

## ITEM 1

### THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

To make it easier to read this Offering Circular, "we," "us" or "our" means AmericInn International, LLC. "You," "your" or "yours" means the person or entity which buys the AmericInn® franchise. If you are a corporation, general partnership, limited partnership, limited liability partnership, limited liability company, joint venture or other entity ("Business Entity"), the term "you," "your" and "yours" also includes the individual owners of those entities.

We are a Minnesota limited liability company which was organized on December 22, 1993. We are currently doing business under the names "AmericInn International, LLC," "AmericInn International," and "AmericInn". Our principle business address is 250 Lake Drive East, Chanhassen, Minnesota 55317. Our agents for service of process are listed on Exhibit D.

We do not currently have any affiliates which are offering franchises in any line of business or, except for Three Rivers Hospitality, LLC (f/k/a AmericInn Management, LLC) ("Three Rivers Hospitality") and Nelscott Construction Development, LLC ("Nelscott Construction"), which are providing products or services to our franchisees. However, we or one of our affiliates may, in the future, offer Northcott Inns & Suites® franchises which will authorize the franchisees to construct, own and operate lodging facilities which may be similar to and, depending upon their location, may compete with your AmericInn®. See Item 12 of this Offering Circular.

We are in the business of developing, offering and selling franchises for a system of lodging facilities operated under the names "AmericInn®," "AmericInn Lodge & Suites®," "AmericInn Hotel & Suites®" and "AmericInn Motel & Suites®." When you sign your Franchise Agreement with us, you will designate whether you intend to build an AmericInn®, AmericInn Lodge & Suites®, AmericInn Hotel & Suites® or AmericInn Motel & Suites® (unless specified otherwise, the references to an "AmericInn®" throughout this Offering Circular apply to any types and configurations of AmericInns® offered in this Offering Circular).

AmericInns® are businesses that offer distinctive, high quality lodging services to the general public. AmericInns® are available in different sizes, generally between 40 and 150 rooms, to meet the needs of a particular marketplace. If you own and operate an already existing motel or hotel that meets our quality standards, we may permit you to convert your motel or hotel into an AmericInn®. The description, qualifications and specifications for each type of AmericInn® are contained in our Minimum Design Standards Manual and are periodically changed by us.

All AmericInns®, regardless of type, must have a recreation room/area, approved by us, containing pool, whirlpool, sauna/steam room or approved equivalent. In addition, the guest rooms in all AmericInns® must have a minimum width of 14 feet unless otherwise approved by us in writing.

All guest rooms, regardless of the name designation of your AmericInn<sup>®</sup>, must have two telephone jacks and one data jack in the prescribed locations.

AmericInns<sup>®</sup> are generally located on major interstate highways or in communities with populations in excess of 5,000, as well as in suburbs of larger metropolitan areas. The businesses with which you will have to compete, as an AmericInn<sup>®</sup> franchisee, include national chains and franchises, as well as independently owned hotels and motels offering similar facilities to the same customers.

We do not currently operate any AmericInns<sup>®</sup> of the type being franchised. However, Northcott Company, our affiliate, has operated AmericInns<sup>®</sup> in the following locations from the dates indicated:

<b>Location</b>	<b>Date Opened</b>
Bemidji, Minnesota	December 21, 1990
Worthington, Minnesota	February 2, 1992
Chanhassen, Minnesota	February 27, 1998

In addition, Northcott Company and some of our other affiliates have periodically made investments in a number of AmericInns<sup>®</sup>.

We have been involved in franchising AmericInns<sup>®</sup> since January 1, 1994. Neither we nor any of our predecessors or affiliates have offered or sold franchises in any other lines of business.

AmericInns<sup>®</sup> are subject to laws and regulations which apply to all businesses, generally, and it will be your obligation to investigate those laws and abide by them. In addition, you will need to investigate and abide by all federal and state laws regarding the operation of motels and hotels, including these laws relating to the liability of innkeepers and the accessibility to and use of motels and hotels by persons with disabilities. You will also need to investigate and determine the existence of local laws and regulations which may apply to your AmericInn<sup>®</sup>, and which may affect the cost to you of constructing and/or operating your AmericInn<sup>®</sup>.

Three Rivers Hospitality was formed in January of 1995 to provide management and operation services for a fee to motel and hotel owners, including AmericInn<sup>®</sup> franchisees. As of December 31, 2005, Three Rivers Hospitality has entered into Management Agreements for the management and operation of 40 independently owned lodging properties, of which 32 are AmericInns<sup>®</sup>. You do not need to enter into a Management Agreement with Three Rivers Hospitality for the management or operation of your AmericInn<sup>®</sup>. Three Rivers Hospitality has managed and operated independently owned lodging properties pursuant to management agreements since September 1995.

Our affiliate, Nelscott Construction, was formed in August 2001 for the purpose of providing construction services to AmericInn<sup>®</sup> franchisees. As of December 31, 2005, Nelscott Construction has completed construction of eight (8) independently owned AmericInns<sup>®</sup> and has entered into contracts for the construction of two (2) additional

AmericInns®. You do not need to enter into a construction contract with Nelscott Construction for the construction of your AmericInn®. Nelscott Construction has served as a general contractor to AmericInn® franchisees since August 2001.

The principal business address of Northcott Company, Three Rivers Hospitality and Nelscott Construction is 250 Lake Drive East, Chanhassen, Minnesota 55317. Neither Three Rivers Hospitality nor Nelscott Construction has ever offered or sold hotel or motel franchises of the type to be operated by you.

## **ITEM 2**

### **BUSINESS EXPERIENCE**

#### **Governor and Chief Executive Officer - Arnold A. Angeloni**

Arnold A. Angeloni has served as our Chief Executive Officer and as a member of our Board of Governors since July 13, 2004. Mr. Angeloni has also served as the President of Northcott Company, a Chanhassen, Minnesota based company which owns and operates a number of restaurants and motels, since July 13, 2004. Mr. Angeloni was a Principal of Manchester Companies, Inc., a Minneapolis, Minnesota based management services company, from 2003 to December 9, 2004. From 1996 to 2003, Mr. Angeloni served as the President of Gateway Alliance, LLC in St. Paul/Minneapolis, Minnesota.

#### **Chief Financial Officer, Secretary and Treasurer – Brian J. Schwen**

Brian J. Schwen has served as our Chief Financial Officer, Secretary and Treasurer since January 1, 2002. Mr. Schwen has served in an identical capacity for Northcott Hospitality and its affiliates since this same date. Northcott Hospitality is a Chanhassen, MN based company which, through its affiliates, owns and operates a number of restaurants and hotels. From August 16, 2001 through December 31, 2001, Mr. Schwen served as the Controller for Northcott Hospitality and its affiliates and us. From December 1999 to August 2001, Mr. Schwen was a Vice President/CFO for Rapp Collins Worldwide in Minneapolis, MN. From September 1991 through December 1999, Mr. Schwen served as the Assistant Accountant, Staff Accountant, Senior Accountant, Supervising Senior Accountant, Manager and Senior Manager of KMPG LLP in Minneapolis, MN.

#### **Senior Vice President - Marketing and Franchise Development - Jon D. Kennedy**

Jon D. Kennedy served as our Vice President of Marketing and Franchise Development from January 1994 through March 31, 2000, and as our Senior Vice President – Marketing and Franchise Development since April 1, 2000.

#### **Vice President - Construction - Mark A. Clarey**

Mark A. Clarey has served as our Vice President of Construction since September 3, 1997. Mr. Clarey has also served as the Vice President of Construction of Nelscott Construction since its inception in August 2001. Before joining us, Mr.

Clarey managed projects for Weis Builders of Minneapolis, Minnesota between January and August of 1997, the Musicland Group, Inc. from 1994 through January of 1997, Nelson Brothers Construction during 1993 and 1994 and Teri Construction between 1982 and 1992.

#### **Vice President of Franchise Services - John W. Synstegaard**

John W. Synstegaard has served as our Vice President of Franchise Services since October 6, 1999, and served as our Director of Franchise Services from December 22, 1993 through October 5, 1999. In addition, Mr. Synstegaard has been employed by Northcott since 1980. He has served as Rooms Division Manager at the Curtis Hotel in Minneapolis, Minnesota from 1980 to 1984 and Vice President of Facilities at International Market Square in Minneapolis, Minnesota from 1984 to 1991. From 1979 to 1980, Mr. Synstegaard was Assistant General Manager of the Sofitel Hotel in Bloomington, Minnesota and, from 1974 to 1979, was Assistant General Manager of the Midway-Twins Motor Inn in St. Paul, Minnesota.

#### **Chief Information Officer - Mark S. Nicpon**

Mark S. Nicpon has served as our Chief Information Officer since April 8, 2002. From January 1998 to April 2002, Mr. Nicpon was a Senior Consultant for Wizmo, Inc., an information technology consulting firm located in Eden Prairie, Minnesota. From June of 1998 to January 1999, Mr. Nicpon held the positions of Technical Manager and Director of Manufacturing for LecTec Corporation and Vice President of Operations for E-Z Gard Industries. Mr. Nicpon has a Master's degree in Business Administration from the University of St. Thomas, located in St. Paul, Minnesota.

### **ITEM 3**

#### **LITIGATION**

Neither we nor any person or franchise broker identified in Item 2 of this Offering Circular is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. § 78a et seq., suspending or expelling these persons from membership in any association or exchange.

Interstate Enterprises, Inc. vs. AmericInn International, LLC (Court File No. CT 01-6289). In April of 2001, Interstate Enterprises, Inc. ("Interstate"), an AmericInn<sup>®</sup> franchisee, commenced an action against us in the District Court, Fourth Judicial District, Hennepin County, Minnesota, in which it alleged that we breached Interstate's right of first refusal to obtain an AmericInn<sup>®</sup> franchise. Interstate further alleged that this breach constituted (i) unfair and inequitable conduct prohibited by the Minnesota Franchise Act, (ii) a breach of the implied covenant of good faith and fair dealing, and (iii) interference with its prospective advantage. Interstate sought to obtain a judgment against us for damages, together with interest thereon and an award of attorneys' fees, costs and disbursements. Although we disputed these claims, the parties mutually agreed to a settlement effective October 5, 2001, pursuant to which we paid Interstate a

cash settlement and agreed to a temporary reduction in the royalties payable to us by Interstate and two of its affiliates under their respective franchise agreements.

Other than this one action described above, no litigation must be disclosed in this Offering Circular.

#### **ITEM 4 BANKRUPTCY**

No person previously identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in any proceedings under the United States Bankruptcy Code which must be disclosed in this Item.

#### **ITEM 5 INITIAL FRANCHISE FEE**

You must pay us an Initial Fee of \$35,000 for an AmericInn<sup>®</sup> franchise. Except as described below, the Initial Fee is uniform as to all persons currently acquiring a franchise. You must pay the Initial Fee in full at the time you sign the Franchise Agreement.

In limited situations, we and Predecessor AmericInn have charged less than the then current Initial Fee for the Initial Fee. These situations include:

- Situations where former AmericInn<sup>®</sup> franchisees drop out of the AmericInn<sup>®</sup> system and desire to regain their status as AmericInn<sup>®</sup> franchisees.
- Situations where a prospective franchisee's AmericInn<sup>®</sup> will have 35 or fewer rooms.
- Situations where, based upon the prospective franchisee's prior experience with the development, operation and management of an AmericInn<sup>®</sup>, we expect to incur reduced expenses in connection with the franchise.
- Situations where a prospective franchisee agrees to acquire multiple AmericInn<sup>®</sup> franchises.
- Situations where existing lodging properties which substantially conform to our minimum design standards have converted to an AmericInn<sup>®</sup>.

We reserve the right, in our discretion, to charge less than \$35,000 as the Initial Fee for an AmericInn<sup>®</sup> franchise in the situations described above. Except in the situations described above, we charged \$35,000 as the Initial Fee for all franchisees entering into Franchise Agreements with us during the year ended December 31, 2005.

