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Architettura giuridica dei contratti di gestione e franchising nei principali gruppi alberghieri globali

Paper accademico

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Analisi comparata delle clausole contrattuali, dei regimi di disclosure e dei driver giurisprudenziali
Metodo: lettura "contratto-centrica" dell'hotel come dispositivo di governance del valore

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Abstract

Questo paper propone un'analisi tecnico-giuridica comparata dei due archetipi contrattuali prevalenti nel settore alberghiero asset-light: (i) l'Hotel Management Agreement (HMA) e (ii) il franchising/licensing. La prospettiva è "contratto-centrica": l'hotel è trattato come impresa-operazione e il contratto come infrastruttura di governance del valore, in grado di determinare bancabilità, investibilità e trasferibilità dei cash flow. L'analisi è costruita su documenti primari allegati (accordi esecutivi, normative di disclosure e provvedimenti giudiziari) e restituisce: una tassonomia funzionale delle clausole, una matrice di rischio (litigation-prone clauses) e un playbook negoziale owner-side.

Premessa

L'industria alberghiera internazionale è oggi caratterizzata da modelli operativi prevalentemente **asset-light**, nei quali la proprietà dell'immobile e la gestione operativa dell'hotel risultano frequentemente separate. In questo contesto, il valore economico dell'asset non dipende esclusivamente dalla qualità dell'immobile o dalla posizione geografica, ma in misura crescente dall'**architettura contrattuale che disciplina il rapporto tra proprietà, operatore e brand**.

Due modelli contrattuali dominano il settore: **l'Hotel Management Agreement (HMA)** e il **contratto di franchising alberghiero**. Entrambi consentono ai grandi gruppi alberghieri internazionali – tra cui Hilton, Marriott, IHG, Hyatt, Accor e Radisson – di espandere la propria presenza globale senza detenere direttamente la proprietà degli immobili, ma lo fanno attraverso strutture giuridiche profondamente diverse.

Nel **management contract**, la catena alberghiera assume la gestione operativa dell'hotel per conto della proprietà. L'operatore controlla le attività quotidiane – personale, pricing, standard operativi e sistemi commerciali – mentre la proprietà mantiene il rischio economico dell'investimento immobiliare. La remunerazione dell'operatore avviene generalmente attraverso una combinazione di **base management fee** e **incentive fee**, collegate alla performance economica della struttura.

Nel **franchising alberghiero**, invece, la gestione operativa resta in capo alla proprietà o al franchisee. Il gruppo alberghiero concede l'utilizzo del marchio, dei sistemi di prenotazione, delle piattaforme commerciali e degli standard operativi, ricevendo in cambio **royalties e system fees**. In questo modello il brand esercita un controllo prevalentemente attraverso meccanismi di **standardizzazione, audit e compliance**, piuttosto che mediante gestione diretta.

La distinzione tra questi due modelli non è meramente formale. Essa incide profondamente sulla **distribuzione dei rischi economici, sul grado di controllo operativo e sulle dinamiche di contenzioso**. I contratti di management tendono a generare controversie relative alla performance operativa, al controllo gestionale e all'allineamento tra operatore e proprietà. I contratti di franchising, al contrario, concentrano il contenzioso su temi quali royalties, rispetto degli standard, termination anticipata e liquidated damages.

Comprendere la struttura e le implicazioni di queste due architetture contrattuali è quindi essenziale non solo per gli operatori alberghieri, ma anche per **investitori, consulenti, istituti finanziari e studi legali** coinvolti nella strutturazione, valutazione e gestione di asset alberghieri. In un settore nel quale l'hotel rappresenta simultaneamente **un immobile, un'impresa operativa e un marchio**, il contratto diventa il principale strumento attraverso cui si definiscono governance, responsabilità e creazione di valore nel medio-lungo periodo.

Avvertenze e perimetro

Il documento ha finalità di studio e di supporto alla negoziazione. Non costituisce parere legale. Le clausole e i provvedimenti citati sono esaminati come evidenza della prassi e non come template universali di brand.

1. Perché la comprensione contrattuale è un requisito di valore

Comprendere in modo integrale la struttura contrattuale di un HMA o di un franchising alberghiero non è un esercizio "legale" in senso riduttivo. È un requisito di bancabilità, investibilità e trasferibilità del valore. Nel ciclo di vita di un hotel, il contratto governa: cash flow (fee stack e rendicontazione), capex (PIP e standard), allocazione delle responsabilità, rischi reputazionali, capacità di ristrutturazione e opzioni di exit.

La tesi operativa è netta: se il contratto non è investment-grade, l'asset tende a non essere investibile (o lo è a prezzo più basso), anche in presenza di immobile prime. Il punto decisivo non è "quanto" si paga, ma come sono progettati controlli, rimedi e meccaniche di uscita.

1.1. Impostazione metodologica

La cornice è coerente con un approccio advisory che considera l'hotel come impresa-operazione e il contratto come dashboard di governance. In questa prospettiva, la qualità dell'asset si misura anche per: (i) simmetria informativa, (ii) controllabilità dei costi, (iii) compatibilità con i finanziatori e (iv) credibilità dell'exit plan.

1.2. Perché serve una lettura clause-by-clause

Molte clausole sono interdipendenti: termination economics e fee structure; performance test e definizioni (competitive set, formule RevPAR/GOP/DSCR); arbitrato e limitation periods; PIP e covenant finanziari. Una lettura "per sintesi" è insufficiente in due diligence, funding, ristrutturazione e exit.

2. Metodo e fonti: dataset documentale e criteri di lettura

La metodologia è document-driven: si parte dai documenti primari allegati e si costruisce una tassonomia di clausole, con mappatura degli effetti (economico, di controllo, processuale, reputazionale). Ogni sezione rimanda al nome esatto del file allegato per verifiche immediate.

2.1. Dataset documentale allegato (file e valenza)

File (nome esatto)	Categoria	Uso nel paper
HotelOperatingAgreement.pdf	HMA / Operating Agreement (Hilton – contesto Austin)	Dispute mechanics, venue/jury waiver, performance termination e interlock con financing
a11-21531_1ex10d1.pdf	HMA (IHG) – Exhibit 10.1	Scope, definizioni, governance, inspection rights, struttura fees
EX-4.21 MANAGEMENT AGREEMENT.pdf	HMA (Hyatt) – Grand Hyatt Macau	Control of operation, performance test (RevPAR+GOP), cure rights, arbitrato ICC
Hyatt Hotels - 10-K annual report 2025.pdf	Disclosure regolamentare (SEC filing)	Benchmark pubblico: modelli (managed/franchised), descrizione franchising, rischi e driver
16 CFR Part 436 (up to date as of 3-03-2026).pdf	Normativa federale USA (FTC Franchise Rule)	Definizioni di franchising e finestre temporali di disclosure (14-day / 7-day)
vignetteCollection.pdf	FDD (IHG) – Vignette Collection	Item 17 e State Addenda: non uniformità (venue, jury waiver, LD)
provvedimento.pdf	Giurisprudenza USA (Radisson)	Liquidated damages: validità, proporzionalità e non-cumulabilità/double recovery analysis
just.pdf	Giurisprudenza USA (Accor/Motel 6)	Default judgment; LD flat; pre-judgment interest sotto Texas law; attorneys' fees

2.2. Criteri di interpretazione e limiti

• I documenti rappresentano campioni di prassi (executed agreements e disclosure), non necessariamente template universali.
• Le traduzioni sono tecniche: priorità alla conservazione del significato legale.
• Le inferenze "di sistema" sono dichiarate come tali e non sostituiscono verifica su contratti specifici.

2.3. Schema di risk decomposition

Per ciascuna clausola: (i) impatto economico (cash flow, capex, LD), (ii) impatto di controllo (decision rights, approvals, audit), (iii) impatto processuale (forum, arbitrato, decadenze), (iv) impatto reputazionale (brand use/de-branding, consumer perception).

3. Tassonomia giuridica comparata: civil law e common law

HMA e franchising combinano diritto dei contratti, licensing IP, agency e regimi di disclosure. La qualificazione dipende dalla sostanza (controllo/assistenza/pagamenti) più che dall'etichetta.

3.1. USA: franchising come regime disclosure-driven (FTC Rule)

Negli USA, la FTC Franchise Rule definisce il franchising e impone obblighi di disclosure precontrattuale. Le finestre temporali sono un driver probatorio cruciale: consegna dell'FDD almeno 14 giorni prima di firma o pagamento; ulteriore finestra di 7 giorni se intervengono modifiche materiali ai contratti allegati. Riferimento: "16 CFR Part 436 (up to date as of 3-03-2026).pdf".

3.2. Italia: franchising tipizzato, HMA atipico

In Italia, il franchising è disciplinato dalla L. 129/2004 (affiliazione commerciale), mentre l'HMA è ricostruito come contratto atipico con elementi di mandato e/o appalto di servizi, oltre a licensing di marchio e sistemi. Nei contratti cross-border, choice of law e norme inderogabili impongono adattamenti.

3.3. Mandatory rules: prova empirica negli State Addenda

Gli State Addenda dell'FDD dimostrano che i contratti "core" vengono modulati per rispettare norme inderogabili locali (venue, jury waiver, LD). Riferimento: "vignetteCollection.pdf" (Item 17 e addenda statali).

4. Hotel Management Agreement (HMA): struttura, governance e rimedi

L'HMA trasferisce al manager il controllo operativo (personale, tariffe, procurement, contabilità) mantenendo sull'owner il rischio economico (capex, debito, risultato). Ne deriva un contratto ad alta densità di governance: definizioni, budget, reporting, approval rights, performance test, default e dispute design.

4.1. Scope e definizioni: perché il glossario governa il contenzioso

La prassi mostra che molte controversie nascono da definizioni: Gross Revenues, Rooms Revenue, Operating Costs, Working Capital, Reserve Account, Brand Standards e Operating Standards. Un esempio di densità definitoria è nel management agreement IHG: "a11-21531_1ex10d1.pdf".

4.2. Control of operation e agency (Hyatt Macau)

Il management agreement "EX-4.21 MANAGEMENT AGREEMENT.pdf" è un esempio di controllo operativo esplicito (HR, politiche di servizio, contratti, standard di catena) e di relazione di agency regolata contrattualmente. La clausola di 'Control of Operation' evidenzia l'asimmetria tipica: il manager decide, l'owner finanzia e sopporta il rischio economico.

4.3. Dispute design e decadenze (Hilton/Austin)

Nel file "HotelOperatingAgreement.pdf" la dispute resolution è strutturata (meccanismi ADR, venue, jury waiver, attorneys' fees e limitation period). Questo pacchetto processuale incide direttamente sulla strategia di enforcement: una decadenza breve richiede processi interni di 'forensic readiness' (dispute log, notice tracking, repository documentale).

4.4. Performance test e cure rights: l'opzionalità owner-side

I performance test sono il principale correttivo owner-side della durata lunga. Nel file "EX-4.21 MANAGEMENT AGREEMENT.pdf" il performance test è su doppia metrica (RevPAR vs competitive set + GOP vs budget) e prevede cure rights del manager (pagamento deficiency) senza qualificare il failure come default. Nel file "HotelOperatingAgreement.pdf" la performance è anche 'financing-aware' (interlock con DSCR/covenant).

5. Franchising/licensing: disclosure, standardizzazione e termination economics

Nel franchising l'owner/operator gestisce l'hotel; il franchisor presidia il brand e monetizza via royalties e system fees. I driver giuridici sono: disclosure precontrattuale, standard/audit, termination & renewal, liquidated damages e dispute resolution.

5.1. FTC Rule: finestre temporali e rischio probatorio

La FTC Rule impone consegna dell'FDD entro termini specifici. La prova della consegna e della versione consegnata è centrale: in audit o litigation l'assenza di evidenza (delivery proof + versioning) può aprire a rimedi e contestazioni. Riferimento: "16 CFR Part 436 (up to date as of 3-03-2026).pdf".

5.2. FDD come 'mappa' contrattuale e contenziosa (Item 17)

L'FDD descrive in plain English fee, obblighi, e soprattutto renewal/termination/transfer/dispute (Item 17). La sezione State Addenda evidenzia come alcune clausole tipiche vengano neutralizzate localmente. Riferimento: "vignetteCollection.pdf".

5.3. Benchmark pubblico: disclosure Hyatt 10-K

Il 10-K "Hyatt Hotels - 10-K annual report 2025.pdf" è utile per benchmark (descrizione franchising, rischi, crescita, cyber, legal proceedings). Non è un template, ma fornisce un quadro istituzionale di pratica contrattuale e rischi dichiarati al mercato.

