

You may not advertise, promote, post or list information relating to the Inn on the Internet (through the creation of a website or otherwise) or establish or operate your own website for the Inn, and you may not conduct any e-commerce over the Internet, World Wide Web or other electronic communication system using the Proprietary Marks except as permitted by and in strict compliance with the Internet Style Guide and Manuals, as periodically amended. (See Item 8.) We will include information about your Inn on our website.

Except as described above, neither the Franchise Agreement nor any other practice restricts the goods or services which you may offer, or the customers you may solicit.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

California residents, see the California Addendum to this Offering Circular for additional disclosures required by California law. This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Offering Circular.

FRANCHISE AGREEMENT

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	§2.1 and Exhibit A	15-20 years. Under certain circumstances, we will negotiate mutual termination windows, permitting you or us to terminate the agreement without you paying liquidated damages. The interval of these windows, when offered, varies. Any windows provisions will be included in an addendum to the Franchise Agreement.
b. Renewal or extension of the term	§2.2 and §2.3	10 years
c. Requirements for you to renew or extend	§2.2 and §2.3	We may allow you to renew if you are not in default, have paid all monetary obligations, submit a renewal application, complete certain training and upgrading requirements, execute a general release, and pay a renewal fee in an amount equal to 50% of the then-current initial franchise fee and execute our then-current form of franchise agreement.
d. Termination by you	§§13.1 and 5.20	At any time after the Inn has been in operation for 2 full years and if you have achieved passing quality assurance scores on all inspections and evaluations; participated in all national ad campaigns; are current and in Good Standing on all obligations under the Franchise Agreement; and the number of guest complaints is within System averages, then you may terminate your Franchise Agreement upon notice and/or payment of an early termination fee (the type of notice and/or amount of the fee is related to the average room occupancy of the Inn during the last twelve month period). You may also terminate the Franchise Agreement if the Inn is damaged by fire or other casualty and the cost to repair the damage is reasonably estimated to be in excess of 50% of the fair market value of the Inn and you give us notice of your election to terminate within 60 days following the date of the casualty. Under certain circumstances, you may terminate the Franchise Agreement if we materially fail to comply with the Franchise Agreement. Also, under certain circumstances, the parties to the Franchise Agreement may agree to an earlier termination of the Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
e. Termination by us without cause	None	We may not terminate your Franchise Agreement without cause.
f. Termination by us with cause	§13 and Renovation and New Construction Addenda	We can terminate if you default.
g. "Cause" defined – defaults which can be cured	§§13.4 and 17.4	Violation of any law or ordinance; failure to upgrade the Inn; failure to operate according to the Franchise Agreement; failure to comply with any quality measurement, standard or Manual procedure; failure to promptly pay monies owed to us; failure of any inspection or quality standard; or listing the Inn on the Internet in violation of the relevant Franchise Agreement provisions or any breach of indemnification provisions.
h. "Cause" defined - defaults which cannot be cured	§§13.2 and 13.3	Insolvency; bankruptcy; dissolution; foreclosure; ceases to operate; threat to public health or safety; conviction of a felony; engages in an activity which in our sole judgment adversely impacts the Marks, the System or our goodwill; Transfer without approval; disclosure of trade secrets; failure to Transfer following incompetence of the owner; false statements or omissions; misuse of the Proprietary Marks; repeated defaults under Section 13.4 of the Franchise Agreement; or failure to comply with the terms of the Renovation or Construction Addendum by the required dates including opening without written authorization.
i. Your obligations on termination/non-renewal	§§ 13.5, 13.6, 13.7, and 14.	Obligations include de-identification; cease to operate as a Red Roof Inn; cease to use the Proprietary Marks; payment of amounts due including any damages or attorneys' fees; cancel trade, fictitious or assumed name registrations; turn over all Manuals and records provided by us; and, if you default, pay us liquidated damages (see §13.6 of Franchise Agreement) for premature termination.
j. Assignment of contract by us	§12.8	We may Transfer or assign the Franchise Agreement, provided that the transferee is an entity to which we Transfer all or substantially all of the Franchise Agreements under the System.
k. "Transfer" by you defined	§12; Schedule 1	Includes Transfer of any interest in Franchise Agreement, Franchisee, or all or substantially all of the assets of the Inn.
l. Our approval of Transfer by you	§12.	We have the right to approve Transfers.
m. Conditions for our approval of Transfer	§§12.4 and 12.5	Payment of money owed; non-default; execution of then-current Franchise Agreement; transferee has proper qualifications; written assignment; payment of Transfer fee; Owners of transferee execute guarantee; signing of general release; evidence of continued liability for all obligations arising before Transfer; training for transferee's Manager; and conform to current Standards under the System.
n. Our right of first refusal to acquire your business	§12.7	If you or your Owners receive and wish to accept a <u>bona fide</u> offer to sell any interest in the Inn or you, you must notify us of the offer and we will have a right to purchase that interest on the same terms as the <u>bona fide</u> offer.
o. Our option to purchase your business	§14.9	Upon expiration or termination of your franchise, we can purchase all furnishings, signs, fixtures, supplies or inventory bearing the Proprietary Marks at fair market value.
p. Your death or disability	§12.6	Executor, Administrator, Trustee or Personal Representative may operate the Inn until transfer. Interest in Inn must be transferred to a third party we have approved within 12 months.