If the Franchise Agreement is terminated by us within 120 days of the date of the Franchise Agreement or by you within 90 days of the date of the Franchise Agreement in the circumstances described in Item 17 of this Offering Circular, we will refund the

Initial Fee to you after deducting all reasonable administrative and out-of-pocket expenses incurred by us in processing your application, including executives' and employees' salaries, salespersons' commissions, training costs, marketing costs, attorneys' fees, accountants' fees, travel expenses, and long distance telephone calls. The Initial Fee is not refundable in whole or in part under any other circumstances. See Franchise Agreement - Article 4.

**ITEM 6  
OTHER FEES**

<b>Name of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks<sup>3</sup></b>
Continuing Fee <sup>1 2</sup>	5% of your Gross Revenues	Payable monthly on or before the 10th day of the next month	Gross Revenues includes all revenues received from your AmericInn <sup>®</sup> , including any room rentals and any admission fees for use of any pool or water park. Gross Revenues do not include sales tax or revenues from vending machines or the resale of telephone services. Gross Revenues are not reduced by amounts which you pay to us or by your bad debts or uncollectible accounts receivable. See Article 5.
Marketing Fee <sup>1 2</sup>	2% of your Gross Revenues	Same as Continuing Fee	See Articles 5(D), 6(C) and 6(D).
Advertising Expenditures	A minimum of 1% of your Gross Revenues	Monthly	Each month, you must spend this amount for approved local media advertising, marketing and promotion. We have the right in certain circumstances to require you to join and participate in a local advertising group comprised of AmericInn <sup>®</sup> franchisees. The local advertising group will conduct and administer media advertising, marketing and promotion in the local area, the cost of which, in an amount up to 1% of each member's Gross Revenues, will be charged to the members pro rata in relation to the number of guest rooms in each member's AmericInn <sup>®</sup> . Payments to the group may be offset against the required local advertising expenditures referred to above. See Articles 6(A) and 6(B) and Item 11 of this Offering Circular.
Interest <sup>1</sup>	The lesser of 18% per annum or the maximum rate permitted by law	Immediately upon being billed by us	Under Article 20(K), you must pay interest on any delinquent sums owed to us.

<b>Name of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks<sup>3</sup></b>
Transfer fee <sup>1</sup>	\$5,000	Prior to approval of transfer by us	Under Article 18(E), you must generally pay a transfer fee to us for the transfer of the Franchise Agreement, the material assets associated with your AmericInn <sup>®</sup> or your stock or other outstanding ownership interests. No transfer fee is required for a transfer to a corporation, partnership or other entity which you control. See Article 18.
Inspection Fee <sup>1</sup>	\$5,000	Prior to approval by the Franchisor of the reacquisition or transfer or within 10 days of receiving invoice	The Franchisor will inspect your AmericInn upon request, in connection with the reacquisition of your franchise and in connection with the transfer of your Franchise Agreement, the material assets associated with your AmericInn <sup>®</sup> or your stock or other outstanding ownership interest. Under Article 7(Q), you must pay an inspection fee to the Franchisor in connection with such inspection.
Audit <sup>1</sup>	Cost of Audit	Within 10 days of receiving invoice	Payable only if an audit shows you have underpaid us by more than \$1,000 during any 12-month period or you have understated your Gross Revenues for any period by more than 3%. See Article 17(D).
Tax Reimbursement <sup>1</sup>	Unspecified	Within 10 days of receiving invoice	Under Article 7(O), you must reimburse us for certain taxes.
Meeting Attendance	Unspecified	The per person fee payable to us is due 30 days after receipt of invoice and the balance is payable as required by entities providing travel, lodging, meals and associated services to your employees and you	Under Article 7(U), you must, at your expense, attend certain meetings, including our national convention. You must pay us our prescribed fees for these meetings and conventions regardless of whether you attend.
INN-Pressive Club <sup>1</sup>	Currently \$4.00 for each night a participating patron stays in your AmericInn <sup>®</sup>	Within 30 days of receiving invoice	Under Article 7(C), you must participate in our INN-Pressive Club <sup>®</sup> and other programs to reward and promote frequent guests of AmericInns <sup>®</sup> . The cost of your participation in these programs may be changed by us.
Reservation System <sup>1</sup>	Currently, \$75 implementation fee and \$6.66 per month Pegasus subscription fee plus (i) 7% of the room revenue for voice reservations; or	Within 30 days of invoice date	Under Article 13(B), you must make certain payments to our designated service provider or vendor for participation in the AmericInn <sup>®</sup> reservation system. Under Articles 7(W) and 13(B), you must enter into a Reservation Service Agreement with the third-party GDS/reservation service provider

<u>Name of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks<sup>3</sup></u>
	(ii) 3.25% of the room revenue for reservations processed from GDS, Pegasus Distribution System and any electronic reservations other than americinn.com, plus applicable GDS pass-through fees of \$4.42 for Pegasus or \$5.90 for Wizcom; or (iii) \$1.95 per reservation for reservations made through americinn.com; subject to change.		designated by us and purchase this provider's Global Distribution Service ("GDS") based, Internet, americinn.com and voice reservation services. Our reservation system and your cost of participation and use may be changed by us periodically.
Standard Training <sup>1</sup>	Actual employment related travel, lodging and meal expenses of any trainees. You must also pay all lodging expenses incurred by the Franchisor's personnel in providing opening assistance and on site training to you and your personnel.	As required by entities providing travel, lodging, meals and associated services to trainees	Under Article 12(A), you or your manager must successfully complete the standard AmericInn <sup>®</sup> management training program. See also Article 12 (C) and (D).
Additional Training <sup>1</sup>	Up to \$1,000 per person payable to us. You must also pay all employment related travel, lodging and meal expenses of any trainees.	The per person fee is payable 30 days after receipt of invoice and balance is payable as required by entities providing travel, lodging, meals and associated services to trainees	Under Article 12(B), any new AmericInn <sup>®</sup> managers must successfully complete the standard AmericInn <sup>®</sup> Certified Lodging Trainer class.
Indemnification <sup>1</sup>	Unspecified	Unspecified	Under Articles 7(N) and 16(B), you must indemnify us against certain losses and expenses.
Approved Suppliers	See Item 8	See Item 8	See Item 8.
Advisory Services <sup>1</sup>	Unspecified	Unspecified	We will provide advisory services upon request. You must reimburse us for our out-of-pocket and administrative expenses incurred in providing these services. See Article 13(A).



<b>Name of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks<sup>3</sup></b>
Periodic Refurbishing	Unspecified	Unspecified	You must, at your expense, periodically refurbish your AmericInn <sup>®</sup> . See Articles 2(B)(4) and 7(F).
Insurance	Varies depending upon the location of your AmericInn <sup>®</sup> and certain factors under your control	Within billing period established by your insurance company	Under Article 15, you must maintain certain types of insurance.
Personal Guaranty <sup>1</sup>	Limited to \$250,000 plus costs, expenses and attorneys' fees	Immediately upon demand by us	You must generally personally guarantee all obligations in the Franchise Agreement. See last four pages of Franchise Agreement.
Yellow Pages Advertising	As negotiated with vendor	As negotiated with vendor	Under Article 6(F), you must advertise in the local telephone yellow pages. Your expenditures for this purpose are in addition to your required Advertising Expenditures referred to above.
Liquidated Damages <sup>4</sup>	Varies depending upon timing of your default; generally an amount equal to 36 months of Continuing Fees and Marketing Fees. See Note 4.	Upon demand	Under Article 9(F), you must pay liquidated damages to us if the Franchise Agreement is terminated due to your breach or if you attempt to wrongfully terminate the Franchise Agreement or if you do not operate your AmericInn <sup>®</sup> as an AmericInn <sup>®</sup> .
Dedicated Phone Line(s)	Varies depending upon location	Within billing period established by your telephone company	Under Article 7(W), you must, at your expense, maintain the number of telephone lines dedicated exclusively for use with our reservation system as we may require. We can require you to install, at your expense, Internet access, high speed Internet access, additional phone lines, call waiting, voicemail and/or other features if data transfer or calls are not being timely processed at your AmericInn <sup>®</sup> . In addition, a dedicated fax line is required if reservations are to be processed from the reservation service provider via a fax machine.
Internet Access	Varies depending upon provider	Within billing period established by Internet Service Provider	Under Article 7(W), you must maintain high-speed Internet access at your AmericInn <sup>®</sup> .

<b>Name of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks<sup>3</sup></b>
Maintenance and Support for Guest High-Speed Internet Access, Hardware, Software <sup>1</sup>	Third-party vendor pricing varies.	As negotiated with vendor.	Under Article 7(Z), you must make complimentary high-speed Internet access available in the guest rooms, lobby, meeting rooms and hospitality rooms of your AmericInn®. This requires you to enter into a Property Service Agreement for the purchase of hardware, software, maintenance and support from and to make certain payment to the third-party vendor.
Maintenance and Support for Property Management System <sup>1</sup>	Currently, the per lodging facility pricing is \$1,550 per year for properties with 50 or less rooms and one interface; \$2,238 per year for 51-75 rooms and two interfaces; and \$2,925 per year for 76-100 rooms and three interfaces. In addition, you must annually pay \$75 for any additional interfaces. Subject to change.	Annually in advance, within 30 days of receipt of invoice	Under Article 7(X) you must purchase, lease or otherwise acquire a computerized hospitality property management system/computer that is designated by us. No substitutions are permitted. This requires you to enter into an Intellectual Property Site License and Support Agreement with the third-party service provider designated by us, and to purchase the associated maintenance and support. Our designated service provider and your cost may periodically change.
Professional Fees	As negotiated with service provider	As negotiated with service provider	We encourage you to retain the services of an attorney, accountant and/or other professional advisor in connection with the acquisition of an AmericInn® franchise and the construction of your AmericInn®. See Article 23(E).
Reacquisition Fee <sup>1</sup>	70% of our then-current initial franchise fee	Upon the reacquisition of a franchise upon expiration of your Franchise Agreement	You must pay us a reacquisition fee in the amount of 70% of our then-current initial fee charged to new franchisees if you elect to reacquire an AmericInn® franchise at the expiration of the term. See Article 2(B).

<sup>1</sup>These fees are payable to us or our designated service provider or vendor, and are nonrefundable.

<sup>2</sup>The Continuing Fee and Marketing Fee are both generally uniform as to all persons currently acquiring a franchise. However, in the following limited situations, we and Predecessor AmericInn have charged a Continuing Fee or Marketing Fee which was less than the then current Continuing Fee or Marketing Fee:

- Situations where former AmericInn® franchisees drop out of the AmericInn® system and desire to regain their status as AmericInn® franchisees.
- Situations where a prospective franchisee's AmericInn® will have 35 or fewer rooms.

- Situations where, based upon the prospective franchisee's prior experience with the development, operation and management of an AmericInn<sup>®</sup>, we expect to incur reduced expenses in connection with the franchise.

We reserve the right, in our discretion, to charge a Continuing Fee of less than 5% or a Marketing Fee of less than 2% of the Gross Revenues of a franchisee's AmericInn<sup>®</sup> in the situations described above.

<sup>3</sup>All Article references are to Articles in the Franchise Agreement.

<sup>4</sup>If the Franchise Agreement is terminated due to your breach, if you attempt to wrongfully terminate the Franchise Agreement or if you do not operate your AmericInn<sup>®</sup> as an AmericInn<sup>®</sup> (a "Liquidated Damages Event"), you will be required to pay liquidated damages to the Franchisor in an amount equal to the average monthly Continuing Fees and Marketing Fees payable to the Franchisor during the twelve month period immediately preceding the Liquidated Damages Event multiplied by 36. If your AmericInn has not been open for business for twelve months as of the occurrence of Liquidated Damages Event, the amount of the liquidated damages that you must pay to the Franchisor will be the average monthly Continuing Fees and Marketing Fees payable to the Franchisor with respect to your AmericInn during the period your AmericInn was open for business multiplied by 36. In no event will the amount of the liquidated damages payable by you to the Franchisor upon the occurrence of a Liquidated Damages Event be less than the number of guest rooms contained in your AmericInn<sup>®</sup> multiplied by \$2,000.00.