6. Clausole economiche e contenzioso: fee stack, audit e liquidated damages

Le clausole economiche determinano la distribuzione del valore e, in caso di default, la quantificazione dell'esposizione. Le aree più litigiose: (i) definizioni della base imponibile delle fee, (ii) system fees e trasparenza, (iii) attorneys' fees e cost shifting, (iv) liquidated damages.

6.1. Audit & transparency: dal rendiconto ai log di sistema

Un audit efficace non può limitarsi a summary statements. La prassi moderna richiede accesso a report e log dei sistemi (PMS/CRS/loyalty) per verificare la base imponibile (gross room revenue). Il tema è aggravato da rimborsi, chargeback e loyalty redemptions.

6.2. Liquidated damages: criteri di validità ed effetto 'double recovery' (Radisson)

Il provvedimento "provvedimento.pdf" offre una lettura chiave: le LD possono essere valide se rappresentano una stima ragionevole di danni futuri difficili da stimare e se l'importo è proporzionato. Inoltre, la corte distingue tra arrears (danni passati) e LD (proxy di danni futuri), riducendo l'argomento di double recovery quando i due importi coprono periodi diversi.

6.3. LD formulaiche vs flat: esposizione e difendibilità (Accor/Motel 6)

Nel provvedimento “just.pdf” (Accor/Motel 6) emergono LD ‘flat’ e la rilevanza della governing law anche per pre-judgment interest e attorneys’ fees. Le LD forfettarie non collegate a un razionale (replacement cycle, perdita royalties) sono più esposte a contestazioni di penalità/sproporzione.

7. Clausole di controllo: standard, PIP, dati e cybersecurity

Nel franchising il controllo passa da standard e audit; nell’HMA è controllo diretto dell’operativo. In entrambi i modelli, PIP e tecnologia sono i principali vettori di capex e di rischio emergente (cyber, privacy).

7.1. Standards of Operation e diritto di ispezione

Gli accordi “a11-21531_1ex10d1.pdf” e “EX-4.21 MANAGEMENT AGREEMENT.pdf” mostrano standard di operazione e diritti di ispezione come leva di enforcement e come base per PIP e remediation.

7.2. PIP: governance capex e interlock con covenant

La PIP diventa contenziosa quando il capex non è pianificato o finanziabile. Best practice: timeline, priorità, cap, materiality threshold e meccanismi di equitable adjustment in caso di shock di mercato/force majeure (coerenti con clausole di forza maggiore dove presenti).

7.3. Data governance e cybersecurity

La centralizzazione di reservation/loyalty/payment processing genera rischi di data breach e responsabilità verso gli ospiti. Occorre allocare ruoli (controller/processor), standard minimi, obblighi di notifica e indennizzi, coordinando – in UE – con GDPR e trasferimenti extra-UE.

8. Dispute resolution: arbitrato, venue, jury waiver e expert determination

Il ‘process design’ governa la credibilità dei rimedi. Nei contratti transnazionali l’arbitrato è spesso preferito per neutralità ed enforcement (Convenzione di New York 1958). Tuttavia, forum selection e jury waiver possono essere limitati da mandatory rules (state addenda).

8.1. Venue e jury waiver: non uniformità e risk mapping

Nel file “HotelOperatingAgreement.pdf” emergono venue locale e jury waiver. Nel file “vignetteCollection.pdf” gli State Addenda dimostrano che tali clausole possono essere vietate o rese inefficaci in alcune giurisdizioni. Best practice: mappare addenda applicabili e predisporre severability mirata su forum/waiver.

8.2. Arbitrato ICC (Hyatt Macau) e misure cautelari

Il file “EX-4.21 MANAGEMENT AGREEMENT.pdf” prevede arbitrato ICC, tipico in contesti multi-giurisdizionali. Best practice: preservare la possibilità di misure cautelari (injunctive relief) per tutela del marchio e de-branding, anche se il merito è devoluto ad arbitrato.

8.3. Expert determination per metriche (competitive set)

Quando la disputa è numerica/tecnica (RevPAR set, aggiustamenti), l’expert determination riduce frizione e tempi rispetto all’arbitrato pieno. Nei documenti allegati compaiono meccanismi di consulente indipendente e regole di aggiornamento del competitive set.

9. Playbook negoziale owner-side: red flags, drafting options e governance documentale

Questa sezione traduce le aree di contenzioso in presidi negoziali e operativi. L’obiettivo non è ‘riscrivere’ il modello del brand, ma rendere misurabili e gestibili rischi e opzioni di uscita.

9.1. Red flags principali (checklist sintetica)

• Definizioni opache della base fee/royalty (Gross Revenues) e assenza di audit sui dati sorgente.
• PIP senza cap/timeline e senza raccordo con covenant finanziari.
• Liquidated damages senza razionale o senza step-down/cap.
• Decadenze/processi ADR con tempi incompatibili con la struttura owner.
• Transfer/assignment discrezionale senza criteri e senza deemed approval.
• Clausole tech/cyber senza allocazione ruoli e responsabilità.

9.2. Drafting options (modularità)

Per ridurre contenzioso, costruire un ‘architecture pack’ (core + moduli), con 2–3 varianti compatibili con diverse giurisdizioni:
• LD: formula trasparente + separazione arrears/future losses + step-down + cap.
• Performance test: doppia metrica + excluded periods + governance competitive set + cure rights.
• Audit: accesso ai log + contest window + standard contabili (es. USALI) come riferimento.
• Dispute design: arbitrato per merito + tutela cautelare per marchio + limitation period gestibile.
• Data/Cyber: allegato tecnico (baseline) + DPA (UE) + insurance.

9.3. Forensic readiness e governance del notice

Molti contenziosi si vincono o si perdono sulla prova di notice, cure e consegne (FDD/contratti/addenda). Presidio: repository unico, versioning, audit trail, calendario scadenze, responsabili nominativi e template di notice conformi al contratto.

10. Conclusioni: verso standard istituzionali di governance contrattuale

HMA e franchising convergono su quattro assi: controllo, economica, rimedi e processo. La governance contrattuale è il punto in cui investitori e operatori determinano la distribuzione del rischio e la qualità dell’exit. Per il mercato, la direzione è una standardizzazione ‘modulare’: definizioni contabili robuste, performance test replicabili, LD difendibili e clausole data/cyber coerenti con i regimi normativi (USA/EU).

10.1. Tre principi operativi

1) Trasparenza economica: ogni fee deve avere base, fonte dati e auditabilità.
2) Exit governabile: termination e transfer devono essere misurabili, finanziabili e temporalmente gestibili.
3) Process design: foro/arbitrato/decadenze devono essere coerenti con la capacità organizzativa delle parti.

Appendice A — Documenti allegati

Indice dei link

• HotelOperatingAgreement.pdf

• a11-21531_1ex10d1.pdf

• EX-4.21 MANAGEMENT AGREEMENT.pdf

• Hyatt Hotels - 10-K annual report 2025.pdf

• 16 CFR Part 436 (up to date as of 3-03-2026).pdf

• vignetteCollection.pdf

• provvedimento.pdf

• just.pdf

Appendice B — Traduzioni tecniche (estratti brevi, non sostitutivi dell'originale)

Le traduzioni seguenti sono estratti brevi e tecnici, predisposti per facilitare la lettura. Per uso legale, mantenere sempre l'originale a fronte e verificare il contesto nel file.

B.1. FTC Rule — regola dei 14 giorni (sintesi tecnica)

File: "16 CFR Part 436 (up to date as of 3-03-2026).pdf".
Sintesi tecnica in italiano: «È pratica commerciale sleale non fornire al potenziale franchisee un disclosure document aggiornato almeno 14 giorni di calendario prima della firma di un accordo vincolante o del pagamento di corrispettivi rilevanti al franchisor o a un affiliato.»

B.2. Jury waiver (rinuncia al giudizio con giuria) — traduzione tecnica

File: "HotelOperatingAgreement.pdf".
Traduzione tecnica (estratto): «Ciascuna Parte rinuncia, nella misura massima consentita dalla legge, al giudizio con giuria per ogni controversia derivante da o relativa al presente accordo.»

B.3. Arbitrato ICC — traduzione tecnica

File: "EX-4.21 MANAGEMENT AGREEMENT.pdf".
Traduzione tecnica (estratto): «Qualunque controversia… sarà definita mediante arbitrato definitivo e vincolante… secondo il Regolamento della Camera di Commercio Internazionale (ICC)…»

B.4. Performance test (RevPAR + GOP) e cure rights — sintesi tecnica

File: “EX-4.21 MANAGEMENT AGREEMENT.pdf”.
Sintesi tecnica: «L’owner può esercitare la termination se, per due esercizi consecutivi, il RevPAR dell’hotel è inferiore a una soglia percentuale rispetto al competitive set e il GOP è inferiore a una soglia percentuale rispetto al budget. Il manager può ‘curare’ pagando la deficiency entro un termine contrattuale; il failure non è qualificato come default.»

Appendice C — Clause Review Sheet (checklist per data room)

Cluster	Clausola	Rischio	Domande chiave	Documento di prova
Economica	Fee stack & base di calcolo	Overpayment / opacità	Qual è la base? Quali dati? Audit sui log?	FDD/HMA + report sistemi
Economica	Liquidated damages	Penalty / esposizione	Formula o flat? step-down? cap? duty to mitigate?	Agreement + case law
Controllo	Brand standards & PIP	Capex shock / default	Trigger? timeline? cap? force majeure?	Manuals + PIP annex
Processo	Venue/arbitrato/jury waiver	Enforceability variabile	State addenda? misure cautelari? decadenze?	FDD addenda + HMA
Performance	RevPAR/GOP/DSCR test	Exit bloccata	Competitive set? exclusions? expert determination?	HotelOperatingAgreement / EX-4.21
Trasferibilità	Assignment/transfer	Sale delayed	Criteri? tempi? deemed approval?	Agreement + disclosure
Data/Cyber	Dati, sistemi, breach response	Liability & reputazione	Ruoli? standard? insurance? notifica?	Allegato tech + DPA

COME SI CONTROLLANO I RISULTATI ECONOMICI DEI CONTRATTI DI MANAGEMENT E FRANCHISING

USALI come strumento di controllo dei Management Contract e dei Franchising

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Nei contratti alberghieri "asset-light" (management contract e franchising) il rischio strutturale per la proprietà non è la mancanza di risultati, ma la **mancanza di misurabilità**: senza un linguaggio contabile-operativo standardizzato, la performance diventa negoziazione e non evidenza.

La **12ª Revised Edition dello USALI**, con effective date **1 gennaio 2026**, consolida questo linguaggio in modo più "owner-oriented" grazie a nuove tassonomie, flowchart decisionali e schedule che aumentano la trasparenza su (i) produttività del lavoro (Schedule 15 FTE), (ii) costi obbligatori di brand e operatore (Schedule 16), (iii) utilities e sostenibilità (Schedule 9 EWW).

Il paper propone un framework di controllo basato su USALI per: (a) allineare incentivi e definizioni economiche (GOP/AGOP/EBITDA), (b) ridurre arbitraggi classificatori (gross vs net, other operated vs minor operated, fee), (c) strutturare un reporting package "auditabile", (d) governare fee e pass-through tipici di management e franchising con riconciliazioni e test.

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1) Perché il controllo contrattuale oggi è (prima di tutto) un tema di "definizioni"

Management contract e franchising hanno un comune denominatore: la proprietà delega (in tutto o in parte) **brand, sistemi e know-how** a un soggetto esterno che viene remunerato tramite **fee** (base + variabile) e/o royalties, marketing contribution, CRS/loyalty, technology fee, ecc.

Il punto critico è che molte di queste fee sono calcolate su grandezze "gestionali" (es. GOP/AGOP) e su basi di ricavo che, se non standardizzate, consentono **spostamenti di margine** senza che l'hotel "sembri peggiorare" (o, al contrario, sembri migliorare artificialmente).

La letteratura e la prassi contrattuale evidenziano da tempo la centralità della **incentive fee** legata al GOP (spesso intorno al 10% del GOP/AGOP, con strutture a hurdle).
Ne discende che: **chi controlla la definizione del GOP, controlla la remunerazione dell'operatore**.

USALI è nato per risolvere esattamente questo: trasformare la performance in un oggetto **comparabile, replicabile e verificabile**.

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2) USALI 12: perché è più "contract-ready" delle edizioni precedenti

La 12ª edizione non si limita ad aggiornare voci: introduce un layer di "governance applicativa" (flowchart/decision tree) e schedule che rendono più controllabili le aree dove si genera il contenzioso "economico" tra proprietà e operatore.