Provision	Section in Franchise Agreement	Summary
q. Non-competition covenants during the term of the franchise	§15.2	You must not divert business away from System inns.
r. Non-competition covenants after the franchise is terminated or expires	None	None
s. Modification of the Franchise Agreement	§§20. and 21.	Must be in writing executed by both parties.
t. Integration/merger clause	§§20. and 21.	Only the terms of the Franchise Agreement and exhibits to the Franchise Agreement are binding.
u. Dispute resolution by arbitration or mediation	§22.	All disputes relating to the Franchise Agreement or our relationship (excluding disputes concerning failure to commence construction, failure to commence operations, insurance, insurance requirements, monetary obligations, indemnification or quality inspection ratings, abandonment or failure to continue operations, unauthorized use of trademarks or failure to de-identify) must be submitted to non-binding mediation, except that we can bring an action for injunctive or extraordinary relief (including specific performance), or actions involving the Inn premises elsewhere.
v. Choice of forum	§22.	All parties submit to jurisdiction in the State and judicial district in which the Inn is located.
w. Choice of law	§22.	Texas law applies, unless Texas law would invalidate any provision of the Agreement, in which case the law of any other relevant state that would uphold the provision would apply.

Certain States may have amendments to the items outlined above. Please see State Specific Disclosure Amendments or Exhibit D – Franchise Agreement and State Specific Amendments. The following states have statutes, which may supersede the Franchise Agreement and other related agreements in your relationship with the Franchisor. These statutes may affect the enforceability of provisions in the agreements related to termination; Transfer; renewal; covenants not to compete; choice of law; jurisdiction; venue selection; execution of waivers and releases of claims under the statute; injunctive relief; waiver of rights to jury trial; punitive and liquidated damage provisions, and other remedies; arbitration; and discrimination between franchisees: Ark. Code Ann. §§ 4-72-201 – 4-72-210 (Michie 1997); Cal. Corp. Code §§ 31000 – 31516 (West 2000); Cal. Bus. & Prof. Code §§ 20000 – 20043 (West 1996); Conn. Gen. Stat. §§ 42-133e – 42-133h (1995); Del. Code Ann. tit. 6 §§ 2551– 2556 (1980); Haw. Rev. Stat. §§ 482E-1 – 5, 482E-6, 482E-8, 482E-9, 482E-11 – 482E-12 (1996); 815 ILCS Sections 705/1-44 et seq.; Ind. Code 23 §§ 1–51 (2001); Iowa Code §§ 523H.1– 523H.17 (2000); Iowa Code § 537A.10 (2000); Md. Code Ann., Bus. Reg. §§ 14-201 – 14-233 (1998 Repl.Vol. Supp. 2002); Md. Code Ann. Com.Law. §§ 11-1301 – 11-307 (1999); Mich. Comp. Laws §§ 445.1501 – 445.1545 (1989); Minn. Stat. §§ 80C.01 – 80C.22 (2001); Miss. Code Ann. §§ 75-24-51 – 75-24-63 (1972); Mo. Rev. Stat. §§ 407.400 – 407.410, 407.413, 407.420 (1998); Neb. Rev. Stat. §§ 87-401 – 87-410 (1993); N.J. Rev. Stat. §§ 56:10-1 – 56:10-12 (1999); N.Y. Gen. Bus. §§ 680 –695 (1989); N.D. Cent. Code §§ 51-19-01–51-19-17 (2001); Or. Rev. Stat. §§ 650.005 – 650.085 (1995); R.I. Gen. Laws §§ 19-28.1-1–19-28.1-34 (1994); S.D. Codified Laws §§ 37-5A-1 – 37-5A-87 Michie (1994); Tex. Bus. & Com. Code tit. 4 §§ 41.001-41.303 (1997); Va. Code Ann. §§ 13.1-557 –13.1-574 (1998); Wash. Rev. Code §§ 19.100.010 – 19.100.940 (1994); Wis. Stat. §§ 553.01 – 553.78 (1997); Wis. Stat. §§ 135.01 – 135.07 (1984). These and other states may have fair practice laws and other civil statutes affecting contracts and state and federal court decisions that may also affect the enforcement of provisions in the Franchise Agreement and other related agreements.