## ITEM 7 INITIAL INVESTMENT

	Amount <sup>1</sup>		Method Of Payment And When Due	To Whom Payment Is Made
	49-Room Lodge & Suites or Motel & Suites	78-Room Hotel & Suites		
Initial Franchise Fee <sup>2</sup>	\$35,000	\$35,000	Due in full upon signing of the Franchise Agreement	Us
Travel and Living Expenses While Training <sup>3</sup>	\$1,000- \$3,000	\$1,000- \$3,000	During Training	Hotels and Restaurants
Real Estate and Site Preparation <sup>4</sup>	Not determinable	Not determinable	As negotiated with Real Estate Seller and Contractors	Real Estate Seller and Contractors
Building, including Architect's Fees <sup>5</sup>	\$59,450- \$74,312 per room	\$56,947- \$72,454 per room	As negotiated with Contractors, Architects and Engineers	Contractors, Architects and Engineers
Furniture, Fixture and Equipment <sup>6</sup>	\$6,836- \$8,208 per room	\$7,100- \$8,600 per room	As negotiated with Suppliers	Suppliers

	Amount <sup>1</sup>		Method Of Payment And When Due	To Whom Payment Is Made
	49-Room Lodge & Suites or Motel & Suites	78-Room Hotel & Suites		
Signage <sup>7</sup>	\$15,000- \$30,000	\$20,000- \$35,000	As negotiated with Supplier	Supplier
Property Management System hardware, software and installation <sup>8</sup>	\$21,300- \$25,550	\$25,116- \$30,186	As negotiated with Supplier	Supplier
High-Speed Internet Access hardware, software and installation <sup>9</sup>	\$10,850- \$13,000	\$12,402- \$14,898	As negotiated with Supplier	Supplier
Opening Inventory <sup>10</sup>	\$402-\$482 per room	\$385-\$460 per room	As negotiated with Suppliers	Suppliers
Insurance <sup>11</sup>	\$15,000- \$25,000	\$20,000- \$30,000	Typically due in lump sum; as negotiated with the Insurance Company	Insurance Company
Closing Costs <sup>12</sup>	\$35,000- \$85,000	\$65,000- \$125,000	Due prior to opening	Third parties
Additional Funds <sup>13</sup>	\$750-\$1,000 per room	\$750-\$1,000 per room	As incurred	Employees, Suppliers, Utilities
Total <sup>14</sup>	\$3,437,612 to \$4,332,648	\$5,262,714 to \$6,709,176		

<sup>1</sup>While actual costs will vary depending upon factors such as the size and location of your AmericInn®, the site conditions, amenity upgrades and the cost of the land, the above tables are estimates of the total cost to construct and open a typical 49-room AmericInn Motel & Suites® or AmericInn Lodge & Suites® and a typical 78-room AmericInn Hotel & Suites® with an indoor pool, whirlpool and sauna, one free-standing sign and the necessary furniture, fixtures and equipment.

<sup>2</sup>This is nonrefundable except as stated in Item 5 of this Offering Circular.

<sup>3</sup>See Items 5 and 11 of this Offering Circular and Article 12(A) of the Franchise Agreement.

<sup>4</sup>Land costs for your AmericInn® will vary depending upon the size and location of your AmericInn® as well as upon the local real estate market and upon the zoning and "set-back" requirements, which are your responsibility to investigate and confirm. Site preparation costs will also vary from location to location. The land for your AmericInn® must be purchased by you unless we authorize you to lease the land for your AmericInn®. Typical locations are on major interstate highways or high traffic areas of communities with populations of between 5,000 and 150,000, as well as in suburbs of larger metropolitan areas. Generally, a typical 49-room AmericInn Motel & Suites® or AmericInn Lodge &

Suites® will require a tract of land which is between 1.5 to 2.0 acres in size depending on the site configuration and zoning requirements. The foot print of a typical 49-room AmericInn® is approximately 15,190 square feet. In addition, a typical 78-room AmericInn Hotel & Suites® generally will require a tract of land which is between 2.0 and 3.2 acres in size depending on the site configuration and zoning requirements. A 78-room AmericInn® will typically have a foot print of approximately 15,530 square feet.

<sup>5</sup>Will vary depending upon the geographic location, market conditions, the degree of your supervision of construction, the building design and type of construction materials used.

<sup>6</sup>You must purchase or lease all of the furniture, fixtures and equipment for your AmericInn® which are described in our Operations Guide and/or Minimum Design Standards Manual. The per room average cost of the furniture, fixtures and equipment for an AmericInn® depends upon quality, transportation costs, labor costs, discounts and other economic factors. The furniture, fixtures and equipment may be purchased outright, financed through a bank or other financial institution, or leased. See Item 8 of this Offering Circular.

<sup>7</sup>You must purchase or lease from a vendor approved by us a free standing sign or other sign which has been approved by us for the location of your AmericInn®, which fully complies with our standard sign plans and specifications. You pay for all costs related to the sign, including the purchase price or lease payments, compliance with laws, permits and licenses, construction, installation and erection of the sign, sign base and foundation (if not included in the building costs), electricity, repairs, maintenance, insurance and taxes. The cost of purchasing and installing the sign may vary depending on the size, height and type of the sign, location, shipping costs, quality and other economic factors. Depending upon the location and size of your AmericInn®, it may be desirable to install an additional AmericInn® sign or a reader board. You must maintain liability and property damage insurance for the sign(s), which will generally be included in the insurance coverage for the building and land. See Article 14 of the Franchise Agreement.

<sup>8</sup>You must purchase or lease a computerized hospitality Property Management System/computer ("PMS") which has been designated by us. You must also purchase and install all upgrades according to the time tables and specifications established by us. The PMS typically consists of three work stations, monitors, a server, keyboards, two printers and a call accounting system in a networked configuration. This system is to be used for front desk management, reservation management with an interface to the Central Reservation System ("CRS"), and e-mail/internet access. The amount listed is the estimated cost to purchase and install the hardware and software. You must also pay an annual fee for maintenance and support for your PMS system since we do not provide these services. See Article 7(X) of the Franchise Agreement and Items 6 and 11 of this Offering Circular.

<sup>9</sup>You must make hospitality grade, high-speed Internet access ("HSIA") available in the guest rooms, lobby, meeting rooms and hospitality rooms of your AmericInn®. This requires you to enter into a Property Service Agreement for the purchase of hardware, software, maintenance and support from and to make certain payments to an approved third-party vendor. To be approved, the third-party vendor must meet our minimum specifications. Our approved vendor(s) and your costs may be periodically changed. The amount listed is the estimated cost to purchase and install the hardware and software. You must also pay a

monthly fee for maintenance and support for your HSIA since we do not provide these services. See Article 7(Z) of the Franchise Agreement and Items 6 and 11 of this Offering Circular.

<sup>10</sup>Opening inventory includes items such as sheets, pillowcases, pillows, blankets, bedspreads, towels, washcloths, plastic glasses, ice buckets and liners, trays, napkins, wastebaskets and liners, ashtrays, matches, shower curtains, bath and face soap, toilet paper and shampoo. See Item 8 of this Offering Circular.

<sup>11</sup>You must purchase liability insurance, property insurance, automobile liability insurance and other necessary insurance. Liability coverage shall have limits of at least \$5,000,000 combined single limit coverage. Property insurance coverage shall have limits equal to at least "replacement" cost. The insurance policies must name we as an additional insured and must be issued by companies rated "A," "A+" or "A-" by A.M. Best & Co. The expenditures set out above for insurance must be made annually. See Article 15 of the Franchise Agreement.

<sup>12</sup>In financing and constructing your AmericInn<sup>®</sup> and purchasing the land, you can expect to incur expenses for title insurance, legal fees, appraisals, construction period interest, loan origination fees and other miscellaneous expenses.

<sup>13</sup>This estimates the funds you will need during the initial three-month phase of operations of your AmericInn<sup>®</sup>. It is estimated that this amount will be expended by you for wages and travel expenses during training; insurance premiums; utility deposits; initial advertising; initial accounting fees; payment of other wages; and other expenses incurred by you during the initial weeks of operation. Your working capital requirements may increase or decrease depending upon the location and size of your AmericInn<sup>®</sup>, number of employees, labor rates, minimum wage laws, cost of goods and supplies, various utility deposits, other economic factors and whether you will own or lease the furniture, fixtures, equipment and sign(s).

<sup>14</sup>These totals exclude the cost of the real estate and site preparation expenses. Depending upon your creditworthiness, other security that you may have and the availability of financing generally, we believe that you may be able to finance up to 75% of the total investment required for your AmericInn<sup>®</sup>. If this financing is available, you must make an initial cash investment of between \$859,403 and \$1,083,162, excluding the down payment on the real estate and site preparation expenses, for a typical 49-room AmericInn Motel & Suites<sup>®</sup> or AmericInn Lodge & Suites<sup>®</sup>. This required initial cash investment would increase to between \$1,315,679 and \$1,677,294 for a typical 78-room AmericInn Hotel & Suites<sup>®</sup>. We do not offer direct or indirect financing to you for any items.

Except for utility deposits, generally none of the above payments and expenditures by you are refundable under any circumstances.

In addition, to the above, you may also decide to add other "upgrades" to your AmericInn<sup>®</sup> such as a porte cochere, balconies and other equipment which will cause the costs to be somewhat higher.

## ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase all products, goods, merchandise, supplies, sundries, inventory, machinery, uniforms, signs, furniture, fixtures, equipment and service that may be used or sold at your AmericInn® from suppliers who have been approved by us in writing as meeting our standards of quality and uniformity. The purpose of this procedure is to insure that all AmericInn® franchisees adhere to the standards of quality and uniformity associated with AmericInns®. We will provide you with a written schedule and specifications for all furniture, fixtures, supplies and equipment approved by us for use in your AmericInn®, the names of approved suppliers for merchandise, supplies, machinery, uniforms, signs, furniture, fixtures and equipment and with any modifications and additions to the list of approved suppliers. You will have the right and option to purchase all goods and services from other outside suppliers provided that these goods and services conform to our standards of quality and uniformity. However, if you desire to purchase these items from any other outside suppliers, then representative samples and specifications must be submitted to us, and we will determine whether they comply with our standards. Our written approval must be obtained by you before any unapproved goods or services are sold or used at your AmericInn®. Our approval of an unapproved supplier will not be unreasonably withheld. You will generally receive written notification from us of our determination regarding the unapproved supplier within 30 days of receipt of your request. Upon request by you or a supplier, we will provide information regarding our standards. See Franchise Agreement - Articles 7(E), 7(G) and 7(J).

Each room in an AmericInn® must have the following items bearing the AmericInn® name and trademark: telephone face plate, ice bucket, two wastebaskets, plexiglass information rack or information folder, AmericInn® system directory, approved comment card, LEAP (Lodging Environmental Awareness Program) program linen cards, INN-Pressive Club® brochure, face and bath soap and shampoo and conditioner bottles. In addition, if the following items are used in the rooms, they must bear the AmericInn® name and trademark: matches, pens, stationery, memo pads and rate/rack cards. Various suppliers currently make the following items bearing the AmericInn® name and trademark available to you: plastic glasses, ashtrays, ice bucket trays, napkins, bathrobes, laundry bags, name badges, maids' signature tents, housekeeping aprons, sweatshirts, polo shirts, baseball caps, ceramic mugs, travel mugs, business cards and office supplies. Currently, we do not supply any of these items, but we have entered into license agreements with third-party suppliers to distribute and sell items bearing the AmericInn® name and trademark.

