

AdVantis Hospitality Progress Report for AAHOA

2010



Vista Inn & Suites - Warner Robins, Georgia



SELECT Inn - Lewisville, Texas



AdVantis Hospitality Alliance, LLC

Vista Hospitality Solutions

Select Hospitality Solutions


AD VANTIS
HOSPITALITY ALLIANCE, LLC

AAHOA's 2010 Progress Report

AdVantis Hospitality Alliance

DbA

Vista Hospitality Solutions



And

Select Hospitality Solutions



SECTION 1 - Q&A Section

- **AAHOA:** If I am current with my royalty payments, but might not be able to make my payments in the upcoming months, what should I do? How soon should I report my financial troubles? Who should I contact for assistance? What kind of support might be available? What financial records will you need before making changes or agreeing to provide support?
- **AdVantis:** One of the best ways to avoid any type of problem with a franchisor is to have honest, consistent and continuous communications with the company. If you are anticipating financial troubles communicate early with your Customer Services Representative and/or Operations Support Director. Assistance can vary dependent on each individual situation.
- **AAHOA:** If I have received a monetary default notice, what should I do? Who should I contact for assistance? What kind of support might be available? Will you be shutting off my reservation support or property management system? What financial records will you need before making changes or agreeing to provide support?
- **AdVantis:** Monetary default notices are generally a result of poor early communications and in many cases avoidance of communications. The default notice will also include a notice period for suspension of reservation services in the absence of a resolution of the monetary default. Resolution can include curing the default by payment in full or other acceptable agreed upon payment terms. The signatory of the default notice is the best person to contact.





- **AAHOA:** If I have received a letter of termination, what should I do? Who should I contact for assistance? What kind of support might be available? What financial records will you need before making changes or agreeing to provide support?
- **AdVantis:** The signatory of the termination letter is the best person to contact for information and clarification. As termination is usually the culmination of multiple defaults and/or failures to perform on agreed upon cures and promises, reversal of a termination is rare. Substantial proof of good faith and financial backup would be required for a reversal.

SECTION 2 - Programs & Plans Implemented in 2009 & for 2010 – Vista & Select Brands

1. Despite the severe economic downturn our franchisees, across the board, have enjoyed reservations performance that exceeded our guarantee of a **minimum** of one hundred percent (100%) returns on their franchise fee investment. While local markets may have affected individual property performance, AdVantis has continued to outperform in reservations delivery without raising our very nominal fee structure; thus negating any need for a fee reduction.
2. Our same store reservations delivery exceeded the prior year (2008) performance in almost every single month of 2009 (see table below)
3. Reservations delivery for 2010 to date continues to outperform our 2009 numbers (see table below)
4. Reservations delivery is expected to continue to grow over the coming years in both our brands because of the following initiatives:
 - a. Our proactive approach to effective web marketing
 - b. Cross selling across our two brands through our web site and at our central reservation center
 - c. Our commitment to effective promotion and handling of telephone call reservations
 - d. Our proactive third party reservations participation program with an opt-out option for our licensees

