual, Schedule C (where permitted) or unilateral reduction of scope of restrictive covenants by us). Other modifications primarily to comply with various states laws.
	ADA: Section 10.6	Requires writing signed by both parties. Other modifications primarily to comply with various states laws.
t. Integration/ merger clause	FA: Section 17.7.3	Only the terms of the Franchise Agreement and attachments to Franchise Agreement are binding (subject to state law). Any representations or promises made outside the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document.
	ADA: Section 10.6	Only the terms of the ADA and attachments to ADA are binding (subject to state law). Any representations or promises made outside the Disclosure Document and ADA may not be enforceable. Nothing in the ADA or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	FA: Section 17.6	All disputes must be mediated before litigation (except as otherwise disclosed in <u>Schedule H</u> to Franchise Agreement).
	ADA: Section 8	All disputes must be mediated before litigation (except as otherwise disclosed in <u>ATTACHMENT "C"</u> to ADA).
v. Choice of forum	FA: Section 17.6	All mediation and litigation must take place in Orange County, Florida (except as otherwise disclosed in <u>Schedule H</u> to Franchise Agreement).
	ADA: Section 8	All mediation and litigation must take place in Orange County, Florida (except as otherwise disclosed in <u>ATTACHMENT "C"</u> to ADA).
w. Choice of law	FA: Section 17.6	Florida law (except as otherwise disclosed in <u>Schedule H</u> to Franchise Agreement).

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
	ADA: Section 10.1	Florida law (except as otherwise disclosed in ATTACHMENT "C" to ADA).

## ITEM 18 PUBLIC FIGURES

We do not use any public figures to promote our franchise.

## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the Federal Trade Commission, the appropriate state regulatory agencies, and our management by contacting Jay Wolszczak, Vice President and General Counsel, 6100 Old Park Lane, Orlando, Florida 32835, (407) 445-7625, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2015 TO 2017				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2015	0	0	0
	2016	0	0	0
	2017	0	0	0
Company-Owned	2015	0	0	0
	2016	0	0	0
	2017	0	0	0
Total Outlets	2015	0	0	0
	2016	0	0	0
	2017	0	0	0

**TABLE 2 - TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)  
FOR YEARS 2015 TO 2017**

State	Year	Number of Transfers
Total	2015	0
	2016	0
	2017	0

**TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2015 TO 2017**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Totals	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0

**TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2015 TO 2017**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Totals	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0

**TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2017**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Total	0	0	0

Notes to Tables:

1. Our fiscal year ends on the last Sunday of each calendar year. All references to years in these tables refer to the last Sunday in December of that year. The outlets listed in Table 1 through Table 4 only refer to outlets that are open on the relevant date.
2. The transfers listed in Table 2 only refer to outlets that were transferred after opening. No franchisees transferred their franchise agreements for unopened outlets in 2015, 2016 or 2017.
3. The transactions listed in Table 3 only refer to franchisees that left the system after opening their outlet. No franchisees left the system prior to opening their outlets in 2015, 2016 or 2017.
4. The outlets listed in the 2nd column in Table 5 (“Franchise Agreements Signed But Outlet Not Opened”) include all franchise agreements that were signed for unopened outlets as of December 31, 2017. The outlets listed in the 3rd column in Table 5 (“Projected New Franchised Outlets in the Next Fiscal Year”) include all outlets that we expect to open during the current fiscal year, including any outlets listed in the 2nd column that

we expect to open this fiscal year.

A list of all current Reverb franchisees is attached to this Disclosure Document as EXHIBIT "F" (Part A), including their names and the addresses and telephone numbers of their outlets as of December 31, 2017. In addition, EXHIBIT "F" (Part B) lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last 3 fiscal years, no current or former Reverb franchisees have signed confidentiality clauses that restrict them from discussing with you their experience as a franchisee in our franchise system.

There are no (i) trademark-specific franchisee organizations associated with the franchise system being offered that we have created, sponsored or endorsed or (ii) independent franchisee organizations that have asked to be included in this Disclosure Document.

## **ITEM 21 FINANCIAL STATEMENTS**

Attached as EXHIBIT "G" are the audited financial statements of Hard Rock Hotel Licensing, Inc., which comprise the balance sheets as of December 31, 2017 and December 25, 2016 and the related statements of operations, stockholder's equity, and cash flows for the fiscal years ended December 31, 2017, December 25, 2016 and December 27, 2015 and independent auditors' report.

## **ITEM 22 CONTRACTS**

Attached to this Disclosure Document (or the Franchise Agreement or ADA attached to this Disclosure Document) are copies of the following franchise and other contracts or agreements proposed for use or in use in this state:

### Exhibits to Disclosure Document

EXHIBIT "C"	Franchise Agreement
EXHIBIT "D"	Area Development Agreement
EXHIBIT "H"	Franchisee Disclosure Questionnaire
EXHIBIT "I"	General Release

### Attachments to Franchise Agreement

Schedule E	Form of Manager's Acknowledgment
Schedule F	Guaranty
Schedule H	State Addendum

### Attachments to ADA

Attachment C	State Addendum
--------------	----------------

## **ITEM 23 RECEIPT**

EXHIBIT "J" to this Disclosure Document are detachable receipts. You are to sign both, keep one copy and return the other copy to us.

## EXHIBIT "A"

### TO DISCLOSURE DOCUMENT

#### STATE AGENCIES AND ADMINISTRATORS

<p><b><u>CALIFORNIA</u></b> Commissioner of Business Oversight Department of Business Oversight 320 West 4th Street, #750 Los Angeles, CA 90013 (213) 576-7500 1-866-275-2677</p> <p><b><u>HAWAII</u></b> Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 <u>Agents for Service of Process:</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p><b><u>ILLINOIS</u></b> Illinois Attorney General Chief, Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465</p> <p><b><u>INDIANA</u></b> Secretary of State Securities Division Room E-018 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681</p>	<p><b><u>MARYLAND</u></b> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-6360</p> <p><b><u>MICHIGAN</u></b> Franchise Administrator Consumer Protection Division 670 Law Building Lansing, MI 48913 (517) 373-7117</p> <p><b><u>MINNESOTA</u></b> Department of Commerce Commissioner of Commerce 85 Seventh Place East, #500 St. Paul, MN 55101-3165 (651) 296-4026</p> <p><b><u>NEW YORK</u></b> New York Attorney General Investor Protection &amp; Securities Bureau Franchise Section 120 Broadway, 23<sup>rd</sup> Floor New York, NY 10271 (212) 416-8236</p> <p><b><u>NORTH DAKOTA</u></b> North Dakota Securities Department State Capitol, Fifth Floor, Dept 414 600 East Boulevard Avenue Bismarck, North Dakota 58505-0510 (701) 328-4712</p>	<p><b><u>RHODE ISLAND</u></b> Department of Franchise Regulation 1511 Pontiac Avenue John O. Pastore Complex Bldg 69-1 Cranston, Rhode Island 02920 (401) 462-9527</p> <p><b><u>SOUTH DAKOTA</u></b> Department of Labor and Regulation Division of Securities 124 S Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823</p> <p><b><u>VIRGINIA</u></b> State Corporation Commission Division of Securities and Retail Franchising 1<sup>st</sup> Floor (service of process) 9<sup>th</sup> Floor (administrator) 1300 East Main Street Richmond, Virginia 23219 (804) 371-9051</p> <p><b><u>WASHINGTON</u></b> Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760</p> <p><b><u>WISCONSIN</u></b> Department of Financial Institutions Division of Securities 201 W Washington Avenue, Suite 500 Madison, WI 53703 (608) 261-9555</p>
---	--	---

**EXHIBIT "B"**

**TO DISCLOSURE DOCUMENT**

**FRANCHISOR'S AGENT FOR SERVICE OF PROCESS**

CT Corporation System  
1200 South Pine Island Road  
Plantation, Florida 33324

In states listed in EXHIBIT "A", the additional agent  
for Service of Process is listed in EXHIBIT "A"

**EXHIBIT "C"**  
**TO DISCLOSURE DOCUMENT**  
**FRANCHISE AGREEMENT**

*[See Attached]*

Location:  
Entity No.  
Unit No.:

**REVERB**  
**FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT ("Agreement"), dated \_\_\_\_\_, 20\_\_\_\_, is between Hard Rock Hotel Licensing, Inc., a Florida corporation ("we", "our" or "us"), and \_\_\_\_\_, \_\_\_\_\_ ("you"). The definitions of capitalized terms are found in Appendix A. In consideration of the following mutual promises, the parties agree as follows:

**1. Franchise.** We have the exclusive right to franchise to you the distinctive "Reverb" System for providing transient guest lodging services. We grant to you and you accept the Franchise, effective and commencing on the Opening Date and ending on the earliest to occur of the Term's expiration or a Termination. The Franchise is effective only at the Location and may not be transferred or relocated. You will call the Hotel a "**REVERB** \_\_\_\_\_." You may adopt additional or secondary designations for the Hotel with our prior written consent, which we may withhold, condition, or withdraw on written notice in our sole discretion. You shall not affiliate or identify the Hotel with another franchise system, reservation system, brand, cooperative or registered mark during the Term.

**2. Reverb Association.**

**2.1 Membership.** At our request, and upon formation, you will automatically become a member of the Reverb National Association ("RENA"), planned to be an unincorporated association. Other Chain franchisees shall also be members of RENA. It is our objective that RENA will be formed for the purpose of considering and discussing common issues relating to advertising and operation of facilities in the System and, through its Executive Committee, making recommendations to us regarding such issues and other matters.

**2.2 Global Conference.** You or your representative will attend each Global Conference when it is held. You will pay the costs of transportation, lodging and meals (except those we provide as part of the Conference) for your attendees.

**3. Your Improvement and Operating Obligations.**

**3.1 Pre-Opening Improvements and Lease.** You must select, acquire, construct and/or renovate the Hotel as provided in Schedule D. Prior to the Opening Date, you must provide us with a written certificate from your architect, licensed professional engineer, or recognized expert consultant of applicable laws stating that the Hotel conforms with all applicable laws, including laws governing public accommodations for persons with disabilities. The certificate must be in a form substantially identical to the form attached hereto as Schedule G. We do not review or approve the terms of your lease or purchase agreement for the facility. However, you must ensure that your lease includes provisions that require the landlord to: (i) notify us of any of your defaults under the lease; (ii) notify us of the termination or expiration of your lease; and (iii) allow us to enter the premises and remove any trade fixtures, signs, trade dress and other items bearing our Marks if you fail to do so within a reasonable period of time after the termination or expiration of this Agreement.

**3.2 Operation.** You will operate and maintain the Hotel continuously after the Opening Date on a year-round basis as required by System Standards and offer transient guest lodging and other related

services of the Hotel (including those specified on Schedule B) to the public in compliance with all federal, state and local laws, regulations and ordinances as well as the System Standards. You will keep the Hotel in a clean, neat, and sanitary condition. You will clean, repair, replace, renovate, refurbish, paint, and redecorate the Hotel and its FF&E as and when needed to comply with System Standards. The Hotel will be managed by either a management company or an individual manager with significant training and experience in general management of similar lodging facilities. Any management company that you engage must execute the Form of Manager's Acknowledgment attached to this Agreement as Schedule E prior to assuming any management responsibilities. The Hotel will accept payment from guests by all credit and debit cards we designate in the System Standards Manual. The Hotel will follow standard industry practices for safeguarding cardholder information, applicable laws and regulations, and such other requirements as we may include in the System Standards Manual or as we may otherwise communicate from time to time for such purpose. You may add to or discontinue the amenities, services and facilities described in Schedule B, or lease or subcontract any service or portion of the Hotel, only with our prior written consent which we will not unreasonably withhold or delay. Your front desk operation, telephone system, parking lot, swimming pool and other guest service facilities may not be shared with or used by guests of another lodging or housing facility. You acknowledge that any breach of System Standards for the Hotel, its guest amenities, and your guest service performance is a material breach of this Agreement.

**3.3 Training.** You (or a person with executive authority if you are an entity) and the Hotel's general manager (or other representative who exercises day to day operational authority) and the Hotel's other employees that we designate will attend the training programs described in Section 4.1 we designate as mandatory for franchisees or general managers, respectively. You will train or cause the training of all Hotel personnel as and when required by System Standards and this Agreement. You will pay for all travel, lodging, meals and compensation expenses of the people you send for training programs and all travel, lodging, meal and facility and equipment rental expenses of our representatives if training is provided at the Hotel.

### **3.4 Marketing.**

3.4.1 You will participate in System marketing programs, including the Directory, if any, the Reservation System, the Sales Referral Program and guest loyalty programs. You will obtain and maintain the computer and communications service and equipment we specify to participate in the Reservation System and Sales Referral Program. You will comply with our rules and standards for participation, and will honor reservations and commitments to guests and travel industry participants. You authorize us to offer and sell reservations for rooms and services at the Hotel according to the rules of participation and System Standards. You shall implement, at your expense, your own local advertising. During each Franchise Year, you are required to spend a minimum of 1% of your Gross Room Revenues to market, advertise and promote your Hotel in your local market. In addition to these marketing expenditures, you are required to spend a minimum of \$25,000 on grand opening marketing and promotional activities relating to your Hotel. Your advertising materials must use the Marks correctly, and must comply with System Standards or be approved in writing by us prior to publication. You will stop using any non-conforming, out-dated or misleading advertising materials if we so request.

3.4.2 The Hotel must participate in our Chain-wide Internet marketing activities like other marketing programs including any arrangements we make with third party distribution channels that are mandated in the System Standards Manual. You shall provide us with information about the Hotel and utilize our approved photographer for taking photographs of the Hotel for posting on the Chain website. The content you provide us or use yourself for any Internet marketing must be true, correct and accurate, and you will notify us in writing promptly when any correction to the content becomes necessary. You shall promptly modify at our request the content of any Internet marketing material for the Hotel you use, authorize, display or provide to conform to System Standards. You will discontinue any Internet marketing that

conflicts, in our reasonable discretion, with Chain-wide Internet marketing activities. You must honor the terms of any participation agreement you sign for Internet marketing. You shall pay when due any fees, commissions, charges and reimbursements relating to Internet marketing activities (i) in which you agree to participate, or (ii) that we designate as mandatory on a Chain-wide basis. We may suspend the Hotel's participation in Internet marketing activity if you default under this Agreement.

3.4.3 You will participate in any guest rewards or loyalty program we determine is appropriate and pay the Loyalty Program Charge associated with the program as set forth in Schedule C.

3.4.4 You will participate in and comply with the terms of the Sales Referral Program, receive lead generation fees earned thereunder (if any), and pay all lead generation fees payable thereunder (if any), all as may be earned or payable under the Sales Referral Program. You acknowledge that currently (a) the fee payable to us for leads that we generate for the Hotel is 5% of the revenues the Hotel receives in connection with bookings from such leads and (b) the fee payable to you for leads you generate for other Reverb Hotels is 1% of the revenues the other Reverb Hotels receive in connection with bookings from such leads. The lead generation fees described in the preceding sentence, and their calculation, are further described and defined in the System Standards Manual, and the System Standards Manuals' descriptions and definitions of the Sales Referral Program govern all such fees and calculations in all respects. You acknowledge that we may at any time, in our sole discretion, modify, amend or terminate the Sales Referral Program (including the fees generated thereunder).

**3.5 Governmental Matters.** You will obtain as and when needed all governmental permits, licenses and consents required by law to construct, acquire, renovate, operate and maintain the Hotel and to offer all services you advertise or promote. You will pay when due or properly contest all federal, state and local payroll, withholding, unemployment, beverage, permit, license, property, ad valorem and other taxes, assessments, fees, charges, penalties and interest, and will file when due all governmental returns, notices and other filings. You will comply with all applicable federal, state and local laws, regulations and orders applicable to you and/or the Hotel, including those combating terrorism such as the USA Patriot Act and Executive Order 13224.

### **3.6 Financial Books & Records; Audits.**

3.6.1 The Hotel's transactions must be timely and accurately recorded in accounting books and records prepared on an accrual basis compliant with generally accepted accounting principles of the United States ("GAAP") and consistent with the most recent edition of the Uniform System of Accounts for the Lodging Industry published by the American Hotel & Motel Association, as modified by this Agreement and System Standards. You acknowledge that your accurate accounting for and reporting of Gross Room Revenues, Merchandise Revenues and Food and Beverage Revenues is a material obligation you accept under this Agreement.

3.6.2 Upon our request, you will send to us copies of financial statements, tax returns, and other records relating to the Hotel for the applicable accounting period that we require under this Agreement and System Standards. We may notify you of a date on which we propose to audit the Hotel's books and records at the Hotel. You will be deemed to confirm our proposed date unless you follow the instructions with the audit notice for changing the date. You need to inform us where the books and records will be produced. You need to produce for our auditors at the confirmed time and place for the audit the books, records, tax returns and financial statements for the Hotel. We may also perform an audit of the Hotel's books and records without advance notice. Your staff must cooperate with and assist our auditors to perform any audit we conduct.

3.6.3 We will notify you in writing if you default under this Agreement because (i) you do not cure a violation of Section 3.6.2 within 30 days after the date of the initial audit, (ii) you cancel two or more previously scheduled audits, (iii) you refuse to admit our auditors during normal business hours at the place where you maintain the Hotel's books and records, or refuse to produce the books and records at the audit or send them to us as required under this Agreement and System Standards for the applicable accounting periods, (iv) our audit determines that the books and records you produced are incomplete or show evidence of tampering or violation of generally accepted internal control procedures, or (v) our audit determines that that you have reported to us less than 97% of the Hotel's Total Revenues for any fiscal year preceding the audit. Our notice of default may include, in our sole discretion and as part of your performance needed to cure the default under this Section 3.6, an "Accounting Procedure Notice." You must also pay any deficiency in Recurring Fees, any Audit Fee we assess you for your default of Section 3.6 as described in Section 4.8, and/or other charges we identify and invoice as a result of the audit. The Accounting Procedure Notice requires that you obtain and deliver to us, within 90 days after the end of each of your next three fiscal years ending after the Accounting Procedure Notice, an audit opinion signed by an independent certified public accountant who is a member of the American Institute of Certified Public Accountants addressed to us that the Hotel's Total Revenues you reported to us during the fiscal year fairly present the Total Revenues of the Hotel computed in accordance with this Agreement for the fiscal year.

3.6.4 You shall, at your expense, prepare and submit to us by the tenth day of each month, a statement in the form prescribed by us, accurately reflecting for the immediately preceding month Total Revenues, Gross Room Revenues, Food and Beverage Revenues, Merchandise Revenues, expenditures on local marketing, advertising and promotional activities, and such other data or information as we may require. You must submit your statements to us using our on-line reporting and payment tool or through such other technology or means as we may establish from time to time.

**3.7 Inspections.** You acknowledge that the Hotel's participation in our quality assurance inspection program (including unannounced inspections) is a material obligation you accept under this Agreement. You will permit our representatives to perform quality assurance inspections of the Hotel at any time with or without advance notice. The inspections will commence during normal business hours although we may observe Hotel operation at any time. You and the Hotel staff will cooperate with the inspector performing the inspection. If the Hotel fails an inspection, you refuse to cooperate with our inspector, or you refuse to comply with our published inspection System Standards, then you will pay us when invoiced for any Reinspection Fee specified in System Standards Manuals. You will also be charged the Reinspection Fee if we are required to return to the Hotel to inspect it as a result of your failure to complete any Improvement Obligation by the deadline established in the Punch List, as set forth in Schedule D. We may also conduct paper and electronic customer satisfaction surveys of your guests and include the results in your final quality assurance score. We may publish and disclose the results of quality assurance inspections and guest surveys. We may, at our discretion, implement a chain-wide quality assurance/mystery shopper inspection program to be performed by a reputable third party. You will pay the cost of the third party inspection when invoiced, for no more than two inspections in any calendar year.

**3.8 Insurance.** You will obtain and maintain during the Term of this Agreement the insurance coverage required under the System Standards Manual from insurers meeting the standards established in the Manual. Unless we instruct you otherwise, your liability insurance policies will name Hard Rock Hotel Licensing, Inc., their current and former affiliates, successors and assigns as additional insureds. The required coverage includes: (i) Builder's Risk Insurance in an amount not less than the estimated cost of construction (during the construction period); (ii) All Risk property damage insurance; (iii) Business Interruption Insurance for 3 years of Royalty Fees, Merchandise Fees and Food and Beverage Fees; (iv) general public liability insurance in an amount not less than \$5,000,000 per occurrence; (v)

umbrella/excess liability insurance with a minimum of \$25,000,000 per occurrence; (vi) statutory workers' compensation and disability benefits insurance as required by law (except that employers liability coverage must be at least \$1,000,000); (vii) professional liability insurance with a minimum of \$1,000,000 per occurrence; (viii) products liability insurance with a minimum of \$1,000,000 per occurrence; (ix) fidelity and dishonesty insurance and money and securities insurance in an amount not less than \$100,000; and (x) insurance against loss, theft, damage, confiscation or destruction of the memorabilia for the full appraised value of each item of memorabilia.

**3.9 Conferences.** You or your representative will attend each annual Global conference. Mandatory recurrent training for franchisees and general managers described in Section 4.1.4 may also be held at a RENA conference or other conference or program we mandate. You will receive reasonable notice of a Chain conference.

**3.10 Purchasing.** We may from time to time approve specifications or suppliers and distributors of products used or sold at the Hotel, including fountain products and other beverages that meet our standards and requirements. If we do so, then you agree to purchase such products meeting those specifications, and if we require it, only from distributors and other suppliers that we have approved, including us or our affiliates. We may designate a single distributor or supplier for any product or supply and may approve a supplier or distributor only as to certain products. Each contract you enter with a distributor or supplier must permit you to terminate the contract if we cease to approve such distributor or supplier. We are not responsible or liable for any cancellation or termination fee imposed by such distributor or supplier upon any such termination. You acknowledge and agree that we or our affiliates may receive and retain for our account certain payments, fees, commissions, rebates, refunds and other reimbursements from vendors. You further acknowledge and agree that we and our affiliates may have ownership or other interests in vendors or affiliates of vendors. You have no right to receive any such payments, fees, commissions, rebates, refunds and other reimbursements or payments from vendors.