We also offer for sale to you substantially all of the furniture, fixtures, equipment and inventory items necessary to equip an AmericInn®, including the following: linens (including bath towels, hand towels, washcloths, bath mats, sheets, pillows, pillow protectors, pillowcases, blankets, mattress pads and bedspreads), shower curtains and hooks, plastic garbage bags, TV remote controls, signs, headboards, nightstands, tables, TV tables, mirrors, carpets, desks, credenzas, hanging racks, mattresses, box

springs, bed frames, cribs, rollaways, lamps, sofa beds, chairs, ottomans, sofas, drapes, curtains, window drapes hardware, TVs, clock radios, refrigerators, microwaves, pool furniture, pictures, fireplace equipment, luggage racks, recycling containers, wastebaskets, telephones, laundry and cleaning supplies, water softeners, safes, fax machines, calculators, filing cabinets, first aid kits, air purifiers, time clocks, computers and software, printers, background music, ice machines, coffee machines, juice machines, toasters, washers, dryers, vacuum cleaners, maid carts and laundry trucks. While we are not the only approved supplier of these items, it is believed that we can pass cost savings on these items through to you due to the volume of our purchases.

In the year ended December 31, 2005, our revenues from the sale of merchandise bearing the AmericInn® name and trademark to our franchisees was \$150,123 or 1.5% of our total revenues of \$10,228,061. It is estimated that if you purchased your initial inventory of all of these items bearing the AmericInn® name and trademark from us, that your total expenditures would range between \$3,800 and \$4,600 for a typical 49-room AmericInn Motel & Suites® or AmericInn Lodge & Suites® and between \$5,525 and \$6,600 for a typical 78-room AmericInn Hotel & Suites®. It is further estimated that once an AmericInn® is open, the purchases of required inventory items bearing the AmericInn® name and trademark will account for approximately 1.1% of the annual operating expenses for a typical 49-room AmericInn Motel & Suites® or AmericInn Lodge & Suites® and approximately 1.1% of the annual operating expenses for a typical 78-room AmericInn Hotel & Suites®.

Neither we nor our franchisees have established any purchasing or distribution cooperatives.

We also receive revenues from the sale to our franchisees of furniture, fixtures, equipment and other inventory items which do not bear the AmericInn® name and trademark. You do not need to purchase these items from us. In the year ended December 31, 2005, our revenues from the sale of furniture, fixtures, equipment and other inventory items which do not bear the AmericInn® name or trademark was \$2,830,911 or 27.7% of our total revenue of \$10,228,061. We estimate that if you purchased all of these items necessary to equip an AmericInn® from us, that your total expenditure would range between \$386,800 and \$457,943 for a typical 49-room AmericInn Motel & Suites® or AmericInn Lodge & Suites® and between \$620,725 and \$745,000 for a typical 78-room AmericInn Hotel & Suites®. It is further estimated that once an AmericInn® is open, the purchases of these items which do not bear the AmericInn® name and trademark from us will account for less than 1% of the annual operating expenses for a typical 49-room AmericInn Motel & Suites® or AmericInn Lodge & Suites® and less than 1% of the annual operating expenses for a typical 78-room AmericInn Hotel & Suites®.

Some of the suppliers of products and services which have been approved by us as meeting our standards of quality and uniformity have agreed to grant certain marketing allowances or to make certain payments to us in connection with sales to AmericInn franchisees. During the fiscal year ended December 31, 2005, the amounts



received from the various suppliers ranged between 2% and 6% of purchases by all AmericInn® franchisees from these suppliers and/or were a negotiated flat amount. A portion of these payments and allowances are currently contributed by us to the Marketing Fund described in Item 11 of this Offering Circular. In addition, a portion of these payments and allowances are used by us in producing and sponsoring our national convention. We reserve the right to retain all or part of these payments and/or allowances in the future. While, with the exception of your signage and property management system, you do not need to purchase all or any part of the products, goods, merchandise, supplies, sundries, inventory, machinery, uniforms, signs, furniture, fixtures, equipment or services for your AmericInn from any of these currently approved suppliers, all of these items purchased by you for your AmericInn must meet our standards of quality and uniformity. Suppliers do not need to pay any royalties or grant any allowances to us as a condition to our approval of its products or services.

You must purchase certain centralized reservation services from a third-party vendor designated by us. In addition, you must purchase a hospitality Property Management System/Computer which is designated by us. In connection with this PMS, you must enter into an agreement to obtain the necessary software and support for the PMS with a vendor designated by us. You must also obtain high speed Internet access from a third-party vendor approved by us. See Item 11 of this Offering Circular.

Under Article 15 of the Franchise Agreement, you must purchase and maintain, at your expense, comprehensive general liability insurance and commercial automobile liability insurance policies insuring us and you against claims and expenses arising out of the operation of your AmericInn®. These policies must be written with companies having a "A," "A+" or "A-" rating from A.M. Best & Co. These policies must have combined single limits of \$5,000,000 and must name us as an additional insured. Under Article 15 of the Franchise Agreement, you must maintain "all risk" insurance for your AmericInn® with limits equal to at least "replacement" costs as well as all other insurance required by state or federal law, including workers compensation insurance. We may periodically change the types of insurance and/or increase the limits of coverage of the insurance which you must maintain under the Franchise Agreement.

## ITEM 9

### FRANCHISEE'S OBLIGATIONS

The following table lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in that Agreement and in other items of this Offering Circular.

<u>Obligation</u>	<u>Article in Franchise Agreement</u>	<u>Item in Offering Circular</u>
a. Site selection and acquisition/lease	Articles 1(A), 7(V), 19(A) and 19(B)	Items 11 and 12

<b>Obligation</b>	<b>Article in Franchise Agreement</b>	<b>Item in Offering Circular</b>
b. Pre-opening purchases/leases	Articles 4(B), 7(A), 7(J), 7(W) 7(X), 14(A), 14(B), 15, 19(B), 19(C) and 19(D)	Item 8
c. Site development and other pre-opening requirements	Article 19	Items 6, 7, 11 and 12
d. Initial and ongoing training	Articles 7(U), 12 and 13(A)	Items 6, 7 and 11
e. Opening	Articles 9(A) and 12(D)	Item 11
f. Fees	Articles 2(B), 4(A), 5(A), 6(A), 6(B), 6(C), 7(C), 7(O), 7(Q), 9(F), 12(B), 13(A), 13(B), 17(D), 18(D) and 18(E)	Items 5, 6, and 11
g. Compliance with standards and policies/operating manual	Articles 7, 8, 11(A), 14(A), 14(C) and 19(C)	Item 11
h. Trademarks and proprietary information	Articles 3, 7(A), 7(B) and 8	Items 13 and 14
i. Restriction on products/services offered	Articles 7(H) and 7(L)	Items 8 and 16
j. Warranty and customer service requirements	Articles 7(G) and 7(P)	Item 11
k. Territorial development and sales quotes	None	
l. Ongoing product/service purchases	Articles 7(A), 7(J), 7(W), and 13(B)	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	Articles 2(B)(4), 7(A), 7(E), 7(F), 7(K) and 14(C)	Item 11
n. Insurance	Article 15	Items 6 and 7
o. Advertising	Article 6, 7(A), 7(D) and 14	
p. Indemnification	Articles 7(N) and 16(B)	Items 6
q. Owner's participation/management/staffing	Articles 7(P), 7(V) and 12(A)	Items 11 and 15
r. Records and Reports	Article 17	Item 6
s. Inspections and audits	Articles 7(Q), 13(A), 17(D), 19(E) and 19(F)	Items 6 and 11
t. Transfer	Articles 18 and 20(G)	Item 17
u. Renewal	Articles 2(B), 2(C) and 22(B)	Item 17
v. Post-termination obligations	Articles 11, 16(C) and 19(D)	Item 17
w. Non-competition covenants	None	
x. Dispute resolution	Articles 20 and 22	Item 17

**ITEM 10**  
**FINANCING**

We do not offer direct or indirect financing. We do not guaranty your note, lease or obligation.

We have registered the AmericInn® franchises being offered here under the Franchise Registry maintained by the United States Small Business Administration's Franchise Registry Program, [www.franchiseregistry.com](http://www.franchiseregistry.com). Consequently, if you apply for financial assistance from the SBA in connection with the purchase, development and construction of your AmericInn®, you will be eligible for expedited loan processing through this program.

**ITEM 11**  
**FRANCHISOR'S OBLIGATIONS**

Except as listed below, we need not provide any assistance to you.

Before you open your AmericInn®, we will perform the following obligations:

(1) We will designate your protected area. [Franchise Agreement - Article 1(A)].

(2) While you must select and negotiate the purchase of the site for your AmericInn®, you may not purchase the site until it has been approved by us. You may not lease the site for your AmericInn®. [Franchise Agreement - Articles 7(V), 19(A) and 19(B)].

(3) We will provide you with a copy of our Minimum Design Standards Manual which contains the minimum design standards and specifications for your AmericInn® as well as for the furniture, fixtures and equipment used to furnish your AmericInn®. [Franchise Agreement - Articles 7(E), 13(A) and 19(C)].

(4) We will provide you with a copy of our approved standard plans and specifications consisting of conceptual drawings, including floor plans, elevations and general details for the development of working drawings for your AmericInn®. [Franchise Agreement - Articles 7(E), 13(A) and 19(C)].

(5) We will approve or reject the architect and contractor which you propose to use to design and construct your AmericInn®. [Franchise Agreement—Article 19(C).]

(6) We will review and approve the detailed plans and specifications for your AmericInn® which will be prepared at your expense by our approved architect. [Franchise Agreement - Article 19(C)].

(7) We will provide you with a written schedule of all furniture, fixtures, supplies and equipment required for the operation of your AmericInn®. [Franchise Agreement - Article 13(A)].

(8) We will provide you with a list of approved suppliers of the furniture, fixtures, supplies and equipment required for your AmericInn®. [Franchise Agreement - Articles 7(J) and 13(A)].

(9) We will furnish a list of approved sources from whom you can purchase products, printed materials, items, good and services. [Franchise Agreement - Article 13(A)].

(10) We will make our accounting and business procedures available to you for your use in your AmericInn®. [Franchise Agreement - Article 13(A)].

(11) We will provide up to 19 days of classroom and on-the-job training for either you or your manager on the basic management and operations of an AmericInn® at our corporate offices in Chanhassen, Minnesota and/or at an existing AmericInn® designated by us. Generally, this training must be completed no more than 120 days prior to the opening of your AmericInn® and consists of the following:

<u>Subject</u>	<u>Time Begun</u>	<u>Instructional Material</u>	<u>Hours of Classroom Training<sup>(1)</sup></u>	<u>Hours of On-the-Job Training<sup>(1)</sup></u>	<u>Instructor</u>
AmericInn® Opening	2	AmericInn® Opening Guide/Materials	1	N/A	3
Front Desk Management	2	Operations Guide/Videos/ACLT Materials	4	N/A	3
Front Desk Application	2	Operations Guide/ACLT Materials/Opening Guide	N/A	Up to 56	4
Building Management	2	Operations Guide/Videos/ACLT Materials	4		
1. Housekeeping				Up to 24	3 & 4
2. Maintenance				Up to 3	3 & 4
3. Laundry				Up to 3	3 & 4
Marketing/Sales	2	Operations Guide/ACLT Materials/Opening Guide	4	Up to 5	3 & 4
Safety & Security	2	Operations Guide/ACLT Materials/Opening Guide	4	Up to 2	3 & 4

<u>Subject</u>	<u>Time Begun</u>	<u>Instructional Material</u>	<u>Hours of Classroom Training<sup>(1)</sup></u>	<u>Hours of On-the-Job Training<sup>(1)</sup></u>	<u>Instructor</u>
Revenue Management	2	Operations Guide/ ACLT Materials/ Opening Guide	4	Up to 3	3 & 4
Human Resources	2	Operations Guide/ ACLT Materials/ Opening Guide	4	Up to 2	3 & 4
Guest Relations	2	Operations Guide/ ACLT Materials/ Opening Guide	4	Up to 3	3 & 4
Chain Programs Administration	2	Operations Guide/ ACLT Materials/ Opening Guide	4	Up to 2	3 & 4
PMS Training	2	Operations Guide/ ACLT Materials/ Opening Guide		Up to 32	3
PMS Configuration	2	Materials provided by software vendor	16		3
Total Hours			49	Up to 135	

<sup>1</sup>The number of hours listed are averages for all AmericInn® franchisees. The actual number of hours will depend on your prior experience.