2.1 Schedule 16 – Mandatory Brand & Operator Costs (trasparenza fee)

Lo Schedule 16 nasce per rappresentare in modo unitario i **costi obbligatori** imposti da brand e/o operatore (royalties, loyalty, CRS, marketing system, IT mandatory, ecc.), cioè la componente di costo che più spesso risulta **frammentata** tra reparti, A&G, Sales & Marketing, IT, e "pass-through" difficili da leggere.

Impatto sul controllo contrattuale:

- riduce l'asimmetria informativa tra proprietà e operatore/brand;
- consente test di "reasonableness" anno su anno e vs budget;
- abilita covenant interni: *fee burden ratio* (Mandatory Costs / Total Operating Revenue).

2.2 Schedule 15 – Payroll FTE (produttività e qualità della gestione)

Lo USALI 12 richiede un prospetto FTE per dipartimento e distinzione management/non-management.

Impatto sul controllo contrattuale:

- separa "mercato favorevole" da "buona gestione": a parità di ADR, l'efficienza lavoro può cambiare radicalmente;
- permette KPI contrattualmente rilevanti: FTE per occupied room, labor productivity, service level trade-off;
- rende verificabili scelte di staffing che incidono su guest experience e margini.

2.3 Schedule 9 – Energy, Water & Waste (EWW)

Con EWW, lo standard crea una categoria autonoma per utilities e waste.

Impatto sul controllo contrattuale:

- elimina ambiguità storiche (es. waste spostato da POM);
- permette di trasformare "sostenibilità" in driver economico misurabile;
- consente patti di performance su consumption metrics, oltre ai soli costi.

2.4 Digital Revenue & Expense Guide + tassonomie e flowchart

La guida digitalizzata e ricercabile, unita a flowchart decisionali, riduce lo spazio di "interpretazione opportunistica" su casi tipici (gross vs net, venue F&B vs retail, ecc.).

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3) Management Contract: dove USALI entra davvero "nel contratto"

Il controllo efficace non consiste nel ricevere un P&L, ma nel fissare **regole di calcolo** e **processi di verifica**.

3.1 L'oggetto economico conteso: GOP / AGOP e la fee variabile

Molti management contract prevedono:

- **Base Fee** su ricavi (o su gross revenue)
- **Incentive Fee** su GOP/AGOP o su NOI con hurdle.
- **Rischio tipico:** l'operatore può migliorare GOP "contrattuale" tramite:

- riclassifiche tra dipartimenti (spostare costi in aree escluse da AGOP)
- gross vs net (trasformare costo in contra-ricavo o viceversa)
- pass-through (gonfiare ricavi con componenti che non generano margine reale)
- fee "mandatory" disperse (non percepite come burden complessivo).

Presidio USALI: imporre che GOP/AGOP siano calcolati **per definizione USALI** (edizione indicata) e che ogni deroga sia esplicitata in un "Schedule di riconciliazione".

3.2 Schedule 10 – Management Fees: visibilità e riconciliazione

USALI prevede uno schedule dedicato alle management fees (base + incentive) e ai rimborsi/cost recovery collegati, proprio per renderli distinguibili e verificabili nel reporting gestionale. (Nota: la prassi USALI colloca le management fees in un'area dedicata di reporting operativo/undistributed, a seconda dell'impianto adottato).

Presidio contrattuale:

- calcolo fee su base definita e "locked";
- separazione tra fee e rimborsi;
- limitazione delle "operator charges" non previste (o loro collocazione coerente in Schedule 16).

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4) Franchising: USALI come strumento di "fee governance" e di qualità del reporting

Nel franchising l'operatore può coincidere con la proprietà o essere terzo; il brand monetizza tramite:

- royalties
- marketing/loyalty/CRS
- technology / program fees
- audit/reporting requirements.

Qui USALI controlla soprattutto **(i) la base di ricavo su cui maturano le fee**, **(ii) la trasparenza del costo complessivo del brand**, **(iii) la comparabilità con asset non brandizzati**.

4.1 Il punto chiave: Schedule 16 come "total cost of brand"

Lo Schedule 16 è il ponte naturale tra franchising e finanza dell'asset: consente alla proprietà di leggere, in un'unica tavola, quanto costa "essere nel brand" in termini obbligatori.

Uso avanzato (investor-grade):

- *Brand Cost Burden Ratio* = Mandatory Brand Costs / Total Operating Revenue
- confronto vs scenario "soft brand / independent" (pro forma)
- stress test in fase di underwriting (variazioni di ADR e incidenza fee).

4.2 KPI e driver: separare effetto sistema vs effetto gestione

Con Schedule 15 (FTE) e la struttura dipartimentale USALI, è possibile distinguere:

- impatto delle piattaforme brand (demand, mix, conversione)
- impatto della gestione (labor productivity, cost discipline, departmental profit).

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5) Il "USALI Control Framework" per proprietà e investitori

Di seguito un impianto operativo che può essere allegato al contratto o al manuale di governance.

5.1 Clausole economiche "minime" (in logica, non in testo)

1. **Standard di reporting**: USALI 12 (effective 1/1/2026) come riferimento primario; edizione e release identificate.
2. **Definizioni bloccate**: GOP/AGOP/EBITDA definiti per schedule USALI + eventuali carve-out espressi.
3. **Change control**: qualunque modifica di accounting policy/COA mapping richiede approvazione owner e tracciamento "versioning".
4. **Disclosure obbligatorie**: consegna Schedule 15, 16, 9 (dove applicabile) e Schedule 10 per fee.
5. **Audit rights**: diritto di accesso a GL, fatture, contratti vendor e sistemi sorgente, con tempi e modalità.

5.2 Reporting package mensile "owner-grade" (contenuto consigliato)

- Summary Operating Statement (USALI)
- departmental schedules (Rooms, F&B, Other Operated, Misc Income)
- Undistributed (A&G, IT, S&M, POM, EWW)
- Schedule 15 FTE (periodo e YTD)
- varianza vs budget e vs LY con note obbligatorie
- bridge tra GOP e cash (per identificare timing utilities, accrual, pass-through)
- estratto di Schedule 16 (running view) e annuale a chiusura.

5.3 "Test di integrità" per ridurre arbitraggi e dispute

Test 1 — Gross vs Net Consistency

- ricavi “pass-through” o “net” coerenti con definizioni;
- deviazioni motivate e tracciate (con riferimento a guidance/flowchart).

Test 2 — Departmental Leakage

- controllo di cost shifting verso aree escluse da AGOP;
- monitoraggio di cost allocations e interdepartmental charges.

Test 3 — Brand/Operator Cost Completeness

- riconciliazione tra GL e Schedule 16;
- verifica che costi mandatory non siano “spalmati” come servizi opzionali.

Test 4 — Labor Productivity

- FTE vs volumi (occupied rooms, covers, ecc.);
- outlier analysis per reparto;
- confronto con benchmark interni di portfolio.

Test 5 — Utilities & EWW Timing

- normalizzazione per stagionalità e fatture bimestrali;
- controllo doppie imputazioni (es. waste).

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6) Implicazioni per investitori internazionali: underwriting, covenant e value protection

Per un investitore, USALI non è “contabilità”: è **risk management**.

6.1 In underwriting

- consente pro-forma coerenti e comparabili (departmental profit → GOP → EBITDA);
- rende stimabile l’impatto di brand e management (Schedule 16 + 10);
- abilita sensitivity: ADR / occupancy / labor / utilities.

6.2 In asset management post-deal

- definisce un “common language” con operator/brand;
- facilita early warning (erosione margine reparti, escalation fee, inefficienze labor).

6.3 In exit / refinancing

- reporting USALI "clean" riduce due diligence friction;
- migliora bancabilità e credibilità della performance.

Conclusione

USALI 12 sposta il controllo dei management contract e dei franchising da una logica reattiva ("contestare a consuntivo") a una logica strutturale ("governare ex ante le regole di misurazione"). L'introduzione di Schedule 15 e 16 — insieme a EWW e alle guidance digitali/flowchart — rende lo standard più vicino alle esigenze di proprietà e investitori: **trasparenza, comparabilità, verificabilità**.

ALTRI APPROFONDIMENTI SUI CONTRATTI DI MANAGEMENT E FRANCHISING ED IL RELATIVO CONTROLLO DI GESTIONE

Articolo: Il management contract nel settore alberghiero (contiene altri 5 link)

https://www.robertonecci.it/it/news/3294/il-management-contract-nel-settore-alberghiero-opportunita-o-insidia-.html

Articolo: La valorizzazione di un asset alberghiero

https://www.robertonecci.it/it/news/1081/la-valorizzazione-di-un-asset-alberghiero.html

Articolo: Usali 12° edizione: una rivoluzione per l'hotellerie

https://www.robertonecci.it/it/news/3466/usali-12-edizione-una-rivoluzione-per-l-hotellerie.html

AMENDED AND RESTATED HOTEL OPERATING AGREEMENT

DATED AS OF OCTOBER 1, 2020

between

AUSTIN CONVENTION ENTERPRISES, INC.,
a Texas nonprofit public facility corporation,
as Owner,

and

HILTON MANAGEMENT LLC,
a Delaware limited liability company,
as Manager

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AMENDED AND RESTATED HOTEL OPERATING AGREEMENT

This **AMENDED AND RESTATED HOTEL OPERATING AGREEMENT** (this "*Agreement*") is effective as of October 1, 2020 (the "*Effective Date*"), by and between **AUSTIN CONVENTION ENTERPRISES, INC.**, a Texas nonprofit public facility corporation ("*Corporation*") and **HILTON MANAGEMENT LLC**, a Delaware limited liability company ("*Manager*"). This Agreement amends and restates the original Hotel Operating Agreement between the parties dated as of June 1, 2001, as amended by the first, second and third amendments, as described below (the "*Original Agreement*").

BACKGROUND:

A. Terms which are capitalized, but not defined in the body of this Agreement shall have the meaning assigned to such terms in the Glossary of Terms attached as Exhibit A to this Agreement. To the extent capitalized terms are not defined in Exhibit A attached hereto or in the body hereof, then such terms shall have the meaning assigned to them in the Indenture (as defined herein) as of the date hereof without giving effect to any future modifications to such terms in the Indenture to the extent such modifications impact Manager's rights and/or obligations hereunder unless such modifications have otherwise been expressly approved by Manager.

B. Corporation and Manager entered into a Hotel Operating Agreement for the management by Manager of the Hotel owned by Corporation currently named the " Hilton Austin Hotel," and the Original Agreement was amended on December 1, 2006 in connection with the issuance by Corporation of its Series 2006 Bonds (the "*First Amendment*"), was further amended on June 2, 2010 (the "*Second Amendment*"), and was amended a third time on May 1, 2017 in connection with the issuance by Corporation of its Series 2017 Bonds (the "*Third Amendment*").

C. Contemporaneously with the Original Agreement, Corporation acquired an interest in that certain Condominium established by and as defined in that certain Amended and Restated Condominium Declaration of Neches Hotel Condominiums recorded in document number 2019137405 of the official public records of Travis County, Texas against the land described in Exhibit B hereto (the "*Site*") (which interest is referred to and defined in the Condominium Declaration and herein as the "*Legal Hotel Unit*").

D. The Hotel opened on December 27, 2003 (the "*Opening Date*") as a full service hotel and currently consists of those certain facilities and amenities in existence as of the date hereof including, without limitation, approximately 801 hotel guest rooms, two full-service restaurants, a lobby bar, approximately 90,000 gross square feet of meeting space, including a ballroom of at least 25,000 gross square feet, approximately 600 parking spaces within a garage to service the needs of the Hotel, and other supporting facilities commensurate with a full service, first class, convention oriented Upper Upscale Hotel and/or required by the Hilton Brand Standards (collectively, the "*Hotel*").

E. Corporation and Manager intend that this Agreement constitute, and this Agreement shall constitute, a "*Qualified Management Agreement*" in compliance with applicable requirements of section 141 of the Internal Revenue Code, as amended, and Rev. Proc. 2017-13 (IRB 2017-6), and shall be interpreted in accordance with such requirements.

F. Contemporaneously with the execution of the Third Amendment, Corporation issued its Convention Center Hotel First Tier Revenue Refunding Bonds, Series 2017A (the "*Series 2017A Bonds*"), and its Convention Center Hotel Second Tier Revenue Refunding Bonds, Series 2017B (the "*Series 2017B Bonds*", and together with the Series 2017A Bonds, the "*Series 2017 Bonds*"), for purposes of refunding Corporation's Series 2006 Bonds, funding operating reserves and debt service reserves, and for paying certain costs of issuance of the Series 2017 Bonds.