**3.11 Good Will.** You will use reasonable efforts to protect, maintain and promote the name "Reverb" and its distinguishing characteristics, and the other Marks. You will not permit or allow your officers, directors, principals, employees, representatives, or guests of the Hotel to engage in conduct which is unlawful or damaging to the good will or public image of the Chain or System. You will follow System Standards for identification of the Hotel and for you to avoid confusion on the part of guests, creditors, lenders, investors and the public as to your ownership and operation of the Hotel, and the identity of your owners. You will participate in Chain-wide guest service and satisfaction guaranty programs we require in good faith for all Reverb Hotels. You shall use your best efforts to promote usage of other Reverb Hotels by members of the public. Except as provided in the System Standards Manual or if you obtain our prior written consent, which we may withhold in our sole discretion, neither you nor the Hotel shall promote or advertise any competing business at the Hotel including, but not limited to, any other guest lodging facility, time share resort, vacation club, residence club, fractional ownership residence, condominium/apartment leasing or rental business, or the like, unless we or one of our affiliates franchise, manage or own that business.

**3.12 Hotel Modifications.** You may materially modify, diminish or expand the Hotel (or change its interior design, layout, FF&E, or facilities) only after you receive our prior written consent, which we will not unreasonably withhold or delay. You will pay our Rooms Addition Fee then in effect for each guest room you add to the Hotel. If we so request, you will obtain our prior written approval of the plans and specifications for any material modification, which we will not unreasonably withhold or delay. You will not open to the public any material modification until we inspect it for compliance with the Approved Plans and System Standards.

3.13 **Courtesy Lodging.** You will provide lodging at the "Employee Rate" established in the System Standards Manual from time to time (but only to the extent that adequate room vacancies exist) to our representatives traveling on business, but not more than three standard guest rooms at the same time.

3.14 **Minor Renovations.** Beginning three years after the Opening Date, we may issue a "Minor Renovation Notice" to you that will specify reasonable Hotel upgrading and renovation requirements (a "Minor Renovation") to be commenced no sooner than 90 days after the notice is issued, having an aggregate cost for labor, FF&E and materials estimated by us to be not more than the Minor Renovation Ceiling Amount. You will perform the Minor Renovations as and when the Minor Renovation Notice requires. We will not issue a Minor Renovation Notice within three years after the date of a prior Minor Renovation Notice, or if the three most recent quality assurance inspection scores of the Hotel averaged \_\_\_\_\_ and the most recent quality assurance inspection score for the Hotel was \_\_\_\_\_ points (or equivalent scores under a successor quality assurance scoring system we employ), when the Hotel is otherwise eligible for a Minor Renovation.

3.15 **Technology Standards & Communications.** You recognize that the System requires you to acquire, operate and maintain a computer-based property management system and provide guests with innovative technology for communications and entertainment. You must purchase the computer system and other equipment and software that we specify. We may modify System Standards to require new technology at all Reverb Hotels. At our request, you shall participate in any intranet or extranet system developed for use in connection with the System. Such intranet or extranet system may be combined with that of our affiliates. You shall agree to such terms and conditions for the use of such intranet or extranet system as we may prescribe, which may include, among other things: (a) confidentiality requirements for materials transmitted via such system; (b) password protocols and other security precautions; (c) grounds and procedures for our suspension or revocation of access to the system by you and others; and (d) a privacy policy governing the parties' access to and use of electronic communications posted on electronic bulletin boards or transmitted via the system. You shall pay any fee imposed from time to time by us or a third-party service provider in connection with hosting such system.

3.16 **Guaranty.** Each person designated on Schedule B as a "Guarantor" must guarantee your obligations under this Agreement by executing the Guaranty attached hereto as Schedule F and delivering it to us upon our request.

**4. Our Operating and Service Obligations.** We will provide you with the following services and assistance:

4.1 **Training.** We may offer (directly or indirectly by subcontracting with an affiliate or a third party) initial training, remedial training and supplemental training.

4.1.1 **Initial Training.** You agree to comply with the System's standards for the training of persons involved in the operation of the Hotel, including completion by the General Manager (or other person with day-to-day management responsibility for the operation of the Hotel) and other key personnel that we designate of a training program for the operation of the Hotel under the System, at a site that we designate. Your General Manager must complete this training program to our satisfaction no later than 90 days prior to the Opening Date. Any replacement General Manager must complete this training program to our satisfaction prior to assuming management responsibility. We may also offer certain Internet-based training as a supplement to the classroom training experience.

4.1.2 **Remedial Training.** We may require you, your General Manager and/or your staff to participate in remedial training if the Hotel receives a D or F (or equivalent score) on a quality assurance inspection, a D or F +GX score on Medallia electronic guest survey (or equivalent evaluation system), or experiences

significant complaints to our guest services department, as determined by us in our sole discretion. This training may be offered at our corporate offices, at a regional location, on-line or at the Hotel. The training may be in the form of one or more classes held at different times and locations as we may require.

**4.1.3 Supplemental Training.** All General Managers must complete recertification training every three years. We may offer other mandatory or optional training programs. Recertification and other supplemental training may be offered in our U.S. training center or other locations or held in conjunction with a Chain lodging conference. We may also offer Internet-based training via the Chain's intranet website.

**4.1.4 Training Fees and Costs.** You are responsible for all travel, lodging and other expenses you and your employees incur in attending these programs. We will not charge you any training fees. However, if the training is conducted at your Hotel, you must reimburse us for reasonable travel expenses, accommodations, subsistence, materials and other reasonable expenses of those reasonably necessary persons we send to your Hotel to conduct the training. Upon our request, you must provide lodging for our training team if training is conducted at your Hotel.

**4.2 Reservation System.** We will operate and maintain (directly or by subcontracting with an affiliate or one or more third parties) a computerized Reservation System or such technological substitute(s) as we determine, in our discretion. You agree to pay us the Basic Reservation Fees on a monthly basis. You further agree to contribute toward the cost, maintenance and use of the Reservation System by paying us an additional monthly fee equal to \$850 per month (the "Maintenance Contribution"). The Maintenance Contribution shall increase each year, following the year 2017, by an amount equal to 3.5% per year. We will use the Basic Reservation Fees and Maintenance Contributions for the acquisition, development, support, equipping, maintenance, improvement and operation of the Reservation System. In addition to the Basic Reservation Fee and Maintenance Contribution, you agree to pay us one-time Reservation System set-up fee of \$10,000 upon execution of this Agreement (the "Reservation System Set-up Fee"). We will provide software maintenance and support for any software we license to you to connect to the Reservation System if you are up to date in your payment of Recurring Fees and all other fees you must pay under any other agreement with us or our affiliate. During the Term, the Hotel will participate in the Reservation System on an exclusive basis, including entering into all related technology agreements and complying with all terms and conditions which we establish from time to time for participation. The Hotel may not book any reservations through any other electronic reservation system, booking engine or other technology. All information you collect or capture through your property management system shall be jointly owned by you and us. We have the right to provide reservation services to lodging facilities other than Reverb Hotels or to other parties.

#### **4.3 Marketing.**

**4.3.1** We will use Marketing Contributions we collect as part of the Services Assessment Fees to promote public awareness and usage of Reverb Hotels by implementing advertising, promotion, publicity, market research, loyalty marketing and other marketing programs, training programs and related activities, and the production and distribution of Chain publications and directories of hotels. We will determine in our discretion: (i) The nature and type of media placement; (ii) The allocation (if any) among international, national, regional and local markets; and (iii) The nature and type of advertising copy, other materials and programs. We or an affiliate may be reimbursed from Marketing Contributions for the reasonable direct and indirect costs, overhead or other expenses of providing marketing services. We are not obligated to supplement or advance funds available from collections of the Marketing Contributions to pay for marketing activities. We do not promise that the Hotel or you will benefit directly or proportionately from marketing activities.

4.3.2 We may, at our discretion, implement special international, national, regional or local promotional programs (which may or may not include the Hotel) and may make available to you (to use at your option) media advertising copy and other marketing materials for prices which reasonably cover the materials' direct and indirect costs.

4.3.3 We may issue a Chain Directory in paper, electronic or other format. We will include the Hotel in this Chain Directory if (i) you submit the information we request on time, and (ii) you are not in default under this Agreement at the time we must compile the information for the Directory. If the Directory is issued in paper form, we may supply Directories to you for display at locations specified in the System Standards Manual or policy statements.

4.3.4 We may, at our discretion, implement “group booking” programs created to encourage use of Reverb Hotels for tours, conventions and the like.

**4.4 Purchasing and Other Services.** We may offer optional assistance to you with purchasing items used at or in the Hotel. Our affiliates may offer this service on our behalf. We may restrict the vendors authorized to sell proprietary or Mark-bearing items in order to control quality, provide for consistent service or obtain volume discounts. We will maintain and provide to you lists of suppliers approved to furnish Mark-bearing items, or whose products conform to System Standards.

**4.5 The System.** We will control and establish requirements for all aspects of the System. We may, in our discretion, change, delete from or add to the System, including any of the Marks or System Standards, in response to changing market conditions. We may, in our discretion, permit deviations from System Standards, based on local conditions and our assessment of the circumstances. We may, in our discretion, change the designation standards for the Chain and then require that you change the designation of the Hotel and related presentation of that designation where it appears.

**4.6 Consultations and Standards Compliance.** We will assist you to understand your obligations under System Standards by telephone, mail, during quality assurance inspections, through the System Standards Manual, at training sessions and during conferences and meetings we conduct. We will provide telephone and mail consultation on Hotel operation and marketing through our representatives. We will offer you access to any Internet website we may maintain to provide Chain franchisees with information and services, subject to any rules, policies and procedures we establish for its use and access and to this Agreement. We may limit or deny access to any such website while you are in default under this Agreement.

**4.7 System Standards Manual and Other Publications.** We will specify System Standards in the System Standards Manual, policy statements or other publications which we may make available to you via our Chain intranet, in paper copies or through another medium. We will provide you with access to the System Standards Manual promptly after we sign this Agreement. We will notify you via our Chain intranet or another medium of any System Standards Manual revisions and/or supplements as and when issued as well as any other publications and policy statements in effect for Chain franchisees from time to time.

**4.8 Inspections and Audits.** We have the unlimited right to conduct unannounced quality assurance inspections of the Hotel and its operations, records and Mark usage to test the Hotel's compliance with System Standards and this Agreement, and the audits described in Section 3.6. We have the unlimited right to reinspect if the Hotel does not achieve the score required on an inspection. We may impose a reinspection fee and will charge you for our costs as provided in Section 3.7. You will pay us an “Audit Fee” of \$1,000.00 and reimburse us for the cost of the audit or inspection, including without limitation, reasonable accounting and

attorneys' fees and travel and lodging expenses that we or our representatives incur, when we invoice you for an Audit Fee under Section 3.6. We may increase the Audit Fee on a Chain-wide basis to cover any increases in our audit costs, but not more than 5% per year on a cumulative basis. Our inspections are solely for the purposes of checking compliance with System Standards.

**4.9 Technical Services.** We shall provide you with the following technical advisory services prior to the Opening Date (the "Technical Services"):

(a) advice in formulating or refining the concepts for the Hotel, the preliminary plans and specifications for the construction of the Hotel and all related Hotel facilities, including land planning and landscaping, and in formulating or refining preliminary layouts, drawings, and designs for the interior of the Hotel and the furnishing and equipping thereof. In connection therewith, we may recommend to you layouts and other criteria and specifications for the facilities to be included in the Hotel;

(b) advice as to architects, contractors, engineers, designers, decorators, landscape architects, and such other specialists and consultants as is necessary for completing the Hotel. The Parties acknowledge that we have no liability or responsibility for any act or omission of any such person that you utilize;

(c) advice with respect to vendor contracts for artwork, graphics, fixtures, audio-visual components, operating supplies, operating equipment and FF&E; and

(d) advice in preparing budgets for the initial purchase of FF&E for the Hotel.

It is the intention of the parties that responsibility for implementation of each of the foregoing items is upon you, but that we will be available to assist you in such implementation. In rendering the Technical Services, we have the right, in our sole discretion, to be assisted by third persons, and, accordingly, some or all of such Technical Services may be provided by such third persons. We may, upon notice to you, require you to pay directly to any such third person any portion or all of any payment due to us hereunder.

In consideration of the foregoing services, you agree to pay us a Technical Services Fee of \$500 per guest room. In addition to the payment of the Technical Services Fee, you shall reimburse us, within thirty (30) days after we submit an invoice to you, for all actual costs that we incur in providing the Technical Services, including travel, accommodations and other expenses (but not salaries or overhead). The Technical Services Fee is payable fifty percent (50%) upon the Effective Date with the balance to be paid in equal monthly installments each month through the target Opening Date.

**5. Term.** The Term begins on the date that we insert in the preamble of this Agreement after we sign it (the "Effective Date") and expires at the end of the fifteenth (15<sup>th</sup>) Franchise Year. **[If New Construction Schedule D –insert twentieth (20<sup>th</sup>)]** However, each of us has the right to terminate this Agreement, without cause, and as a matter of right, on the 5<sup>th</sup> or 10<sup>th</sup> anniversary of the Opening Date **[If New Construction Schedule D add 15<sup>th</sup> ]** by giving prior written notice to the other, provided that if you decide to exercise your right to terminate this Agreement, you must have paid all fees and charges due under this Agreement (and all related agreements, including any promissory notes or other incentive agreements, and any agreements relating to the use of a property management system or Reservation System) as of the date you provide notice of termination and as of the effective date of the termination. The written notice required by this Section 5 shall be given at least 6 months, but not more than twelve (12) months, before the date of the proposed termination. You will pay no Liquidated Damages if you comply with the terms of this Section and you perform the post termination obligations specified in this Agreement. **NEITHER PARTY HAS RENEWAL RIGHTS OR OPTIONS.**

**6. Application and Initial Fees.** You must pay us a non-refundable Application Fee of \$5,000. If your franchise is for a new construction or conversion Hotel, you must pay us an Initial Fee. If you are a transferee of an existing Hotel or are renewing an existing franchise, you will pay us a Relicense Fee. The amount of your Initial or Relicense Fee is the greater of \$50,000 or \$500 multiplied by the total number of guest rooms in your Hotel, which fee shall be paid when you sign this Agreement and is fully earned when we sign this Agreement. We must conduct a Probity Investigation on each person that directly or indirectly holds a 5% or greater Equity Interest in the franchisee entity and you must reimburse us for our costs of conducting each such Probity Investigation.

**7. Recurring Fees, Taxes and Interest.**

7.1 You will pay us certain "Recurring Fees" each month of the Term payable in U.S. dollars (or such other currency as we may direct if the Hotel is outside the United States). The Recurring Fees described in this Section 7.1 are payable ten days after the month in which they accrue, without billing or demand. Other Recurring Fees are payable at the time set forth in the System Standards. Recurring Fees include the following:

7.1.1 A "Royalty" equal to the sum of five percent (5.0%) of Gross Room Revenues accruing during the calendar month. The Royalty accrues from the earlier of the Opening Date or the date you identify the Hotel as a Chain Hotel or operate it under a Mark until the end of the Term.

7.1.2 A "Merchandise Fee" equal to ten percent (10.0%) of Merchandise Revenues accruing during the calendar month.

7.1.3 A "Food and Beverage Fee" equal to two percent (2%) of Food and Beverage Revenues accruing during the calendar month.

7.1.4 A "Services Assessment Fee" as set forth in Schedule C, including a "Marketing Contribution" for advertising, marketing, training, and other related services and programs, and a "Basic Reservation Fee" for the Reservation System, accrues from the Opening Date until the end of the Term, including during reservation suspension periods. We collect and deposit these Fees from franchisees, then disburse and administer the funds collected by means of a separate account or accounts. We may use the Services Assessment Fees we collect, in whole or in part, to reimburse our reasonable direct and indirect costs, overhead or other expenses of providing marketing, training and reservation services. You will also pay or reimburse us as described in Schedule C "Additional Fees" such as commissions we pay to travel and other agents paid for certain reservations at the Hotel and fees for additional services and programs. We may charge Facilities using the Reservation System outside the United States for reservation service using a different formula. We may change, modify, add or delete the Services Assessment Fee and/or Additional Fees in accordance with Schedule C.

7.2 You will pay to us "Taxes" equal to any federal, state or local sales, gross receipts, use, value added, excise or similar taxes assessed against us on the Recurring Fees by the jurisdictions where the Hotel is located, but not including any income tax, franchise or other tax for the privilege of doing business by us in your State. You will pay Taxes to us when due.

7.3 "Interest" is payable when you receive our invoice on any past due amount payable to us under this Agreement at the rate of 1.5% per month or the maximum rate permitted by applicable law, whichever is less, accruing from the due date until the amount is paid.

7.4 If a transfer occurs, your transferee or you will pay us our then current Application Fee and a "Relicense Fee" equal to the Initial Fee we would then charge a new franchisee for the Hotel.

7.5 All fees and other amounts payable by you pursuant to this Agreement must be paid by wire transfer of immediately available funds to an account that we designate from time to time. If no due date is specified, the fee or other amount will be due 10 days after invoicing.

## **8. Indemnifications.**

8.1 Independent of your obligation to procure and maintain insurance, you will indemnify, defend and hold the Indemnitees harmless, to the fullest extent permitted by law, from and against all Losses and Expenses, incurred by any Indemnitee for any investigation, claim, action, suit, demand, administrative or alternative dispute resolution proceeding, relating to or arising out of any transaction, occurrence or service at, or involving the operation of, the Hotel, any payment you make or fail to make to us, any breach or violation of any contract or any law, regulation or ruling by, or any act, error or omission (active or passive) of, you, any party associated or affiliated with you or any of the owners, officers, directors, employees, agents or contractors of you or your affiliates, including when you are alleged or held to be the actual, apparent or ostensible agent of the Indemnitee, or the active or passive negligence of any Indemnitee is alleged or proven. You have no obligation to indemnify an Indemnitee for damages to compensate for property damage or personal injury if a court of competent jurisdiction makes a final decision not subject to further appeal that the Indemnitee engaged in willful misconduct or intentionally caused such property damage or bodily injury. This exclusion from the obligation to indemnify shall not, however, apply if the property damage or bodily injury resulted from the use of reasonable force by the Indemnitee to protect persons or property.

8.2 You will respond promptly to any matter described in the preceding paragraph, and defend the Indemnitee. You will reimburse the Indemnitee for all costs of defending the matter, including reasonable attorneys' fees, incurred by the Indemnitee if your insurer or you do not assume defense of the Indemnitee promptly when requested, or separate counsel is appropriate, in our discretion, because of actual or potential conflicts of interest. We must approve any resolution or course of action in a matter that could directly or indirectly have any adverse effect on us or the Chain, or could serve as a precedent for other matters.

8.3 We will indemnify, defend and hold you harmless, to the fullest extent permitted by law, from and against all Losses and Expenses incurred by you in any action or claim arising from your proper use of the System alleging that your use of the System and any property we license to you is an infringement of a third party's rights to any trade secret, patent, copyright, trademark, service mark or trade name. You will promptly notify us in writing when you become aware of any alleged infringement or an action is filed against you. You will cooperate with our defense and resolution of the claim. We may resolve the matter by obtaining a license of the property for you at our expense, or by requiring that you discontinue using the infringing property or modify your use to avoid infringing the rights of others.

1.

## **9. Your Assignments, Transfers and Conveyances.**

9.1 **Transfer of the Hotel.** This Agreement is personal to you (and your owners if you are an entity). We are relying on your experience, skill and financial resources (and that of your owners and the guarantors, if any) to sign this Agreement with you. You may finance the Hotel and grant a lien, security interest or encumbrance on it without notice to us or our consent. If a Transfer is to occur, the transferee or you must comply with Section 9.3 and 9.7. Your Franchise is subject to termination when the Transfer occurs and transferee will execute a new Franchise Agreement for a new Franchise. You and your owners may, only with our prior written consent and after you comply with Sections 9.3, 9.6 and 9.7, assign, pledge, transfer, delegate or grant a security interest in all or any of your rights, benefits and obligations under this Agreement, as security or otherwise. Transactions involving Equity Interests that

are not Equity Transfers do not require our consent (except as otherwise specified in Section 9.7) and are not Transfers but are subject to the requirements of Section 9.7.

**9.2 Public Offerings and Registered Securities.** You may engage in the first registered public offering of your Equity Interests only after you pay us a public offering fee equal to \$5,000 plus reimbursement of all legal costs we incur in relation to your public offering. You must send us, for review, all offering materials relating to the securities offering. You must send us the materials at least 60 days before distributing them to any prospective buyers or filing them with any government agency. Your Equity Interests (or those of a person, parent, subsidiary, sibling or affiliate entity, directly or indirectly effectively controlling you), are freely transferable without the application of this Section if they are, on the Effective Date, or after the public offering fee is paid, they become, registered under the federal Securities Act of 1933, as amended, or a class of securities registered under the Securities Exchange Act of 1934, as amended, or listed for trading on a national securities exchange or the automated quotation system of the National Association of Securities Dealers, Inc. (or any successor system), provided that: (i) any tender offer for at least a majority of your Equity Interests will be an Equity Transfer subject to Section 9.1; and (ii) any tender that would result in a new person owning a direct or indirect Equity Interest in the franchisee entity or in the Hotel of five percent (5%) or greater, whether as a result of a single transaction or a series of transactions, will be subject to Section 9.7.