<sup>2</sup>All training typically takes place within 120 days of the opening of your AmericInn®.

<sup>3</sup>This training is typically provided by a trainer designated by us with prior experience in the subjects to be taught.

<sup>4</sup>This training is typically provided by a hotel manager and head housekeeper of an AmericInn® franchisee.

We do not charge for the initial manager of a new AmericInn® location to participate in our management training program. However, the fee for subsequent managers to attend the AmericInn® Certified Lodging Trainer class is \$1,000. You must pay all wages, salary expenses and other costs, including room, food and travel expenses, incurred by you and/or your AmericInn® manager in attending the management training program. [Franchise Agreement - Article 12].

(12) After you or your AmericInn® manager have successfully completed our management training program, one or more representative(s) of ours will provide (i) up to 5 days of opening assistance and staff training at your AmericInn®, and (ii) up to four (4) additional days of on-site training on the use and operation of the Property Management System/Computer. At least 80% of your front desk and housekeeping

staff must pass a written examination administered by us before you may open your AmericInn®. You must pay all lodging expenses incurred by our personnel in providing this assistance and training. [Franchise Agreement - Article 12(D)].

(13) We may, in our discretion, periodically view your AmericInn® during construction. [Franchise Agreement - Article 19(E)].

(14) We will inspect your AmericInn® prior to opening. [Franchise Agreement - Article 19(F)].

During the operation of your AmericInn®, we will perform the following obligations:

(1) We will loan you a copy or give you access via a private extranet of our confidential (i) Operations Guide which contains mandatory and suggested specifications, standards and procedures, including suggestions on how to respond to certain emergency situations and how to maintain the safety and security of guests and employees; (ii) Minimum Design Standards Manual, (iii) Crisis Management Guide which contains suggestions on how to respond in a number of crisis situations, including inclement weather and accidents; and (iv) INN-Pressive Club® Operations Guide (collectively, the "Manuals"). The Manuals are confidential and remain our property. We may at any time amend, modify and supplement the Manuals; any amendment, modification or supplement will only alter your status and rights as permitted by the Franchise Agreement and applicable law. [Franchise Agreement - Articles 7(I) and 8]. The subjects listed in the Table of Contents of each of our Manuals and the number of pages devoted to each subject, in each case as of March 7, 2006, are set forth in Exhibit E. As of that date, the Operations Guide contained 484 pages, the Minimum Design Standards Manual contained 81 pages, the Crisis Management Guide contained 62 pages and the INN-Pressive Club® Operations Guides contained 15 pages.

(2) We may inspect your AmericInn® as often as we decide it to be appropriate. [Franchise Agreement - Articles 13(A) and 7(Q)].

(3) We may, in our discretion, protect the AmericInn® name, trademarks and/or copyrights as well as the distinguishing characteristics of AmericInns®. [Franchise Agreement - Article 3].

(4) We may, in our discretion, hold national conventions and/or training and motivational programs designed to generate employee awareness, sensitivity and responsiveness to the customers who patronize your AmericInn®. You must pay the registration fees established by us for these conventions and programs regardless of whether you attend. In addition, you must pay all of the travel, living and employment-related expenses for you or your staff attending these conventions and programs. These conventions and programs will be held at locations selected by us in our discretion. [Franchise Agreement - Article 7(U)].

(5) We may, in our discretion, sponsor one or more programs to promote and reward the frequent and regular guests of AmericInns®. You must, at your expense,

participate in all of these programs, including our current program the INN-Pressive Club<sup>®</sup>. [Franchise Agreement - Article 7(C)].

(6) We will, upon your request, provide you with advisory services related to guest service and the operation of your AmericInn<sup>®</sup>. You must reimburse us for all reasonable administrative and out-of-pocket expenses incurred by us in providing these services [Franchise Agreement - Article 13(A)].

(7) We have entered into an Agreement with a third-party vendor which provides certain centralized reservation services ("CRS"), including GDS (Global Distribution Service), e-mail/Internet, and generic voice reservation services for AmericInns<sup>®</sup>, including your AmericInn<sup>®</sup>. Under this current reservation system, all AmericInn<sup>®</sup> franchisees must pay such amounts as the third-party vendor charges for the reservation system features which it provides. You must enter into agreements with and purchase reservation services from these third parties. We have the right to modify our current or any future reservation systems at any time during the term of the Franchise Agreement upon 90 days prior written notice to our franchisees. We also have the right to discontinue any of our existing or any future reservation systems at any time if we continue to maintain a reservation system or establish and implement a new reservation system. This discontinuation or modification is anticipated if any of the current systems becomes inadequate or obsolete for any reason, if the expenses incurred by us or third-party vendor in providing and/or operating any then current system increase materially or if technological advancements make a new or modified reservation system desirable in our judgment. Without limiting the manner in which we may modify a reservation system, we may impose charges to use or participate in the system if the amount of these charges is determined in a manner applied uniformly among franchisees. You must participate in the current and any new or modified reservation system established or implemented by us, and pay the fees or other charges which must be paid by all AmericInn<sup>®</sup> franchisees to use or participate in the current, new or modified reservation system, and must purchase, install and maintain, at your expense, the equipment required by us in connection with any such current, new or modified reservation system. Your cost of participating in any such new or modified reservation system may be different or greater than that to be incurred under the current system. If we or a third-party designated by us maintain a toll-free telephone number for use in making reservations at AmericInns<sup>®</sup> (including your AmericInn<sup>®</sup>), you may not use any toll-free telephone number other than the number maintained by us in the advertising and marketing materials which you use in the operation of your AmericInn<sup>®</sup>, unless you list both the chain-wide designated number and the toll-free number for your AmericInn<sup>®</sup>. Use of "Nationwide Reservation" or similar language may not be used except in association with the chain-wide number. No other third-party reservation services are allowed. [Franchise Agreement - Article 13(B)].

**Advertising.** Each month during the term of the Franchise Agreement, you must spend at least 1% of the Gross Revenues from your AmericInn<sup>®</sup> for approved local media advertising, marketing and promotion of your AmericInn<sup>®</sup>. On or before the 10th day of each month, you must furnish us with an accurate accounting of your expenditures for approved local media advertising, marketing and promotion during the

preceding month. All advertising, marketing and promotion conducted by you must have our prior written approval, which approval will not be unreasonably withheld. [Franchise Agreement - Article 6(A), 6(F) and 7(A)].

When there are two or more AmericInns<sup>®</sup>, including your AmericInn<sup>®</sup>, within a geographic region designated by us, we have the right to require you to become a member of and participate in a local advertising group comprised of the AmericInn<sup>®</sup> franchisees with AmericInns<sup>®</sup> within that region. While we cannot require these local advertising groups to change, dissolve or merge, we can require all AmericInn<sup>®</sup> franchisees within the geographic region comprising a local advertising group to join that group. These local advertising groups will be unincorporated associations administrated by their franchisee members which, generally, will not have written governing documents. The cost of the advertising and promotion approved by a majority of the franchisees constituting the local advertising group will be allocated among all of the AmericInns<sup>®</sup> located within the geographic region comprising the group, and your share will be in proportion to the number of guest rooms in your AmericInn<sup>®</sup>. All amounts paid to the local advertising group by its members will be administered by its members. Amounts paid by you to the local advertising group are credited towards your required local 1% advertising, marketing and promotional expenditures. Each local advertising group will have a membership with equal representation for each AmericInn<sup>®</sup> located within the geographic region comprising the group. These local advertising groups will not be audited and these groups will not need to prepare annual or periodic financial statements. As of the date of this Offering Circular, we have not organized any local advertising groups. However, we have encouraged our franchisees to place cooperative advertisements for their AmericInns<sup>®</sup>. [Franchise Agreement - Articles 6(A) and 6(B)].

All AmericInn<sup>®</sup> franchisees must pay monthly Marketing Fees to us for deposit in a Marketing Fund, to be used for local, regional and/or national advertising, marketing and promotion that is determined by us to be in the best interest of all AmericInn<sup>®</sup> franchisees and the AmericInn<sup>®</sup> business system. Under your Franchise Agreement, you must pay Marketing Fees to us equal to 2% of the Gross Revenues of your AmericInn<sup>®</sup> on or before the 10th day of each month during the term of your Franchise Agreement. Other AmericInn<sup>®</sup> franchisees will also pay Marketing Fees into this Marketing Fund at the rate specified in their respective Franchise Agreements. An Advisory Board of AmericInn<sup>®</sup> franchisees designated by us or nominated and elected in a manner we may periodically determine will provide recommendations and advice to us regarding the use and application of the monies in the Marketing Fund. The Advisory Board serves in an advisory capacity only and we decide when, how and where the funds will be spent. We are not obligated to insure that the monies in the Marketing Fund spent in or affecting any geographic area are proportionate or equivalent to the contributions to the Marketing Fund by the AmericInn<sup>®</sup> franchisees operating in that geographic area or that any AmericInn<sup>®</sup> will benefit directly or in proportion to its contributions to the Marketing Fund. Although the Marketing Fund is not audited and we are not required to provide our franchisees with financial statements for the fund or a periodic accounting of how the Marketing Fees are spent, we have, periodically, given an accounting to the Advisory Board. Any Marketing Fees not paid



when due will bear interest at the rate of 18% per year from the date they are due and until paid in full unless the law in the state where your AmericInn® is located limits the interest rate to a lower amount; and in that event, the lower interest rate will be applicable. We have the power to change or dissolve the Advisory Board [Franchise Agreement - Articles 6(C), 6(D), 6(E) and 20(K)].

Generally, we accumulate the Marketing Fees paid by our franchisee during any given month in our general account and utilizes these fees to pay the advertising, marketing and promotional expenses which it incurs during that month. Any net remaining amount is then deposited in a separate, interest bearing account. We are not required to currently spend all Marketing Fees which we receive. Rather, we may set aside a reserve or reserves for this advertising, marketing and/or promotional programs as we determine in our sole discretion.

The monies in the Marketing Fund are currently being used by us principally for billboards, print ads and yellow pages advertising in the States of Colorado, Connecticut, Delaware, Florida, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, Oklahoma, South Dakota, Wisconsin and Wyoming, trade shows, Internet website, Internet advertising, AmericInn® system directories, materials for the INN-Pressive Club®, and a national chess promotion. As the AmericInn® business system expands, these funds will also be used for billboard and other advertising in additional states. The copy for these regional advertisements are generated both internally by us and by outside advertising agencies. No part of the Marketing Fees are used by us for solicitation for the sale of franchises. During our fiscal year ending December 31, 2005, we spent 13.4% of the monies in the Marketing Fund on the production of advertisements and other promotional materials, 84% for media placement, and 2.6% for general, administrative and other expenses. Neither we nor any of our affiliates provide any goods or services for which they are compensated out of the Marketing Fund. [Franchise Agreement - Article 6(C)].

We are not required to spend any amount on advertising in the area or territory where your AmericInn® or any other franchisee's AmericInn® is located. However, if we and/or any of our affiliates own and operate an AmericInn®, they must make the monthly expenditures and pay the Marketing Fees and participate in the local advertising groups provided for in their respective Franchise Agreements.

See Items 6, 8 and 9 of this Offering Circular.