In addition to the provisions noted in the above chart, the Franchise Agreement contains a number of provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See Franchise Agreement Sections 22.5 and 22.6. We recommend that you carefully review all of these provisions, and the entire contract, with a lawyer.

A provision in the Franchise Agreement which terminates the Franchise Agreement upon your bankruptcy may not be enforceable under Title 11, United States Code Section 101.

ITEM 18

PUBLIC FIGURES

We do not use any public figures to promote the Red Roof Inn franchise.

INSERT TAB PAGE HERE
EARNINGS
CLAIMS

ITEM 19

EARNINGS CLAIMS

STATEMENT OF AVERAGE REVENUES AND EXPENSES
FOR RED ROOF INNS PROPERTIES OWNED OR LEASED BY RRI
DURING THE PERIOD JANUARY 1, 2006 – DECEMBER 31, 2006¹

NUMBER OF PROPERTIES: 230²

AVERAGE PROPERTY SIZE: 117 ROOMS

AVERAGE DAILY RATE: \$56.74³
AVERAGE OCCUPANCY: 59.34%⁴

REVENUES

	MEAN AVERAGE ⁵	PERCENTAGE OF MEAN AVERAGE REVENUES ⁶	MEDIAN AVERAGE ⁷
Room Rental Revenues	\$1,441,589	98.73%	\$1,261,350
Other Revenues ⁸	\$ 18,480	1.27%	\$ 11,149
Total Revenues	\$1,460,069	100.0%	\$1,272,499

OPERATING EXPENSES

Salaries and Wages ⁹	\$302,413	20.71%	\$287,618
Employee Benefits ¹⁰	\$ 61,883	4.24%	\$ 59,211
Supplies ¹¹	\$ 47,377	3.24%	\$ 44,050
Repairs and Maintenance ¹²	\$ 50,487	3.46%	\$ 45,280
Utilities ¹³	\$120,502	8.25%	\$109,777
Billboards/Local Marketing ¹⁴	\$ 23,516	1.62%	\$ 20,631
Security Services ¹⁵	\$ 11,401	0.78%	\$ 249
Travel and Other ¹⁶	\$ 75,408	5.16%	\$ 62,116
Total Operating Expenses	\$692,987	47.46%	\$628,932
Controllable Profit	\$767,082	52.54%	\$643,567
Overhead & Company Expenses ¹⁷	\$ 77,263	5.29%	\$ 67,448
Income from Operations Before Fixed Expenses¹⁸	\$689,819	47.25%	\$576,119

THE INFORMATION SET FORTH ABOVE WAS COMPILED FROM DATA FROM RED ROOF INN LOCATIONS OWNED OR LEASED BY RRI AND SHOULD NOT BE CONSIDERED AS THE AVERAGE OR PROBABLE SALES, EXPENSES OR INCOME THAT SHOULD OR WOULD BE REALIZED BY YOU. WE DO NOT REPRESENT THAT YOU CAN EXPECT TO ATTAIN SIMILAR RESULTS. A NEW FRANCHISEE'S RESULTS ARE LIKELY TO DIFFER FROM THE RESULTS SET FORTH IN THIS ITEM 19 PRIMARILY BECAUSE "STARTUP" INNS TRADITIONALLY EXPERIENCE LOWER REVENUES AND HIGHER COSTS THAN THOSE WHICH HAVE BEEN OPERATING FOR SOME TIME.