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G. Manager is knowledgeable and experienced in managing, operating and promoting first class hotels and resorts and has performed such services throughout the world, and has operated the Hotel pursuant to the terms of the Original Agreement since the Opening Date.

H. Corporation and Manager now desire to amend and restate the Original Agreement as expressly set forth herein.

ACCORDINGLY, in consideration of the mutual promises, covenants, and agreements contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereby amend and restate the Original Agreement and agree as follows.

Article 1
The Hotel

The Hotel was constructed by Corporation in accordance with the preliminary drawings for the Hotel attached as Exhibit D to the Original Agreement, and approved by Manager. Both Parties acknowledge that as of the Effective Date, the Hotel maintains an "upper upscale" rating (as categorized by Smith Travel Research or, if such company no longer exists, by a comparable source within the hotel industry) ("Upper Upscale Rating" and each hotel maintaining an Upper Upscale Rating, an "Upper Upscale Hotel"; it being acknowledged that in the event Smith Travel Research (or future comparable source within the hotel industry if Smith Travel Research no longer exists) modifies its chain scale ratings to change its terminology or adds or subtracts additional chain scales, then the Upper Upscale Rating or Upper Upscale Hotel definitions will be modified to refer to the most comparable chain scale following such modification, addition or subtraction of chain scales by Smith Travel Research), which is at least comparable to other first class convention Other Hilton Hotels, taking into account the character, size and location of the facility.

Article 2
General Management Duties and Responsibilities of Manager

2.1 Engagement of Manager.

2.1.1 Exclusive Manager. Subject to the provisions of this Agreement, Corporation hereby engages Manager, and Manager hereby agrees to be engaged by Corporation and does hereby undertake to supervise, direct, and control the management, operation, and promotion of all aspects of the Hotel as the agent of Corporation and as the exclusive manager and operator of the Hotel during the Operating Term.

2.1.2 Qualified Management Agreement. This Agreement is intended to and shall constitute a Qualified Management Agreement, and shall be interpreted in accordance with such requirements.

2.1.3 Tax Covenant. Manager agrees that it will operate and manage the Hotel in a manner which, to the extent of its rights and authority under this Agreement and as otherwise authorized by Corporation in writing, preserves the exemption from federal income tax of interest on the Bonds and, in particular, to the extent of its rights and authority under this Agreement and as otherwise authorized by Corporation in writing, will comply with the requirements of section 141(b) of the Code, section 1.141-3 of the Treasury Regulations and Revenue Procedure 2017-13 relating to conditions under which tax-exempt bond-financed property will be considered used for an impermissible private business use; provided,

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however that the foregoing shall not require Manager to breach any of the provisions of this Agreement unless such action is authorized and such breach is waived in writing by Corporation and Trustee. In the event that such requirements impose a material adverse financial burden on Manager not otherwise contemplated by this Agreement, or if it becomes necessary to amend this Agreement in order to preserve the exemption from federal income tax of interest on the Bonds, Manager and Corporation agree to negotiate in good faith and amend this Agreement, including the compensation to be paid to Manager, in a manner which maintains or restores to Manager the benefits expected to be received by it pursuant to the original terms of this Agreement.

2.1.4 Key Money. As consideration for its engagement as hotel manager under this Agreement, Manager will, within five (5) Business Days after the execution of this Agreement, provide a financial contribution to Corporation in the form of (i) a return of a portion of base management fees previously collected under the Original Management Agreement from April 1, 2020 through September 30, 2020 in the aggregate amount equal to $[___] plus (ii) an additional financial contribution of $4,000,000 (such amounts collectively being referred to herein as the "*Key Money*")The Key Money shall be applied as follows:

(i) First, towards payment to Manager of an amount equal to [$848,738.00], representing the full 2020 subordinate management fee anticipated under the Original Agreement prorated for the period of January 1, 2020 through September 30, 2020;

(ii) Second, Corporation shall cause an amount equal to $[_____] to be deposited into the Operating Reserve Fund established by Corporation and the Trustee under the Indenture to be used in accordance with the terms thereof; and

(iii) Third, Corporation shall cause an amount equal to $[_____] to be deposited into the Supplemental Renewal and Replacement Fund established by Corporation and the Trustee under the Indenture to be used in accordance with the terms thereof.

Manager shall be entitled to a reimbursement of any Unamortized Key Money (as defined below) upon the early termination of this Agreement for any reason except as otherwise provided in Section 4.6.2 hereof. The Key Money will amortize monthly over the Operating Term commencing on the first day of the calendar month following the Effective Date. The unamortized portion of Key Money remaining as of any given date shall be referred to herein as the "*Unamortized Key Money*". Manager's right to reimbursement of any Unamortized Key Money shall survive any foreclosure by the Trustee under the Indenture, or any additional future indenture, mortgage or other security interest (or granting of a deed in lieu thereof). Subject to the provisions of Section 4.6.2 hereof, the payment of Unamortized Key Money shall be a condition to any termination of this Agreement; provided, however, that Manager may waive such condition in the event of a termination initiated by Manager under this Agreement without otherwise waiving its rights to collect such Unamortized Key Money after such termination.

2.1.5 Unamortized Amount. Pursuant to Section 12.37 of the Original Agreement, without limiting anything contained in Section 2.1.4, and in consideration for Manager's agreement to extinguish all of the Series 2001C Bonds owned by Manager as of December 7, 2006, Corporation agreed to pay to Manager the "Unamortized Amount" as defined in the Original Agreement upon the termination of the Original Agreement. As of the Effective Date, the "Unamortized Amount" is [$_____] (the "*Remaining 2006 Key Money*". Such Remaining 2006 Key Money will continue to amortize by the amount of $46,819.39 on the seventh day of each calendar month until fully amortized on December 7, 2021. The unamortized portion of the Remaining 2006 Key Money as of any given date shall be referred to herein as the *"Unamortized 2006 Key Money*"). If this Agreement is terminated prior to December 7, 2021, before any such termination shall become effective (provided that Manager may waive such condition in the event

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of a termination initiated by Manager under this Agreement without otherwise waiving its rights to collect unamortized amounts hereunder), Corporation shall pay Manager an additional amount equal to the Unamortized 2006 Key Money, unless such termination resulted from (a) a Manager Event of Default, (b) a foreclosure as set forth in Section 4.7 hereof, (c) a Performance Termination Event as set forth in Section 4.5 hereof, or (d) a casualty or condemnation of the Hotel as set forth in Section 7 hereof.

2.2 Operating Standards.

2.2.1 Operating Standard Defined. Manager agrees that, subject to the provisions of this Agreement, including, without limitation, the limitations of Legal Requirements, Manager shall cause the Hotel to be operated (a) in a manner consistent with the requirements and limitations set forth in this Agreement (including those relating to the applicable Operating Plan and Budget and the applicable Capital Budget) and the Condominium Documents, (b) in accordance with standards, policies, and programs which are prevailing in effect from time to time and applicable to the operation of Other Hilton Hotels (the "*Hilton Brand Standards*"), including standards and policies applicable to all phases of operation and programs such as purchasing programs, sales promotion programs, and quality improvement programs, (c) as a full service, first class, convention oriented Upper Upscale Hotel in a manner reasonably expected to earn the Hotel at least an Upper Upscale Rating, which is at least comparable to other first class convention Other Hilton Hotels, taking into account the character, size and location of the facility and (d) to the extent consistent with (a), (b), and (c), in a manner reasonably calculated to: (i) protect and preserve the assets that comprise the Hotel; (ii) maximize over the Operating Term the financial return to Corporation from the operation of the Hotel as a first class, convention center headquarters hotel, after taking into consideration the Room Block Commitment; and (iii) control Operating Expenses (the standards described in clauses (a) through (d) above being referred to collectively as either the "*Operating Standards*" or the "*Operating Standard*"). Nevertheless, if an Upper Upscale Rating for the Hotel is not achieved, it will not constitute a default provided Manager works diligently and in good faith to achieve such an Upper Upscale Rating.

2.2.2 Inability to Meet Operating Standard; Modification of Operating Standard. If Manager at any time believes that it cannot operate the Hotel in a manner that allows it to meet any one of the Operating Standards without violating another of the Operating Standards, it shall promptly notify Corporation thereof with a written detailed explanation of the situation and recommendations as to modifications of the Operating Standards without compromising the operation or quality of the Hotel. Corporation will reasonably consider the proposed modifications, but shall not be obligated to approve the proposed modifications so long as its reasons for disapproval are reasonable.

2.3 Establishing Rates, Rents, etc.

2.3.1 Establishing Rents, etc. In connection with each proposed operating plan and budget, Manager shall establish all prices, price schedules, rates, and rate schedules, and all rents, lease charges, and concession charges for all areas of the Hotel, and supervise, direct, and control collection of income of any nature from the Hotel's operations and the giving of receipts in connection therewith, provided, however, the foregoing shall in no way limit (i) Corporation's right to review and approve the applicable Operating Plan and Budget (including, without limitation, the budgeted Gross Operating Revenues), as provided in Section 2.18.4 below, or (ii) Corporation's right to appoint a Hotel Consultant and implement certain written recommendations of the Hotel Consultant pursuant to the provisions of Section 2.18.9 below.

2.3.2 Interim Changes to Room Pricing Schedule. For so long as the Bonds are Outstanding, if Manager at any time believes that the current market conditions will not enable Manager to charge daily room rates at least equal to those set forth in the applicable Room Rate Schedule for a period of two consecutive weeks or more, Manager will promptly provide Corporation with a detailed explanation

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as part of its monthly reporting to Corporation and/or its Asset Manager relating to the financial condition of the Hotel including recommendations as to modifications of the applicable Room Rate Schedule, together with a revised forecast reflecting the proposed modifications. Such recommendations shall be subject to the prior written approval of Corporation prior to their becoming effective, which approval shall not be unreasonably withheld, conditioned or delayed; provided, however, that no approval of Corporation shall be required for any such modifications if, in accordance with Section 7.24(a) of the Indenture, (i) such modified rate schedules do not vary from the published or announced rate schedules of hotels in the Competitive Set by more than 45%; (ii) the revised forecast prepared by Manager is not reasonably expected to result in Debt Service Coverage Ratios for the Bonds of more than 2.50:1.00 or less than 1.00:1.00; and (iii) a Hotel Consultant does not recommend a different rate schedule pursuant to Section 7.30 of the Indenture. Any proposed room rate modifications shall be delivered to Corporation as part of its monthly reporting to Corporation and/or its Asset Manager. Interim pricing prior to any review (and if applicable approval) by Corporation will be implemented by Manager in accordance with its standard practices and standards relating to room pricing and revenue management.

2.4 Negotiation of Contracts.

2.4.1 Concessions Agreements. Subject to Sections 2.4.2 and 2.4.6 below and the remaining provisions of this Section, Manager shall negotiate, enter into and administer, as agent on behalf of Corporation and for the benefit of the Hotel, concession agreements for the Hotel. Manager shall ensure that all concession agreements are expressly assignable to Corporation or its designee, unless entered into explicitly by Manager on behalf of Corporation. Prior to entering into any such concession agreement (or any other similar occupancy agreement), Manager shall have received an opinion from the Hotel's legal counsel to the effect that such concession agreement will not adversely affect the Hotel's exemption from ad valorem taxes, which opinion shall run for the benefit of Corporation. Upon the termination of this Agreement for any reason whatsoever, Manager shall promptly take all actions necessary to assign to Corporation or its designee all such concession agreements. In addition, Manager shall use commercially reasonable efforts to include in each such agreement a no personal liability clause in favor of Corporation.

2.4.2 Leases. Manager shall not enter into any leases with respect to any space within the Hotel or on the Land without the prior written approval of Corporation. Manager understands that the Hotel is exempt from ad valorem taxes and that any such lease may adversely affect such exemption. Accordingly, Manager shall be responsible for operating any stores, shops and restaurants within the Hotel.

2.4.3 Service Contracts. Subject to Section 2.4.6 of this Agreement, Manager shall negotiate, enter into, and administer, as agent on behalf of Corporation for the benefit of the Hotel, service contracts for Hotel operations, including (without limitation) contracts for health and safety systems maintenance, electricity, gas, telephone, cleaning, elevator and boiler maintenance, air conditioning maintenance, laundry and dry cleaning, master television service, broadband, high-speed internet access and other technological services as they are developed, use of copyrighted materials (such as music and videos), entertainment, and other services Manager deems advisable. Manager shall use commercially reasonable efforts to include a provision in each contract to provide monthly recurring services (other than public utilities) which permits the contract to be terminated upon 30 days written notice. In each other contract, Manager will include termination provisions that are typical in the hotel industry for the type of contract at issue. In addition, Manager shall use commercially reasonable efforts to include in each such contract a no personal liability clause in favor of Corporation.