**9.3 Conditions.** We may, to the extent permitted by applicable law, condition and withhold our consent to a Transfer when required under this Section 9 until the transferee and you meet certain conditions. If a Transfer is to occur, the transferee (or you, if an Equity Transfer is involved) must first complete and submit our Application, qualify to be a franchisee in our sole discretion (including passing a Probity Investigation as stated in Section 9.7), given the circumstances of the proposed Transfer, provide the same supporting documents as a new franchise applicant, pay the Application and Relicense Fees then in effect, sign the form of Franchise Agreement we then offer in conversion transactions and agree to renovate the Hotel as if it were an existing facility converting to the System, as we reasonably determine. We will provide a Punch List of improvements we will require after the transferee's Application is submitted to us. We may, in our discretion, require the transferee to place funds in escrow, at its expense, in order to complete all necessary renovations. We may require structural changes to the Hotel if it no longer meets System Standards for entering conversion facilities or, in the alternative, condition our approval of the Transfer on one or more of the following: limit the transferee's term to the balance of your Term, add a right to terminate without cause exercisable by either party after a period of time has elapsed, or allow you to terminate the Franchise when you sell the Hotel and pay us Liquidated Damages under Section 12.1 at the same rate as you would pay if the termination occurred before the Opening Date. Such payment would be due and payable when you transfer possession of the Hotel. We must also receive general releases from you and each of your owners, and payment of all amounts then owed to us and our affiliates by you, your owners, your affiliates, the transferee, its owners and affiliates, under this Agreement or otherwise. Our consent to the transaction will not be effective until these conditions are satisfied.

**9.4 Permitted Transferee Transactions.** You may transfer an Equity Interest or effect an Equity Transfer to a Permitted Transferee without obtaining our consent (except as required by Section 9.7), renovating the Hotel or paying a Relicense Fee or Application Fee. No Transfer will be deemed to occur, but the transfer will be subject to Section 9.7. You also must not be in default and you must comply with the application and notice procedures specified in Sections 9.3, 9.6 and 9.7. Each Permitted Transferee must first agree in writing to be bound by this Agreement, or at our option, execute the Franchise Agreement form then offered prospective franchisees. No transfer to a Permitted Transferee shall release a living transferor from liability under this Agreement or any guarantor under any Guaranty of this Agreement. You must comply with this Section if you transfer the Hotel to a Permitted Transferee. A transfer resulting from a death may occur even if you are in default under this Agreement.

**9.5 Attempted Transfers.** Any transaction requiring our consent under this Section 9 in which our consent is not first obtained shall be void, as between you and us. You will continue to be liable for payment and performance of your obligations under this Agreement until we terminate this Agreement, all your financial obligations to us are paid and all System identification is removed from the Hotel.

**9.6 Notice of Transfers.** You will give us at least 30 days prior written notice of any proposed Transfer or Permitted Transferee transaction. You will notify us when you sign a contract to Transfer the Hotel and 10 days before you intend to close on the transfer of the Hotel. We will respond to all requests for our consent and notices of Permitted Transferee transactions within a reasonable time not to exceed 30 days. You will notify us in writing within 30 days after a change in ownership of 25% or more of your Equity Interests that are not publicly held or that is not an Equity Transfer, or a change in the ownership of the Hotel if you are not its owner. You will provide us with lists of the names, addresses, and ownership percentages of your owner(s) at our request.

**9.7 Transfer of Ownership Interests.** You must notify us in writing of any proposed transfer of a direct or indirect Equity Interest in you (the franchisee entity) or in the Hotel to any person. Any proposed transfer of a direct or indirect equity interest in the franchisee entity or in the Hotel of five percent (5%) or greater, whether as a result of a single transaction or a series of transactions, requires our prior written approval and is subject to our conducting of a background check on the prospective owner of such interest to insure the proposed transfer to such person does not jeopardize any existing or future gaming license held by us or any of our affiliates (a “Probity Investigation”). You shall cause such persons to provide complete cooperation and assistance in connection with a Probity Investigation, including providing any information, documents or authorizations requested by us or our designee. You shall reimburse us for any and all costs incurred by us and our affiliates in connection with the Probity Investigations. If a Probity Investigation (in our sole opinion) indicates that the proposed transfer to such person could jeopardize any current or future gaming license of us or any of our affiliates, then we are not required under any circumstances to approve the transfer to such person. In addition to the requirements set forth in this Section 9.7, any transfer of an Equity Interest in the franchisee entity, the Hotel or the Location or substantially all of the assets of the Hotel, or your rights under this Agreement, in whole or in part, or any Controlling Interest in you, is also subject to the other conditions set forth in Sections 9 above.

**10. Our Assignments.** We may assign, delegate or subcontract all or any part of our rights and duties under this Agreement, including by operation of law, without notice and without your consent. We will have no obligations to you after you are notified that our transferee has assumed our obligations under this Agreement except those that arose before we assign this Agreement.

## **11. Default and Termination.**

**11.1 Default.** In addition to the matters identified in Sections 3.1 and 3.6, you will be in default under this Agreement if (a) you do not pay us when a payment is due under this Agreement or any other instrument, debt, agreement or account with us related to the Hotel, (b) you do not perform any of your other obligations when this Agreement and the System Standards Manual require, or (c) if you otherwise breach this Agreement. If your default is not cured within ten days after you receive written notice from us that you have not filed your monthly report, paid us any amount that is due or breached your obligations regarding Confidential Information, or within 30 days after you receive written notice from us of any other default (except as noted below), then we may terminate this Agreement by written notice to you, under Section 11.2. We will not exercise our right to terminate if you have completely cured your default, or until any waiting period required by law has elapsed. In the case of default resulting from the Hotel’s failure to meet Quality Standards as measured by a quality assurance inspection, if you have acted diligently to cure the default but cannot do so, and the default does not relate to health or safety, we may,

in our discretion, enter into an improvement agreement with you provided you request such an agreement within 30 days after receiving notice of the failing inspection. If we have entered into an improvement agreement, you must cure the default within the time period specified in the improvement agreement which shall not exceed 90 days after the failed inspection. We may terminate this Agreement and any or all rights granted hereunder if you do not perform that improvement agreement.

**11.2 Termination.** We may terminate this Agreement effective when we send written notice to you or such later date as required by law or as stated in the default notice, when (1) you do not cure a default as provided in Section 11.1 or we are authorized to terminate under Schedule D due to your failure to perform your Improvement Obligation, (2) you discontinue operating the Hotel as a "Reverb", (3) you do or perform, directly or indirectly, any act or failure to act that in our reasonable judgment is or could be injurious or prejudicial to the goodwill associated with the Marks or the System, (4) you lose possession or the right to possession of the Hotel, (5) you (or any guarantor) suffer the termination of another franchise agreement with us or one of our affiliates, (6) you intentionally maintain false books and records or submit a materially false report to us, (7) you (or any guarantor) generally fail to pay debts as they come due in the ordinary course of business, (8) you, any guarantor or any of your owners or agents misstated to us or omitted to tell us a material fact to obtain or maintain this Agreement with us, (9) you receive two or more notices of default from us in any one year period (whether or not you cure the defaults), (10) a violation of Section 9 occurs, or a Transfer occurs before the relicensing process is completed, (11) you or any of your Equity Interest owners contest in court the ownership or right to franchise or license all or any part of the System or the validity of any of the Marks, (12) you, any guarantor or the Hotel is subject to any voluntary or involuntary bankruptcy, liquidation, dissolution, receivership, assignment, reorganization, moratorium, composition or a similar action or proceeding that is not dismissed within 60 days after its filing, (13) you maintain or operate the Hotel in a manner that endangers the health or safety of the Hotel's guests, or (14) we determine, based upon advice of governmental authorities with jurisdiction over us or our affiliates or upon advice of our counsel, that the continued existence of this Agreement could cause us or our affiliates to be in jeopardy of (i) losing a gaming license then held by it, (ii) being denied a gaming license otherwise available to it because of our relationship to you as a result of this Agreement, or (iii) being subjected to material adverse effects if this Agreement continues to exist.

### **11.3 Casualty and Condemnation.**

**11.3.1** You will notify us promptly after the Hotel suffers a Casualty that prevents you from operating in the normal course of business, with less than 75% of guest rooms available. You will give us information on the availability of guest rooms and the Hotel's ability to honor advance reservations. You will tell us in writing within 60 days after the Casualty whether or not you will restore, rebuild and refurbish the Hotel to conform to System Standards and its condition prior to the Casualty. This restoration will be completed within 180 days after the Casualty. You may decide within the 60 days after the Casualty, and if we do not hear from you, we will assume that you have decided, to terminate this Agreement, effective as of the date of your notice or 60 days after the Casualty, whichever comes first. If this Agreement so terminates, you will pay all amounts accrued prior to termination and follow the post-termination requirements in Section 13. You will not be obligated to pay Liquidated Damages if the Hotel will no longer be used as an extended stay or transient lodging facility after the Casualty.

**11.3.2** You will notify us in writing within 10 days after you receive notice of any proposed Condemnation of the Hotel, and within 10 days after receiving notice of the Condemnation date. This Agreement will terminate on the date the Hotel or a substantial portion is conveyed to or taken over by the condemning authority.

11.3.3 Any protected territory covenants will terminate when you give us notice of any proposed Condemnation or that you will not restore the Hotel after a Casualty.

**11.4 Our Other Remedies.** We may suspend the Hotel from the Reservation System for any default or failure to pay or perform under this Agreement or any other written agreement with us relating to the Hotel, discontinue Reservation System referrals to the Hotel for the duration of such suspension, and may divert previously made reservations to other Reverb Hotels after giving notice of non-performance, non-payment or default. All Services Assessment Fees and related Reservation System user fees accrue during the suspension period. We may deduct points under our quality assurance inspection program for your failure to comply with this Agreement or System Standards. Reservation service will be restored after you have fully cured any and all defaults and failures to pay and perform. We may charge you, and you must pay as a condition precedent to restoration of reservation service, a Service Interruption Fee specified on Schedule C to reimburse us for our costs associated with service suspension and restoration. We may omit the Hotel from the Directory if you are in default on the date we must determine which Reverb Hotels are included in the Directory. You recognize that any use of the System not in accord with this Agreement will cause us irreparable harm for which there is no adequate remedy at law, entitling us to injunctive and other relief. We may litigate to collect amounts due under this Agreement without first issuing a default or termination notice. Our consent or approval may be withheld if needed while you are in default under this Agreement or may be conditioned on the cure of all your defaults.

**11.5 Your Remedies.** If we fail to issue our approval or consent as and when required under this Agreement within a reasonable time of not less than 30 days after we receive all of the information we request, and you believe our refusal to approve or consent is wrongful, you may bring a legal action against us to compel us to issue our approval or consent to the obligation. To the extent permitted by applicable law, this action shall be your exclusive remedy. We shall not be responsible for direct, indirect, special, consequential or exemplary damages, including, but not limited to, lost profits or revenues.

## **12. Liquidated Damages.**

**12.1 Generally.** If we terminate this Agreement under Section 11.2, or you terminate this Agreement (except under Section 11.3 or as a result of our default which we do not cure within a reasonable time after written notice), you will pay us within 30 days following the date of termination, as Liquidated Damages, an amount calculated as the product of 36 multiplied by the average monthly Royalties, Merchandise Fees, Food and Beverage Fees and Services Assessment Fees imposed during the immediately preceding 12 full calendar months (or the number of full calendar months after the Opening Date if less than 12). If the termination occurs prior to the Opening Date, then the amount of Liquidated Damages shall be \$150,000. You will also pay any applicable Taxes assessed on such payment and Interest calculated under Section 7.3 accruing from 30 days after the date of termination. Liquidated Damages are paid in place of our claims for lost future Recurring Fees under this Agreement. Our right to receive other amounts due under this Agreement is not affected.

**12.2 Condemnation Payments.** In the event a Condemnation is to occur, you will pay us the fees set forth in Section 7 for a period of one year after we receive the initial notice of condemnation described in Section 11.3.2, or until the Condemnation occurs, whichever is longer. You will pay us Liquidated Damages equal to the average daily Royalties, Food and Beverage Fees, Merchandise Fees and Services Assessment Fees for the one year period preceding the date of your condemnation notice to us multiplied by the number of days remaining in the one year notice period if the Condemnation is completed before the one year notice period expires. This payment will be made within 30 days after Condemnation is completed (when you close the Hotel or you deliver it to the condemning authority). You will pay no

Liquidated Damages if the Condemnation is completed after the one year notice period expires, but the fees set forth in Section 7 must be paid when due until Condemnation is completed.

**13. Your Duties At and After Termination.** When a Termination occurs for any reason whatsoever:

**13.1 System Usage Ceases.** You will immediately stop using the System to operate and identify the Hotel. You will remove all signage and other items bearing any Marks and follow the other steps detailed in the System Standards Manual for changing the identification of the Hotel. You will promptly paint over or remove the Hotel's distinctive System trade dress, color schemes and architectural features. You shall not identify the Hotel with a confusingly similar mark or name, or use the same colors as the System trade dress for signage, printed materials and painted surfaces. You will cease all Internet marketing using any Marks to identify the Hotel.

**13.2 Other Duties.** You will pay all amounts owed to us under this Agreement within 10 days after termination. You will owe us Recurring Fees on Gross Room Revenues accruing while the Hotel is identified as a "Reverb", including the Services Assessment Fees for so long as the Hotel receives service from the Reservation System. We may immediately remove the Hotel from the Reservation System and divert reservations as authorized in Section 11.4. We may notify third parties that the Hotel is no longer associated with the Chain. We may also, to the extent permitted by applicable law, and without prior notice enter the Hotel and any other parcels, remove software (including archive and back-up copies) for accessing the Reservation System, all copies of the System Standards Manual, Confidential Information, equipment and all other personal property of ours, and paint over or remove and purchase for \$10.00, all or part of any interior or exterior Mark-bearing signage (or signage face plates), including billboards, whether or not located at the Hotel, that you have not removed or obliterated within five days after termination. You will promptly pay or reimburse us for our cost of removing such items, net of the \$10.00 purchase price for signage. We will exercise reasonable care in removing or painting over signage. We will have no obligation or liability to restore the Hotel to its condition prior to removing the signage. We shall have the right, but not the obligation, to purchase some or all of the Hotel's Mark-bearing FF&E and supplies at the lower of their cost or net book value, with the right to set off their aggregate purchase price against any sums then owed us by you.

**13.3 Advance Reservations.** The Hotel will honor any advance reservations, including group bookings, made for the Hotel prior to termination at the rates and on the terms established when the reservations are made and pay when due all related travel agent commissions.

**13.4 Survival of Certain Provisions.** Sections 3.6 (as to audits, for 2 years after termination), 3.11, 7 (as to amounts accruing through termination), 8, 11.4, 12, 13, 15, 16 and 17 survive termination of this Agreement.

**14. Your Representations and Warranties.** You expressly represent and warrant to us as follows:

**14.1 Quiet Enjoyment and Financing.** You own, or will own prior to commencing improvement, or lease, the Location and the Hotel. You will be entitled to possession of the Location and the Hotel during the entire Term without restrictions that would interfere with your performance under this Agreement, subject to the reasonable requirements of any financing secured by the Hotel. You have, when you sign this Agreement, and will maintain during the Term, adequate financial liquidity and financial resources to perform your obligations under this Agreement.

**14.2 This Transaction.** You and the persons signing this Agreement for you have full power and authority and have been duly authorized, to enter into and perform or cause performance of your obligations under this Agreement. You have obtained all necessary approvals of your owners, Board of

Directors and lenders. No executory franchise, license, or affiliation agreement for the Hotel exists other than this Agreement. Your execution, delivery and performance of this Agreement will not violate, create a default under or breach of any charter, bylaws, agreement or other contract, license, permit, indebtedness, certificate, order, decree or security instrument to which you or any of your principal owners is a party or is subject or to which the Hotel is subject. Neither you nor the Hotel is the subject of any current or pending merger, sale, dissolution, receivership, bankruptcy, foreclosure, reorganization, insolvency, or similar action or proceeding on the date you execute this Agreement and was not within the three years preceding such date, except as disclosed in the Application. You will submit to us the documents about the Hotel, you, your owners and your finances that we request in the Franchise Application (or after our review of your initial submissions) before or within 30 days after you sign this Agreement. To the best of your knowledge, neither you, your owners (if you are an entity), your officers, directors or employees or anyone else affiliated or associated with you, whether by common ownership, by contract, or otherwise, has been designated as, or is, a terrorist, a “Specially Designated National” or a “Blocked Person” under U.S. Executive Order 13224, in lists published by the U.S. Department of the Treasury’s Office of Foreign Assets Control, or otherwise.

**14.3 No Misrepresentations or Implied Covenants.** All written information you submit to us about the Hotel, you, your owners, any guarantor, or the finances of any such person or entity, was or will be at the time delivered and when you sign this Agreement, true, accurate and complete, and such information contains no misrepresentation of a material fact, and does not omit any material fact necessary to make the information disclosed not misleading under the circumstances. There are no express or implied covenants or warranties, oral or written, between we and you except as expressly stated in this Agreement.

## **15. Proprietary Rights.**

**15.1 Marks and System.** You will not acquire any interest in or right to use the System or Marks except under this Agreement. You will not apply for governmental registration of the Marks, or use the Marks or our corporate name in your legal name, but you may use a Mark for an assumed business or trade name filing.

**15.2 Inurements.** All present and future distinguishing characteristics, improvements and additions to or associated with the System by us, you or others, and all present and future service marks, trademarks, copyrights, service mark and trademark registrations used and to be used as part of the System, and the associated good will, shall be our property and will inure to our benefit. No good will shall attach to any secondary designator that you use.

**15.3 Other Locations and Systems.** We and our affiliates each reserve the right to own, in whole or in part, and manage, operate, use, lease, finance, sublease, franchise, license (as franchisor or franchisee), provide services to or joint venture (i) distinctive separate lodging or food and beverage marks and other intellectual property which are not part of the System, and to enter into separate agreements with you or others (for separate charges) for use of any such other marks or proprietary rights, (ii) other lodging, food and beverage facilities, or businesses, under the System utilizing modified System Standards, and (iii) a Chain Hotel at or for any location outside the Protected Territory. You acknowledge that we are affiliated with or in the future may become affiliated with other lodging providers or franchise systems that operate under names or marks other than the Marks. We and our affiliates may use or benefit from common hardware, software, communications equipment and services and administrative systems for reservations, franchise application procedures or committees, marketing and advertising programs, personnel, central purchasing, approved supplier lists, franchise sales personnel (or independent franchise sales representatives), etc.

**15.4 Confidential Information.** You will take all appropriate actions to preserve the confidentiality of all Confidential Information. Access to Confidential Information should be limited to persons who need the Confidential Information to perform their jobs and are subject to your general policy on maintaining confidentiality as a condition of employment or who have first signed a confidentiality agreement. You will not permit copying of Confidential Information (including, as to computer software, any translation, decompiling, decoding, modification or other alteration of the source code of such software). You will use Confidential Information only for the Hotel and to perform under this Agreement. Upon termination (or earlier, as we may request), you shall return to us all originals and copies of the System Standards Manual, policy statements and Confidential Information "fixed in any tangible medium of expression," within the meaning of the U.S. Copyright Act, as amended. Your obligations under this subsection commence when you sign this Agreement and continue for trade secrets (including computer software we license to you) as long as they remain secret and for other Confidential Information, for as long as we continue to use the information in confidence, even if edited or revised, plus three years. We will respond promptly and in good faith to your inquiry about continued protection of any Confidential Information.

**15.5 Litigation.** You will promptly notify us of (i) any adverse or infringing uses of the Marks (or names or symbols confusingly similar), Confidential Information or other System intellectual property, and (ii) or any threatened or pending litigation related to the System against (or naming as a party) you or us of which you become aware. We alone handle disputes with third parties concerning use of all or any part of the System. You will cooperate with our efforts to resolve these disputes. We need not initiate suit against imitators or infringers who do not have a material adverse impact on the Hotel, or any other suit or proceeding to enforce or protect the System in a matter we do not believe to be material.

**15.6 The Internet.** Except as otherwise specifically permitted in this Section 15.6, you shall not in any manner authorize or permit (or purport to authorize or permit) any person, directly or indirectly, to utilize, sublicense or display, on or in connection with any Internet Site, the Marks, any derivation thereof, any trademarks, trade names, service marks, logos or designs confusingly similar thereto, or any buried computer code, keywords, adwords, meta-tags, social media handles the Marks or any such derivations or similar materials. The term "Internet Site" includes any world wide web site, USENET, newsgroup, bulletin board or other online service, any successor thereto at any electronic domain name, address or location, any other form of online service or electronic domain name, address or location, and any other form of online service or electronic commerce whatsoever. We and our affiliates may develop and maintain, or license the development and maintenance of, one or more Internet Site(s) for Reverb hotels and other products and businesses as we, in our sole discretion, may determine (each a "Reverb Internet Site"). You may have the Hotel featured on a Reverb Internet Site, in the same manner as we include other Reverb hotels, whether owned or franchised by us. Upon our request, you shall provide (or cause to be provided) to us any Hotel-related information that we require for inclusion in a Reverb Internet Site or any other Internet Site designed by us. You are not entitled to participate in any manner in any revenues resulting from any link from any Franchisee Internet Site (as defined below) to a Reverb Internet Site. At our request, each advertisement of the Hotel shall prominently display the Internet Uniform Resource Locator (URL) of a Reverb Internet Site designated by us to you. You may develop one or more Internet Sites for the Hotel (a "Franchisee Internet Site"). If you develop a Franchisee Internet Site, then the following terms apply:

- (a) Subject to our approval, you may use the Marks in the Franchisee Internet Site's domain name, but such domain name is deemed our property, must be registered in our name, and is deemed included in the Marks under the terms of this Agreement.
- (b) The format, content and promotion (including promotion through the use of keywords, social media handles and adwords) of the Franchisee Internet Site

are subject to our approval.

- (c) You shall use the Franchisee Internet Site solely for promotion of the Hotel.
- (d) You shall not sell or offer for sale merchandise or conduct any other business, including online gaming operations, on such Internet Site.
- (e) You may include a simple link from the Franchisee Internet site to a Reverb Internet Site that we designate. In any link to a Reverb Internet Site, (i) the Reverb Internet Site must not be framed or otherwise made to appear as a part of the Franchisee Internet Site or any other Internet Site, and (ii) such link must not imply any endorsement by us or the Reverb Internet Site or imply any other association with the Franchisee Internet Site or any other Internet Site.
- (f) You shall ensure that the Franchisee Internet Site does not link to any Internet Site other than a Reverb Internet Site or another Internet Site that we designate.
- (g) We shall provide links from our Internet Sites to the Franchisee Internet Site, giving comparable prominence and positioning of the link as we give to our other Reverb Hotels.