**Computer System.** You must purchase or use a hospitality Property Management System/Computer ("PMS"). You may only use the PMS that is designated and has been approved by us. The PMS system typically consists of three workstations, a server, monitors, keyboards, two printers, a two-way interface with the CRS, and a call accounting system, in a networked configuration. This system is used for front desk management, reservation management with an interface to the CRS, and e-mail/Internet access. You must purchase certain software licenses and annual support for your PMS since we do not provide these. We have reserved the right in Article 7(X) of the Franchise Agreement to require you to acquire at your expense this

computerized PMS and other hardware, software and subsequent upgrades that conform to the standards and specifications which we may periodically set in the future. You must grant us direct access to the records and information on your PMS and other computer systems. There are no limitations on our right to access the information and data on your PMS and other computer systems. We may require you to produce periodic reports on sales and revenue statistics in a format and timetable that is set forth and amended periodically in the future. We recommend that you purchase hardware and software support for the other components of your PMS and other computer systems since we do not provide this support. All AmericInns® must have High Speed Internet Access ("HSIA") in order to operate a two-way interface between the CRS and PMS for reservation sales and room inventory management.

**High Speed Internet Access.** You must purchase hardware and software for use with a hospitality grade HSIA provider whose services meet the Franchisor's minimum specifications. The HSIA system typically consists of a server, software, switch, router, and firewall. You must make the HSIA available on a complimentary basis in all guest rooms and meeting room(s), with a station in the lobby or business center. HSIA is used to operate a two-way interface between the CRS and PMS for reservation sales and room inventory management and e-mail/internet access. You must purchase certain software licenses and annual support for your HSIA system since we do not provide these.

**Site Selection.** An AmericInn® franchise is granted for a specific location which is described in Article 1(A) of the Franchise Agreement before it is signed. Although you must select the site for your AmericInn®, you may not purchase or lease a site until it has been approved by us. You must purchase the site for your AmericInn®. You are not permitted to lease your site. In addition, you must own as opposed to lease your AmericInn® located at this site. Our approval of a site is not to be construed as a warranty or guaranty regarding the potential financial success of your AmericInn® at that location. We have the right to require that you obtain, at your expense, an economic feasibility study for your proposed site from a mutually agreed upon expert. In reviewing a location, we generally consider population and character of the surrounding area, availability of utilities, competition, availability of labor, economic conditions of the area, traffic counts and patterns, and other related factors. If you have not purchased or contracted to purchase a site for your AmericInn® which has been approved by us within 90 days of the date of your Franchise Agreement, you have the absolute right to terminate your Franchise Agreement and receive a refund of your initial franchise fee after we deduct all reasonable administrative and out-of-pocket expenses incurred by us in processing your application, including, but not limited to, executives' and employees' salaries, salespersons' commissions, training costs, marketing costs, attorneys' fees, accountants' fees, travel expenses and long distance telephone calls. However, if you do not terminate your Franchise Agreement within ninety (90) days of the date thereof, the initial franchise fee which you paid to us is not refundable if you are thereafter unable to purchase or contract to purchase an approved site for your AmericInn®. [Franchise Agreement - Articles 4(C) and (D), 7(V), 19(A) and (B)].

**Time of Opening.** If your AmericInn® is to be newly constructed, the opening of your AmericInn® will generally take place within approximately 9 months from the date the Franchise Agreement is signed by you. The length of this period may be affected by a number of factors, including the availability of financing, weather conditions, labor disputes, zoning and local ordinances, shortages and delayed installation of equipment, fixtures, and signs. We have the right to terminate your Franchise Agreement if construction of your AmericInn® is not commenced within 9 months of the date your Franchise Agreement is signed, if you don't complete construction and open your AmericInn® within 9 months of the commencement of construction, or if you do not open your AmericInn® when it is ready for occupancy. See Item 17 of this Offering Circular. You may not open your AmericInn® for business until it has been inspected and approved by us. Generally, you will not be permitted to open your AmericInn® unless and until (i) you have installed your exterior free-standing sign, (ii) the pool/recreation area and other common areas of your AmericInn® have been completed and are operational and are "guest ready", (iii) the lobby area, including the front desk, have been finished and fully equipped, (iv) at least one-half of your guest rooms have been completed and are fully equipped and "guest ready" and are accessible to your customers without having to cross through uncompleted portions of your AmericInn®, (v) all construction work which could reasonably be expected to materially diminish the quality of your customers' stay at your AmericInn® has been completed, (vi) your architect or general contractor has certified to us that your AmericInn® has been constructed in accordance with all applicable laws, codes and regulations, including the Americans With Disabilities Act, (vii) you have delivered to us a certificate of insurance and all other items provided for in the Franchise Agreement which must be delivered prior to opening, (viii) all electronic locks are installed and operational, (ix) the laundry room is completed, equipped and operational, (x) the telephone system within your AmericInn® has been installed and is operational, and (xi) your AmericInn® has received a certificate of occupancy from or other required final inspection by the applicable governmental authorities, (xii) your Manager has satisfactorily completed all training required by us and passed our management training program exam, and (xiii) at least 80% of your front desk and housekeeping staff have passed a written test administered by us. [Franchise Agreement – Articles 12(A) and 19(F)].

## **ITEM 12 TERRITORY**

Each AmericInn® franchise is granted for a specific location which is described in Article 1(A) of the Franchise Agreement before it is signed. Although you must select the site for your AmericInn®, you may not purchase or lease a site until it has been approved by us. Our approval of a site is not to be construed as a warranty or guaranty regarding the potential financial success of your AmericInn® at that location. We strongly encourage and have the right to require that you obtain, at your expense, an economic feasibility study for your proposed site from a mutually agreed-upon expert. [Franchise Agreement - Articles 19(A) and (B)].

We and you will discuss and agree upon a designated area of protection around your AmericInn® prior to the signing of your Franchise Agreement. However, your area of protection will be contingent upon your AmericInn® containing at least the number of guest rooms to be specified in your Franchise Agreement and the absence of any default under your Franchise Agreement. In determining the areas of protection, there are no precise, objective criteria which can be reviewed. We rely primarily on our experience in the lodging industry in developing the area of protection and its duration. You can submit information to us supporting your position; the parties will then negotiate to establish the area of protection to be provided for in the Franchise Agreement.

While your AmericInn® contains at least the number of guest rooms specified in your Franchise Agreement and you are not otherwise in default under the Franchise Agreement, we will be prohibited from establishing another AmericInn® franchise within the defined area of protection until the earlier of the expiration or termination of the Franchise Agreement. Similarly, while your AmericInn® contains at least the number of guest rooms specified in your Franchise Agreement and you are not otherwise in default under the Franchise Agreement, we will be prohibited from establishing any company-owned AmericInn® using the our name or trademark within the defined area of protection until the earlier of the expiration or termination of the Franchise Agreement. We may open one or more AmericInns® owned by us and grant franchises to operate one or more AmericInns® at any location or locations outside of your protected area, which may, depending upon their locations, compete with your AmericInn®.

The continuation of your defined area of protection is not dependent upon achievement of any certain sales volume, market penetration or other contingencies under which your protected area or territory may be altered. However, if you breach any of the material terms of the Franchise Agreement, the agreement may be terminated or other sanctions may be imposed against you. In addition, if your AmericInn® does not contain at least the number of guest rooms to be specified in your Franchise Agreement or if you default in the payment or performance of your obligations under the Franchise Agreement, you will lose the benefit of your protected area.

Except as described here, neither we nor our affiliates operate or franchise the operation of, or have any presently formulated plans or policies to operate or franchise the operation of, any hotel or hotel business similar to or competitive with AmericInn® business system, under a different trade name or trademark. We or one of our affiliates intend in the future to offer and sell franchises for the construction, ownership and operation of hotel and motel businesses under the name Northcott Inns & Suites®, which may be similar to and may, depending upon their locations, compete with AmericInns®. We and our affiliates are permitted under the Franchise Agreement to grant hotel and motel franchises using trade names other than AmericInn® either within or outside of the protected area to be provided for in your Franchise Agreement. Northcott owns and operates a non-AmericInn® motel in Wisconsin Dells, Wisconsin.

**ITEM 13**  
**TRADEMARKS**

In the Franchise Agreement, we will grant you the right to operate your AmericInn<sup>®</sup> under the name "AmericInn<sup>®</sup>," "AmericInn Lodge & Suites<sup>®</sup>," "AmericInn Hotel & Suites<sup>®</sup>" or "AmericInn Motel & Suites<sup>®</sup>". You may also use certain of our other current or future trademarks to operate your AmericInn<sup>®</sup>. By trademark, we mean trade names, trademarks, service marks and logos used to identify your AmericInn<sup>®</sup>. At the time of signing your Franchise Agreement, we and you will agree upon whether your AmericInn<sup>®</sup> will be operated under the name "AmericInn<sup>®</sup>," "AmericInn Lodge & Suites<sup>®</sup>," "AmericInn Hotel & Suites<sup>®</sup>," "AmericInn Motel & Suites<sup>®</sup>" or some other name. This agreed upon name will then be inserted in Article 1(B) of your Franchise Agreement.

We have registered or applied for registration of the following trademarks on the United States Patent and Trademark Office ("USPTO") Principal Register:

1.



issued on October 15, 2002, as Registration No. 2,636,996. No affidavits or renewals are yet required to keep this registration in force.

2.



issued on November 5, 2002, as Registration No. 2,646,990. No affidavits or renewals are yet required to keep this registration in force.

3.



issued on November 5, 2002, as Registration No. 2,646,989. No affidavits or renewals are yet required to keep this registration in force.

4.



issued on February 12, 2002, as Registration No. 2,538,159. No affidavits or renewals are yet required to keep this registration in force.

5.



issued on October 22, 2002, as Registration No. 2,640,802. No affidavits or renewals are yet required to keep this registration in force.

6.



issued on October 15, 2002, as Registration No. 2,636,997. No affidavits or renewals are yet required to keep this registration in force.

7. AMERICINN<sup>®</sup> issued on September 4, 1990, as Registration No. 1,612,419. The combined affidavit under Sections 8 and 15 was filed with and subsequently accepted by the USPTO in order to keep the registration in force past its sixth-year anniversary, September 4, 1996. The combined declaration under Sections 8 and 9 (renewal) was filed with and subsequently accepted by the USPTO in order to keep the registration in force past its tenth-year anniversary, September 4, 2000. No further affidavits/declarations or renewals are yet required to keep this registration in force.

8.



issued on November 21, 1995, as Registration No. 1,937,178. The combined declaration under Sections 8 and 15 was filed with and subsequently accepted by the United States Patent and Trademark Office in order to keep the registration in force past its sixth-year anniversary, November 21, 2001. A combined declaration under Sections 8 and 9 (renewal) was filed with and subsequently accepted by the USPTO to keep this registration in force until November 21, 2015.

9. INN-PRESSIVE CLUB<sup>®</sup> issued on March 12, 1996, as Registration No. 1,961,916. The combined declaration under Sections 8 and 15 was filed with the United States Patent and Trademark Office in order to keep the registration in force past its sixth-year anniversary, March 12, 2002. A combined declaration under

Sections 8 and 9 (renewal) was filed with and subsequently accepted by the USPTO to keep this registration in force until March 12, 2012.

10.



issued on December 9, 1997, as Registration No. 2,119,610. A combined declaration under Sections 8 and 15 was filed on March 27, 2003 and was acknowledged and accepted by the USPTO on May 21, 2004 to keep this registration in force beyond its sixth-year anniversary date of December 9, 2003. No further affidavits/declarations or renewals are yet required to keep this registration in force.

11.



issued on December 9, 1997, as Registration No. 2,120,107. The combined declaration under Sections 8 and 15 was filed with and subsequently accepted by the USPTO in order to keep this registration in force past its sixth-year anniversary, December 9, 2003. No further affidavits/declarations or renewals are yet required to keep this registration in force.



