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AAHOA Announces Release of its Revised Point 12 in the AAHOA 12 Points of Fair Franchising

ORLANDO, FL, Apr. 5 – This week at AAHOACON24, AAHOA (Asian American Hotel Owners Association) announced the release of revised Point Number 12, Sale of the Franchise System Hotel Brand(s), in its 12 Points of Fair Franchising.

The recent best-practice updates reflect the current industry landscape and are in response to the several noted acquisitions and mergers of one or more hotel brands between Franchisors in recent years.

Best practices related to Point 12 now recommend that each Franchise Agreement include a "Change of Control" clause to protect the Franchisees in the event of a purchase, sale, acquisition, or merger of one or more hotel brands between Franchisors.

As with all recommendations and best practices provided to AAHOA Members, AAHOA's goal is to continue our mission and commitment to educating AAHOA Members, helping to fulfill our vision to be the foremost advocate and resource for America's hotel owners.

Revisions to Point 12 include:

- Each Franchise Agreement should also include a "Change of Control" clause to protect the Franchisees in the event of a purchase, sale, acquisition, or merger of one or more hotel brands between Franchisors.
- **"Change of Control" Clause:** In recent years, there have been several noted acquisitions and mergers of one or more hotel brands between Franchisors.
  - Each time a Franchisor has acquired one or more brand hotels of another Franchisor, the hotelier Franchisees have been the most impacted. The Franchisees generally have not been afforded an opportunity to exit their franchise agreements unless they pay high liquidated damages (LDs), sometimes costing hundreds of thousands of dollars or more, as mandated in their respective franchise agreements. Regrettably, for Franchisees in the hotel industry, there is no standard "change of control" clause in their franchise agreements, meaning they are not afforded a fair or equitable opportunity to decide their future options if their hotel brand is acquired by a different Franchisor – unless they pay the LDs.
  - Consequently, AAHOA submits that each franchise agreement should include a "change in control" clause that will permit all hotelier Franchisees to give thirty (30) days' prior written notice to voluntarily terminate their Franchise

Agreements at any time within one (1) year after a “change in control” event has been finalized.

“The revision of Point number 12 speaks to the ongoing and ever-evolving landscape of hospitality mergers and acquisitions,” **said AAHOA Immediate PastChairman Bharat Patel**. “AAHOA takes great pride in educating and informing our members of best practices related to their Franchise Agreements, and updates to Point 12 showcase how the needs for AAHOA Members continue to evolve in light of changing industry dynamics.”

“As we have long held, Fair Franchising is at the heart of AAHOA’s efforts to ensure fairness in the Franchise/Franchisee relationship,” **said AAHOA President & CEO Laura Lee Blake**. “Revision of Point Number 12 underscores the fact that when mergers or acquisitions take place in our industry, they most notably affect hotel owners and Franchisees. It’s our hope that updates to Point 12 serve as clear-cut guidance for AAHOA Member Franchisees in the event of a purchase, sale, acquisition, or merger of one or more hotel brands between Franchisors.”

AAHOA’s 12 Points of Fair Franchising serve as an educational primer for hospitality Franchisors and AAHOA Members (current and future hospitality Franchisees) to discuss and use to continue designing, developing, and implementing best-in-class, mutually beneficial franchise systems.

AAHOA recognizes that brands are our business partners and through the continual update of the 12 Points of Fair Franchising, AAHOA aims to continue the open dialogue, collaboration, and mutual understanding of franchise best practices. The 12 Points can also be used by Franchisors to better understand the needs of their industry partners and Franchisees.

Click here for an updated explainer video, which will walk you through this latest update.

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About AAHOA

AAHOA is the largest hotel owners association in the world, with Member-owned properties representing a significant part of the U.S. economy. AAHOA's 20,000 members own 60% of the hotels in the United States and are responsible for 1.4% of the nation’s GDP. More than one million employees work at AAHOA Member-owned hotels, earning more than $51 billion annually, and member-owned hotels support 4.1 million U.S. jobs across all sectors of the hospitality industry. AAHOA's mission is to advance and protect the business interests of hotel owners through advocacy, industry leadership, professional development, member benefits, and community engagement.