## **16. Relationship of Parties.**

**16.1 Independence.** You are an independent contractor. You are not our legal representative or agent, and you have no power to obligate us for any purpose whatsoever. We and you have a business relationship based entirely on and circumscribed by this Agreement. No partnership, joint venture, agency, fiduciary or employment relationship is intended or created by reason of this Agreement. You will exercise full and complete control over and have full responsibility for your contracts, daily operations, labor relations, employment practices and policies, including, but not limited to, the recruitment, selection, hiring, disciplining, firing, compensation, work rules and schedules of your employees.

**16.2 Joint Status.** If you comprise two or more persons or entities (notwithstanding any agreement, arrangement or understanding between or among such persons or entities) the rights, privileges and benefits of this Agreement may only be exercised and enjoyed jointly. The liabilities and responsibilities under this Agreement will be the joint and several obligations of all such persons or entities.

## **17. Legal Matters.**

**17.1 Partial Invalidity.** If all or any part of a provision of this Agreement violates the law of your state (if it applies), such provision or part will not be given effect. If all or any part of a provision of this Agreement is declared invalid or unenforceable, for any reason, or is not given effect by reason of the prior sentence, the remainder of the Agreement shall not be affected. However, if in our judgment the invalidity or ineffectiveness of such provision or part substantially impairs the value of this Agreement to us, then we may at any time terminate this Agreement by written notice to you without penalty or compensation owed by either party.

**17.2 Waivers, Modifications and Approvals.** If we allow you to deviate from this Agreement, we may insist on strict compliance at any time after written notice. Our silence or inaction will not be or establish

a waiver, consent, course of dealing, implied modification or estoppel. All modifications, waivers, approvals and consents of or under this Agreement by us must be in writing and signed by our authorized representative to be effective. We may unilaterally revise Schedule C when this Agreement so permits.

**17.3 Notices.** Notices will be effective if in writing and delivered (i) by facsimile transmission with confirmation original sent by first class mail, postage prepaid, (ii) by delivery service, with proof of delivery, or (iii) by first class, prepaid certified or registered mail, return receipt requested, to the appropriate party (x) at its address stated below or as it may otherwise designate by notice, or (y) by such other means as to result in actual or constructive receipt by the person or office holder designated below. The parties may also communicate via electronic mail between addresses to be established by notice. You consent to receive electronic mail from us. Notices shall be deemed given on the date delivered or date of attempted delivery, if refused.

Our address: \_\_\_\_\_  
Attention: \_\_\_\_\_; Fax No. \_\_\_\_\_

Your name: \_\_\_\_\_, Your address: \_\_\_\_\_, Attention: \_\_\_\_\_; Your fax No.: \_\_\_\_\_.

**17.4 Remedies.** Remedies specified in this Agreement are cumulative and do not exclude any remedies available at law or in equity. The non-prevailing party will pay all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party to enforce this Agreement or collect amounts owed under this Agreement.

**17.5 Miscellaneous.** This Agreement is exclusively for the benefit of the parties. There are no third party beneficiaries. No agreement between us and anyone else is for your benefit. The section headings in this Agreement are for convenience of reference only.

**17.6 Choice of Law; Venue; Dispute Resolution.**

17.6.1 This Agreement will be governed by and construed under the laws of the State of Florida, except for its conflicts of law principles.

17.6.2 The parties shall attempt in good faith to resolve any dispute concerning this Agreement or the parties' relationship promptly through negotiation between authorized representatives. If these efforts are not successful, either party may attempt to resolve the dispute through non-binding mediation. Either party may request mediation through the National Franchise Mediation Program, using the procedures employed by the CPR Institute for Dispute Resolution, Inc. We will provide you with the contact address for that organization. The mediation will be conducted by a mutually acceptable and neutral third party. If the parties cannot resolve the dispute through negotiation or mediation, or choose not to negotiate or mediate, either party may pursue litigation.

17.6.3 You consent and waive your objection to the non-exclusive personal jurisdiction of and venue in the Florida state courts situated in Orange County, Florida and the United States District Court for the Middle District of Florida for all cases and controversies under this Agreement or between we and you.

**17.6.4 WAIVER OF JURY TRIAL. THE PARTIES WAIVE THE RIGHT TO A JURY TRIAL IN ANY ACTION RELATED TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN THE FRANCHISOR, THE FRANCHISEE, ANY GUARANTOR, AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS.**

17.6.5 Any judicial proceeding directly or indirectly arising from or relating to this Agreement shall be considered unique as to its facts and may not be brought as a class action. You and each of the owners of your Equity Interests waive any right to proceed against us by way of class action.

**17.7 Special Acknowledgments.** You acknowledge the following statements to be true and correct as of the date you sign this Agreement, and to be binding on you.

**17.7.1** You received our Franchise Disclosure Document for prospective franchisees (“FDD”) at least 14 days before signing this Agreement or paying the Initial Fee to us.

**17.7.2** Neither we nor any person acting on our behalf has made any oral or written representation or promise to you on which you are relying to enter into this Agreement that is not written in this Agreement or in the FDD. You release any claim against us or our agents based on any oral or written representation or promise not stated in this Agreement or in the FDD.

**17.7.3** This Agreement, together with the exhibits and schedules attached, is the entire agreement superseding all previous oral and written representations, agreements and understandings of the parties about the Hotel and the Franchise.

**17.7.4** You acknowledge that no salesperson has made any promise or provided any information to you about projected sales, revenues, income, profits or expenses from the Hotel except as stated in Item 19 of the FDD or in a writing that is attached to this Agreement.

**17.7.5** You understand that the franchise relationship is an arms' length, commercial business relationship in which each party acts in its own interest.

**17.7.6** You (including your shareholders, directors and officers), and your affiliates, subsidiaries, respective shareholders, beneficial owners of non-publicly traded shareholders and, to your knowledge, the funding sources for any of the foregoing, are not: (a) identified on the list of “Specially Designated Nationals or Blocked Persons” (“SDNs”) maintained by the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) and are not a Specially Designated National or Blocked Person; (b) are not directly or indirectly owned or controlled by the government of any country that is subject to an embargo or economic or trade sanctions by the United States government; or (c) acting on behalf of a government of any country that is subject to such an embargo. You shall notify us in writing immediately upon the occurrence of any event which would render the foregoing representations and warranties of this Section 17.7.6 incorrect. Notwithstanding anything to the contrary in this Agreement, no assignment of this Agreement, sale of the Hotel or sale of a controlling interest in the franchisee entity shall be made to a Specially Designated National or Blocked Person (as herein defined below) or to an entity in which a Specially Designated National or Blocked Person has an interest. For purposes of this Agreement, “Specially Designated National or Blocked Person” means (i) a person or entity designated by the U.S. Department of Treasury’s Office of Foreign Assets Control from time to time as a “specially designated national or blocked person” or similar status, (ii) a person or entity described in Section 1 of U.S. Executive Order 13224, issued on September 23, 2001 or (iii) a person or entity otherwise identified by government or legal authority as a person with whom we are prohibited from transacting business. As of the Effective Date, a list of such designations and the text of the Executive Order are published under the internet website address [www.ustreas.gov/offices/enforcement/ofac](http://www.ustreas.gov/offices/enforcement/ofac).

**17.7.7** Neither you, nor any general partner, managing member or beneficial owner of the franchisee entity, is or has been (a) a defendant in civil litigation alleging fraud, deceit or similar

claims; (b) convicted of a criminal offense or the subject of a pending criminal proceeding (other than minor traffic offenses); (c) the subject of a petition for protection under any bankruptcy or similar insolvency laws; (d) a defaulting party in a foreclosure proceeding; or (e) the subject of disciplinary action with respect to the suspension or revocation of a professional or gaming license.

**17.7.8** Neither you nor any of your affiliates is (i) a person who is identified by any governmental authority as “unsuitable” to be associated with a gaming facility; (ii) a person who has been denied a gaming license in any jurisdiction as a result of an “unsuitability” or similar determination (for the avoidance of doubt, a person shall not be deemed to be “unsuitable” pursuant to the foregoing solely as a result of a gaming license denial following a competitive bidding or similar process in which the gaming license being pursued was not awarded to such person, provided that such denial was not the result of an “unsuitability” or similar determination made by the applicable governmental authority), or (iii) a person who has been subject to a suspension or revocation of a gaming license in any jurisdiction.

**17.8 Force Majeure.** Neither you nor we shall be liable for loss or damage or deemed to be in breach of this Agreement if the failure to perform obligations results from: (a) windstorms, rains, floods, earthquakes, typhoons, mudslides or other similar natural causes; (b) fires, strikes, embargoes, war, acts of terrorism or riot; (c) legal restrictions that prohibit or prevent performance; or (d) any other similar event or cause beyond the control of the party affected. Any delay resulting from any of such causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, so long as a remedy is continuously and diligently sought by the affected party, except that no such cause shall excuse payment of amounts owed at the time of such occurrence or payment of Recurring Fees and other amounts due to us subsequent to such occurrence other than a governmental or judicial order prohibiting such payments.

**17.9 Protected Territory.** We will not own, operate, lease, manage, franchise or license any party but you to operate a Chain Hotel in the "Protected Territory", defined below, while this Agreement is in effect. We may own, operate, lease, manage, franchise or license anyone to operate any Chain Hotel located anywhere outside the Protected Territory without any restriction or obligation to you. We may grant Protected Territories for other Reverb Hotels that overlap your Protected Territory. While this Agreement is in effect, neither you nor your officers, directors, general partners or owners of 25% or more of your Equity Interests, may own, operate, lease, manage or franchise (i) any guest lodging facility other than the Hotel in the Protected Territory unless we or our affiliate franchises or licenses the facility, and/or (ii) any time share resort, vacation club, residence club, fractional ownership residence, condominium/apartment leasing or rental business, or the like, for any facility or business that shares directly or indirectly, common areas, amenities, recreation facilities, services, supplies or support activities with the Hotel. You will use any information obtained through the Reservation System to refer guests, directly or indirectly, only to Reverb Hotels. This Section does not apply to any Chain Hotel located in the Protected Territory on the Effective Date, which we may renew, relicense, allow to expand, or replace with a replacement Hotel located within the same trading area having not more than 120% of the guest rooms of the replaced Chain Hotel if its franchise with us terminates or is not renewed. You acknowledge that the Protected Territory fairly represents the Hotel's trading area and that there are no express or implied territorial rights or agreements between the parties except as stated in this Section. You irrevocably waive any right to seek or obtain the benefits of any policy we now follow or may in the future follow to notify you about proposed Reverb Hotels in the general area of the Hotel, solicit information about the effect of the proposed Chain Hotel on the revenue or occupancy of the Hotel or decide whether to add the proposed Chain Hotel to the Chain based on the potential effect of the proposed Chain Hotel on the Hotel or its performance. The covenants in this Section are mutually dependent; if you breach this Section, your Protected Territory will be the Location only. The Protected Territory means (describe area).

IN WITNESS WHEREOF, the parties have executed this Agreement on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ and agree to be bound by the terms and conditions of this Agreement as of the Effective Date.

**WE**, as franchisor

\_\_\_\_\_

By: \_\_\_\_\_  
Vice President

**YOU**, as franchisee:

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

**[INTENTIONALLY LEFT BLANK]**

## APPENDIX A

### DEFINITIONS

Additional Fees has the meaning given to such term in Section 7.1.2.

Agreement means this Franchise Agreement.

Application Fee means the fee you pay when you submit your Application under Section 6.

Approved Plans means your plans and specifications for constructing or improving the Hotel initially or after opening, as approved by us under Schedule D.

Audit Fee has the meaning given to such term in Section 4.8.

Basic Reservation Fee means the fees set forth in Section 7.1.2 and Schedule C, as modified in accordance with this Agreement for reservation services and other charges.

Casualty means destruction or significant damage to the Hotel by act of God or other event beyond your reasonable anticipation and control.

Chain means the network of Reverb Hotels.

Chain Hotel means a lodging facility we own, lease, manage, operate or authorize another party to operate using the System and identified by the Marks.

Condemnation means the taking of the Hotel for public use by a government or public agency legally authorized to do so, permanently or temporarily, or the taking of such a substantial portion of the Hotel that continued operation in accordance with the System Standards, or with adequate parking facilities, is commercially impractical, or if the Hotel or a substantial portion is sold to the condemning authority in lieu of condemnation.

Confidential Information means any trade secrets we own or protect and other proprietary information not generally known to the lodging industry including confidential portions of the System Standards Manual or information we otherwise impart to you and your representatives in confidence. Confidential Information includes the "Standards of Operation and Design Manual" and all other System Standards manuals and documentation, including those on the subjects of employee relations, finance and administration, field operation, purchasing and marketing, the Reservation System software and applications software.

Design Standards mean standards specified in the System Standards Manual from time to time for design, construction, renovation, modification and improvement of new or existing Reverb Hotels, including all aspects of facility design, number of rooms, rooms mix and configuration, construction materials, workmanship, finishes, electrical, mechanical, structural, plumbing, HVAC, utilities, access, life safety, parking, systems, landscaping, amenities, interior design and decor and the like for a Chain Hotel.

Directory means any general purpose directory we issue, whether printed, web-based, or issued in another medium, which may list the names and addresses of Reverb Hotels in the United States, and at our discretion, other System facilities located outside the United States, Canada and Mexico.

Effective Date means the date we insert in the Preamble of this Agreement after we sign it.

Equity Interests shall include, without limitation, all forms of equity ownership of you, including voting stock interests, partnership interests, limited liability company membership or ownership interests, joint and tenancy interests, the proprietorship interest, trust beneficiary interests and all options, warrants, and instruments convertible into such other equity interests.

Equity Transfer means any transaction in which your owners or you sell, assign, transfer, convey, pledge, or suffer or permit the transfer or assignment of, any percentage of your Equity Interests that will result in a change in control of you to persons other than those disclosed on Schedule B, as in effect prior to the transaction. Unless there are contractual modifications to your owners' rights, an Equity Transfer of a corporation or limited liability company occurs when either majority voting rights or beneficial ownership of more than 50% of the Equity Interests changes. An Equity Transfer of a partnership occurs when a newly admitted partner will be the managing, sole or controlling general partner, directly or indirectly through a change in control of the Equity Interests of an entity general partner. An Equity Transfer of a trust occurs when either a new trustee with sole investment power is substituted for an existing trustee, or a majority of the beneficiaries convey their beneficial interests to persons other than the beneficiaries existing on the Effective Date. An Equity Transfer does not occur when the Equity Interest ownership among the owners of Equity Interests on the Effective Date changes without the admission of new Equity Interest owners. An Equity Transfer occurs when you merge, consolidate or issue additional Equity Interests in a transaction which would have the effect of diluting the voting rights or beneficial ownership of your owners' combined Equity Interests in the surviving entity to less than a majority.

Hotel means the Location, together with all improvements, buildings, common areas, structures, appurtenances, facilities, entry/exit rights, parking, amenities, FF&E and related rights, privileges and properties existing or to be constructed at the Location on or after the Effective Date.

FF&E means furniture, fixtures and equipment.

FF&E Standards means standards specified in the System Standards Manual for FF&E and supplies to be utilized in a Chain Hotel.

Food and Beverage means any restaurant, catering, bar/lounge, entertainment, room service, retail food or beverage operation, continental breakfast, food or beverage concessions and similar services offered at the Hotel.

Food and Beverage Fee has the meaning given to such term in Section 7.1.3.

Food and Beverage Revenues means gross revenues attributable to or payable from the sale of Food and Beverage.

Franchise means the non-exclusive franchise to operate the type of Chain Hotel described in Schedule B only at the Location, using the System and the Mark we designate in Section 1.

Franchisee Internet Site has the meaning given to such term in Section 15.6.

Franchise Year means:

(i) *If the Opening Date occurs on the first day of a month:* the period beginning on the Opening Date and ending on the day immediately preceding the first anniversary of the Opening Date, and each subsequent one year period; or

(ii) *If the Opening Date does not occur on the first day of a month:* the period beginning on the Opening Date and ending on the first anniversary of the last day of the month in which the Opening Date occurs, and each subsequent one year period.

Gross Room Revenues means gross revenues attributable to or payable for rentals of guest rooms at the Hotel, including all credit transactions, whether or not collected, but excluding separate charges to guests for Food and Beverage, room service, telephone charges, key forfeitures and entertainment; vending machine receipts; and federal, state and local sales, occupancy and use taxes.

Improvement Obligation means your obligation to either (i) renovate and upgrade the Hotel, or (ii) construct and complete the Hotel, in accordance with the Approved Plans and System Standards, as described in Schedule D.

Indemnitees means us, our direct and indirect parent, subsidiary and sister corporations, and the respective officers, directors, shareholders, employees, agents and contractors, and the successors, assigns, personal representatives, heirs and legatees of all such persons or entities.

Initial Fee means the fee you are to pay for signing this Agreement as stated in Section 6, if the Agreement is for a new construction or conversion franchise.

Interest has the meaning given to such term in Section 7.3.

Internet Site has the meaning given to such term in Section 15.6.

Liquidated Damages means the amounts payable under Section 12, set by the parties because actual damages will be difficult or impossible to ascertain on the Effective Date and the amount is a reasonable pre-estimate of the damages that will be incurred and is not a penalty.

Location means the parcel of land situated at <<Hotel\_Address>>, as more fully described in Schedule A.

Losses and Expenses means (x) all payments or obligations to make payments either (i) to or for third party claimants by any and all Indemnitees, including guest refunds, or (ii) incurred by any and all Indemnitees to investigate, respond to or defend a matter, including without limitation investigation and trial charges, costs and expenses, attorneys' fees, experts' fees, court costs, settlement amounts, judgments and costs of collection; and (y) the "Returned Check Fee" we then specify in the System Standards Manual (\$20.00 on the Effective Date) if the drawee dishonors any check that you submit to us.

Maintenance Contribution has the meaning given to such term in Section 4.2.

Maintenance Standards means the standards specified from time to time in the System Standards Manual for repair, refurbishment and replacement of FF&E, finishes, decor, and other capital items and design materials in Reverb Hotels.

Marketing Contribution means the fee you pay to us under Section 7.1.2 and Schedule C, as amended, for advertising, marketing, training and other services.

Marks means, collectively (i) the service marks associated with the System published in the System Standards Manual from time to time including, but not limited to, the name, design and logo for "Reverb" and other marks (U.S. Reg. Nos. \_\_\_\_\_) and (ii) trademarks, trade names, trade dress, logos and derivations, and associated good will and related intellectual property interests.

Marks Standards means standards specified in the System Standards Manual for interior and exterior Mark-bearing signage, advertising materials, china, linens, utensils, glassware, uniforms, stationery, supplies, and other items, and the use of such items at the Hotel or elsewhere.

Merchandise means any merchandise and retail items that are offered for sale at or from the Hotel. You may not offer any Merchandise for sale at or from the Hotel that we have not previously approved in writing.

Merchandise Fee has the meaning given to such term in Section 7.1.2.

Merchandise Revenues means gross revenues attributable to or payable from the sale of Merchandise.

Minor Renovation means the repairs, refurbishing, repainting, and other redecorating of the interior, exterior, guest rooms, public areas and grounds of the Hotel and replacements of FF&E we may require you to perform under Section 3.14.

Minor Renovation Ceiling Amount means \$3,000.00 per guest room.

Minor Renovation Notice means the written notice from us to you specifying the Minor Renovation to be performed and the dates for commencement and completion given under Section 3.14.

Opening Date has the meaning specified in Schedule D.

Operations Standards means standards specified in the System Standards Manual for cleanliness, housekeeping, general maintenance, repairs, concession types, food and beverage service, vending machines, uniforms, staffing, employee training, guest services, guest comfort and other aspects of lodging operations.

Permitted Transferee means (i) any entity, natural person(s) or trust receiving from the personal representative of an owner any or all of the owner's Equity Interests upon the death of the owner, if no consideration is paid by the transferee or (ii) the spouse or adult issue of the transferor, if the Equity Interest transfer is accomplished without consideration or payment, or (iii) any natural person or trust receiving an Equity Interest if the transfer is from a guardian or conservator appointed for an incapacitated or incompetent transferor.

Probity Investigation has the meaning given to such term in Section 9.7.

Protected Territory has the meaning given to such term in Section 17.9.

Prototype Plans has the meaning specified in Schedule D for New Construction Facilities.

Punch List means the list of upgrades and improvements attached as part of Schedule D, which you are required to complete under Section 3.1 and Schedule D.

Recurring Fees means fees paid to us on a periodic basis, including without limitation, Royalties, Food and Beverage Fees, Merchandise Fees, Services Assessment Fees, and other reservation fees and charges as stated in Section 7.

Relicense Fee means the fee your transferee pays to us when a Transfer occurs or the fee you pay to us if you are renewing an existing franchise.

Reinspection Fee means the fee you must pay to us under Section 3.7 if you do not complete your Punch List on time, fail any inspection or do not cooperate with our inspector or inspection System Standards.

Reservation System or "Central Reservation System" means the system for offering to interested parties, booking and communicating guest room reservations for Reverb Hotels described in Section 4.2.

Reservation System Set-up Fee has the meaning given to such term in Section 4.2.

RENA means the Reverb National Association.

Reverb Internet Site has the meaning given to such term in Section 15.6.

Rooms Addition Fee means the fee we charge you for adding guest rooms to the Hotel.

Royalty means the monthly fee you pay to us for use of the System under Section 7.1.1. "Royalties" means the aggregate of all amounts owed as a Royalty.

Sales Referral Program means our Sales Referral Program included in the System Standards Manual, as such program may be modified or amended from time to time by us in accordance with this Agreement. Under the Sales Referral Program, we provide lead generation for bookings at the Hotel, and you provide lead generation for bookings at other Reverb Hotels.

Service Interruption Fee means the fee you pay us when we suspend Central Reservation Service because you default under this Agreement, in the amount specified in Schedule C.