2.4.4 Banquet and Meeting Facility Contracts. Subject to Section 2.4.6 of this Agreement and the Room Block Commitment, Manager shall negotiate, enter into, and administer, as agent on behalf of Corporation and for the benefit of the Hotel, contracts for the use of banquet and meeting

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facilities and guest rooms by groups and individuals. Manager shall use commercially reasonable efforts to include in each such contract a no personal liability clause in favor of Corporation.

2.4.5 Licenses and Permits. Subject to Section 2.4.6 of this Agreement, Manager shall obtain or cause to be obtained all licenses and permits required for the operation, management and operation of the Hotel or the making of Capital Improvements, as and when required under the Legal Requirements. Such licenses and permits shall include, by way of example and not limitation, licenses and permits for health and safety systems maintenance, electricity, gas, telephone, cleaning, elevator and boiler maintenance, air conditioning maintenance, laundry and dry cleaning, restaurant equipment, master television service, use of copyrighted materials (such as music and videos), entertainment, alterations, parking and other services Manager deems advisable. Without in any way limiting the foregoing, Manager shall be responsible for obtaining the Liquor Licenses for the Hotel prior to the Required Opening Date. The Liquor Licenses shall be in the name of Manager or an Affiliate of Manager unless the applicable Texas liquor authority requires it to be in the name of Corporation. Subject to all applicable Legal Requirements, Manager or such Affiliate, as applicable, will, if required by the Trustee, pledge such Liquor Licenses to Trustee or another party designated by Trustee, in order to secure the re-payment of the Bonds. If, upon the termination of this Agreement, Corporation has used diligent efforts to obtain a required liquor license for the Hotel, but is unable to obtain the required liquor licenses for the Hotel, Manager shall (unless such termination is as the result of a Corporation default under this Agreement) allow the Hotel to be operated under its Liquor License, without cost to either Party (if permitted by Legal Requirement), for a reasonable time, not to exceed [90] days pursuant to an interim agreement reasonably approved by both Manager and the Corporation; provided, however, that Manager shall not be obligated to do so in the event such temporary use is not permitted by Legal Requirement or such temporary arrangement poses a material risk to Manager or its Affiliates or jeopardizes any liquor license at any other hotel operated or owned by Manager or its Affiliates. [NTD - Remains subject to change. Winstead to consult with outside counsel.]

2.4.6 Approval of Certain Contracts.

2.4.6.1 Corporation's approval (which approval shall not be unreasonably withheld, conditioned or delayed) shall be required for the negotiation, execution or administration of any equipment lease or any other contract or license for goods or services (including, without limitation, contracts and licenses for health and safety systems maintenance, telephone, cleaning, elevator and boiler maintenance, air conditioning maintenance, laundry and dry cleaning, master television service, broadband, high-speed internet access and other technological services as they are developed, use of copyrighted materials (such as music and videos) entertainment, and other services), that (i) has a term (including renewal terms) in excess of one year or a term which is equal to or less than one year but is automatically renewable unless terminated (unless such lease or other contract can be terminated without penalty upon notice of 30 days or less), or (ii) requires annual aggregate annual payments in excess of the Materiality Threshold and is other than a contract (A) for which the cost of performance is included in the approved Operating Plan and Budget or approved Capital Budget, (B) for the provision of utilities, or (C) for the provision of employee benefits. Notwithstanding any provision herein to the contrary, all leases, contracts and licenses, goods and services shall comply with the requirements of Section 2.27 of this Agreement. Manager shall generally comply with its standard practices and policies applicable to Other Hilton Hotels (including competitive bidding) in the selection of vendors under contracts for goods and services. In addition, as part of the process of approval of the Operating Plan and Budget, Corporation may instruct Manager to cause some or all of the contracts providing for payments in any one year in excess of the Materiality Threshold (including contracts for consumable supplies) to be competitively bid by a minimum of three different reputable vendors known to Manager to provide high quality service at competitive prices (at least one of whom must not be either a National Vendor or an Affiliate of Manager and may be designated by Corporation, at Corporation's

election). Manager shall select vendors based on Manager's reasonable judgment of which vendors provide the best combination of cost and quality of goods and services.

2.4.6.2 Corporation's approvals under Section 2.4.6.1 preceding shall be deemed given in the event Corporation fails to respond within ten Business Days from the date of Manager's written request for approval. Each request for approval shall prominently display a notation that Corporation has ten Business Days to respond or lose its approval rights.

2.4.7 Certain Limitations. Notwithstanding the foregoing, Manager will not enter into contracts with unrelated third parties for the management, operation or use of the Hotel without first submitting such contracts for review and approval by Corporation and its designated bond counsel to ascertain whether such contracts could adversely affect the exemption from federal income tax of interest on the Bonds. However, without limiting any approvals that may otherwise require Corporation approval pursuant to Section 2.4.6, contracts with unrelated third parties which satisfy the following criteria need not be submitted for review and approval:

(a) Contracts for services that are solely incidental to the primary governmental function or functions of the Hotel (for example, contracts for janitorial, equipment repair, billing or similar services; utilities, landscaping, maintenance and upkeep, laundry or dry cleaning services, intellectual property licenses, software licenses and servicing, billing services, trash removal, cleaning services, telephone and internet services and maintenance contracts, food and beverage supply contracts, advertising services for the Hotel, armored car services, pest control services, music services, audio visual and supply services, television and entertainment services, life safety monitoring and upkeep services entered into by Manager in the normal course of business).

(b) Contracts to provide services if the only compensation is the reimbursement of the service provider for actual and direct expenses paid by the service provider to unrelated parties.

(c) Arrangements provided for use that is available to the general public at no charge or on the basis of rates that are generally applicable and uniformly applied (unless the term of the arrangement, including all renewal options, is greater than 180 days).

(d) booking and other similar agreements entered into by Manager in the normal course of business (including, without limitation, group sales contracts, catering contracts and similar agreements); provided, however, that Manager shall self-audit such bookings and other similar agreements on an annual basis, based on reasonable methodology, to ensure that the aggregate amount of bookings and other similar agreements do not result in an impermissible business use;

(e) Use by a nongovernmental person pursuant to an arrangement (other than an arrangement resulting in ownership of the Hotel by a nongovernmental person) if:

(i) the term of the use under the arrangement including all renewal options is not longer than 30 days, and

(ii) the arrangement is a negotiated arms-length arrangement, and

(iii) compensation under the arrangement is at fair market value, and

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(iv) the property subject of the arrangement is not financed for the principal purpose of providing that property for use by that nongovernmental person.

2.4.7.2 Contracts with Related Parties. Notwithstanding anything to the contrary herein contained, Manager shall not enter into any contract, as a result of which Manager, or any Affiliate of or party related to Manager, receives, directly or indirectly, any direct or indirect benefit (other than the receipt by the vendor of the stated contract consideration), including without limitation any rebate, kick-back, revenue sharing, royalty, profit participation, equity participation, barter consideration in the form of goods or services, or any other device, however denominated, and whether similar or dissimilar to any of the foregoing.

2.5 Maintenance of Hotel and FF&E. Manager shall keep the Hotel and the FF&E which serves the Hotel in good operating order, repair, and condition in accordance with the Operating Standard set forth in Section 2.2 herein, including making ordinary and necessary replacements, improvements, additions, and substitutions thereto and, in connection therewith, and formulating and implementing preventative maintenance and other programs designed to efficiently and effectively maintain the condition of the Hotel, including all "back of the house" areas, HVAC serving the Hotel, fire and life safety, plumbing and other building systems. Without limiting the foregoing, Manager shall enter into maintenance contracts for elevators, escalators and other people movers, major life safety systems, chillers and other major HVAC equipment and such other equipment and systems as Manager determines appropriate to the extent serving the Hotel. In connection with such programs, Manager shall arrange to have the Hotel and the FF&E physically inspected in a manner consistent with and pursuant to its quality assurance standards and policies applicable to Other Hilton Hotels and prepare a written quality assurance report in a form consistent with its quality assurance program applicable to Other Hilton Hotels. Notwithstanding Manager's rights and obligations under the preceding provisions of this Section, Corporation shall have the right to hire an outside consultant to independently inspect the Hotel and the FF&E not more than once each Operating Year, the cost of which shall be paid from the Excess Revenue Fund, or if such funds are not available for the payment thereof, the reasonable amount of the insufficiency shall be paid from the Gross Operating Revenues as an Operating Expense.

2.6 Supervision and Coordination of Renovations, Improvements, etc. In addition to Manager's authority to carry out ordinary repairs and maintenance set forth in Section 2.5, Manager shall, be responsible for the supervision and coordination of the construction and installation of any non-ordinary or non-routine renovations, improvements, repairs, or replacements in connection with a capital project at the Hotel costing or anticipated to cost, in the aggregate, less than $250,000 that may be implemented from time to time in accordance with this Agreement, including, at the option of Corporation, entering into all necessary contracts as agent for Corporation for such construction and installation. Corporation shall be responsible for any such non-ordinary or non-routine renovations, improvements, repairs or replacements in connection with a capital project at the Hotel costing, or anticipated to cost, $250,000 or more. Any such non-ordinary or non-routine capital projects undertaken by Corporation will be subject to Manager's approval in accordance with Manager's standard approval processes relating to such capital projects; and Corporation shall further coordinate with Manager to minimize disruption to the Hotel operations. As for any contracts entered into, or project undertaken by, and supervised by Corporation, Manager shall reasonably cooperate with Corporation and their respective designees and consultants with any related design review and project oversight undertaken by any of them, and, and render assistance, as reasonably necessary, to each of them and their respective employees, agents, contractors, and representatives in connection with any such work.

2.7 Purchase of Inventories, Supplies and Consumables. Manager shall, as agent for Corporation, purchase, or arrange for the purchase of, all inventories, provisions, consumable supplies, and operating supplies that are necessary and proper to maintain and operate the Hotel (including any gift or

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sundry store within the Hotel) in accordance with the Operating Standard, use the same in the management and operation of the Hotel (subject to the provisions of this Agreement with respect to National Vendors), and act in a commercially reasonable and economical manner in purchasing such items, provided that the ownership of all such inventories, provisions, consumable supplies, and operating supplies shall be in the name of Corporation. The cost of such purchases shall be an Operating Expense.

2.8 Cooperation with Corporation's Purchasers, Mortgagees and Consultants. Without in any way limiting Manager's rights under this Agreement, Manager shall reasonably cooperate with Corporation, its consultants and any actual or prospective purchaser, lessee, surety, Mortgagee, or other lender in connection with any proposed sale, lease, or financing of or relating to the Hotel; provided, however, that Manager may, to the extent permitted by the Indenture and the Cash Management Agreement, reimburse itself out of Gross Operating Revenues for the reasonable Out-of-Pocket Expenses reasonably incurred in connection with such cooperation; and, provided further, that Manager shall not be required to release to any Person, without Manager's consent, any of Manager's Proprietary Information.

2.9 Legal Services.

2.9.1 Retention of Legal Counsel. Manager shall retain legal counsel for the Hotel (which legal counsel shall be reasonably acceptable to Corporation) to perform legal services in the ordinary course of business of the Hotel under Manager's direction. Manager shall, as an Operating Expense, (a) commence ordinary collection lawsuits to collect charges, rent or other income derived from the Hotel's operations, (b) commence legal actions or proceedings or other actions, as Manager prudently and reasonably deems appropriate (i) enforce or terminate any contract or other agreements related to the Hotel's operations and under which the third party contractor is in default, provided Corporation has received written notice of such default prior to such enforcement and termination, (ii) to oust or dispossess guests, tenants, or other persons in possession who are not entitled to occupy the portion of the Hotel which they occupy, and (iii) to cancel or terminate any lease, license, or concession agreement covering a portion of the Hotel for the breach thereof or default thereunder by the tenant, licensee, or concessionaire, provided Corporation has received written notice of such breach prior to such cancellation or termination, and (c) take appropriate steps (as determined by Manager in its reasonable and prudent discretion) to challenge, protest, appeal and/or litigate to final decision in any appropriate court or forum any counterclaims related to the foregoing, provided that if such counterclaim involves a claim for more than the Materiality Threshold, such counterclaim and litigation, other than a Manager System Legal Proceeding, shall be subject to joint control under Section 2.9.2 following.