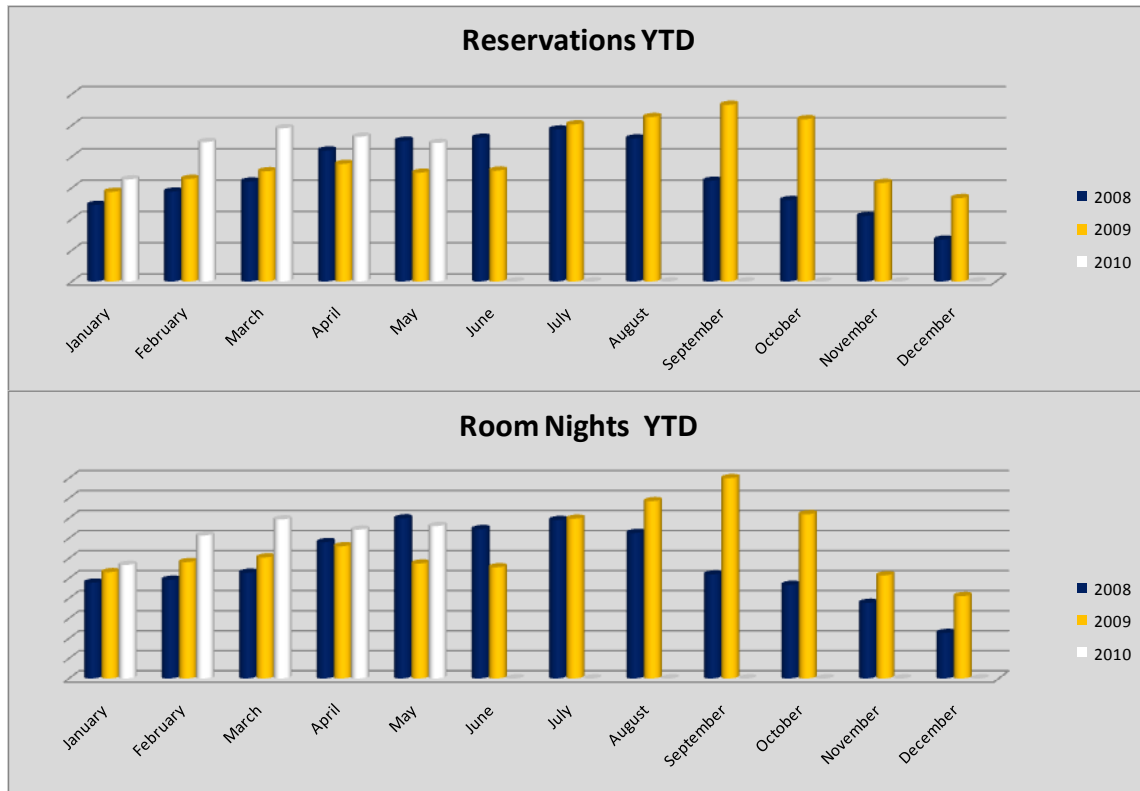


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5. Fair franchising is the essence, culture and philosophy of AdVantis. We continue to provide the most progressive, cost effective and only money back performance guaranteed economy segment and mid-tier segment franchise programs in the lodging industry.
 - a. A flat or an attractive nominal revenue percentage based fee option arrangement that is commensurate with services provided.
 - b. A Fifteen (15) year agreement with three year termination rights with or without cause
 - c. No Liquidated Damage provisions
 - d. A clearly defined area of “Business” protection
 - e. All representations written in simple English in a Mutual Commitment Letter, which accompanies all franchise contracts
 - f. Comprehensive online Operations Support Resource and regular operations support visits to the properties
 - g. Quality Assurance through a comprehensive self review program and Guest Satisfaction tracking program
 - h. Our focus on improving franchisee’s REVPAR and Asset Appreciation
 - i. Our Fairness Doctrine that satisfies AAHOA’s 12 points and sets the standard for equitable franchising
6. AdVantis continues to be the only franchise company in the lodging industry offering a money back Reservations Performance Guarantee
7. Continue to offer our central reservations services for more effective delivery, low reservations delivery fees, added flexibility in negotiations with third party providers and a comprehensive call center service program
8. Advisories to our franchisees on dealing with the US economic downturn
9. With the completion of our acquisition of the Select Inn brand in 2009 we now offer franchises in the mid-tier segment (Vista) and the economy segment (Select Inn) of the lodging industry
10. AdVantis’ philosophy of minimal mandates and market driven franchisee selected amenities, franchisees of the Vista and Select brands continue to control expenses and profitability



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AAHOA 12 POINTS COMPLIANCE by AdVantis

AAHOA POINT	VISTA COMPLIANCE RESPONSE
POINT 1 - EARLY TERMINATION & LIQUIDATED DAMAGES	FULL COMPLIANCE. AdVantis provides a 15 year agreement with 3 year windows (with or without cause) subject to 180 day notice. No Liquidated Damage provisions in our agreement.
POINT 2 - IMPACT ENCROACHMENT	FULL COMPLIANCE. AdVantis provides a clear written Area of Protection based on market dynamics to protect the business of each licensee. As a policy we will not entertain an addition even outside the AOP if the addition will impact the business of the exiting licensee.



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POINT 3 - MINIMUM PERFORMANCE & QUALITY GUARANTEE	FULL COMPLIANCE. AdVantis offers a money back performance guarantee; if we fail to deliver the agreed reservations performance in any license year, we refund the royalties paid that year. We maintain brand quality through guest complaint tracking and support for corrective remedies.
POINT 4 - QUALITY ASSURANCE INSPECTIONS / GUEST SURVEYS	FULL COMPLIANCE. AdVantis does not perform QA inspections. We continuously educate licensees (a support visit is conducted every 90 - 120 days) on the value of Guest Satisfaction and effective complaint handling and track quality through guest complaints tracking.
POINT 5 - VENDOR EXCLUSIVITY	FULL COMPLIANCE. AdVantis does not enforce Vendor exclusivity.
POINT 6 - DISCLOSURE AND ACCOUNTABILITY	FULL COMPLIANCE. AdVantis provides regular shared funds disclosure and decision participation to the duly elected Customer (Franchisee) Advisory Committee (CAC). No shared funds are used for franchise sales.
POINT 7 - MAINTAINING RELATIONSHIPS WITH FRANCHISEES	FULL COMPLIANCE. We promote a robust relationship with our CAC and our franchisees. Brand standards are basic and amenities are self directed by each licensee based on market competition. We are an engaged AAHOA member and endorse and promote the CHO Program. We also promote and endorse AH&LA, NABHOOD and HHOA.
POINT 8 - DISPUTE RESOLUTION	FULL COMPLIANCE. AdVantis offers informal discussions and non-binding mediation on all disputes and allows litigation if necessary.
POINT 9 - VENUE AND CHOICE OF LAW CLAUSES	FULL COMPLIANCE. AdVantis offers venue negotiation on each license.
POINT 10 - FRANCHISE SALES ETHICS AND PRACTICES	FULL COMPLIANCE. AdVantis sales representatives are bound by a Code of Ethics and are required to submit all representations in writing. They are also required to submit a personally signed "AdVantis Fairness Doctrine" to each potential licensee. Each license agreement is accompanied by a Mutual Commitment Agreement, which outlines all representations by both parties; and a Business Terms Summary which outlines all business terms of the license agreement.
POINT 11 – TRANSFERABILITY	FULL COMPLIANCE. All licenses in good standing are transferable with appropriate documentation. Transfers are free for family and estate transfers and with a payment of a nominal administration fee for others.



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**POINT 12 - SALE OF FRANCHISE
SYSTEM**

IMPLIED COMPLIANCE. A sale is not planned or expected; and with unconditional windows on each license the licensee has the opportunity to leave the brand without undue hardship.



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