Services Assessment Fees means the assessments charged as set forth in Section 7.1.4.

System means the comprehensive system for providing guest lodging facility services under the Marks as we specify which at present includes only the following: (a) the Marks; (b) other intellectual property, including Confidential Information, System Standards Manual and know-how; (c) marketing, advertising, publicity and other promotional materials and programs; (d) System Standards; (e) training programs and materials; (f) quality assurance inspection and scoring programs; and (g) the Reservation System.

System Standards means the standards for participating in the System published in the System Standards Manual, including but not limited to Design Standards, FF&E Standards, Marks Standards, Operations Standards, Technology Standards and Maintenance Standards and any other standards, policies, rules and procedures we promulgate about System operation and usage.

System Standards Manual means the Standards of Operation and Design Manual and any other manual we publish or distribute specifying the System Standards.

Taxes means the amounts payable under Section 7.2 of this Agreement.

Technical Services has the meaning given to such term in Section 4.9.

Technical Services Fees has the meaning given to such term in Section 4.9.

Technology Standards means standards specified in the System Standards Manual for local and long distance telephone communications services, telephone, telecopy and other communications systems, point of sale terminals and computer hardware and software for various applications, including, but not limited to, front desk, rooms management, records maintenance, marketing data, accounting, budgeting and interfaces with the Reservation System to be maintained at the Reverb Hotels.

Term means the period of time during which this Agreement shall be in effect, as stated in Section 5.

Termination means a termination of this Agreement.

Total Revenues means the sum of Gross Room Revenues, Food and Beverage Revenues and Merchandise Revenues.

Transfer means (1) an Equity Transfer, (2) you assign, pledge, transfer, delegate or grant a security interest in all or any of your rights, benefits and obligations under this Agreement, as security or otherwise without our consent as specified in Section 9, (3) you assign (other than as collateral security for financing the Hotel) your leasehold interest in (if any), lease or sublease all or any part of the Hotel to any third party, (4) you engage in the sale, conveyance, transfer, or donation of your right, title and interest in and to the Hotel, (5) your lender or secured party forecloses on or takes possession of your interest in the Hotel, directly or indirectly, or (6) a receiver or trustee is appointed for the Hotel or your assets, including the Hotel. A Transfer does not occur when you pledge or encumber the Hotel to finance its acquisition or improvement, you refinance it, or you engage in a Permitted Transferee transaction.

"You" and "Your" means and refers to the party named as franchisee identified in the first paragraph of this Agreement and its Permitted Transferees.

"We", "Our" and "Us" means and refers to Hard Rock Hotel Licensing, Inc., a Florida corporation, its successors and assigns.

**SCHEDULE A**

**(Legal Description of Hotel)**

**SCHEDULE B**

PART I:           YOUR OWNERS:

<u>Name</u>	<u>Ownership Percentage</u>	<u>Type of Equity Interest</u>	<u>Office Held (Title)</u>
-------------	---------------------------------	------------------------------------	----------------------------

PART II:                   THE FACILITY:

Primary designation of Hotel: **Reverb**

Number of approved guest rooms:

Parking facilities (number of spaces, description):

Other amenities, services and facilities:

PART III:           GUARANTORS:

Name

\_\_\_\_\_  
Initial

## **SCHEDULE C**

**(Date)**

### **I. Services Assessment Fee**

The Services Assessment Fee consists of the “Marketing Contribution” and the “Basic Reservation Fee.” The Marketing Contribution is the amount that we specify from time to time (not to exceed 2% of Gross Room Revenues); the Basic Reservation Fee is 3% of Gross Room Revenues. The Services Assessment Fee is subject to change for all Reverb Hotels, and new fees and charges may be assessed for new services, but only upon the recommendation of the Executive Committee of and our approval.

2.

### **II. Additional Fees**

#### **A. Loyalty Program Charges**

You must participate in all loyalty, special marketing and frequent traveler programs that we establish from time to time. These programs and the fees associated with these programs are subject to change. You must pay your fair share of the cost of system-wide programs and other marketing initiatives now existence or developed in the future, including, without limitation, Hard Rock Rewards and other frequent travel programs, market initiatives or other programs that we may develop. These fees and costs would be in addition to the marketing fund fees you are required to pay us.

Currently, we require that you participate in our guest recognition rewards program that is affiliated with certain “Reverb” branded facilities. You must purchase certain equipment to install at your Hotel in connection with the rewards program as required by the System Standards Manual. In addition, you must obtain software licenses from third parties as specified in the System Standards Manual at your cost in order to participate in the rewards program. Under the current version of the program, you are not required to make any contributions to the rewards program based on purchases made by Hard Rock Rewards members.

We reserve the right to change terms of the program, the costs and redemption reimbursement amounts, the calculation factors and the required equipment and software licenses at any time. We also may require you to participate in other special marketing programs or frequent traveler programs, and you must pay any fees and purchase any equipment that we require to participate in in these programs.

#### **B. Guest Services Assessment**

We will contact you if we receive any guest complaint about you or the Hotel, and you will be responsible for resolving the complaint to the satisfaction of the guest. If you do not resolve any complaint within 7 business days after we refer it to you and the guest contacts us again to seek resolution, we will charge you a “Guest Services Assessment” of \$100.00, plus the costs we incur to settle the matter with the guest. The Guest Services Assessment Fee is intended only to reimburse us for the costs of complaint handling and is not intended as a penalty or liquidated damages. All guest complaints remain subject to indemnification under this Agreement.

**C. Service Interruption Fee**

If we suspend Central Reservation System Service because of your default under this Agreement, then you must pay us a Service Interruption Fee of \$200 before we restore service. If we must reactivate your service three or more times in any 12 month period, the Service Interruption Fee will be increased to \$500.

**D. Travel Agent Commissions and Other Distribution Charges**

In addition to the Basic Reservation Fee and Reservation Set-up Fee, you will also pay all travel agent commissions generated through the Reservation System for reservations at the Hotel within 10 days after receipt of an invoice for these commissions. Third parties not affiliated with us or HRC (for example, Expedia or Hotels.com) may impose fees in connection with the bookings made through the Reservation System and any such third party fees, expenses or commissions are in addition to, and not included within, the Basic Reservation Fee or Reservation Set-up Fee. You are solely responsible for payment of telecommunications costs and long distance carrier costs incurred in connection with “CRO” generated bookings. “CRO” refers to any of the offices of Hard Rock Cafe International (USA), Inc., including, without limitation, any central reservations system or “800” number established by Hard Rock Cafe International (USA), Inc., through which reservations are processed by voice operators. The Hotel’s property management system vendor may impose additional fees and require you to obtain certain licenses in order to establish a two-way interface with the Reservation System. If additional customization is required in connection with the set-up of the Reservation System for your Hotel, you must reimburse HRC for all costs incurred by HRC to meet the additional scope of work required for such customization. Any of the foregoing third party fees, expenses or commissions are in addition to and not included with the Basic Reservation Fees and the Reservation Set-up Fee.

We may change, modify or delete Additional Fees for existing services and programs and add new Additional Fees for new services and programs at any time upon not less than 30 days written notice.

**SCHEDULE D**  
**ADDENDUM FOR CONVERSION FACILITIES**

This Addendum applies if you are converting an existing guest lodging facility to a Reverb Hotel.

**1. YOUR IMPROVEMENT OBLIGATION:**

**1.1 Improvements.** You must select and acquire the Location and acquire, equip and supply the Hotel in accordance with System Standards. You must provide us with proof that you own or lease the Hotel before or within 30 days after the Effective Date. You must begin renovation of the Hotel no later than thirty (30) days after the Effective Date. The deadline for completing the pre-opening phase of conversion and the renovations specified on any Punch List attached to this Schedule D is ninety (90) days after the Effective Date. All renovations will comply with System Standards, any Approved Plans and the Punch List. Your general contractor or you must carry the insurance required under this Agreement during renovation. You must complete the pre-opening renovation specified on the Punch List before we consider the Hotel to be ready to open under the System. You must continue renovation and improvement of the Hotel after the Opening Date if the Punch List so requires. We may, in our discretion, require you to place funds in escrow, at your expense, in order to complete all necessary renovations. We may, in our sole discretion, terminate this Agreement by giving written notice to you (subject to applicable law) if (1) you do not commence or complete the pre-opening or post-opening improvements of the Hotel by the dates specified in this Section, or (2) you prematurely identify the Hotel as a Chain Hotel or begin operation under the System name described in Schedule B in violation of Section 1.3 below and you fail to either complete the pre-opening Improvement Obligation or cease operating and/or identifying the Hotel under the Marks and System within five days after we send you written notice of default. Time is of the essence for the Improvement Obligation. We may, however, in our sole discretion, grant one or more extensions of time to perform any phase of the Improvement Obligation. You will pay us a non-refundable extension fee of \$2.00 per room for each day of any extension of the deadline for completing pre-opening improvements. This fee will be payable to us after each 30 days of the extension. You will pay us the balance of the extension fee outstanding when the Hotel opens under the System 10 days after the Opening Date. You must also pay us the Reinspection Fee described in Section 3.7 if you fail to complete any Improvement Obligation by the deadline established in the Punch List and our representatives must return to the Hotel to inspect it. We may grant you an extension of time to complete the items on your Punch List in our sole discretion. The grant of an extension to perform your Improvement Obligation will not waive any other default existing at the time the extension is granted.

**1.2 Improvement Plans.** You will create plans and specifications for the work described in Section 1.1 of this Schedule D (based upon the System Standards and this Agreement) if we so request and submit them for our approval before starting improvement of the Location. We will not unreasonably withhold or delay our approval, which is intended only to test compliance with System Standards, and not to detect errors or omissions in the work of your architects, engineers, contractors or the like. Our review does not cover technical, architectural or engineering factors, or compliance with federal, state or local laws, regulations or code requirements. We will not be liable to your lenders, contractors, employees, guests, others or you on account of our review or approval of your plans, drawings or specifications, or our inspection of the Hotel before, during or after renovation or construction. Any material variation from the Approved Plans requires our prior written approval. We may offer to provide you or your architect with interior design or other prototypes. If you decline to utilize such prototype(s) in developing the Hotel, we may charge you a fee for reviewing your custom plans and designs. We may offer other optional architectural and design services for a separate fee, which will not exceed \$100,000. You will promptly provide us with copies of permits, job progress reports, and other information as we may reasonably request. We may inspect the work while in progress without prior notice.

**1.3 Pre-Opening.** You may identify the Hotel as a Chain Hotel prior to the Opening Date, or commence operation of the Hotel under a Mark and using the System, only after first obtaining our approval or as permitted under and strictly in accordance with the System Standards Manual. If you identify the Hotel

as a Chain Hotel or operate the Hotel under a Mark before the Opening Date without our express written consent, then in addition to our remedies under Section 1.1 of this Schedule D and Sections 11.2 and 11.4 of the Agreement, you will begin paying the Royalty to us, as specified in Section 7.1, from the date you identify or operate the Hotel using the Mark. We may delay the Opening Date until you pay the Royalty accruing under this Section.

## **2. DEFINITIONS:**

Opening Date means the date on which we authorize you to open the Hotel for business identified by the Marks and using the System.

**SCHEDULE D**  
**ADDENDUM FOR CONVERSION FACILITIES**

This Addendum applies if you are constructing a new Reverb Hotel.

**1. YOUR IMPROVEMENT OBLIGATION:**

**1.1 Improvements.** You will select and acquire the Location and acquire, design, construct, equip and supply the Hotel in accordance with Approved Plans, Schedule D and System Standards. You will provide proof of ownership or a ground lease of the Location before or within 30 days after the Effective Date. You will commence construction of the Hotel within 180 days after the Effective Date or 90 days after we deliver the Prototype Plans, whichever is later, and complete construction and properly, deliver the certification as described in Section 1.2(b) in a period after the Effective Date that is no later than (i) eighteen months if the Hotel is to have 100 or fewer guest rooms, or (ii) twenty months if the Hotel is to have more than 100 guest rooms. Your general contractor or you must carry the insurance required under this Agreement during construction. We may, at our option, terminate this Agreement by written notice to you if you do not meet these deadlines. We may, in our sole discretion, grant extensions of time to perform any phase of the Improvement Obligation. You will pay us an extension fee equal to \$2.00 times the number of guest rooms in the Hotel for each day of any extension of the deadline for opening the Hotel. This Fee will be payable to us after each 30 days of the extension. You will pay us any extension fee outstanding when the Hotel opens 10 days after the Opening Date. The Initial Fee described in Section 6 is not refundable. Construction commences, for purposes of this Section, when all of the following occur: (x) We approve a site plan, completed working drawings and detail specifications for the Hotel; (y) Governmental permits are issued to commence foundation construction; and (z) You commence pouring concrete for building footings.

**1.2 Improvement Plans.** (a) Your architect and you will create construction documents (including a project manual and working drawings) for the Hotel based upon the System Standards and this Agreement (particularly Schedule D), and then submit them for our approval before starting improvement of the Location. We may, upon your request and subject to availability, provide your designated architect with a set of "Prototype Plans" for a Chain Hotel which your architect can use for creating the construction documents. To receive the Prototype Plans, your architect must sign and return to us the Prototype Plans Agreement attached as Exhibit A. If we offer to provide you with interior design or other prototypes and you decline to utilize them in developing the Hotel, we may charge you a fee for reviewing your custom plans and designs. We may offer other optional architectural and design services for a separate fee, which will not exceed \$100,000. Your architect must certify to us and to you that the Hotel's plans and specifications comply with the design requirements of the Americans with Disabilities Act ("ADA"), the Department of Justice Standards for Accessible Design ("ADAAG") under that Act, and all codes that apply using the form of certificate in Exhibit B. We will not unreasonably withhold or delay our approval, which is intended only to test compliance with System Standards, and not to detect errors or omissions in the work of your architects, engineers, contractors or the like, who must exercise their own independent professional care, skill and diligence in the design and construction of your Hotel. Our review does not cover technical, architectural or engineering factors relating to the Location, or compliance with federal, state or local laws, regulations or code requirements, for which your architect is responsible. You must allow for 10 days of our review each time you submit Plans to us. We will not be liable to your lenders, contractors, employees, guests, others, or you on account of our review or approval of your plans, drawings or specifications, or our visitation to the Hotel before, during or after construction or any subsequent renovation. Any material variation from the Approved Plans requires our prior written approval. We may, in our discretion, charge a reasonable fee if changes are made to the Approved Plans after final approval. You will promptly provide us with copies of permits, job progress reports, and other information as we may reasonably request. We may visit the Hotel and observe the work while in progress without prior notice. We may direct you to change the work in progress if it deviates from the Approved Plans or System Standards. We may terminate this Agreement if you fail to comply with any such direction. If we provide your architect with a set of Prototype Plans, your contractor, architect and you must meet with our representatives at your office or in a nearby hotel meeting room to discuss the Approved Plans, the timetable for construction, change order approval, our limited

oversight and inspection roles and completion requirements. You will not commence construction of the Hotel until this meeting occurs.

(b) Before we authorize you to open the Hotel, you must complete and submit the Certification of ADA Compliance in the form attached to Exhibit B (the "Certification"). You must complete the Certification per its instructions and submit it to us only after it has been signed by your general contractor, your architect of record or a consulting architect you hire for the Certification. If you cannot obtain the signature of the contractor or such an architect for the Certification, you must sign the Franchisee's Certification of Compliance on the signature page of the Certification. The Certification contains a checklist of ADA related matters that you must address in developing and completing the Hotel. If we determine that the Certification has not been properly completed, or if we have actual knowledge (not constructive or implied knowledge) that the signatures on the Certification are false or fraudulent, we will return the Certification to you with written notice that we will not permit you to open the Hotel for business under the System until we receive a properly completed Certification. We may terminate this Agreement under Section 1.1 of this Schedule D or Section 11 if you do not submit the Certification properly completed before you open the Hotel under the System, you fail to meet the deadline for completing the Hotel specified in Section 1.1 because you do not submit a properly completed Certification, or if you submit a false or fraudulent Certification. We will delay the Opening Date until you submit the properly completed Certification. We shall not be liable to you or any third party if the Certification is improperly completed or the Hotel is not built or operated in compliance with ADA.

(c) Before we authorize you to open the Hotel, you must furnish us with information about the construction costs of the Hotel by providing a copy of your contractor's application for payment on AIA form G702 and G703 or other documentation reasonably acceptable to us. We will use this information, along with similar information obtained from other franchisees, to more accurately project the cost of developing new construction Facilities in the United States, which we are required to disclose in our Franchise Disclosure Document for new franchisees. We will not disclose outside of our organization or our consultants any information you give to us in a manner which would enable other franchisees or persons to determine your costs for constructing your Hotel.

**1.3 Pre-Opening.** You may identify the Hotel as a Chain Hotel prior to the Opening Date, or commence operation of the Hotel under a Mark and using the System, only after first obtaining our approval, or as permitted under and strictly in accordance with the System Standards Manual. You may not open the Hotel until it passes our completion inspection, at which we determine that the Hotel as built meets our Standards, and we receive from you and your architect or contractor the certification in the form attached as Exhibit B stating that the Hotel as built conforms to the Approved Plans and the design requirements of ADA, ADAAG and all applicable codes. If the Hotel fails the inspection you designate as the completion inspection and does not meet our Standards and conform to the Approved Plans, then you must reimburse us for the actual, reasonable costs (travel, lodging, meals) of every additional inspection we perform before the Opening Date, including the inspection that results in authorizing the Hotel's opening.

## **2. DEFINITIONS:**

Opening Date means the date on which we authorize you to open the Hotel for business identified by the Marks and using the System.

Prototype Plans means the prototype documents reflecting the overall design intent, FF&E, and color schemes for a Chain Hotel, that we deliver to you after the Effective Date. The Prototype Plans are not appropriate for a specific Hotel.

**SCHEDULE E**  
**FORM OF MANAGER'S ACKNOWLEDGEMENT**

This Manager Acknowledgment ("Manager Acknowledgement") is executed as of \_\_\_\_\_, 201\_\_\_\_, by and among \_\_\_\_\_, a \_\_\_\_\_ ("Manager"), \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee"), and HARD ROCK HOTEL LICENSING, INC., a Florida corporation ("Franchisor").

WHEREAS, Manager has entered into an agreement ("Management Agreement") with Franchisee, pursuant to which Manager will operate that certain Reverb Hotel located at \_\_\_\_\_ (the "Hotel"), in accordance with the terms and conditions of that certain Reverb Franchise Agreement dated \_\_\_\_\_, 20[ ] (as such agreement may be amended, supplemented, restated or otherwise modified, the "Franchise Agreement") between Franchisor and Franchisee; and

WHEREAS, Franchisee has requested that Franchisor approve Manager to operate the Hotel in accordance with the Franchise Agreement.

NOW, THEREFORE, in consideration of the mutual undertakings and benefits to be derived herefrom, the receipt and sufficiency of which are acknowledged by each of the parties hereto, it is hereby agreed as follows:

1. Franchisor's Consent. Franchisor hereby consents to the operation of the Hotel by Manager during the term of the Franchise Agreement on behalf of and subject to the control of Franchisee with respect to and in accordance with the terms and conditions of the Franchise Agreement, subject to and upon the terms and conditions set forth below. Franchisor's consent granted in the immediately preceding sentence shall terminate contemporaneously with any termination of the Franchise Agreement without notice to Manager; provided that the duties and obligations of Manager that by their nature or express language survive such termination, including, without limitation, Sections 3.b. and c. below, shall continue in full force and effect notwithstanding the termination of the Franchise Agreement.

2. Manager Representations and Covenants. Manager represents and warrants to Franchisor that:

a. Manager is not in control of or controlled by persons who have been convicted of any felony or a crime involving moral turpitude, or been convicted of any other crime or offense or committed any acts, or engaged in any conduct that is reasonably likely to have an adverse effect on the Hotel System, the Marks, the goodwill associated therewith, or Franchisor's interests therein;

b. neither Manager nor any affiliate of Manager is a Competitor;

c. the Management Agreement is valid, binding and enforceable; contains no terms, conditions, or provisions that are, or through any act or omission of Franchisee or Manager, may be or may cause a breach of or default under the Franchise Agreement; and is for a term of not less than ten (10) years; and

d. neither Manager nor any Affiliate of Manager is a person or entity with whom United States persons are prohibited from transacting business.

For purposes of this Manager Acknowledgment, a "Competitor" any person that, at any time during the term, whether directly or through an affiliate, owns in whole or in part, or is the licensor or franchisor of, a Competing Brand, irrespective of the number of hotels owned, licensed or franchised under such Competing Brand name. The parties acknowledge that a person is not deemed to be a Competitor solely because the person (a) is a franchisee of a Competing Brand, (b) manages a Competing Brand hotel, so long as the individual or entity is not the exclusive manager of the Competing Brand, or (c) owns a minority interest in a Competing Brand, so long as neither the person nor any of its affiliates is an officer, director, employee, or affiliate of the Competing Brand, provides services (including as a consultant) to the Competing Brand, or exercises, or has the right to exercise, control over the business decisions of the Competing Brand. A "Competing Brand" means any upscale hotel brand or trade name or any other hotel

brand or trade name that, in Franchisor's sole judgment, competes with the Hotel System or with any Reverb Hotel.