2.9.2 Joint Control of Certain Legal Proceedings. Notwithstanding any provision to the contrary contained in Section 2.9.1, legal proceedings of a nature other than those referred to under Section 2.9.1 that subject Corporation to liability risk in excess of the Materiality Threshold shall be subject to Corporation's and Manager's joint control which shall mean that Corporation and Manager shall (a) jointly select counsel which would represent both Parties, (b) coordinate and reasonably cooperate with regard to case management strategy, (c) have the right to review pertinent documents prior to submission to court, and (d) participate in any settlement discussions. Each Party agrees that it shall act reasonably and in good faith to the extent any settlement affects the liability of the other Party hereto. With respect to any Manager System Legal Proceeding in excess of the Material Threshold, Corporation shall have the right to retain separate counsel to represent Corporation and its Affiliates to represent their interests. In such event, the Parties will reasonably cooperate with each other and act in good faith when representing their separate interests or when considering settlement discussions. Nothing in this subsection will prohibit either Party from settling any legal proceeding for and on behalf of itself (or its Affiliates) or, in the case of Manager, for and on behalf of any other Hotel managed or licensed by Manager or its Affiliates; provided, however, that in no event shall either Party be permitted to admit to any liability of the other Party (or it's respective

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Affiliates) in connection with any such settlement without the approval of the other Party in such Party's sole discretion.

2.9.3 Settlement of Claims. Notwithstanding any provision to the contrary contained in Section 2.9.1, Manager shall not settle any claim, action, counterclaim or employment claim (provided such claim, action, counterclaim or employment claim would otherwise constitute an Operating Expense or otherwise be payable from any Funds) without Corporation's consent if such settlement would, when aggregated with any other settlements agreed to by Manager without Corporation's consent during the then current Operating Year, result in aggregate uninsured liability during the then current Operating Year in excess of three times the Materiality Threshold. Corporation shall respond promptly and reasonably to any request for its consent pursuant to this Section 2.9.3 and Corporation shall act in good faith to the extent any proposed settlement (or lack thereof) may affect Manager's liability; provided however, that so long as Corporation is acting in good faith, nothing herein shall be construed as limiting Corporation's ability to act in its own economic interest. Corporation shall be deemed to have consented to any proposed settlement unless Corporation delivers to Manager a written notice rejecting such settlement in writing together with a description of Corporation's reasons for such rejection within five Business Days after Manager delivers to Corporation a written request for Corporation's consent to such settlement, together with a detailed description of the proposed settlement. Such request for consent shall prominently display a note that Corporation has five Business Days to respond or it loses its consent rights. In addition, at the request of Corporation and as an expense of the Hotel, Manager shall take appropriate steps (as determined by Corporation in its sole discretion) to challenge, protest, appeal, and/or litigate to final decision in any appropriate court or forum any Legal Requirements affecting the Hotel or the operation thereof. The foregoing will in no event prohibit Manager from otherwise settling any legal proceeding for and on behalf of itself (or its Affiliates) or on behalf of any other Hotel managed or licensed by Manager or its Affiliates. If Manager settles any claim affecting the Hotel as permitted under this Section 2.9.3, any amounts incurred by Manager (including reasonable legal fees, legal liabilities and the cost of such settlement) shall be reasonably allocated to the Hotel. In no event shall any settlement entered into by Manager hereunder include or otherwise constitute an admission of liability of Corporation without the approval of Corporation in Corporation's sole discretion.

2.9.4 Increase or Decrease of Dollar Limits. Each dollar amount provided for in this Section 2.9 shall be increased or decreased for each Operating Year based on the percentage increase or decrease in the Index during the immediately preceding Operating Year.

2.10 Availability of Senior Executive Personnel. Manager shall cause the Senior Executive Personnel to be available as often as Corporation or the Asset Manager reasonably requires to consult with and advise Corporation and its representatives and designees concerning policies and procedures affecting the conduct of the business of the operation of the Hotel. Senior Executive Personnel may supervise any other hotel concurrently and on an ongoing basis with their supervision with respect to the Hotel and the operation thereof if Manager determines that it is in the best interest of the Hotel and Manager obtains the written consent of Corporation. If the Senior Executive Personnel supervise any other hotel concurrently and on an ongoing basis with their supervision with respect to the Hotel and the operation thereof, then Manager shall allocate all salary and other related Out-of-Pocket Expenses between the Hotel and the other managed hotel in a manner that fairly reflects the proportionate portion of such employee's time devoted to the Hotel.

2.11 Cooperation with Corporation regarding Legal Requirements. With respect to Legal Requirements that are to be complied with by Corporation, Manager will cooperate with Corporation and promptly deliver to Corporation copies of any of the Hotel's books and records requested by Corporation to facilitate Corporation's compliance with Legal Requirements required of Corporation.

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2.12 Taxes.

2.12.1 Remitting Sales and other Similar Taxes. Manager shall collect on behalf of Corporation and account for and remit to governmental authorities all Gross Receipts Taxes. If any such Gross Receipts Taxes are deposited in the Lockbox Fund, Manager shall have the right to withdraw the amount of such deposited taxes in order to remit same to the applicable governmental authorities.

2.12.2 Ad Valorem Taxes and Personal Property Taxes. The Hotel is currently exempt from ad valorem taxes. Manager shall render all personal property for personal property taxes, to the extent required under any Legal Requirement. Manager shall also be responsible for paying all personal property taxes on behalf of Corporation. Corporation acknowledges that Manager is not a tax advisor and is not acting as such in connection with any involvement in the review of tax bills or written recommendations made pursuant to this Section 2.12.2. Manager shall handle any tax disputes involving the Hotel and shall periodically report to Corporation as to the status of any such tax disputes involving amounts in excess of the Materiality Threshold.

2.13 Internal Control Structures. Manager shall maintain an internal control structure designed to provide assurance that the Hotel and Hotel assets are safeguarded from loss or unauthorized use, that transactions are executed in accordance with Manager's authority, and that financial records are reliable for the purposes of preparing financial statements. The internal control structure shall be supported by the selection, training, and development of qualified personnel, by an appropriate segregation of duties, and by the dissemination of written policies and procedures.

2.14 Financial Matters. Manager shall keep Corporation informed and advised of all material financial and other matters concerning the Hotel and the operation thereof and give due consideration to suggestions which Corporation's designees or consultants may offer with respect thereto from time to time.

2.15 Collection of Rents. Manager shall collect all charges, rent, and other amounts due from guests, lessees, and concessionaires of the Hotel and deposit those funds in accordance with the Cash Management Agreement and Section 5.01 of the Indenture. This agreement of Manager shall survive the termination or expiration of this Agreement until all uncollected amounts due during the Term of this Agreement are collected or otherwise accounted for to the reasonable satisfaction of Corporation.

2.16 Cooperation with Convention Center. Manager shall reasonably and in good faith cooperate with the Convention Center's representatives and the Austin Convention and Visitors Bureau.

2.17 Customary and Usual Tasks. Manager shall perform administrative, management, reporting, cooperation, coordination, supervision, and oversight tasks, other than those set forth in Article 2 of this Agreement, as are customary and usual in the operation of a hotel of a class and standing consistent with the Hotel's facilities and the Operating Standard.

2.18 Approval/Disapproval of Budgets.

2.18.1 Delivery of Budgets. On or before November 1 of each Operating Year, Manager shall prepare and deliver to Corporation and its designees and consultants (provided Manager has received written notice of the names and addresses of such designees and consultants at least seven Business Days in advance of delivery) for Corporation's review, a proposed operating plan and budget (which shall include a proposed room rate schedule) and proposed capital budget in reasonable detail for the next ensuing Operating Year.

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2.18.2 Preparation Standards. Manager shall act reasonably and exercise prudent business judgment in preparing each proposed operating plan and budget, proposed capital budget and any revisions thereto. Corporation shall act reasonably and exercise prudent business judgment in approving or rejecting all or any portion of the proposed operating plan and budget and proposed capital budget. Each proposed operating plan and budget shall be subject to the provisions of Section 2.18.9 below. In addition, Manager and Corporation agree that:

(a) each proposed operating plan and budget and proposed capital budget must be prepared giving due consideration to all relevant factors, including, without limitation, existing market and economic conditions, operation of the Hotel in a manner that is consistent with the Operating Standards and the Room Block Commitment;

(b) each proposed operating plan and budget and each proposed capital budget shall be prepared in accordance with Manager's standard planning and budgeting requirements applicable to all Other Hilton Hotels; and

(c) each proposed operating plan and budget and each proposed capital budget shall be in the form used by Manager at all Other Hilton Hotels at the time of preparation of the applicable budget.

2.18.3 Required Information and Projections. Each proposed operating plan and budget shall include the following:

(a) annualized projections of Gross Operating Revenue, Operating Expenses, Gross Operating Profit, and Net Operating Income for that Operating Year;

(b) for each month, the estimated results of operations (including estimated Gross Operating Revenue, Operating Expenses, Gross Operating Profit, and Net Operating Income);

(c) for each month, a statement of cash flow, including a schedule of any anticipated requirements for funding from Gross Operating Revenues, the Cash Trap Fund, the Excess Revenues Fund, the Renewal and Replacement Fund, the Supplemental Renewal and Replacement Fund and the Operating Reserve Fund;

(d) if the proposed operating plan and budget will result in a Debt Service Coverage Ratio of less than the Debt Service Coverage Requirement, Manager shall include with its delivery of the applicable proposed operating plan and budget a detailed explanation as to why Manager has not budgeted to attain such ratios;

(e) for each month, estimates of total labor costs;

(f) for each month, the amount of accounts receivable and accounts payable that are more than 90 days past due;

(g) for each month, estimates of the occupancy and average room rates;

(h) for each month, an estimate of Group Service Fees and Charges; and

(i) a marketing plan, which shall contain a description of the Hotel's target markets, the Hotel's relative position in those markets, the proposed room rate structures for each market segment, the current and future sales plan for the Hotel (including specifically the

marketing of rooms to be used in connection with the Convention Center), the advertising and public relations plan for the Hotel (including specifically advertising and public relations programs to be used in connection with the Convention Center), the proposed staffing for the sales and marketing activities of the Hotel (including specifically sales and marketing activities pertaining the availability of rooms for the Convention Center) and the proposed room rate structures and other published operating information for the hotels in the Competitive Set.

2.18.4 Approval of Room Rate Schedules and Budgets.

2.18.4.1 Approval of Room Rate Schedules. Pursuant to Section 7.24(a) of the Indenture, Corporation has covenanted for the benefit of the Registered Owners of the Bonds, and in recognition of the expertise of Manager, that it will not disapprove of any rate schedule by Manager so long as (i) such rate schedules do not vary from the rate schedules in the Competitive Set by more than 45%, (ii) the budget prepared assuming such rate schedule does not result in Debt Service Coverage Ratios for the First Tier Bonds and Second Tier Bonds of more than 2.50:1.00 or less than 1.00:1.00, and (iii) a Hotel Consultant does not recommend a different rate schedule pursuant to Section 7.30 of the Indenture. So long as any Bonds are Outstanding, if Corporation disapproves of a proposed rate schedule by Manager or any amendment thereto (pursuant to Section 2.3.2) and Manager disagrees with Corporation's reasons for disapproving such proposed rate schedule (or modification thereto) and disputes the accuracy of the information contained in either clause (i) or (ii) of the immediately preceding sentence, then Corporation shall retain a Hotel Consultant to confirm or reject the accuracy of such information. If the Hotel Consultant agrees with Manager, Corporation shall not have any right to dispute such proposed rate schedules and shall withdraw its disapproval and in any event its disapproval shall be of no further force and effect. If the Hotel Consultant agrees with Corporation, then Manager shall follow Corporation's advice so long as Manager determines that it would not otherwise result in an Event of Default or breach of a covenant under the Indenture or under the Management Agreement. If Corporation disagrees with Manager's determination that following such advice would result in an Event of Default or breach of a covenant under the Indenture or under this Agreement, then either Manager or Corporation may, by delivering written notice of its requirement for arbitration to the others, require that the matter in dispute be submitted to arbitration in accordance with the Management Agreement. Each room rate schedule approved or deemed approved by Corporation is herein referred to as a "*Room Rate Schedule*". The foregoing provisions shall not apply to the Room Block Commitment.