OTHER THAN AS SET FORTH IN THIS ITEM 19, WE DO NOT FURNISH, OR AUTHORIZE OUR SALESPERSONS TO FURNISH, ORAL OR WRITTEN INFORMATION CONCERNING ACTUAL OR POTENTIAL SALES, COSTS, INCOME OR PROFITS OF A RED ROOF INN. ACTUAL RESULTS VARY FROM PROPERTY TO PROPERTY AND WE CANNOT ESTIMATE THE RESULTS OF ANY PARTICULAR FRANCHISE.

1. No franchised operations are included in the information contained in this Item.
2. This Item 19 reflects the results of 230 Inns owned or leased by RRI and open throughout the entire period January 1 - December 31, 2006. In addition to these Inns, during 2006 RRI owned or leased 15 Inns in this size range which were not open throughout the entire year; and (iii) RRI did not own or lease any Inns which did not operate under the Red Roof Inn name or System.
3. This is the mean average of the rate paid by guests for lodging in all the properties described in note 2 above, for the calendar year 2006. Rate and occupancy are the traditional measures of inn revenue generation, and vary from property to property based on such factors as stay demand in the immediate market, the number and type of competitive properties, the quality and physical condition of the property, service levels, location, visibility and accessibility, brand affiliation (or lack thereof), marketing efforts and effectiveness, prevailing rates in the market, facility reputation, convenience to destinations or generators of inn stays and other factors.
4. This is the mean average of all room stays in the properties described in note 2 above, and has been calculated by dividing the number of room stays by the number of available room-nights in those same properties.
5. This is the mean average which has been calculated by aggregating the total revenues or expenses for a given category and thereafter dividing it by the number of properties contributing to such revenues or expenses.
6. This percentage reflects the relationship between a specific expense or revenue shown in the "mean average" column and the total revenues of the average property.
7. The "median average" is the point at which half the properties reported higher results, and half the properties reported lower results.
8. "Other revenues" includes revenue earned primarily from long distance telephone charges, vending sales and pay-per-view movies. Also included in this section is rental income, which may not be applicable to Franchisees.
9. RRI hires and trains professional managers. In addition to management personnel, a Red Roof Inn location will require desk clerks to staff the front desk 24 hours per day. Variable salary costs, depending upon number of rooms occupied, include those for laundry workers, housekeepers and maintenance workers, as necessary.

10. This expense consists of payroll taxes, workers' compensation expenses and the cost of RRI employee benefits package which includes a 401(k) plan and company-subsidized medical and dental coverage. You are responsible for payroll taxes and worker's compensation expenses which will vary by state. AFNR does not require you to offer to your employees any specific level or type of employee benefits. Accordingly, the level and cost of such benefits will be determined by you, and by the requirements of applicable laws.

11. The largest single expense in this category is for expendable supplies furnished to guests for their use, but this category also includes linen and bedding, cleaning supplies, paper goods and items of a similar nature. Expenditures for such items generally vary with occupancy more than any other factor. RRI is able, by reason of size and purchasing power, to secure advantageous pricing on most supplies, but you may not be able to purchase supplies at similar prices.

12. This expense includes repairs and maintenance both within guest rooms and in common areas of the property. The extent of needed repairs or maintenance will vary with the quality and durability of construction, furnishings and other materials in the property; occupancy levels; types of guests; unusual climatic conditions; weather and other factors.

13. This expense includes gas, water, electricity, telephone, television signal and expenses of a similar nature. The properties reflected in this Item 19 are predominantly exterior-door inn designs in which heated or cooled air is lost to the atmosphere whenever an entry door is opened; we believe that an interior-corridor design may experience greater operating efficiencies. Utility charges vary with local suppliers and utility companies, as well as occupancy and climate.

14. This expense consists primarily of the cost of highway billboards announcing the proximity of a Red Roof Inn property, directions for finding it, and the price of a single-occupancy room. Guest surveys indicate that highway billboards are an important tool in attracting guests. The outdoor advertising industry is geographically diverse, as are the laws and regulations which apply to billboard advertising. Costs vary widely among locations, and you should check the availability and costs in the vicinity of your intended location.