3. Manager and Franchisee Acknowledgements. Manager and Franchisee covenant and agree to the following:

a. Manager shall have the exclusive authority and responsibility for the management of the Hotel on behalf of and subject to the control of Franchisee with respect to and in accordance with the terms and conditions of the Franchise Agreement. The general manager of the Hotel shall devote his or her full time and attention to the management and operation of the Hotel and shall have successfully completed Franchisor's management training program as required under the Franchise Agreement;

b. The Hotel will be operated in strict compliance with the requirements of the Franchise Agreement, and Manager will observe fully and be bound by all terms, conditions and restrictions regarding the management and operation of the Hotel set forth in the Franchise Agreement, including those related to Confidential Information and the Marks, as if and as though Manager had executed the Franchise Agreement as "Franchisee," provided that Manager obtains no rights under the terms of the Franchise Agreement except as specifically set forth herein. Manager shall comply with all applicable Laws, rules, and regulations, and shall obtain in a timely manner all permits, certificates, and licenses necessary for the full and proper operation of the Hotel;

c. Franchisor may enforce directly against Manager all terms and conditions in the Franchise Agreement regarding the Franchise during and subsequent to Manager's tenure as operator of the Hotel;

d. Any default under the terms and conditions of the Franchise Agreement caused wholly or partially by Manager shall constitute a default under the terms and conditions of the Management Agreement, for which Franchisee shall have the right to terminate the Management Agreement;

e. Franchisee and Manager shall not modify or amend the Management Agreement in such a way as to create a conflict or other inconsistency with the terms and conditions of the Franchise Agreement or this Manager Acknowledgment;

f. Except in extraordinary circumstances, such as theft or fraud on the part of Manager or a default by Franchisee under the Franchise Agreement caused by Manager for which Franchisee needs to promptly remove Manager from the Hotel, the Management Agreement shall not be terminated or permitted to expire without at least thirty (30) days' prior written notice to Franchisor; and

g. Franchisor shall have the right to communicate directly with Manager and the managers at the Hotel regarding day-to-day operations of the Hotel and such communications shall be deemed made to Franchisee because Manager and the managers at the Hotel are acting on behalf of Franchisee and Manager as their agents and Franchisor shall have the right to rely on the instructions of such managers as to matters relating to the operation and promotion of the Hotel.

4. Existence and Power. Manager and Franchisee each represents and warrants with respect to itself that (i) it is a legal entity duly formed, validly existing, and in good standing under the laws of the jurisdiction of its formation, (ii) it has the ability to perform its obligations under this Manager Acknowledgment and under the Management Agreement, and (iii) it has all necessary power and authority to execute and deliver this Manager Acknowledgment.

5. Authorization; Contravention.

a. Manager and Franchisee each represents and warrants with respect to itself that the execution and delivery of this Manager Acknowledgment and the performance by Manager and Franchisee of its respective obligations hereunder and under the Management Agreement: (i) have been duly authorized by all necessary action; (ii) do not require the consent of any third parties (including lenders) except for such consents as have been properly obtained; and (iii) do not and will not contravene, violate, result in a breach of, or constitute a default under (a) its certificate of formation, operating agreement, articles of incorporation, by-laws, or other governing documents, (b) any regulation of any

governmental body or any decision, ruling, order, or award by which each may be bound or affected, or (c) any agreement, indenture or other instrument to which each is a party; and

1. b. Manager represents and warrants to Franchisor that neither Manager (including, without limitation, any and all of its directors and officers), nor any of its affiliates or the funding sources for either is a Specially Designated National or Blocked Person (as defined in the Franchise Agreement). Neither Manager nor any affiliate of Manager is directly or indirectly owned or controlled by the government of any country that is subject to an embargo by the United States government. Neither Manager nor any affiliate of Manager is acting on behalf of a government of any country that is subject to such an embargo. Manager further represents and warrants that it is in compliance with any applicable anti-money laundering law, including, without limitation, the USA Patriot Act. Manager agrees that it will notify Franchisor in writing immediately upon the occurrence of any event which would render the foregoing representations and warranties of this Section 5.b. incorrect.

6. Controlling Agreement. If there are conflicts between any provision(s) of the Franchise Agreement and this Manager Acknowledgment on the one hand and the Management Agreement on the other hand, the provision(s) of the Franchise Agreement and this Manager Acknowledgment shall control.

7. No Release. This Manager Acknowledgment shall not release or discharge Franchisee from any liability or obligation under the Franchise Agreement, and Franchisee shall remain liable and responsible for the full performance and observance of all of the provisions, covenants, and conditions set forth in the Franchise Agreement.

8. Limited Consent. Franchisor's consent to Manager operating the Hotel is personal to Manager, and this Manager Acknowledgment is not assignable by Franchisee or Manager. If there is a change in control of Manager or if Manager becomes, is acquired by, comes under the control of, or merges with or into a Competitor, or if there is a material adverse change to the financial status or operational capacity of Manager, Franchisee shall promptly notify Franchisor of any such change and Manager shall be subject to approval under the Franchise Agreement as a new operator of the Hotel.

9. Defined Terms. Unless specifically defined herein, all capitalized terms used in this Manager Acknowledgment shall have the same meanings set forth in the Franchise Agreement.

10. Counterparts. This Manager Acknowledgment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which, when taken together, shall constitute one and the same instrument. Delivery of an executed signature page to this Manager Acknowledgment by facsimile transmission shall be effective as delivery of a manually signed counterpart of this Manager Acknowledgment.

11. Governing Law. This Manager Acknowledgment shall be construed in accordance with the laws of the State of Florida without regard to the conflict of laws principles thereof, and contains the entire agreement of the parties hereto. Manager hereby submits itself to the non-exclusive jurisdiction of the courts of the State of Florida, United States of America, in any suit, action, or proceeding arising, directly or indirectly, out of or relating to this Manager Acknowledgment; and so far as is permitted under applicable law, this consent to personal jurisdiction shall be self-operative.

12. Manager's Address. Manager's mailing address is \_\_\_\_\_. Manager agrees to provide written notice to both Franchisee and Franchisor if there is any change in Manager's mailing address.

13. IN ANY LITIGATION BETWEEN THE PARTIES FOUNDED UPON OR ARISING FROM THIS MANAGER ACKNOWLEDGMENT OR THE LICENSE AGREEMENT, THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL, AND THE PARTIES HEREBY STIPULATE THAT ANY SUCH TRIAL SHALL OCCUR WITHOUT A JURY.

14. Indemnity. Manager shall Indemnify Franchisor and its Affiliates and all of their respective shareholders, directors, officers, employees, agents and representatives from and against any and all claims, actions, proceedings, costs, damages, and liabilities, including, without limitation, reasonable attorney's fees, court and arbitration costs, and costs of investigation (whether pre-hearing, during hearing, or upon appeal) arising out of, connected with, or resulting, directly or indirectly, from (i) the enforcement of this Agreement and (ii) Manager's acts or omissions to act in connection with the

compliance with all Laws.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Manager Acknowledgment, under seal, as of the date first above written.

ATTEST:

\_\_\_\_\_

LICENSOR:

HARD ROCK HOTEL LICENSING, INC.

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

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

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

ATTEST:

\_\_\_\_\_

LICENSEE:

[LICENSEE]

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

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

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

ATTEST:

\_\_\_\_\_

MANAGER:

[MANAGER]

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

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

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

**SCHEDULE F**

**GUARANTY**

To induce \_\_\_\_\_ its successors and assigns (“you”) to sign the Franchise Agreement (the “Agreement”) with the party named as the “Franchisee,” to which this Guaranty is attached, the undersigned, jointly and severally (“we, “our” or “us”), irrevocably and unconditionally (i) warrant to you that Franchisee’s representations and warranties in the Agreement are true and correct as stated, and (ii) guaranty that Franchisee’s obligations under the Agreement, including any amendments, will be punctually paid and performed.

Upon default by Franchisee and notice from you we will immediately make each payment and perform or cause Franchisee to perform, each unpaid or unperformed obligation of Franchisee under the Agreement. Without affecting our obligations under this Guaranty, you may without notice to us extend, modify or release any indebtedness or obligation of Franchisee, or settle, adjust or compromise any claims against Franchisee. We waive notice of amendment of the Agreement. We acknowledge that Section 17 of the Agreement, including Remedies, Venue and Dispute Resolution, and WAIVER OF JURY TRIAL, applies to this Guaranty.

Upon the death of an individual guarantor, the estate of the guarantor will be bound by this Guaranty for obligations of Franchisee to you existing at the time of death, and the obligations of all other guarantors will continue in full force and effect.

This Guaranty may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one in the same instrument.

IN WITNESS WHEREOF, each of us has signed this Guaranty effective as of the date of the Agreement.

**WITNESSES:**

\_\_\_\_\_

\_\_\_\_\_

**GUARANTORS:**

\_\_\_\_\_

Name:  
Address:

\_\_\_\_\_

Name:  
Address:

**SCHEDULE G**

**CERTIFICATE OF COMPLIANCE**

**(TO BE COMPLETED BY LICENSEE’S ARCHITECT, ENGINEER, EXPERT CONSULTANT,  
OR OTHER LICENSED PROFESSIONAL)**

In connection with the proposed Reverb Hotel located at \_\_\_\_\_ (the “Hotel”), I hereby represent and certify to [LICENSEE] and to Hard Rock Hotel Licensing, Inc. that:

1. **I HAVE USED PROFESSIONAL REASONABLE EFFORTS TO ENSURE THAT THE HOTEL CONFORMS TO AND COMPLIES WITH THE DESIGN STANDARDS AND REQUIREMENTS OF ALL APPLICABLE LAWS, REGULATIONS, AND ALL REQUIREMENTS GOVERNING PUBLIC ACCOMMODATIONS FOR PERSONS WITH DISABILITIES IN EFFECT AT THE TIME THAT THIS CERTIFICATION IS MADE; AND**
  
2. **THE HOTEL COMPLIES WITH THE DESIGN STANDARDS AND REQUIREMENTS OF ALL APPLICABLE LAWS AND REGULATIONS; AND**
  
3. **IN MY PROFESSIONAL JUDGMENT, THE HOTEL DOES IN FACT CONFORM TO AND COMPLY WITH SUCH DESIGN STANDARDS AND REQUIREMENTS.**

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

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

Firm: \_\_\_\_\_

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

**SCHEDULE H**  
**STATE ADDENDUM**

None.

**EXHIBIT "D"**  
**TO DISCLOSURE DOCUMENT**  
**AREA DEVELOPMENT AGREEMENT**

*[See Attached]*



**REVERB**

**AREA DEVELOPMENT AGREEMENT**

AREA DEVELOPER: \_\_\_\_\_  
DATE: \_\_\_\_\_

**TABLE OF CONTENTS**

1. DEFINITIONS. .... 1  
2. GRANT OF DEVELOPMENT RIGHTS. .... 1  
3. DEVELOPMENT OBLIGATIONS..... 1  
4. DEVELOPMENT FEE. .... 1  
5. AREA DEVELOPER AS ENTITY ..... 2  
6. TRANSFERS ..... 2  
7. TERMINATION OF DEVELOPMENT RIGHTS ..... 4  
8. DISPUTE RESOLUTION..... 4  
9. YOUR REPRESENTATIONS..... 4  
10. GENERAL PROVISIONS..... 5

ATTACHMENTS

ATTACHMENT "A"	Development Schedule
ATTACHMENT "B"	Development Territory
ATTACHMENT "C"	State Addendum

## AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (this "Agreement") is entered into as of \_\_\_\_\_, 20\_\_ (the "Effective Date") between Hard Rock Hotel Licensing, Inc., a Florida corporation ("we" or "us") and \_\_\_\_\_, a(n) \_\_\_\_\_ ("you").

**2. DEFINITIONS.** Capitalized terms used in this Agreement shall have the meanings given to them below. Any capitalized term used in this Agreement that is not defined below shall have the meaning given to such term in the Initial Franchise Agreement (as defined below).

"*Deposit Fee*" means, as applicable: (i) \$50,000 per hotel for the initial two (2) Reverb hotels to be established pursuant to this Agreement; and (ii) \$12,500 per hotel for each additional Reverb hotel to be established pursuant to this Agreement (i.e., the third (3<sup>rd</sup>) and subsequent hotels).

"*Development Schedule*" means the schedule described in Section 5.1 and ATTACHMENT "A" for the development of the Reverb hotels within the Development Territory.

"*Development Territory*" means the geographic area described in ATTACHMENT "B".

"*Owner*" or "*Owners*" means any individual who directly signs this Agreement or who owns a direct or indirect ownership interest in the area development rights or the entity that is the area developer under this Agreement. "Owner" includes both passive and active owners.

"*Permitted Transfer*" means: (i) a Transfer from one Owner to another Owner who was an approved Owner prior to such Transfer; and/or (ii) a Transfer to a newly established Entity for which the Owners collectively own and control 100% of the ownership interests and voting power.

"*Term*" the period of time commencing with the Effective Date of this Agreement and expiring upon the date by which you are required to open the last Reverb hotel under the Development Schedule.

"*Transfer*" means any direct or indirect, voluntary or involuntary (including by judicial award, order or decree), assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of the area development rights (or any interest therein), the business conducted by you pursuant to this Agreement, or an ownership interest in an entity that is the area developer under this Agreement, including by merger or consolidation, by issuance of additional securities representing an ownership interest in the entity that is the area developer, or by operation of law, will or a trust upon the death of an Owner of the area developer entity (including the laws of intestate succession).

**3. GRANT OF DEVELOPMENT RIGHTS.** Subject to the terms and conditions of this Agreement, we hereby grant you the exclusive right and obligation to develop each of the \_\_\_\_\_ Reverb hotels referred to in the Development Schedule. Each Reverb hotel that you develop pursuant to this Agreement must be located within the Development Territory and at a specific site that we approve. For the duration of the Term, we will not operate, or grant a license to any third party to operate, an Reverb hotel that is physically located within the Development Territory. This Agreement does not grant you any rights or licenses to use any of our Intellectual Property.

**4. DEPOSIT FEE.** At the time you sign this Agreement, you must pay us the sum of \$\_\_\_\_\_, which represents the sum of the Deposit Fees for each of the Reverb hotels to be established pursuant to this Agreement. The Deposit Fees are fully earned and nonrefundable upon execution of this Agreement.

## 5. DEVELOPMENT OBLIGATIONS

**5.1. Development Schedule.** You agree to open each Reverb hotel in strict accordance with time periods set forth in the Development Schedule. You must develop, open and operate each Reverb hotel in

compliance with all of the terms of the applicable Franchise Agreement. We may, in our sole discretion, extend the time periods listed in the Development Schedule, but only if you can demonstrate to our reasonable satisfaction that you have used your best efforts to comply with your development obligations and the need for additional time is due to unforeseeable delays and not due to your neglect, misconduct or financial inability.

**5.2. Site Selection.** You must select a specific location within the Development Territory for each Reverb hotel in accordance with our then-current guidelines for opening a new location as contained in the System Standards Manual and the applicable Franchise Agreement. Each site that you select is subject to our prior written approval.

**5.3. Franchise Agreements.** You must execute a separate Franchise Agreement for each Reverb hotel. You must sign the Franchise Agreement for your first (1<sup>st</sup>) Reverb hotel at the time you sign this Agreement. We need not sign a Franchise Agreement for a Reverb hotel prior to reviewing and approving the proposed site. Each Franchise Agreement shall be our then-current form of Reverb Franchise Agreement, the terms and conditions of which may vary materially and substantially from the terms and conditions of the Franchise Agreement you sign for your first Reverb hotel. At the time you sign the Franchise Agreement for each new Reverb hotel, you must pay us the applicable Initial Fee for such hotel less the Deposit Fee applicable to such hotel. The Initial Fee for each Reverb hotel established pursuant to this Agreement shall equal the greater of: (i) \$50,000; or (ii) \$500 multiplied by the total number of guest rooms at the hotel. You will have no right to construct or operate any Reverb hotel until you and we have executed the applicable Franchise Agreement and all ancillary agreements for that hotel.

**5.4. Additional Locations.** You have no right to develop any Reverb hotel other than the hotels listed in the Development Schedule unless we, in our sole discretion, permit you to enter into a new area development agreement, which will be upon such terms and conditions that we specify, following your development of all hotels listed in the Development Schedule under this Agreement.

**6. AREA DEVELOPER ENTITY AND OWNERS.** If you are an entity, you agree to provide us with a list of all of your Owners. Upon our request, you must provide us with a resolution of the entity authorizing the execution of this Agreement, a copy of the entity's organizational documents and a current Certificate of Good Standing (or the functional equivalent thereof). You represent that the entity is duly formed and validly existing under the laws of the state of its formation or incorporation. You may form a separate entity to enter into each Franchise Agreement provided that: (i) the individuals holding the ownership interests (and their percentage interests) in each such entity must be the same individuals holding ownership interests (with the same percentage interests) in the entity that is the Area Developer under this Agreement; and (ii) each such entity guarantees the performance of all other entities formed under the authority of this Section 5. We must conduct a background check (a "Probity Investigation") of each person that intends to directly or indirectly hold a 5% or greater equity interest in the developer Entity at any time during the Term, including new shareholders or Owners of a 5% or greater equity interest in the developer Entity or any direct or indirect parent company of the developer Entity. The purpose of the Probity Investigation is to ensure that the ownership of the direct or indirect equity interest by such Person does not jeopardize any existing or future gaming license held by us or any of our affiliates. You must reimburse us for any and all costs that we or our affiliates incur in connection with any such Probity Investigation.

## **7. TRANSFERS**

**7.1. By Us.** This Agreement is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Agreement up to the effective date of the assignment.

**7.2. By You.** You understand that the rights and duties created by this Agreement are personal to you and your Owners and that we have granted the area development rights in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and your Owners. Therefore, neither you nor any Owner may engage in any Transfer other than a Permitted Transfer without our prior written approval, which may be withheld in our sole discretion. Any Transfer (other than a Permitted Transfer) without our approval shall be void and constitute a breach of this Agreement. We will not approve any Transfer if any of the following conditions are not satisfied:

(i) the proposed transferee is, in our opinion, an individual of good moral character, who has sufficient business experience, aptitude and financial resources to develop, own and operate all of the remaining Reverb hotels that are to be developed under this Agreement and otherwise meets all of our then applicable standards for area developer franchisees;

(ii) you and your Owners are in full compliance with the terms of this Agreement, all Franchise Agreements and all other agreements with us or our affiliate;

(iii) the transferee's General Manager (and such other of transferee's personnel that we specify) have successfully completed, or made arrangements to attend, the initial training program;

(iv) the transferee and its owners sign our then current form of area development agreement (unless we, in our sole discretion, instruct you to assign this Agreement to the transferee), except that: (a) the Term shall be the Term remaining under this Agreement; (b) the transferee need not pay any additional Deposit Fees; and (c) the Development Schedule and Development Territory shall be the same Development Schedule and Development Territory specified in this Agreement (modified to reflect the development obligations satisfied prior to the transfer);

(v) you or the transferee pay us a \$25,000 transfer fee;

(vi) the transferee and its Owners successfully complete a Probity Investigation and you or the transferee reimburse us for the associated costs;

(vii) you and your Owners sign a General Release for all claims arising before or contemporaneously with the Transfer;

(viii) we do not elect to exercise our right of first refusal described in Section 7.4; and

(ix) you or the transferring Owner, as applicable, and the transferee have satisfied any other conditions we reasonably require as a condition to our approval of the Transfer.

You may not transfer less than your entire remaining area development rights under this Agreement (i.e., you may not retain the right to develop any Reverb hotel). You also may not transfer your area development rights to multiple transferees. Our consent to a Transfer shall not constitute a waiver of any claims we may have against the transferor, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the franchise by the transferee.

**7.3. Permitted Transfers.** You may engage in a Permitted Transfer without our prior approval, but you must give us at least ten (10) days prior written notice. You and the Owners (and the transferee) agree to sign all documents that we reasonably request to effectuate and document the Permitted Transfer.

**7.4. Our Right of First Refusal.** If you or an Owner desires to engage in a Transfer, you or the Owner, as applicable, must obtain a bona fide, signed written offer from the fully disclosed purchaser and

submit an exact copy of the offer to us. We will have 30 days after receipt of the offer to decide whether we will purchase your remaining area development rights and any Reverb hotels to be assigned, or the ownership interest in you, as applicable, for the same price and upon the same terms contained in the offer (however, we may substitute cash for any form of payment proposed in the offer). If we notify you that we intend to purchase the interest within the 30-day period, you or the Owner, as applicable, must sell the interest to us. We will have at least an additional 30 days to prepare for closing. We will be entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you as the seller of the assets or the Owner as the seller of the ownership interest or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to and on the terms of the offer, subject to the requirements of Section 7.2 (including our approval of the transferee). However, if the sale to the purchaser is not completed within 120 days after delivery of the offer to us, or there is a material change in the terms of the sale, we will again have the right of first refusal specified in this Section. Our right of first refusal in this Section shall not apply to any Permitted Transfer.

## **8. TERMINATION OF DEVELOPMENT RIGHTS**

**8.1. Reasonableness.** You represent that you: (i) have conducted your own independent investigation and analysis of the prospects for the establishment of the Reverb hotels within the Development Territory; (ii) approve the Development Schedule as being reasonable and viable; and (iii) recognize that your failure to achieve the results required by the Development Schedule will constitute a material breach of this Agreement.

**8.2. Termination of Development Rights.** If you fail to comply with any term of this Agreement, we may terminate this Agreement, effective 30 days after giving you written notice of the default, unless you have fully cured the default within such 30-day period. Any such termination will end all of your rights and future obligations under this Agreement, including without limitation, your interests in the Development Territory and right to open additional Reverb hotels. In the event of a termination, you will not be entitled to any refund of the Deposit Fees, except that you will not be obligated to pay the remaining balance of the Initial Fees for any Reverb hotel with respect to which, as of the effective date of termination of this Agreement, you had not executed a Franchise Agreement.

**8.3. Cross Default.** Our termination of any Franchise Agreement due to your default shall constitute a default under this Agreement permitting us to terminate this Agreement immediately upon notice to you.

**9. DISPUTE RESOLUTION.** Any dispute between the parties relating to this Agreement shall be resolved pursuant to the dispute resolution provisions set forth in the Franchise Agreement executed concurrently with this Agreement. All such dispute resolution provisions are incorporated herein by reference as if full set forth in this Agreement.