12.



issued on December 2, 1997, as Registration No. 2,118,159. The combined declaration under Sections 8 and 15 was filed with and subsequently accepted by the USPTO in order to keep this registration in force past its sixth-year anniversary, December 2, 2003. No further affidavits/declarations or renewals are yet required to keep this registration in force.

13.



issued on September 8, 1998, as Registration No. 2,188,558. A combined declaration under Sections 8 and 15 was filed and subsequently accepted by the USPTO in order to keep this registration in force past its six-year anniversary, September 8, 2004. No further affidavits/declarations or renewals are yet required to keep this registration in force.

14. THE SOUND LODGING DECISION<sup>®</sup> issued on July 21, 1998, as Registration No. 2,175,008. The combined declaration under Sections 8 and 15 was filed with and subsequently accepted by the USPTO in order to keep this registration in force past its six-year anniversary, July 21, 2004. No further affidavits/declarations or renewals are yet required to keep this registration in force.

15. SPLASH BAY ADVENTURE, filed March 2, 2005, under Serial No. 78/578,184. The application was filed based on use in commerce

beginning at least as early as February 2005 and covers "providing waterpark services within a hotel setting" in International Class 41.

16.



SPLASH BAY ADVENTURE & Design, filed March 2, 2005, under Serial No. 78/578,132. The application was filed based on use in commerce beginning at least as early as February 2005 and covers "providing waterpark services within a hotel setting" in International Class 41.

The trademark "AMERICINN"® is registered by us with the State of Minnesota, Minnesota Trademark Reg. No. 6535, dated January 25, 1980.

We have registered or applied for registration of the following trademarks with the Canadian Trade-marks Office:

1.



issued on October 18, 1999, as Registration No. TMA518,085. No renewals are yet required to keep this registration in force.

2.



issued on October 5, 2000, as Registration No. TMA534,108. No renewals are yet required to keep this registration in force.

3.



issued on July 6, 2000, as Registration No. TMA529,982. No renewals are yet required to keep this registration in force.

4.



issued on October 5, 2000, as Registration No. TMA534,109. No renewals are yet required to keep this registration in force.

We have registered the following trademarks with the Office for Harmonization in the Internal Market (European Community):

1. AMERICINN issued on December 18, 2000, as No. 001348333. No renewals are yet required to keep this registration in force.

2.



issued on January 24, 2001, as No. 001348705. No renewals are yet required to keep this registration in force.

3.



issued on January 16, 2001, as No. 001348739. No renewals are yet required to keep this registration in force.

4.



issued on February 13, 2001, as No. 001348895. No renewals are yet required to keep this registration in force.

5.



issued on December 18, 2000, as No. 001348960. No renewals are yet required to keep this registration in force.

There are no presently effective determinations of the USPTO, Trademark Trial and Appeal Board or the trademark administrator in any state or court, no pending interference, opposition or cancellation proceeding, no pending material litigation involving the trademarks which have limited or restricted the use of our trademarks, trade names, service marks or commercial symbols in any state.

There are no agreements currently in effect which significantly limit our rights to use or license the use of our trademarks, service marks, trade names, logotypes or other commercial symbols in any manner material to the franchise.

You must follow our rules when you use these marks. You cannot use the Americinn® name or marks as part of your corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use our registered name or any of our other trademarks in any Internet domain name. You may not use our registered name or marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us.

If any claims or complaints are made against or with respect to our trademarks, you must give us immediate written notice of these claims or complaints. We have the sole right to determine whether to commence any action or defend any litigation involving our trademarks. You must cooperate, at your expense, with us in any lawsuits or proceedings involving our trademarks. In addition, while you may retain, at your expense, your own attorney to represent you and participate in these lawsuits or proceedings, we and our counsel will control these lawsuits or proceedings.

Under the Franchise Agreement, we must protect the rights which you have to use our trademarks and to protect you against claims of infringement and unfair competition with respect to our trademarks. However, if anyone establishes to our satisfaction that its rights are, for any legal reason, superior to any of our trademarks, then you must use the variations or other trademarks as we require to avoid conflict with these superior rights. If you are required by us to change your exterior sign faces bearing the name "Americinn®" or any of the other trademarks because of these

superior rights, we will reimburse you for undepreciated value (i.e., book value) of these sign faces.

If you are named as a defendant or party in any action involving the AmericInn® name or trademarks solely because the plaintiff or claimant is alleging that you do not have the right to use this name or the trademarks licensed to you pursuant to the Franchise Agreement, then you will have the right to tender the defense of that action to us within ten days of receiving service of the summons and complaint. If you timely tender the defense of this action, we will, at our expense, defend you in the action. In addition, we will indemnify and hold you harmless from any damages assessed against you in this action resulting solely from your use of the AmericInn® name and trademarks in accordance with the Franchise Agreement.

We have reserved the right in Article 3(C) of the Franchise Agreement to modify our existing trademarks and to adopt new trademarks during the term of your Franchise Agreement. If we modify our existing trademarks or adopt new trademarks, we may require you to use these modified or new trademarks.

You must not directly or indirectly contest our rights to our trade names, trademarks, trade secrets or business techniques which are part of the AmericInn® business system.

We are not obligated under the Franchise Agreement to protect our proprietary information, but will respond to its unauthorized use or disclosure as we deem appropriate.

There may be motels and hotels that are already in operation using the words "America" or "American" as part of their name and/or mark. If these motels or hotels used the words "America" or "American" prior to September 4, 1990, it is possible that you may be precluded from operating an AmericInn® in the immediate vicinity of these motels or hotels. Thus, prior to selecting the location for your AmericInn®, you must investigate the area surrounding the proposed site for your AmericInn® to determine if there are any hotels or motels using the words "America" or "American" as part of their name and/or mark currently operating in the area. If these hotels or motels are operating in close proximity to the proposed site for your AmericInn®, it is recommended that you select another site for your AmericInn®.

We do not know of any infringing uses that could materially affect your use of our trademarks.

#### **ITEM 14**

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

No patents are material to the franchise.

We have not filed any applications for copyright registration, but it claims a copyright in our approved plans and specifications and Manuals, which are described in

Items 7, 8, 9 and 11 of this Offering Circular, and certain advertising and marketing materials. The information in the Manuals is proprietary, but you and your employees can use this information subject to certain limitations described in the Franchise Agreement. You must promptly tell us when you learn about unauthorized use of this proprietary information. We are not obligated to take any action but will respond to this information as we decide is appropriate.

No litigation or other actions affect our copyrights, and no agreements limit our copyrights.

To our knowledge, there are no potentially infringing uses of the copyrights which could materially affect your use of them in any state. It is our intention to protect our copyrights against infringement by taking the actions that we determine to be appropriate. However, we are not obligated by the Franchise Agreement or otherwise to protect all of your rights with respect to the infringement of copyrights.

#### **ITEM 15**

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

We do not require you to personally manage or operate your AmericInn®. However, we strongly recommend on premises supervisory participation by you. You or your AmericInn® manager must attend and successfully complete the required training programs prior to commencing to manage your AmericInn®. AmericInn® managers need not have an ownership interest in you if you are a business entity. You must require all of your managerial and supervising employees, including your AmericInn® manager and assistant AmericInn® manager, who have access to the Manuals or other confidential or proprietary information, to agree in writing to maintain the confidentiality, during the course of their employment and following it, of all information designated by us as confidential or proprietary. Copies of all executed agreements must be submitted to us upon request. [Franchise Agreement - Articles 8(E) and 12].

#### **ITEM 16**

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

The Franchise Agreement provides that you must sell all goods and services required by us. We may, in our discretion, change the types of authorized goods and services which you must sell. There are no limits on our rights to make these changes. Furthermore, you are prohibited from offering or selling any goods or services not authorized by us and from using the premises for any other purposes other than the operation of an AmericInn®. You may not permit any jukebox, video and electronic games, vending machines, or coin or token operated machines to be used on the premises of your AmericInn® other than those approved by us in writing. You may not offer for sale at or near your AmericInn® any tickets, subscriptions, pools, chances or raffles. You are not limited in the customers to whom it may sell goods and services. [Franchise Agreement - Articles 7(H) and 7(L)].

## ITEM 17

### RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this Offering Circular.

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	Article 2(A)	The term is for 20 years from the date your AmericInn <sup>®</sup> opens for business.
b. Renewal or extension of the term	Articles 2(B) and 2(C)	Although you cannot extend or renew, if certain requirements are met, you will have the right to reacquire the franchise for your AmericInn <sup>®</sup> under the terms and conditions then being offered by us to new franchisees.
c. Requirements for you to renew or extend	Articles 2(B) and 2(C)	You must (1) give us notice of your intent to reacquire the franchise for your AmericInn <sup>®</sup> at least 180 days prior to the end of the term, (2) have complied with the terms of Franchise Agreement throughout the term, (3) have timely met your monetary obligations to us throughout the term, (4) have agreed to refurbish your AmericInn <sup>®</sup> at your expense, (5) own the site for your AmericInn <sup>®</sup> , (6) sign and comply with our then current standard Franchise Agreement then being offered to new franchisees, (7) pay us an inspection fee, currently \$5,000, and (8) pay a reacquisition fee to us in an amount equal to 70% of the initial fee then charged to new franchisees.
d. Termination by You	Articles 4(C) and 10	You may terminate the Franchise Agreement by giving written notice to us within 90 days of signing if you fail to lease, purchase or contract to purchase a site for your AmericInn <sup>®</sup> or if you fail to obtain any necessary financing for your AmericInn <sup>®</sup> . You may also terminate by giving written notice of termination to us if we (1) violate any material provision of the Franchise Agreement, (2) fail to pay any material and uncontested obligation owed to you, (3) voluntarily file or have filed against us involuntarily, a petition in bankruptcy, or (4) make an assignment for the benefit of our creditors, in each case, you (a) first give written notice to us setting forth the nature of the alleged violation, and (b) we fail to correct the alleged violation within 30 days of receiving your notice of violation.
e. Termination by Us Without Cause	None	
f. Termination by Us with "Cause"	Articles 4(B) and 9	We may terminate the Franchise Agreement by giving written notice to you within 120 days of signing if (1) we determine that you have misled us in any material respect in applying for your franchise, (2) we determine that you or your AmericInn <sup>®</sup> manager are not qualified to



Provision	Section in Franchise Agreement	Summary
g. "Cause" Defined – Defaults Which Can Be Cured	Article 9	<p>operate your AmericInn® because you or your AmericInn® manager have not passed and are believed incapable of passing the AmericInn® management training program (3) you fail to lease, purchase or contract to purchase a site for your AmericInn®, or (4) you fail to obtain any necessary financing for your AmericInn®. We may also terminate by giving written notice setting forth the basis for termination to you and you fail to correct this basis within 30 days of receiving the notice. This 30-day period is reduced to 10 days where the basis for termination is your failure to pay any amounts due and owing to us and is further reduced to 24 hours where the basis for termination is conduct or acts by you which materially impair the goodwill associated with the AmericInn® name or any of our trademarks or the AmericInn® business system. We may terminate immediately by giving written notice of termination where the basis for termination is the conviction or entry of a guilty plea by you or any of your principals for a charge of committing a felony or violating any law relating to your AmericInn® or the voluntary abandonment of your AmericInn® by you.</p> <p>Curable defaults include (1) your violation of any material provision of the Franchise Agreement or any other agreement between us and you, including your failure to make timely payments to us, (2) any check issued by you is dishonored because of insufficient funds, (3) you default on any mortgage, contract for deed, deed of trust or lease relating to your AmericInn®, (4) you fail to conform to AmericInn® business system or our standards of quality and uniformity, and/or (5) conduct or acts by you which materially impair the goodwill associated with the AmericInn® name or any of our trademarks or the AmericInn® business system.</p>
h. "Cause" Defined – Defaults Which Cannot Be Cured	Article 9	<p>Non-curable defaults include (1) your failure to open and commence operations of your AmericInn® when it is ready for occupancy, (2) the conviction or entry of a plea of guilty by you or any of your principals to a charge of violating any law relating to your AmericInn®, or any felony, (3) your failure to timely pay any of your uncontested obligations to creditors, (4) your insolvency, (5) you or any of the personal guarantors of your obligations under the Franchise Agreement voluntarily file, or have involuntarily filed against you/them, involuntarily, a bankruptcy petition, (6) abandonment of your AmericInn®, (7) your failure to commence construction and/or complete construction within the times required under the Franchise Agreement, (8) loss of possession of the premises for your AmericInn®, (9) an assignment of your assets for the benefit of your creditors, and/or (10) the sale, assignment or other</p>