2.18.4.2 Approval of Budgets. Corporation and Manager shall meet within 15 days after Corporation's receipt of the final proposed operating plan and budget and final proposed capital budget for any Operating Year pursuant to Section 2.18.1. Asset Manager shall be permitted to participate in such meeting. At such meeting, Manager shall provide to Corporation its final proposed operating budget and final proposed capital budget for the applicable Operating Year, together with an explanation of the changes from the proposed budgets initially delivered to Corporation. If Corporation and Manager are unable to agree upon a proposed operating plan and budget and proposed capital budget for an Operating Year within 15 days after such initial 15 day period, then within ten days after the expiration of such second 15 day period, Corporation shall deliver to Manager Corporation's written objections to the proposed operating plan and budget and proposed capital budget, subject, however, to the provisions of Section 2.18.9 below. If Corporation fails to deliver to Manager its written approval or disapproval of a proposed operating plan and budget and proposed capital budget within such 10-day period, then such proposed operating plan and budget and proposed capital budget shall be deemed the approved Operating Plan and Budget and approved Capital Budget for the applicable Operating Year, until Corporation delivers to

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Manager its objections in writing. At such time as Corporation delivers its objections to such proposed budgets, such disapproval shall specifically include the items disapproved (which disapproved items may include objections that Corporation receives from a Hotel Consultant). During the 15 day period following Manager's receipt of Corporation's items of disapproval, Corporation and Manager will meet to discuss the disapproved items. Within five days after the expiration of such third 15 day period, Manager shall submit to Corporation (and any designee or consultant appointed by Corporation) a revised proposed operating plan and budget and proposed capital budget, as applicable, incorporating such revisions as Corporation and Manager agreed upon during such third 15 day period. If the Parties do not agree upon such revisions, then either Party may request arbitration as set forth in Section 2.18.6 hereof.

2.18.5 Budget Review Standards. Without limiting Corporation's approval rights or the obligation of Manager to follow the Hotel Consultant's written recommendations to the extent set forth in Section 2.18.9 herein, Corporation shall have the right to object to any aspect of any proposed operating plan and budget and/or any proposed capital budget if (among other reasons):

(a) the objection or change would not materially (i) interfere with Manager's operation of the Hotel in a manner consistent and in compliance with the Operating Standards or (ii) impair Manager's ability to achieve a Performance Test, or (iii) interfere with Manager's fulfillment of its obligations, duties, agreements, covenants or responsibilities under this Agreement;

(b) the applicable budget is not consistent with the requirements of an Event Room Block Contract or rates approved by Manager and Corporation for an Event Room Block pursuant to the Room Block Commitment;

(c) as to a proposed capital budget, there are not Sufficient Funds available to make the proposed Capital Improvement set forth therein;

(d) the proposed operating plan and budget will result in a Debt Service Coverage Ratio of less than the Debt Service Coverage Requirement;

(e) as to a proposed capital budget, all or some of the proposed Capital Improvements represent material upgrades to the quality or facilities of the Hotel (as distinct from repairs, maintenance or replacements required to prevent any diminution in quality) that are not, in Corporation's reasonable opinion, required to satisfy the Upper Upscale Rating and each other Operating Standard; and

(f) as to a proposed capital budget, any proposed upgrades to the quality of the facilities of the Hotel would (x) be imprudent based upon a reasonable weighing of the costs and benefits to the Hotel of the upgrades (taking into account the cost and impact on Hotel revenue and expense of the upgrades, the useful life of the upgrades, and the remaining term of this Agreement) or (y) render funds in the Renewal and Replacement Fund, the Supplemental Renewal and Replacement Fund, Operating Reserve Fund, Excess Revenues Fund or Cash Trap Fund inadequate for other necessary Capital Expenses or funding of other amounts as contemplated by this Agreement or an existing approved Capital Budget. The foregoing shall not in any way limit Corporation's right to approve a proposed capital budget as to reasonableness of specifications and cost of implementing any upgrade set forth therein.

Notwithstanding the foregoing to the contrary, the Parties acknowledge the that the operating plan and budget shall nevertheless include: (i) expenditures reasonably necessary to prevent a threat to

life, health or safety of persons or damage to the Hotel; (ii) subject to Section 2.18.5(c), expenditures reasonably necessary to materially comply with Hilton Brand Standards; provided however, that Manager will consider in good faith (A) any requested adjustments to the timing of implementation of such expenditures based on current facts and circumstances relating to Hotel (including current cash flow forecasts), and (B) requests for waivers from the Hilton Brand Standards pursuant to its standard waiver review and approval process; and (iii) Hotel Personnel Costs in accordance with standard personnel policies applicable to similarly situated Other Hilton Hotels (as they may be amended from time to time) with respect to any Hotel Personnel employed directly by Manager or its Affiliates (including, for the avoidance of doubt, the Hotel Personnel Costs contemplated in Section 3.1.5.2 related to bonus payments).

2.18.6 Right to Request Arbitration; Deemed Approval of Budgets; Operation of Budgets Pending Arbitrator's Determination.

2.18.6.1 Right to Request Arbitration. If (i) the Parties, despite their good faith efforts, are unable to reach final agreement on the proposed operating plan and budget and/or the proposed capital budget prior to the commencement of the applicable Operating Year and (ii) Corporation does not have the right or the obligation to appoint a Hotel Consultant pursuant to Section 2.18.9 below, then either Party or the Trustee may, by delivering written notice of its requirement for arbitration to the others by January 30 of the of the applicable Operating Year (each such notice of arbitration, an "*Arbitration Request*"), require that the matter(s) in dispute be submitted to arbitration pursuant to Article 10 of this Agreement.

2.18.6.2 Deemed Approval of Budgets. If neither Party nor the Trustee delivers an Arbitration Request by January 30 of the of the applicable Operating Year, then the Parties and the Trustee shall be deemed to have waived their respective rights to arbitrate the matters in dispute and the proposed operating plan and budget and the proposed capital budget for the applicable Operating Year shall be deemed to be the Operating Plan and Budget and Capital Budget for such Operating Year, provided that any Operating Expense line item which is in dispute in the proposed operating plan and budget shall not be greater than 110% of the amount of the actual Operating Expenses incurred for such line item during the Operating Year preceding the Operating Year covered by the proposed operating plan and budget.

2.18.6.3 Operation of Budgets Pending Results from Arbitration. If either Party or the Trustee timely delivers an Arbitration Request regarding the proposed operating plan and budget, then, until the arbitrator issues its decision regarding the disputed items in the proposed operating plan and budget, the proposed operating plan and budget shall govern the areas of operations not in dispute and the prior year's Operating Plan and Budget shall govern the areas in dispute, except that Manager may increase the budgeted expenses provided for such disputed item(s) in the prior year's Operating Plan and Budget and/or Capital Budget, as applicable, by an amount not in excess of the lesser of (i) 5% of the actual amount of the applicable expense line item for the prior Operating Year, or (ii) the amount of the increase originally proposed by Manager.

2.18.6.4 Capital Budget Pending Results from Arbitration. If either Party or the Trustee timely delivers an Arbitration Request regarding the proposed capital budget, then, until the arbitrator issues its decision regarding the disputed items in the proposed capital budget, the proposed capital budget shall govern the areas of operations not in dispute and Manager may not incur a Capital Expense for a disputed Capital Improvement included in a proposed capital budget unless the Capital Expense (a) was contemplated as a regularly recurring Capital Expense in the Capital Budget approved for the prior Operating Year (increased by the percentage increase in the Index from such prior Operating Year), (b) is for an amount not in excess of the Materiality

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Threshold and when aggregated with all other Capital Expenses incurred for any other disputed Capital Improvements during such Operating Year, does not exceed two times the Materiality Threshold, or (c) is necessary to eliminate or remove an Emergency. Notwithstanding the foregoing, Manager shall notify Corporation in writing of any such capital expenditure as soon as practicable and describe the reasons therefor.

2.18.7 Permitted Variations from Budget. During the Operating Term, Manager (i) shall use commercially reasonable efforts to operate within, and in a manner consistent with, each approved Operating Plan and Budget and each approved Capital Budget and (ii) shall not substantially deviate from the budgeted Capital Expenses in an approved Capital Budget unless Manager obtains the prior written consent of Corporation (it being agreed that a deviation in excess of the Materiality Threshold in total Capital Expenses is substantial), provided, however, that Manager shall be entitled to reallocate up to 10% of the Capital Budget to one or more line items in the Capital Budget so long as the remaining dollars in those line items from which such 10% is removed are sufficient to complete the work contemplated by those line items. Corporation acknowledges that certain of the expenses described in the Operating Plan and Budget (but not the Capital Budget) for any Operating Year will vary based on the occupancy of the Hotel. Accordingly, to the extent that the occupancy of the Hotel for any Operating Year exceeds or falls below the occupancy projected in the approved Operating Plan and Budget for such Operating Year, the approved Operating Plan and Budget shall be deemed to include corresponding increases or decreases in such Variable Expenses, as applicable, so long as with respect to increases in expenses, Manager reasonably believes and Corporation reasonably agrees that such increase will increase net operating income over that budgeted. The term "*Variable Expenses*" shall mean Operating Expenses covered by an Operating Plan and Budget that reasonably fluctuate as a direct result of business volumes, including food and beverage expenses, other merchandise expenses, operating supply expenses, and energy costs. Additionally, the approved Operating Plan and Budget and Capital Budget may be revised by Manager during the Operating Year without Corporation approval but with written notice to Corporation, as necessary to include: (i) unforeseen increases to budgeted expense categories which are beyond Manager's reasonable control, such as utility rates and charges, insurance premiums and changes in unaffiliated suppliers' prices; (ii) expenditures reasonably required on an emergency basis in order to protect life, health, safety, or property in cases of emergency or casualty; (iii) expenditures reasonably required to preserve and maintain the security and reliability of Manager's information technology systems in response to any unforeseen or unanticipated cybersecurity threats in accordance with Hilton Brand Standards; and (iv) expenditures required to comply with a change in Legal Requirements.

2.18.8 Characteristics of Budgets. Corporation acknowledges that (a) the Operating Plan and Budget is intended by Manager to be a reasonable estimate of income and expenditure only, (b) Manager does not give any guarantee, warranty or representation whatsoever in connection with any Operating Plan and Budget, other than Manager prepared same in good faith, utilizing all available facts and commercially prudent business methods, and (c) a failure of the Hotel to achieve any Operating Plan and Budget for any Operating Year shall not in and of itself constitute an Event of Default or breach by Manager hereunder. The preceding sentence shall not, however, be construed as a limitation on (i) Manager's obligations (and Manager shall be in breach of this Agreement if Manager fails) (A) to use commercially reasonable efforts to operate within the approved Operating Plan and Budget and the Capital Budget, or (B) to obtain Corporation's approval prior to making expenditures that exceed in the aggregate the amount of the approved or authorized Capital Budget by more than the Materiality Threshold, or (ii) Corporation's right to terminate this Agreement under any provision of this Agreement, including, without limitation, by reason of a Performance Termination Event or an Event of Default under this Agreement.

2.18.9 Hotel Consultant. Manager acknowledges that Corporation shall have the right to appoint a Hotel Consultant (and shall appoint if required pursuant to the Indenture) under each of the following circumstances:

(a) if the proposed operating plan and budget will not result in the Debt Service Coverage Requirement being met, Corporation shall thereafter have the right, either at its own discretion or as required pursuant to the terms of the Indenture, to hire a Hotel Consultant (within 30 days of the receipt of such proposed operating plan and budget), to make written recommendations as to the operations, management, marketing, improvement, condition or use of the Hotel or any part thereof that the Hotel Consultant believes could result in satisfying the Debt Service Coverage Requirement or improving the total amount of Net Revenues available to pay Debt Service;

(b) if the actual Debt Service Coverage Ratios with respect to the Bonds for any four consecutive quarters is less than the Debt Service Coverage Requirement, then unless Corporation has appointed a Hotel Consultant pursuant to subsection (a) above within the preceding twelve months, Corporation shall thereafter have the right, either at its own discretion or as required pursuant to the terms of the Indenture, to hire a Hotel Consultant (within 30 days of the receipt by Corporation of the Monthly Report from Manager which reflects that such ratio was less than the Debt Service Coverage Requirement for the prior four consecutive quarters) to make written recommendations as to the operation, management, marketing, improvement, condition or use of the Hotel or any part thereof that the Hotel Consultant believes could result in satisfying the Debt Service Coverage Requirement or improving the total amount of Net Revenues available to pay Debt Service.

(c) if the audited annual financial statement delivered to Corporation pursuant to Section 2.20.3 reflects that the Debt Service Coverage Requirement was not achieved, then unless Corporation has appointed a Hotel Consultant pursuant to subsections (a) or (b) above within the preceding twelve months, Corporation shall thereafter have the right, either at its own discretion or as required pursuant to the terms of the Indenture, to hire a Hotel Consultant (within 30 days of Corporation's receipt of such audited annual financial statement) to make written recommendations as to the operation, management, marketing, improvement, condition or use of the Hotel or any part thereof that the Hotel Consultant believes could result in satisfying the Debt Service Coverage Requirement or improving the total amount of Net Revenues available to pay Debt Service.