**10. YOUR REPRESENTATIONS.** YOU HEREBY REPRESENT THAT: (I) YOU HAVE NOT RECEIVED OR RELIED UPON ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT, EXCEPT FOR ANY INFORMATION DISCLOSED IN THE FRANCHISE DISCLOSURE DOCUMENT; (II) YOU HAVE NO KNOWLEDGE OF ANY REPRESENTATIONS BY US OR ANY OF OUR OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES OR REPRESENTATIVES ABOUT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT THAT ARE CONTRARY TO THE TERMS OF THIS AGREEMENT OR THE FRANCHISE DISCLOSURE DOCUMENT; (III) YOU RECEIVED (1) AN EXACT COPY OF THIS AGREEMENT AND ITS ATTACHMENTS AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT IS EXECUTED; AND (2) OUR

FRANCHISE DISCLOSURE DOCUMENT AT THE EARLIER OF (A) 14 CALENDAR DAYS BEFORE YOU SIGNED A BINDING AGREEMENT OR PAID ANY MONEY TO US OR OUR AFFILIATES OR (B) AT SUCH EARLIER TIME IN THE SALES PROCESS THAT YOU REQUESTED A COPY; (IV) YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES AND AREA DEVELOPERS OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES AND AREA DEVELOPERS MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES; AND (V) YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT AND RECOGNIZE THAT IT INVOLVES BUSINESS RISKS, MAKING THE SUCCESS OF THE VENTURE LARGELY DEPENDENT UPON YOUR OWN BUSINESS ABILITIES, EFFORTS AND JUDGMENTS, AND THE SERVICES OF YOU AND THOSE YOU EMPLOY.

## 11. GENERAL PROVISIONS

**11.1. Governing Law.** This Agreement and the franchise relationship shall be governed by the laws of the State of Florida (without reference to its principles of conflicts of law), but any law of the State of Florida that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

**11.2. Severability.** Each section, subsection, term and provision of this Agreement, and any portion thereof, shall be considered severable.

**11.3. Waivers.** We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other.

**11.4. Force Majeure.** Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if our or your failure to perform our or your obligations results from any event of force majeure. Any delay resulting from an event of force majeure will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable under the circumstances.

**11.5. Binding Effect.** This Agreement is binding upon the parties to this Agreement and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

**11.6. Integration.** THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. Any e-mail correspondence or other form of informal electronic communication shall not be deemed to modify this Agreement unless such communication is signed by both parties and specifically states that it is intended to modify this Agreement. The attachment(s) are part of this Agreement, which, together with any Amendments or Addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. This provision is intended to define the nature and extent of the parties' mutual contractual intent, there being no mutual intent to enter into contract relations, whether by agreement or by implication, other than as set forth above. The parties acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Agreement, would affect the

economic terms of this bargain. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document.

**11.7. Covenant of Good Faith.** If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Agreement (and the relationship of the parties that is inherent in this Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may affect favorably or adversely your interests; (ii) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (iii) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.

**11.8. Rights of Parties are Cumulative.** The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by law.

**11.9. Survival.** All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement (or the Transfer of an ownership interest in the franchise) shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire.

**11.10. Construction.** The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Agreement is applicable to one or more persons or an Entity, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.

**11.11. Time of Essence.** Time is of the essence in this Agreement and every term thereof.

**11.12. Counterparts.** This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

**11.13. Notice.** All notices and statements to be given under this Agreement are to be provided in accordance with the Notice Provision of the initial Franchise Agreement signed concurrently with this Agreement.

**FRANCHISOR:**

Hard Rock Hotel Licensing, Inc., a Florida corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**YOU (If you are an entity):**

\_\_\_\_\_,  
a(n) \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Principal Business Address:

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

**YOU (If you are not an entity):**

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

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

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

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

Principal Business Address:

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

**ATTACHMENT "A"**  
**TO AREA DEVELOPMENT AGREEMENT**  
**DEVELOPMENT SCHEDULE**

You agree to comply with the following minimum development obligations as specified in Section 5 of the Agreement:

<b>DEVELOPMENT PERIOD ENDING</b>	<b>NUMBER OF HOTELS OPENED DURING DEVELOPMENT PERIOD</b>	<b>CUMULATIVE NUMBER OF HOTELS OPENED AND IN OPERATION</b>
1 year after Effective Date		
2 years after Effective Date		
3 years after Effective Date		
4 years after Effective Date		
5 years after Effective Date		
6 years after Effective Date		
7 years after Effective Date		
8 years after Effective Date		
9 years after Effective Date		
10 years after Effective Date		

**ATTACHMENT "B"**  
**TO AREA DEVELOPMENT AGREEMENT**  
**DEVELOPMENT TERRITORY**

The Development Territory shall include the following geographic area:

---

---

**\* If the boundaries that define the Development Territory change during the term, the boundaries of your Development Territory will remain unaffected and will continue to be defined by the boundaries that were in effect as of the Effective Date.**

**ATTACHMENT "C"**  
**TO AREA DEVELOPMENT AGREEMENT**  
**STATE ADDENDUM**

None.

**EXHIBIT "E"**  
**TO DISCLOSURE DOCUMENT**  
**TABLE OF CONTENTS OF SYSTEM STANDARDS MANUAL**

*[See Attached]*

## TABLE OF CONTENTS TO OPERATIONS MANUALS

“Project Planning and Design Manual – 339 pages *[See following pages for more detailed table of contents for this Manual]*

“Manuals for Universal Standards Execution” – online manual – approximately 400 pages *[See following pages for more detailed table of contents for this Manual]*

“Design & Development Process Manual” – 18 pages

“Storybook” - 31 pages

“Position Training Manuals” – Number of pages varies by position

“BRAND Manual” – 45 pages

“EATS Manual” – 34 pages

“IDENTITY Manual” – 14 pages

“RETUNE Manual” – 12 pages

“SHOP Manual” – 18 pages

“SLEEP Manual” – 39 pages

“VIBE Manual” – 22 pages

## **PLANNING AND DESIGN MANUAL - TABLE OF CONTENTS**

### Table of Contents

1. Overview
  - 1.1 Hard Rock Hotel Defined
  - 1.2 Hard Rock Hotel Design Essence
  - 1.3 General Brand Attributes
  - 1.4 Programmatic Elements
2. General Hard Rock Requirements
  - 2.1 General
  - 2.2 Hard Rock Project Involvement
  - 2.3 Presentation, Reviews Submittals and Approval Requirements
  - 2.4 Architect & Interior Designer Selection
  - 2.5 Brand Orientation & Establishing Project Parameters
  - 2.6 Pre-Development
  - 2.7 Concept Design Phase
  - 2.8 Schematic Design Phase
  - 2.9 Design Development Phase
  - 2.10 Model Room
  - 2.11 Construction Documents Phase
  - 2.12 Bid & Award Phase
  - 2.13 Project Construction Phase
  - 2.14 Operational Turnover Phase
  - 2.15 Operational Start-Up Phase
  - 2.16 Operations Phase
  - 2.17 Rock Shop Design Process
  - 2.18 Rock Spa Pre-Development
3. Site Planning
  - 3.1 General
  - 3.2 Planning Considerations
  - 3.3 Signage, Graphics & Identification
  - 3.4 Parking
  - 3.5 Landscaping
  - 3.6 Hardscaping
  - 3.7 B.O.H Delivery Access
  - 3.8 Emergency Access & Site Security
  - 3.9 Recreational Facilities
4. Space Planning Criteria
  - 4.1 General
  - 4.2 Hotel Entry
    - 4.2.1 Porte Cochere
    - 4.2.2 Entry Vestibule
    - 4.2.3 Group/Bus Arrival Entry
  - 4.3 Hotel Space Planning Guidelines
    - 4.3.1 General
    - 4.3.2 Administration
    - 4.3.3 Front Office Administration
    - 4.3.4 Executive Administration and Accounting
    - 4.3.5 Personnel Offices

- 4.3.6 Food & Beverage
- 4.3.7 Lobbies
- 4.3.8 Retail Spaces
- 4.4 Function Space Planning
- 4.5 General Back-of-House Areas
- 5. Facilities Requirements
  - 5.1 Hotel Operational Facilities (F.O.H)
    - 5.1.1 Vehicle Porte Cochere & Support
    - 5.1.2 Lobby/Entry
    - 5.1.3 Bus/Group Arrival
    - 5.1.4 Business Center
  - 5.2 Public Amenities (F.O.H)
    - 5.2.1 Bars/Lounges
    - 5.2.2 Roof Top/Skybar
    - 5.2.3 All Day Dining Restaurant
    - 5.2.4 Signature Restaurant
    - 5.2.5 Rock Shop
    - 5.2.6 Body Rock
    - 5.2.7 Rock Spa
    - 5.2.8 Jam Room
    - 5.2.9 Public Restrooms
  - 5.3 Meeting Facility
    - 5.3.1 General Requirements
    - 5.3.2 Pre-Function Area
    - 5.3.3 Ballroom
    - 5.3.4 Sound and Light Booth
    - 5.3.5 Boardrooms
    - 5.3.6 Sound Systems
    - 5.3.7 Food Service Corridor
  - 5.4 Swimming Pool / Recreational Facilities
    - 5.4.1 Feature Pool
    - 5.4.2 Pool Deck
    - 5.4.3 Pool Bar & Grille
    - 5.4.4 Recreational Courts
    - 5.4.5 Other Recreational Facilities
  - 5.5 Public Restrooms
- 6. Guestrooms & Suites
  - 6.1 General
    - 6.1.1 Noise Control
    - 6.1.2 Room Mix
    - 6.1.3 Connecting Rooms
  - 6.2 Standard Guestroom
    - 6.2.1 General Room Size
    - 6.2.2 Entrance Vestibule / Dressing Area
    - 6.2.3 Finishes
    - 6.2.4 Furnishings
    - 6.2.5 Guestroom Artwork
    - 6.2.6 Typical Guest Bathrooms
    - 6.2.7 Closets
    - 6.2.8 Room Lighting
    - 6.2.9 Equipment, Systems and Technology
    - 6.2.10 Accessible Guest Rooms
  - 6.3 Suites
    - 6.3.1 General
    - 6.3.2 Deluxe Guestrooms
    - 6.3.3 Standard Suites
    - 6.3.4 Luxury Suites

- 6.3.5 Rock Star Suites
- 6.4 Hotel Executive Lounge and VIP Check-in
- 6.5 Corridors
- 6.6 Guestroom Floors Support
  - 6.6.1 Service Areas / Maid's Linen Room
  - 6.6.2 Vending Area
  - 6.6.3 Elevator Lobbies
  - 6.6.4 Noise Control
- 7. Model Rooms
  - 7.1 General
  - 7.2 Scope of Model Room
  - 7.3 Schedule of Design & Construction
  - 7.4 Model Room Reviews
    - 7.4.1 Initial Inspection
    - 7.4.2 I.D. Consultant's and Architect's Inspection
    - 7.4.3 Model Room Report
    - 7.4.4 Model Room Approval
  - 7.5 Model Room Sales and Promotional Activities
  - 7.6 Model Room Diagram Plan
- 8. Public Area Artwork & Memorabilia (TO BE DEVELOPED)
- 9. Building Engineering & Systems Criteria
  - 9A GENERAL DESIGN CRITERIA
    - 9A.1 Weather Data
    - 9A.2 HVAC Design Criteria
    - 9A.3 Plumbing Design Criteria
    - 9A.4 Fire Protection Design Criteria
    - 9A.5 Sustainability Standards
    - 9A.6 Electrical Design Criteria
    - 9A.7 Low Voltage Design Criteria
    - 9A.8 Low Voltage Infrastructure
    - 9A.9 Systems Equipment Descriptions
  - 9B MANUFACTURERS
    - 9B.1 Component Requirements
    - 9B.2 Installation
    - 9B.3 Supporting Rooms for Information Technology Department
    - 9B.4 Conduit and Cable Raceway Infrastructure
    - 9B.5 Supporting Systems
    - 9B.6 Summary Requirements
  - 9C ROOM DESIGN CRITERIA
    - 9C.1 Hotel Lobby
    - 9C.2 Bar
    - 9C.3 Buffet Type Restaurant
    - 9C.4 Fast Food Venues
    - 9C.5 Restaurants
    - 9C.6 Hard Rock Cafe
    - 9C.7 Entertainment Lounge
    - 9C.8 Retail Shops
    - 9C.9 Body Rock
    - 9C.10 Rock Spa
    - 9C.11 Pre-Function Rooms
    - 9C.12 Meeting Rooms
    - 9C.13 Ballrooms
    - 9C.14 Queuing Areas
    - 9C.15 Public Toilets
    - 9C.16 Elevators, Public & Service

- 9C.17 Hotel Elevator Lobbies & Elevators
- 9C.18 Corridors/Public Stairways
- 9C.19 Hotel Guestrooms & Rock Star Suites
- 9C.20 Marinas
- 9C.21 Administration (B.O.H) Offices
- 9C.22 Employee Dining Room
- 9C.23 Employee Lockers & Toilets
- 9C.24 Service Bars
- 9C.25 Kitchens
- 9C.26 Receiving Dock
- 9C.27 MDF Room
- 9C.28 IDF Rooms
- 9C.29 Computer Rooms
- 9C.30 IT Storage Room
- 9C.31 Tech Lab
- 9C.32 Fire Command Center
- 9C.33 Storage Rooms
- 10. IT Operating Systems & Interfaces
  - 10.1 Introduction
  - 10.2 Application Systems
    - 10.2.1 General
    - 10.2.2 Property Management System (P.M.S)
    - 10.2.3 Condo Ownership
    - 10.2.4 Sales & Catering
    - 10.2.5 Point of Sale (P.O.S)
    - 10.2.6 Telecommunications
    - 10.2.7 Hotel Maintenance System
    - 10.2.8 Door Locks
    - 10.2.9 Energy Management
    - 10.2.10 Guestroom TV
    - 10.2.11 Music Distribution System
    - 10.2.12 HRI Video Distribution System (V.D.S.)
    - 10.2.13 Interactive Memorabilia
    - 10.2.14 Digital Signage
    - 10.2.15 Other Systems
  - 10.3 IT System Diagrams
    - 10.3.1 IT Requirements and Responsibilities
    - 10.3.2 IT Project Manager Role
    - 10.3.3 IT Systems Architecture & Integration
  - 10.4 Audio Video & TV Services
- 10.5 Scope of Work
- 10.6 Audio/Video Specifications
  - 10.6.1 Introduction
  - 10.6.2 Design
  - 10.6.3 Distribution Speaker Systems

#### EXHIBITS

- 1. FF&E Listing
- 2. OS&E Listing
- 3. Budget Template
- 4. Check-In Pod Detail
- 5. Memorabilia Exhibits
  - 5A. Memorabilia Display Types
  - 5B. Memorabilia Display Case Sizes
- 6. Audio, Visual and TV Services Details

- 7. LEED Exhibits
  - 7A. Sample LEED Requirements Specification
  - 7B. Sample Construction Waste Management Specification
  - 7C. Sample Commissioning Specification
  - 7D. Sample LEED Checklist
- 8. IT Systems Diagrams
  - 8A. IT Systems Architecture & Integration
  - 8B. Cabling Reticulation Schematic, Logic/Concept
  - 8C. Small Wall Mount IDF Equipment Layout
  - 8D. IT Wall Mount Equipment Cabinet
  - 8E. Guest Room Reticulation Typical
  - 8F. Guest Room Access Panel Configuration
  - 8G. Front Desk Requirements
  - 8H. Operational Systems Build Office (Construction Office)
- 9. Cash Wrap



**MANUALS FOR UNIVERSAL STANDARDS EXECUTION – TABLE OF CONTENTS**

- CORE STANDARDS**
- The Experience ▶
- The Brand ▶
- The Goods ▶
- The Measures ▶

---

- CASINO DEPARTMENTS**
- Beverage ▶
- Cage ▶
- Credit ▶
- Player Development ▶
- Players Club ▶
- Public Space ▶
- Security ▶
- Slots ▶
- Surveillance ▶
- Table Games ▶

---

- HOTEL DEPARTMENTS**
- Fitness - Body Rock ▶
- Front Office ▶
- Guest Services ▶
- Housekeeping ▶
- Loss Prevention ▶
- Pool - Recreation ▶
- Reservations ▶
- Sales ▶
- Spa - Rock Spa ▶
- Banquets ▶
- Bar - Lounge - Club ▶
- In Room Dining ▶
- Mini Bar ▶
- Restaurants ▶

---

- OTHER DEPARTMENTS**
- Facilities ▶
- Finance ▶
- HR - Training ▶
- IT ▶
- Marketing ▶
- Retail - Rock Shop ▶
- Telephone ▶
- Vibe - Entertainment ▶

**EXHIBIT "F"**  
**TO DISCLOSURE DOCUMENT**  
**LIST OF FRANCHISEES**

**Part A (Current Franchisees)**

State	City	Address	Phone	Owner Name(s)
None				

**Part B (Former Franchisees Who Left System During Prior Fiscal Year)**

State	City	Current Business Phone or Last Known Home Phone	Owner Name(s)
None			

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

**EXHIBIT "G"**  
**TO DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**

[See Attached]

# **Hard Rock Hotel Licensing, Inc.**

**(A wholly owned subsidiary of Hard Rock Cafe  
International (USA), Inc.)**

**Financial Statements**

**For the fiscal years ended December 31, 2017,  
December 25, 2016 and December 27, 2015**

**Hard Rock Hotel Licensing, Inc.**  
**(A wholly owned subsidiary of Hard Rock Cafe International (USA), Inc.)**  
**Index**

---

	<b>Page(s)</b>
<b>Independent Auditors' Report</b> .....	1-2
<b>Financial Statements</b>	
Balance Sheets .....	3
Statements of Operations .....	4
Statements of Stockholder's Equity .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7-12



**Deloitte & Touche LLP**  
Certified Public Accountants  
333 Southeast 2nd Avenue  
Suite 3600  
Miami, FL 33131  
USA

Tel: +1 305 372 3100  
Fax: +1 305 372 3160  
www.deloitte.com

## **INDEPENDENT AUDITORS' REPORT**

To the Stockholder of  
Hard Rock Hotel Licensing, Inc.  
Orlando, Florida

We have audited the accompanying financial statements of Hard Rock Hotel Licensing, Inc. (the "Company"), a wholly owned subsidiary of Hard Rock Cafe International (USA), Inc. which is a wholly owned subsidiary of Seminole Hard Rock Entertainment, Inc., a discrete component unit of the Seminole Tribe of Florida (the "Tribe"), which comprise the balance sheets as of December 31, 2017 and December 25, 2016 and the related statements of operations, stockholder's equity, and cash flows for the fiscal years ended December 31, 2017, December 25, 2016 and December 27, 2015, and the related notes to the financial statements.

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

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Company'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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and December 25, 2016, and the results of its operations and its cash flows for the fiscal years ended December 31, 2017, December 25, 2016 and December 27, 2015, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

As discussed in Note 1, the accompanying financial statements have been prepared from the separate records maintained by the Company and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Company had been operated as an unaffiliated company. Portions of certain expenses represent allocations paid by the Parent on the Company's behalf.

*Deloitte & Touche LLP*

March 6, 2018

**Hard Rock Hotel Licensing, Inc.**  
**(A wholly owned subsidiary of Hard Rock Cafe International (USA), Inc.)**  
**Balance Sheets**

	<u>December 31, 2017</u>	<u>December 25, 2016</u>
<b>Assets</b>		
Cash	\$ 69,075	\$ 67,202
Receivables, net	1,129,325	335,144
Total current assets	1,198,400	402,346
Other intangible assets, net	15,468,304	16,560,805
Due from Parent	22,910,345	22,352,955
Other assets, net	2,500,000	2,777,898
Total assets	<u>\$ 42,077,049</u>	<u>\$ 42,094,004</u>
<b>Liabilities and Stockholder's Equity</b>		
<b>Liabilities</b>		
Accrued and other current liabilities	\$ 24,060	\$ 23,642
Deferred revenue	142,617	104,200
Total current liabilities	166,677	127,842
Deferred tax liabilities	2,551,603	5,376,926
Total liabilities	<u>2,718,280</u>	<u>5,504,768</u>
<b>Stockholder's equity</b>		
Common stock, \$1.00 par value; 1,000 shares authorized, issued and outstanding	1,000	1,000
Additional paid-in capital	28,313,322	28,313,322
Accumulated Retained earnings	11,044,447	8,274,914
Total stockholder's equity	<u>39,358,769</u>	<u>36,589,236</u>
Total liabilities and stockholder's equity	<u>\$ 42,077,049</u>	<u>\$ 42,094,004</u>

The accompanying notes are an integral part of these financial statements.

**Hard Rock Hotel Licensing, Inc.**  
**(A wholly owned subsidiary of Hard Rock Cafe International (USA), Inc.)**  
**Statements of Operations**

	Fiscal Year Ended December 31, 2017	Fiscal Year Ended December 25, 2016	Fiscal Year Ended December 27, 2015
<b>Revenues</b>			
License royalties and fees	\$ 7,257,363	\$ 6,182,472	\$ 5,735,348
<b>Expenses</b>			
Marketing and advertising	591,378	847,884	644,235
General and administrative	517,306	196,844	68,807
Amortization	1,092,499	1,092,499	1,092,499
Loss on impairment	2,726,139	-	-
Total expenses	4,927,322	2,137,227	1,805,541
Operating income	2,330,041	4,045,245	3,929,807
Income before income taxes	2,330,041	4,045,245	3,929,807
Benefit/(Provision) for income taxes	439,492	(1,564,566)	(1,497,635)
<b>Net income</b>	<b>\$ 2,769,533</b>	<b>\$ 2,480,679</b>	<b>\$ 2,432,172</b>

The accompanying notes are an integral part of these financial statements.

**Hard Rock Hotel Licensing, Inc.**  
**(A wholly owned subsidiary of Hard Rock Cafe International (USA), Inc.)**  
**Statements of Stockholder's Equity**

---

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Retained Earnings	Total
<b>Balance at December 28, 2014</b>	1,000	\$ 1,000	\$ 28,313,322	\$ 3,362,063	\$ 31,676,385
Net income	-	-	-	2,432,172	2,432,172
<b>Balance at December 27, 2015</b>	1,000	\$ 1,000	\$ 28,313,322	\$ 5,794,235	\$ 34,108,557
Net income	-	-	-	2,480,679	2,480,679
<b>Balance at December 25, 2016</b>	1,000	\$ 1,000	\$ 28,313,322	\$ 8,274,914	\$ 36,589,236
Net income	-	-	-	2,769,533	2,769,533
<b>Balance at December 31, 2017</b>	1,000	\$ 1,000	\$ 28,313,322	\$ 11,044,447	\$ 39,358,769

The accompanying notes are an integral part of these financial statements.