15. This expense consists primarily of third-party security services hired to patrol the Inn grounds and vicinity for the protection of guests, staff and parked automobiles. The necessity or desirability of such services varies from location to location based on such factors as the surrounding neighborhood, guest and visitor demographics, adequate lot lighting and mechanical security devices, whether the location has a history of problems and crime trends in the market area. Such services are usually provided by local companies or agencies, and you should be able to secure cost estimates locally.

16. This expense includes such items as credit card commissions, travel, relocation, training, recruitment, meals, attendance at meetings and miscellaneous smaller categories (losses, legal expense, dues and subscriptions and financial and collection charges). You will experience some or all such costs, but expenses vary widely among properties. You are obligated to pay any applicable salaries, travel, lodging and meal costs of your employees while undergoing our training programs.

17. This expense includes costs experienced by RRI for marketing, reservations, administrative and company expenses, field and training expenses, a corporate overhead allocation and some minor management-fee expenses. You are unlikely to experience these costs in the same proportions, and may not experience some such costs at all. However, you will experience expenses not incurred by RRI in its operations or reflected in this Item 19, such as marketing contributions, reservations fees and franchise fees (as described in Item 6 of this Offering Circular), which, in combination with other "overhead" expenses for accounting, administration and management, will likely exceed the "Overhead and Company Expenses" entry shown.

18. From "Income from Operations Before Fixed Expenses," you must deduct financing related costs such as capital expenses, interest on mortgages and/or other loans, lease payments, the cost of periodic Inn refurbishment, etc. The level of financing-related costs you may experience will be a function of your individual equity and financing structure and, thus, no meaningful estimate can be given here. Periodic refurbishment costs

will vary with the quality of original materials used in the construction and furnishing of your Inn, the degree of usage it experiences and factors such as climate and maintenance practices. The Franchise Agreement requires you to replace, refurbish or maintain capital items to ensure continued acceptable quality of the guest experience and conformity with our minimum specifications. You also must deduct fixed expenses such as property taxes, licenses, insurance, etc. These fixed expenses like capital expenses, vary widely by location and individual circumstances.

19. Substantiating material for this Item 19 is available for inspection by you upon request.

ITEM 20

LIST OF OUTLETS

**FRANCHISED INN STATUS SUMMARY
FOR YEARS 2006, 2005 AND 2004**

A list of Red Roof Inn Franchisees and the addresses and telephone numbers of their business offices is attached as Exhibit G to this Offering Circular. The following is information on franchised Red Roof Inn locations as of the end of the last 3 fiscal years. All numbers are as of December 31st of each year. Before March 1, 2005, Red Roof Inn franchises were granted by our Affiliate RRI, and their franchise summary for 2004 through March 1, 2005 along with our summary for the remainder of 2005 and for 2006 follows.

STATUS OF FRANCHISED RED ROOF INN LOCATIONS FOR 2006, 2005 AND 2004 FISCAL YEARS							
State	Transfers 2006/05/04	Canceled or Terminated 2006/05/04	Not Renewed 2006/05/04	Reacquired by Franchisor 2006/05/04	Otherwise Left the System 2006/05/04	Total from Left Columns 2006/05/04	Franchises Operating at Year End 2006/05/04
Alabama	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	0/0/0
Alaska	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Arizona	0/0/1	1/0/1	0/0/0	0/0/0	0/0/0	1/0/2	2/2/2
Arkansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/3/3
California	2/0/1	0/2/0	0/0/0	0/0/0	0/0/0	2/2/1	11/10/11
Colorado	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Delaware	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Florida	0/0/1	0/1/0	0/0/0	0/0/0	0/0/0	0/1/1	7/6/7
Georgia	2/0/2	3/3/0	0/0/0	0/0/0	0/0/0	5/3/2	11/12/12
Hawaii	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Illinois	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/1/1
Indiana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/4/4
Iowa	0/0/0	0/0/2	0/0/0	0/0/0	0/0/0	0/0/2	1/1/1
Kansas	0/0/0	1/0/0	0/0/0	0/0/0	0/0/0	1/0/0	0/1/1
Kentucky	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	5/5/4
Louisiana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Maryland	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/1
Michigan	0/1/0	0/1/1	0/0/0	0/0/0	0/0/0	0/2/1	1/1/2
Mississippi	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	1/1/2
Missouri	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/2
Nebraska	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
New Hampshire	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/1/1
New Jersey	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/1/0
New Mexico	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/2