

## FRANCHISE DISCLOSURE DOCUMENT



NYLO Franchising LLC  
a Delaware limited liability company  
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This Franchise Disclosure Document (the “Disclosure Document”) describes the franchise we offer to operate a NYLO® or XP™ by NYLO loft-inspired lifestyle hotel (each, a “NYLO Hotel” or an “XP by NYLO Hotel”) under our marks and system of operation. You will either operate an upscale full service NYLO Hotel or a high quality, select service XP by NYLO Hotel.

The total investment necessary to begin operation of a NYLO Hotel franchise is between \$16,723,500 and \$23,077,500 for a newly constructed hotel and between \$1,464,300 and \$23,077,500 for a conversion hotel. This includes an application fee of \$60,000 (for 176 guest rooms, plus \$400 for each additional guest room), and an initial training fee of \$2,500, both of which must be paid to franchisor or an affiliate. The total estimated investment necessary to begin operation of an XP by NYLO Hotel franchise is between \$8,117,500 and \$12,651,250 for a newly constructed hotel and between \$1,121,900 and \$12,651,250 for a conversion hotel. This includes an application fee of \$45,000 (for 127 rooms, plus \$350 for each additional guest room) and an initial training fee of \$2,500, both of which must be paid to franchisor or an affiliate. The application fee is refundable only if we deny the application, less a \$10,000 deduction for a NYLO Hotel and a \$4,500 deduction for an XP by NYLO Hotel. If you request and we approve any extension of pre-opening deadlines for land ownership, starting construction or conversion, or completing construction or conversion, you must pay us extension fees for each time extension ranging from \$10,000 to \$40,000 for a NYLO Hotel and from \$7,500 to \$30,000 for an XP by NYLO Hotel. If you request or we require certain pre-opening services, you must also pay us oversight and review fees ranging from \$10,000 to \$20,000 each, or a technical services fee of \$1,000 per guest room. We charge a \$1,000 reservation set-up fee before your hotel opens. See Item 5. These estimated costs do not include the cost of real estate or payments of debt service or rent. See Item 7 for additional information regarding your initial investment.

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

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Michael Mueller at 4300 Marsh Ridge Road, Suite 110, Carrollton, Texas 75010, 972.590.4451 or [mmueller@nylohotels.com](mailto:mmueller@nylohotels.com).

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

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

The Issuance Date of this Disclosure Document is April 3, 2014.

## STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit D for information about the franchisor or about franchising in your state.

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

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

1. **THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US ONLY BY ARBITRATION IN THE CITY WHERE OUR HOME OFFICE IS LOCATED, WHICH IS CURRENTLY IN IRVING, TEXAS. OUT OF STATE DISPUTE RESOLUTION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN TEXAS OR OUR HOME STATE THAN IN YOUR OWN STATE.**
2. **THE FRANCHISE AGREEMENT STATES THAT TEXAS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.**
3. **THE FRANCHISOR HAS BEEN IN EXISTENCE FOR A SHORT PERIOD OF TIME, SINCE JANUARY 2008. THEREFORE, THERE IS ONLY A BRIEF OPERATING HISTORY TO ASSIST YOU IN JUDGING WHETHER OR NOT TO MAKE THIS INVESTMENT.**
4. **WE OFFER A CONVERSION OPTION FOR THE CONSTRUCTION OF A NYLO HOTEL OR AN XP BY NYLO HOTEL. AN EXISTING BUILDING HAS NOT BEEN CONVERTED INTO A NYLO HOTEL OR AN XP BY NYLO HOTEL BY US OR ANY FRANCHISEE. THE CONVERSION COST ESTIMATES IN ITEM 7 DO NOT REFLECT ACTUAL EXPERIENCE WITH SUCH A PROJECT, WHICH MAY INCUR COSTS THAT VARY MATERIALLY FROM OUR ESTIMATES.**
5. **THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

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

Effective Date: See the next page for state effective dates.

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