**Hard Rock Hotel Licensing, Inc.**  
**(A wholly owned subsidiary of Hard Rock Cafe International (USA), Inc.)**  
**Statements of Cash Flows**

	Fiscal Year Ended December 31, 2017	Fiscal Year Ended December 25, 2016	Fiscal Year Ended December 27 2015
<b>Cash flows from operating activities</b>			
Net income	\$ 2,769,533	\$ 2,480,679	\$ 2,432,172
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	1,092,499	1,092,499	1,092,499
Deferred income taxes	(2,825,323)	(329,277)	(254,121)
Loss on impairment	2,726,139	-	-
Tax payments paid by Parent	2,456,881	1,893,843	1,751,756
Changes in assets and liabilities:			
Receivables	(794,181)	232,199	128,807
Other Assets, net	(2,448,239)	(1,402,898)	60,000
Deferred revenue	38,417	(25,800)	92,800
Accrued and other current liabilities	418	216	3,972
Net cash provided by operating activities	<u>3,016,144</u>	<u>3,941,461</u>	<u>5,307,885</u>
<b>Cash flows used in investing activities</b>			
Cash swept by Parent	(3,014,271)	(3,891,461)	(5,307,782)
Net cash used in investing activities	<u>(3,014,271)</u>	<u>(3,891,461)</u>	<u>(5,307,782)</u>
Net increase in cash	1,873	50,000	103
<b>Cash</b>			
Beginning of period	67,202	17,202	17,099
End of period	<u>\$ 69,075</u>	<u>\$ 67,202</u>	<u>\$ 17,202</u>

The accompanying notes are an integral part of these financial statements.

**Hard Rock Hotel Licensing, Inc.**  
**(A wholly owned subsidiary of Hard Rock Cafe International (USA), Inc.)**  
**Notes to Financial Statements**

---

**1. Organization and Nature of Business**

Hard Rock Hotel Licensing, Inc. (the "Company") was incorporated in the state of Florida on February 28, 2001. The Company, a wholly owned subsidiary of Hard Rock Cafe International (USA), Inc. (the "Parent"), was organized to conduct Hard Rock Hotel licensing activities in the United States. Operations commenced in 2002. Hard Rock Cafe International (USA), Inc. is wholly owned by Seminole Hard Rock Entertainment, Inc. ("SHRE"), a wholly-owned indirect subsidiary of Seminole HR Holdings, LLC which is ultimately wholly-owned by the Seminole Tribe of Florida ("the Tribe").

The accompanying financial statements have been prepared from separate records maintained by the Company and do not include allocations of costs incurred by affiliated entities (as also discussed in Note 5) on the Company's behalf. Accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed or the results of operations if the Company had been operated as an unaffiliated company.

The Company has one licensed hotel, one managed hotel and one licensed hotel-casino in operation at December 31, 2017.

**2. Summary of Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

**Fiscal Year**

The fiscal year of the Company ends on the last Sunday in December. The results of the Company have been reported for the fifty-three week period ended December 31, 2017 ("Fiscal 2017"), and fifty-two week period ended December 25, 2016 ("Fiscal 2016") and December 27, 2015 ("Fiscal 2015").

**Basis of Presentation**

The financial statements of the Company are presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

**Use of Estimates**

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

**Fair Value**

Due to their short maturities, the carrying amount of cash, accounts receivable and accrued liabilities approximated their fair values at December 31, 2017 and December 25, 2016.

**Receivables, net**

Receivables consist principally of amounts billed and currently due from licensees less a provision, if necessary, for uncollectible receivables. The Company monitors the financial condition of licensees and estimates a provision for uncollectible license receivables based upon the overall aging of the receivables and historical bad debt experience. This estimate is periodically adjusted

**Hard Rock Hotel Licensing, Inc.**  
**(A wholly owned subsidiary of Hard Rock Cafe International (USA), Inc.)**  
**Notes to Financial Statements**

---

if the Company becomes aware of a specific licensee's inability to meet its financial obligations. While the best information available is used in making this determination, the ultimate recovery of recorded receivables is also dependent upon future economic events and other conditions that may be beyond the control of the Company. The Company did not have a provision for uncollectible licensee receivables at December 31, 2017. At December 25, 2016, there was a provision of \$117,789, for uncollectible licensee receivables. Receivables in Fiscal 2016 include amounts due from related parties (Note 5).

**Other Intangible Assets, Net**

Other intangible assets, net consist of hotel and casino license contracts. Such license assets are amortized on a straight-line basis over the average useful life of the corresponding contracts which approximate 24 to 27 years. Amortization of such intangible assets was \$1,092,499 for Fiscal 2017, Fiscal 2016 and Fiscal 2015. Other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Judgments by the Company regarding the existence of impairment indicators are generally based on market and operational performance. Recoverability of the hotel and casino license contract is measured by a comparison of the carrying amount of the asset to the future undiscounted net cash flows expected to be generated by the asset. If such assets are determined to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Fair value is generally determined based on an estimate of discounted future cash flows. Evaluating potential impairment also requires the Company to estimate future operating results and cash flows. Accordingly, actual results could vary significantly from these estimates.

As of December 31, 2017 and December 25, 2016, aggregate hotel and casino license contracts totaled \$27,303,714, presented net of accumulated amortization of \$11,835,409 and \$10,742,909, respectively. Total estimated average annual amortization expense expected for the next five fiscal years, as of December 31, 2017, is approximately \$1,092,499 each year. Amortization thereafter will be \$10,005,809.

**Other Assets, Net**

Other assets, net primarily consist of funds contributed to a licensee to partially fund the conversion and rebranding of existing hotels ("key money"). Key money assets are amortized as a reduction of revenue over the term of corresponding license agreements. The Company advanced \$2,500,000 and \$1,500,000 in key money during Fiscal 2017 and 2016, respectively. Amortization expense was \$51,758 and \$97,102 for Fiscal 2017 and Fiscal 2016, respectively.

In Fiscal 2017, the Company assessed the future plans and expectations for the performance of its managed hotel property in Palm Springs, CA and determined that the related key money asset for this property was not recoverable. As a result, the Company recorded a pre-tax impairment charge of \$2,726,139 in Fiscal 2017.

**Income Taxes**

The Company's operations are included in SHRE's consolidated income tax returns. Provision for income taxes in these financial statements has been calculated on a separate return basis. Income taxes are accounted for under the asset and liability method. Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect

**Hard Rock Hotel Licensing, Inc.**  
**(A wholly owned subsidiary of Hard Rock Cafe International (USA), Inc.)**  
**Notes to Financial Statements**

---

taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

**Revenue Recognition**

Revenues consist primarily of fees from licensees. The Company executes license agreements with each licensee, which set out the terms of our arrangement with the licensee. Revenues in Fiscal 2017 include a termination fee of \$1,086,000 as a result of the closure of a licensed hotel property. The license agreements typically require the licensee to pay technical assistance fees during the hotel development period and continuing royalty and marketing fees based upon a percentage of sales. The Company is not required to perform any future services for the ongoing royalties and therefore these royalties are recognized when they are earned under the terms of the related agreements if collection is reasonably assured. The Company did not execute new management agreements with any licensee during Fiscal 2017 and had one new management agreement executed in Fiscal 2016. Management fee revenue is based on a percentage of sales plus an incentive management fee which is based on the operational results. Management fees are recognized as earned under the terms of the related agreements, if collectability is reasonably assured. We recognize cost reimbursements from managed and licensed properties when we incur the related reimbursable costs. As these costs have no added mark-up, the revenue and related expenses have no impact on our operating or net income. These fees are reflected in the accompanying statements of operations as license royalties and fees.

**Deferred Revenue**

Deferred revenue consists of technical assistance fees paid in advance of services being performed. Amounts are recognized as the fees are earned, which is when all material services or conditions have been performed or satisfied.

**Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, the converged standard on revenue recognition, Accounting Standards Codification ("ASC") 606, Revenue From Contracts With Customers. The objective of the revenue standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services.

The Company has completed an assessment of its key revenue streams as they relate to the provisions of ASU 2014-09. We have determined that royalty, management, technical services and marketing fees will remain substantially unchanged. The provisions of ASU 2014-09 will primarily affect revenue recognition as follows: a) application fees will be recognized ratably over the life of the non-cancelable term of the related agreement. Based on its analysis to date, the Company will not be required to make significant changes to its current accounting policies and practices to apply the requirements under the new standard.

The Company will adopt this standard in the first quarter of Fiscal 2018 annual period using the modified retrospective transition method and does not expect to record a cumulative effect adjustment.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows. This ASU amends the guidance in ASC 230 on the classification of certain cash receipts and payments in the statement

**Hard Rock Hotel Licensing, Inc.**  
**(A wholly owned subsidiary of Hard Rock Cafe International (USA), Inc.)**  
**Notes to Financial Statements**

of cash flows. The ASU will be effective for annual periods beginning after December 15, 2018, and interim periods after December 15, 2019. Early adoption is permitted for all entities. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if retrospective application would be impracticable. The Company is currently reviewing the new standard to determine the impact on its financial statements.

**3. Commitments and Contingencies**

The Company is subject to various claims, possible legal actions, and other matters arising in the normal course of business. The Company does not expect the disposition of these matters to have a material adverse effect on financial position, results of operations or liquidity.

In connection with certain Hard Rock Hotel license agreements, the Company has agreed to provide \$5,000,000 in key money in the future to the owners upon the satisfaction of certain conditions.

**4. Income Taxes**

The components of the provision for income taxes are as follows:

	<b>Fiscal Year Ended December 31, 2017</b>	<b>Fiscal Year Ended December 25, 2016</b>	<b>Fiscal Year Ended December 27, 2015</b>
<b>Provision for income taxes</b>			
<b>Current</b>			
Federal	\$ (2,038,359)	\$ (1,618,023)	\$ (1,496,631)
State and local	(347,471)	(275,818)	(255,125)
Total current provision for income taxes	<u>(2,385,830)</u>	<u>(1,893,841)</u>	<u>(1,751,756)</u>
<b>Deferred</b>			
Federal	2,601,801	281,320	185,805
State and local	223,521	47,955	68,316
Total deferred benefit for income taxes	<u>2,825,322</u>	<u>329,275</u>	<u>254,121</u>
Total net benefit/(provision) for income taxes	<u>\$ 439,492</u>	<u>\$ (1,564,566)</u>	<u>\$ (1,497,635)</u>

The Company is included in the consolidated income tax filings of SHRE; therefore, the tax provision for each respective year is not necessarily indicative of the actual income taxes ultimately paid by SHRE. The Company does not have any uncertain tax positions or related interest or penalties. SHRE utilizes the Company's cash, swept by the Company's Parent, to pay for the Company's current tax expense calculated on a separate return basis. The Company's Parent is generally no longer subject to examination by U.S. Federal and most states' tax authorities for tax years before 2012.

The following table is a reconciliation of the U.S. statutory income tax rate to the effective income tax rate included in the accompanying statements of operations:

**Hard Rock Hotel Licensing, Inc.**  
**(A wholly owned subsidiary of Hard Rock Cafe International (USA), Inc.)**  
**Notes to Financial Statements**

	Fiscal Year Ended December 31, 2017	Fiscal Year Ended December 25, 2016	Fiscal Year Ended December 27, 2015
U.S. Federal statutory rate	\$ (815,514)	\$ (1,415,836)	\$ (1,375,432)
Remeasurement of deferred income tax liabilities resulting from the Tax Cuts and Jobs Act	1,331,938	-	-
State taxes, net of Federal benefit	(76,932)	(148,730)	(122,203)
Effective income tax benefit/(provision)	<u>\$ 439,492</u>	<u>\$ (1,564,566)</u>	<u>\$ (1,497,635)</u>

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes significant modifications to the provisions of the Internal Revenue Code, including but not limited to a corporate tax rate decrease from 35% to 21% effective as of January 1, 2018. The Company's net deferred tax assets and liabilities were revalued at the newly enacted U.S. corporate rate in the year of enactment. The adjustment related to the remeasurement of the deferred tax asset and liability balances is a net tax benefit of \$1,331,938 and is recorded in the benefit for income taxes in the accompanying statement of operations for the fiscal year ended December 31, 2017.

The tax effects of temporary differences that give rise to deferred tax assets and liabilities are as follows:

	December 31, 2017	December 25, 2016	December 27, 2015
Accrued liabilities	\$ 6,111	\$ -	\$ 9,056
Deferred revenue	16,510	13,531	3,866
Bad debt	193,505	102,253	-
Other	(1,535)	(1,543)	(857)
Impairment	692,456	-	-
Intangible assets	(3,458,650)	(5,491,167)	(5,718,268)
Total net deferred tax liabilities	<u>\$ (2,551,603)</u>	<u>\$ (5,376,926)</u>	<u>\$ (5,706,203)</u>

**5. Related-Party Transactions**

The Company earned royalties from affiliated entities in Fiscal 2016 and Fiscal 2015, however, the company no longer has a related party relationship with any of the properties beginning in Fiscal 2017. Such related-party royalties totaled \$390,245 and \$1,494,855 for Fiscal 2016 and Fiscal 2015, respectively. The Company received marketing contribution fees of \$135,031 and \$359,541 from affiliated entities during Fiscal 2016 and Fiscal 2015, respectively. The Company also received management fees of \$173,420 from affiliated entities during Fiscal 2016. There were no management fees earned during Fiscal 2017 and Fiscal 2015. These amounts are reflected within license royalties and fees in the accompanying statements of operations. Accounts receivable from such related parties totaled \$249,319 at December 25, 2016.

**Hard Rock Hotel Licensing, Inc.**  
**(A wholly owned subsidiary of Hard Rock Cafe International (USA), Inc.)**  
**Notes to Financial Statements**

---

The amount due from Parent of \$22,910,345 and \$22,352,955 at December 31, 2017 and December 25, 2016, respectively, is non-interest bearing and is expected to be repaid by the Parent when cash is required for the Company's operations. The Parent has represented to the Company both its (a) intent to repay the amount due in the future should it be required for the Company's operations and (b) ability to repay the amount due based upon its current and anticipated financial condition. The receivable is comprised mainly of excess cash generated from the Company's operations which was transferred to the Parent.

The Parent allocates marketing costs to the Company in an amount equal to contractual marketing revenues received by the Company from its licensees recorded in license royalties and fees in the accompanying statements of operations. Allocated marketing costs were \$591,378, \$847,884 and \$644,235 for Fiscal 2017, Fiscal 2016 and Fiscal 2015, respectively.

Certain administrative expenses including personnel and travel related costs have been incurred by the Parent and its affiliates on behalf of the Company. The Parent and its affiliates have informed the Company that they cannot reasonably allocate such costs and do not expect to be reimbursed for such unallocated costs for any of the periods presented. Accordingly, these amounts are not reflected in the Company's financial statements.

**6. Subsequent Events**

The Company has completed its assessment of subsequent events from December 31, 2017 through March 6, 2018.

The company terminated a hotel management agreement with a licensee on January 19, 2018 and simultaneously, executed a hotel license agreement with the same licensee for a new Hard Rock Hotel to be located in Daytona Beach, FL.

No other significant events were noted other than those disclosed within these financial statements.

**EXHIBIT "H"**  
**TO DISCLOSURE DOCUMENT**  
**FRANCHISEE DISCLOSURE QUESTIONNAIRE**

*[See Attached]*

## FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know Hard Rock Hotel Licensing, Inc. (“we” or “us), and you are preparing to enter into a Franchise Agreement for the operation of a Reverb franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer on the back of this sheet.

- Yes\_\_ No\_\_ 1. Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it?
- Yes\_\_ No\_\_ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes\_\_ No\_\_ 3. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
- Yes\_\_ No\_\_ 4. Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?
- Yes\_\_ No\_\_ 5. Did you receive the Franchise Disclosure Document at least 14 calendar days before signing any agreement relating to the franchise (other than an NDA) or paying any money?
- Yes\_\_ No\_\_ 6. Did you receive a complete execution copy of the Franchise Agreement at least seven (7) calendar days before you signed it?
- Yes\_\_ No\_\_ 7. Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor?
- Yes\_\_ No\_\_ 8. Have you discussed the benefits and risks of developing and operating a Reverb franchise with an existing Reverb franchisee?
- Yes\_\_ No\_\_ 9. Do you understand the risks of developing and operating a Reverb franchise?
- Yes\_\_ No\_\_ 10. Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs and other relevant factors?
- Yes\_\_ No\_\_ 11. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be mediated in Florida, if not resolved informally?
- Yes\_\_ No\_\_ 12. Do you understand that you must satisfactorily complete the initial training course before we will allow your franchised business to open or consent to a transfer?
- Yes\_\_ No\_\_ 13. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Reverb franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
- Yes\_\_ No\_\_ 14. Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
- Yes\_\_ No\_\_ 15. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success,

the amount of money you may earn, or the total amount of revenue a Reverb franchise will generate, that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes\_\_ No\_\_ 16. Do you understand that the Franchise Agreement and attachments to the Franchise Agreement contain the entire agreement between us and you concerning the franchise for the Reverb business, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments to the Franchise Agreement will not be binding?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Dated \_\_\_\_\_

Dated \_\_\_\_\_

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Dated \_\_\_\_\_

Dated \_\_\_\_\_

EXPLANATION OF ANY NEGATIVE RESPONSES [REFER TO QUESTION NUMBER]:

**EXHIBIT "I"**  
**TO DISCLOSURE DOCUMENT**

**GENERAL RELEASE**

*[See Attached]*

## WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (the "Release") is made as of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_, a(n) \_\_\_\_\_ ("Franchisee"), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, "Releasor") in favor of Hard Rock Hotel Licensing, Inc., a Florida corporation ("Franchisor," and together with Releasor, the "Parties").

**WHEREAS**, Franchisor and Franchisee have entered into a Franchise Agreement (the "Agreement") pursuant to which Franchisee was granted the right to own and operate a Reverb hotel;

**WHEREAS**, Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee, and Franchisor has consented to such transfer; and

**WHEREAS**, as a condition to Franchisor's consent to the transfer, Releasor has agreed to execute this Release upon the terms and conditions stated below.

**NOW, THEREFORE**, in consideration of Franchisor's consent to the transfer, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. Representations and Warranties. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims or obligations being terminated and released hereunder. [ ] represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. Release. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries or related companies, divisions and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the "Released Parties"), from any and all claims, liabilities, damages, expenses, actions or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto.

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business or their reputation.

4. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of Florida.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.

h. The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

*[Signature Page Follows]*

**IN WITNESS WHEREOF** Releasor has executed this Release as of the date first written above.

**FRANCHISEE**

\_\_\_\_\_, a  
\_\_\_\_\_

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

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

Its: \_\_\_\_\_

**FRANCHISEE'S OWNERS**

Date \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

STATE OF \_\_\_\_\_ )

) ss.

County of \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, by  
\_\_\_\_\_.

\_\_\_\_\_  
Notary Public

My commission expires:  
\_\_\_\_\_



**EXHIBIT "J"**  
**TO DISCLOSURE DOCUMENT**

**RECEIPTS**

*[See Attached]*

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 Hard Rock Hotel Licensing, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If Hard Rock Hotel Licensing, 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are **(to be completed by franchise seller involved in sales process)**:

Name \_\_\_\_\_; Address \_\_\_\_\_; Phone \_\_\_\_\_  
Name \_\_\_\_\_; Address \_\_\_\_\_; Phone \_\_\_\_\_  
Name \_\_\_\_\_; Address \_\_\_\_\_; Phone \_\_\_\_\_

Issuance Date: March 6, 2018

Hard Rock Hotel Licensing, Inc.'s agent to receive service of process is listed in EXHIBIT "B" to this Disclosure Document.

I received a Franchise Disclosure Document that included the following Exhibits:

- EXHIBIT "A" State Agencies and Administrators
- EXHIBIT "B" Agent for Service of Process
- EXHIBIT "C" Franchise Agreement
- EXHIBIT "D" Area Development Agreement
- EXHIBIT "E" Table of Contents of the confidential System Standards Manual
- EXHIBIT "F" List of Franchisees
- EXHIBIT "G" Financial Statements of Hard Rock Hotel Licensing, Inc.
- EXHIBIT "H" Franchisee Disclosure Questionnaire
- EXHIBIT "I" General Release
- EXHIBIT "J" Receipts

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
(Signature) Prospective Franchise Owner

(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to Hard Rock Hotel Licensing, Inc.)

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 Hard Rock Hotel Licensing, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If Hard Rock Hotel Licensing, 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are **(to be completed by franchise seller involved in sales process)**:

Name \_\_\_\_\_; Address \_\_\_\_\_; Phone \_\_\_\_\_  
Name \_\_\_\_\_; Address \_\_\_\_\_; Phone \_\_\_\_\_  
Name \_\_\_\_\_; Address \_\_\_\_\_; Phone \_\_\_\_\_

Issuance Date: March 6, 2018

Hard Rock Hotel Licensing, Inc.'s agent to receive service of process is listed in EXHIBIT "B" to this Disclosure Document.

I received a Franchise Disclosure Document that included the following Exhibits:

- EXHIBIT "A" State Agencies and Administrators
- EXHIBIT "B" Agent for Service of Process
- EXHIBIT "C" Franchise Agreement
- EXHIBIT "D" Area Development Agreement
- EXHIBIT "E" Table of Contents of the confidential System Standards Manual
- EXHIBIT "F" List of Franchisees
- EXHIBIT "G" Financial Statements of Hard Rock Hotel Licensing, Inc.
- EXHIBIT "H" Franchisee Disclosure Questionnaire
- EXHIBIT "I" General Release
- EXHIBIT "J" Receipts

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
(Signature) Prospective Franchise Owner

(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to Hard Rock Hotel Licensing, Inc.)