Provision	Section in Franchise Agreement	Summary
i. Your Obligation On Termination/ Non-Renewal	Articles 11 and 20(D)	<p>transfer of your Franchise Agreement, your AmericInn® or, if you are a corporation, limited liability company or other entity, the ownership interests in you without complying with the requirements of the Franchise Agreement.</p> <p>You must (1) pay all amounts due and owing to us, (2) return the Manuals and all advertising materials and other printed materials pertaining to the operation of an AmericInn® to us, (3) immediately discontinue the use of all items bearing the AmericInn® name or any of the AmericInn® trademarks, (4) remove all signs containing the AmericInn® name or any of the AmericInn® trademarks, including the AmericInn® free standing sign, as well as the canister on this sign if it contains our distinctive shape, (5) cancel all fictitious, assumed or other similar name filings relating to the AmericInn® name or any of the AmericInn® trademarks, (6) terminate or assign to us, as we may elect, any Internet website or domain name that identifies you as a current or former AmericInn® franchisee or that displays the AmericInn® name or any of the AmericInn® trademarks, (7) transfer all of your rights to use all telephone numbers and all classified and other directory listings under the AmericInn® name to us, (8) alter both the exterior and interior appearance and trade dress of your AmericInn® so that it will easily be distinguished from the standard appearance and trade dress of an AmericInn®, (9) discontinue your participation in the AmericInn® reservation system, (10) furnish us within 30 days after the expiration or termination with evidence satisfactory to us of your compliance with your post-termination or post-expiration obligations under the Franchise Agreement, and (11) refrain from operating your hotel or motel under any name which includes the words "American," "America," "AmericInn" or any roots or derivations of these names. If the Franchise Agreement is terminated by us or if you attempt to wrongfully terminate the Franchise Agreement, the personal guarantors of your obligations under the Franchise Agreement and you must pay to us all damages we have sustained or will sustain as a result of your breach of the Franchise Agreement, taking into consideration the Continuing Fees and Marketing Fees that would have been payable by you to us during the remaining term of the Franchise Agreement.</p>
j. Assignment of Contract By Us	Article 18(A)	There are no restrictions on our right to assign.
k. "Transfer" By You – Defined	Article 18	Includes transfers of the Franchise Agreement, or the assets associated with your AmericInn® and changes in your ownership.

Provision	Section in Franchise Agreement	Summary
l. Our Approval of Transfer By You	Article 18	Except for assignments to a corporation, partnership or limited liability company which you own or control, we have the right to approve all transfers, but will not unreasonably withhold our approval.
m. Conditions for our Approval of Transfer	Article 18	The transferee and you must comply with all reasonable conditions imposed by us, including (1) you must pay all of your monetary obligations to us and you must not otherwise be in default under the Franchise Agreement, (2) the transferee must have demonstrated that he, she or it meets our then current requirements for new franchisees, (3) the transferee and all of its owners must sign our then-current standard Franchise Agreement (the "New Agreement") for a term of the duration offered by us in the New Agreement to new franchisees, (4) the transferee must assume your obligations to us under the Inn-Pressive Club <sup>®</sup> , as well as your obligations with respect to any gift certificates which you have sold or otherwise issued prior to the transfer, (5) all of the transferee's owners must personally guaranty the transferee's obligations under the New Agreement, (6) the transferee or its hotel manager must have successfully completed our AmericInn <sup>®</sup> Certified Lodging Trainer class and paid a training fee of \$1,000 for each person attending this class, (7) the transferee must have purchased the site for your AmericInn <sup>®</sup> , (8) except to the extent prohibited by applicable law, you and the personal guarantors of your obligations under the Franchise Agreement must sign a general release, (9) the transferee must remodel, modernize, redecorate, and renovate your AmericInn <sup>®</sup> so that it reflects the then-current image to be portrayed by AmericInn <sup>®</sup> lodging properties, (10) the transferee must demonstrate to our reasonable satisfaction that the terms and conditions of the transfer, including the price and payment terms, will not have a material adverse effect on the subsequent operation of the your AmericInn <sup>®</sup> , and (11) in most circumstances, you must pay us a transfer fee of \$5,000 and an inspection fee of \$5,000. The provisions of the New Agreement, including the economic terms, may be materially different from the Franchise Agreement included in this Offering Circular.
n. Our Right of First Refusal to Acquire Your Business	Article 18(F)	Except for transfers to a corporation, partnership or limited liability company which you own or control, we have the right to match any offer for your AmericInn <sup>®</sup> .
o. Our Option to Purchase Your Business	None	See Item 17(n) above.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
p.	Your Death or Disability	Article 18(C)	Subject to compliance with the conditions set forth in Item 17(m) above, your Franchise Agreement may be transferred or bequeathed by you to any person or beneficiary upon your death or permanent disability.
q.	Non-Competition Covenants During the Term of the Franchise	None	
r.	Non-Competition Covenants After the Franchise is Terminated or Expires	None	
s.	Modification of the Agreement	Articles 8(C) and 20(M)	The Franchise Agreement may only be modified by written agreement signed by us and you. However, we may unilaterally amend the Manuals and other written materials.
t.	Integration/ Merger Clause	Articles 20(H) and 23(A)	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable.
u.	Dispute Resolution by Arbitration or Mediation	None	
v.	Choice of Forum	Articles 20(F) and 22(B)	While the Franchise Agreement provides that all litigation must take place in Hennepin County, Minnesota, this provision is not applicable if your AmericInn <sup>®</sup> is located in the States of Illinois or Indiana.
w.	Choice of Law	Article 22	The laws of the state in which your AmericInn <sup>®</sup> is located apply.

These states have statutes which may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Code, tit.], HAWAII [Rev. Stat. Section 482-E-1], ILLINOIS [The Franchise Disclosure Act of 1987, 815 ILCS 705/1-44 and 705/20], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of your franchise.

California Business and Professions Code Sections 20000-20043 provide rights to the franchisee concerning the termination or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Offering Circular.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

Section 31125 of the Franchise Investment Law requires us to give to you a disclosure documents approved by the Commissioner of Corporations before we ask you to consider a material modification of your Franchise Agreement.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

#### **ITEM 18 PUBLIC FIGURES**

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

#### **ITEM 19 EARNINGS CLAIMS**

We do not furnish or authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of an AmericInn® to prospective California franchisees. Actual results vary from unit to unit and we cannot estimate the results of any particular AmericInn®. We recommend that you make your own investigation to determine the probable financial results from the operation of an AmericInn®. We further recommend that you retain an attorney, accountant or other representative of your choosing to represent you and to evaluate the probable financial results of your AmericInn®.

#### **ITEM 20 LIST OF OUTLETS**

As of December 31, 2005, we did not own or operate any AmericInns®. However, as of that date, Northcott owned and operated three AmericInns® in Minnesota. As of December 31, 2005, Northcott and other affiliates of ours held

investments in six AmericInns® located in Griswold, Connecticut; Bolingbrook, Illinois; Windsor, Colorado; Kearney, Nebraska; Bozeman, Montana; and Two Harbors, Minnesota. We do not anticipate opening any AmericInns® owned by us during 2006.

The following table gives certain information concerning franchised AmericInns®, in each case as of December 31, 2003, 2004 and 2005:

State (Year)	Transfers 03/04/05	Canceled or Terminated 03/04/05	Not Renewed 03/04/05	Reacquired by the Franchisor 03/04/05	Left the System- Other 03/04/05	Total from Left <sup>1</sup> 03/04/05	Franchises Operating at Year End 03/04/05
Arizona							1/1/1
Colorado							2/2/2
Connecticut							1/1/1
Delaware							3/3/4
Florida	0/0/1					0/0/1	2/2/2
Idaho							0/0/1
Illinois							2/3/4
Indiana	1/0/0					1/0/0	1/1/1
Iowa	0/0/1					0/0/1	24/25/25
Kansas							4/4/4
Michigan			1/0/0			1/0/0	11/12/13
Minnesota	1/8/2	1/0/0				2/8/2	73/74/75
Missouri		1/0/0				1/0/0	0/0/1
Montana							0/1/1
Nebraska							3/3/3
North Dakota							9/9/9
Oklahoma							2/2/3
South Dakota							7/7/7
Texas							0/0/1
Wisconsin	3/2/3					3/2/3	42/42/43
Wyoming	0/0/1					0/0/1	1/1/1
<b>Totals</b>	<b>5/10/8</b>	<b>2/0/0</b>	<b>1/0/0</b>	<b>0/0/0</b>	<b>0/0/0</b>	<b>8/10/8</b>	<b>188/193/202</b>

<sup>1</sup> The numbers in the "Total" column may exceed the number of AmericInns® affected because several events may have affected the same AmericInn®. For example, the same AmericInn® may have had multiple owners.

The following table lists by state the number of AmericInn® franchises under construction at December 31, 2005, and the projected number of AmericInn® franchises to be sold during calendar year 2006:

State	Number of Franchise Agreements Signed but AmericInn® Not Yet Opened	Projected Number of AmericInn® Franchises To Be Sold During 2006
Arizona	0	1
Arkansas	0	0
California	1	1
Colorado	1	1

State	Number of Franchise Agreements Signed but AmericInn® Not Yet Opened	Projected Number of AmericInn® Franchises To Be Sold During 2006
Connecticut	0	1
Delaware	1	0
Florida	2	1
Idaho	2	1
Illinois	1	1
Iowa	1	1
Kansas	0	0
Michigan	2	1
Minnesota	2	1
Missouri	0	0
Montana	1	0
Nebraska	0	1
New Mexico	0	0
New York	0	0
Nevada	0	0
North Carolina	2	1
Oklahoma	0	0
South Carolina	0	1
South Dakota	1	1
Tennessee	1	0
Texas	1	0
Utah	0	0
Wisconsin	1	1
Wyoming	1	1
<b>TOTAL</b>	<b>21</b>	<b>16</b>

The names of the 202 AmericInn® franchisees whose AmericInn® were operational as of December 31, 2005, and the addresses and telephone numbers of their AmericInns® are set forth in Exhibit F hereto.

During the year ended December 31, 2005, we did not terminate, cancel or refuse to renew the Franchise Agreement of any of our franchisees. In addition, during that year, no franchisees voluntarily or involuntarily ceased to do business under their Franchise Agreement with us. We have communicated with all of our franchisees during the 10-week period preceding the date of this Offering Circular.

## ITEM 21

### FINANCIAL STATEMENTS

Attached as Exhibit B are our audited financial statements at December 31, 2003, December 31, 2004, and December 31, 2005 and for the fiscal years then ended.

## **ITEM 22**

### **CONTRACTS**

Attached as Exhibit A to this Offering Circular is a copy of our Franchise Agreement. You should review the Franchise Agreement carefully since it is the binding document which controls your business relationship with us. While it is important and helpful to crosscheck the information in the Franchise Agreement with the various Items in this Offering Circular, that is no substitute for a careful review of the Franchise Agreement by yourself and an attorney, accountant or other competent business advisor.

There are no other contracts, including lease agreements and/or purchase agreements, which are involved with the offering or sale of this franchise to you.

The Franchise Agreement attached as an exhibit is a sample only and is not for signing.

## **ITEM 23**

### **RECEIPT**

The last two pages of this Offering Circular are detachable acknowledgments of receipt.