Corporation shall deliver the Hotel Consultant's reports and findings to Manager, Trustee and Asset Manager within three Business Days of receipt thereof by Corporation. Manager and Asset Manager will study and review such reports and any written recommendations made by the Hotel Consultant. Manager shall also, upon the request of Corporation or Trustee, meet with the Hotel Consultant to discuss the Hotel Consultant's reports, findings and written recommendations. Manager shall act in good faith in reviewing and implementing all of the Hotel Consultant's written recommendations except those written recommendations which require an expenditure of funds greater than the amount available for such purpose under the Indenture, those written recommendations that compromise the Operating Standards, or those written recommendations which could, in the opinion of Bond Counsel, adversely affect the tax-exempt status of the interest on the Bonds. In addition, if Manager believes that it is not in the best interest of the Hotel to implement any of the Hotel Consultant's written recommendations, Manager shall not be required to follow such written recommendations if Manager provides written explanation to Corporation, Asset Manager and Trustee as to why Manager is not implementing such written recommendations; provided, however, that if the Debt Service Coverage Ratio for the Bonds is less than 1.20:1.00 for the prior eight consecutive calendar quarters, Manager shall act in good faith in implementing such Hotel Consultant's written recommendations unless it received a written waiver from the Asset Manager with respect to the implementation of such written recommendations. The fees and expenses of the Hotel Consultant shall be paid as an Operating Expense from amounts on deposit

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in the Lockbox Fund. Contemporaneously with engaging a Hotel Consultant pursuant to the preceding provisions, Corporation shall deliver to Manager a copy of such engagement. In addition, each Party shall deliver to the other at no additional charge copies of any information, correspondence or documents delivered to the Hotel Consultant contemporaneously with delivering such information, correspondence or documents to the Hotel Consultant. To the extent any costs are incurred in connection with the review by the Asset Manager of the written recommendations that Manager disagrees with, such costs shall be paid by (i) Manager if the Asset Manager recommends that Manager follow the Hotel Consultant's written recommendations, (ii) Corporation if the Asset Manager recommends that the Hotel Consultant's written recommendations shall not be followed by Manager and (iii) Manager and Corporation as equitably apportioned between the Parties if the Asset Manager recommends that Manager follows some of the Hotel Consultant's written recommendations and recommends that the other recommendations should not be followed.

2.19 Capital Expenses. During the Operating Term, the remaining provisions of this Section 2.19 shall apply as to the maintenance, repair, and improvement of the Hotel.

2.19.1 Generally. The Hotel (including adjacent grounds, FF&E, and hotel equipment and operating supplies) shall be maintained, repaired, and improved by Manager, as an expense of the Hotel payable from the appropriate Fund as described in the Cash Management Agreement and the Indenture, as contemplated in the Capital Budget in effect from time to time, to permit operation of the Hotel in accordance with the Operating Standard.

2.19.2 Renewal and Replacement Fund. Corporation shall use commercially reasonable efforts to cause Trustee (subject to and in accordance with the provisions in the Indenture) to set aside (or Corporation, after the Bonds are no longer Outstanding, shall set aside) from Gross Operating Revenues on a monthly basis (in arrears) the Renewal and Replacement Set Aside Amount into the Renewal and Replacement Fund. Corporation shall use commercially reasonable efforts to cause Trustee to maintain as required by Section 5.02 of the Indenture (or Corporation, after the Bonds are no longer Outstanding, shall maintain) the Renewal and Replacement Fund and to invest the balance thereof in accordance with Section 6.03 of the Indenture, with all interest on the investment to accrue in the Renewal and Replacement Fund. After no Bonds are Outstanding, Corporation shall invest amounts in the Renewal and Replacement Fund (or if a Mortgagee is in control of the Renewal and Replacement Fund, Corporation shall use commercially reasonable efforts to cause such Mortgagee to invest such amounts) in lawfully permitted interest bearing accounts, with interest flowing into the Renewal and Replacement Fund. To the extent amounts in the Renewal and Replacement Fund are not expended in an Operating Year, such amounts shall be accumulated for expenditure in future years, but any such amounts shall not be credited against the amount of the Renewal and Replacement Fund contribution for the next Operating Year. Notwithstanding any provision of this Agreement to the contrary, Manager shall not incur Capital Expenses to the extent expenditures exceed an approved Capital Budget, except (a) for Capital Expenses incurred by Manager in connection with an Emergency pursuant to and subject to the limitations and requirements of Section 2.19.4 of this Agreement, (b) Capital Expenses which are incurred by Manager pursuant to a provision of this Agreement which clearly and expressly permit Manager to incur such expense without the prior written consent of Corporation, or (c) Capital Expenses which Manager incurs with the prior written approval of Corporation. All requests for Capital Expenses shall include reasonably detailed back-up documentation including, without limitation, lien releases, bids and invoices as appropriate or required.

2.19.3 Use of Renewal and Replacement Fund, Supplemental Renewal and Replacement Fund, Operating Reserve Fund, Excess Revenues Fund and Cash Trap Fund for Capital Expenses. Subject to the terms of the Indenture, the Renewal and Replacement Fund and Supplemental Renewal and Replacement Fund, subject to Section 2.19.4 hereof, shall be used for the purposes of funding FF&E and Capital Expenses which are included in the Capital Budget or otherwise clearly and expressly authorized

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by this Agreement or pre-approved in writing by Corporation. The Renewal and Replacement Fund and the Supplemental Renewal and Replacement Fund shall also be available to pay Debt Service on the Bonds to the extent set forth in Section 5.09 and Section 5.16 of the Indenture or for whatever other purposes are expressly permitted pursuant to the terms of the Indenture. However, the Renewal and Replacement Fund shall not be used for the purposes set forth in the first sentence of this Section 2.19.3 unless the Supplemental Renewal and Replacement Fund is not sufficient to satisfy the matters described in such sentence. In addition to the purposes permitted under Section 5.08 of the Indenture and subject to the terms of the Indenture, Manager may, but shall not be obligated to, use the Operating Reserve Fund for unbudgeted capital Emergency Expenses or to comply with Legal Requirements (and then if the violation of such Legal Requirements would expose Manager to material risk of civil or criminal sanctions or would pose an imminent threat to Hotel or its employees, guests or other persons using or occupying any portion of the Hotel). If the Operating Reserve Fund is not sufficient to satisfy the unbudgeted Emergency Expenses, or Manager elects to not utilize funds in the Operating Reserve Fund for such purposes, then such expenditures shall be satisfied from the Excess Revenues Fund first and the Cash Trap Fund second, and if any insufficiency then remains, from the Supplemental Renewal and Replacement Fund and then from the Renewal and Replacement Fund. In connection with any Emergency Expenses from the Renewal and Replacement Fund, the Supplemental Renewal and Replacement Fund, the Operating Reserve Fund, Excess Revenues Fund or the Cash Trap Fund, that were not specifically contemplated in the Capital Budget, Manager shall use good faith efforts to attempt to notify Corporation prior to the time that the expenditures in question are made and shall in any event notify Corporation in writing as soon as possible after such expenditures are made. Neither the Cash Trap Fund nor the Excess Revenues Fund shall be used for Capital Expenses, except as permitted by the preceding provisions of this subsection or to satisfy Capital Expenses included in the Capital Budget and then only to the extent that such Capital Expenses exceed the balance of the Renewal and Replacement Fund and the Supplemental Renewal and Replacement Fund.

2.19.4 Defective and Dangerous Conditions. If any portion of the design or construction of the Hotel, including any Capital Improvements made to the Hotel from time to time, is defective and the defective condition causes damage to the Hotel, poses a risk of injury to people or property, or is not in material compliance with one or more Legal Requirements including, without limitation, the provisions of a Certificate of Occupancy, Corporation shall, subject to any limitations on warranties contained in the applicable design, engineering and construction documents, make immediate demand on, and use commercially reasonable efforts to cause, the warranting party to expeditiously remedy such defect or cause such defect to be remedied; provided, however, Corporation shall maintain the right to challenge in good faith the existence of any alleged defective condition and/or the materiality of such alleged defect and/or any Legal Requirement, and unless and until such challenge is settled, Corporation shall have no obligation to pursue any warranting party, surety, or contractor regarding such alleged defect. Any amounts expended by Corporation under this Section 2.19.4 shall be paid out of the Excess Revenues Fund first and the Cash Trap Fund second, but if the Excess Revenues Fund and Cash Trap Fund are not sufficient, the insufficiency shall be paid out of the following funds in the following order of priority: the Renewal and Replacement Fund and the Supplemental Renewal and Replacement Fund, and, to the extent Manager in its discretion elects to make a request for such funds pursuant to Section 5.08(a) of the Indenture, the Operating Reserve Fund. Any recovery which Corporation receives from the warranting party, surety, or any other party on account of such amounts shall be deposited into the Funds from which monies were withdrawn in order to cure the defective condition (in the reverse order as the monies were withdrawn).

2.19.5 Approval for Payment of Capital Improvements. Subject to the availability of sufficient amounts in the Renewal and Replacement Fund, the Supplemental Renewal and Replacement Fund, the Excess Revenues Fund and the Cash Trap Fund (the use of which funds shall be subject to Sections 2.19.3 above and 2.19.6 hereof), Manager (at no additional fee to Manager unless the additional fee is specifically included in the applicable Capital Budget and specifically identified as such, or otherwise specifically approved in writing by Corporation) shall arrange for and supervise the completion of all

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Capital Improvements approved by Corporation in the Capital Budget or otherwise agreed to by Corporation and Manager in writing except for those Capital Improvements contemplated in Section 2.6 that Corporation will oversee and supervise. For the avoidance of doubt, Manager may also request funds for the payment of certain Capital Expenses from the Operating Reserve pursuant to Section 5.08(a) of the Indenture. Any requisitions for payment of Capital Improvements from the Renewal and Replacement Fund, the Supplemental Renewal and Replacement Fund, the Excess Revenues Fund and the Operating Reserve Fund, shall be subject to the review and approval of Corporation, and all costs and expenses incurred by Corporation in connection with such review shall be paid as part of the cost of such Capital Improvements.

2.19.6 Corporation's Source of Funds for Capital Expenses. Notwithstanding any provision to the contrary contained in this Agreement, until the Bonds are no longer Outstanding, (i) Corporation's obligations to provide funds for Capital Expenses shall be limited to funds in the Renewal and Replacement Fund, the Supplemental Renewal and Replacement Fund, the Excess Revenues Fund and the Cash Trap Fund and (ii) the availability of funds for Capital Expenses or any other expenses shall be limited to the extent provided in the Indenture. For the avoidance of doubt, Manager may also request funds for the payment of certain Capital Expenses from the Operating Reserve pursuant to Section 5.08(a) of the Indenture. In any event, Manager shall exercise commercially reasonable efforts consistent with the Operating Standard to schedule and budget for Capital Expenses in a fashion that permits funding solely from the Renewal and Replacement Fund (to the extent available under the Indenture) and the Supplemental Renewal and Replacement Fund.

2.20 Books and Records; Financial Statements; Continuing Disclosure.

2.20.1 Books and Records. During the Operating Term, in accordance with the current policies and standards applicable to all Other Hilton Hotels, Manager shall cause books of account, front office records, guest information and other records to be prepared to reflect the operation of the Hotel and the results of operations of the Hotel, including, but not limited to accounts and records pertaining to accounts payable, general ledger and payroll. Manager may, in its reasonable discretion, handle the Hotel's accounting functions directly or through an Affiliate, as a Group Service, in which event the provisions of Section 2.22 of this Agreement shall apply. All such books of account and records shall be kept in accordance with sound business practices and sufficient in all respects to permit preparation of financial statements in accordance with Generally Accepted Accounting Principles and the Uniform System of Accounts, consistently applied.

All of the financial books and records pertaining to the Hotel, including books of account and front office records shall be the property of Corporation; provided, however, that (a) files pertaining solely to Manager's Intellectual Property and Manager's Proprietary Information shall be Manager's sole property and (b) employee records of Hotel Personnel shall be Manager's property (except that, subject to any restrictions pursuant to Legal Requirement or Manager's and its Affiliates privacy policies relating to the handling of such data, Corporation shall have the right to review such employee records in connection with an audit, a financing or a purchase of the Hotel, but only to the extent of the following: employee contracts, employment applications and information pertaining thereto, initial hire date, current salary, wage and benefits, and employment positions). Upon Termination of this Agreement, all of such books of account and financial records (excluding confidential files relating to Manager's Intellectual Property) shall be turned over forthwith to Corporation so as to ensure the orderly continuance of the operation of the Hotel, but all of such information shall be retained by Corporation and made available to Manager at the Hotel, at all reasonable times, for inspection, audit, examination, and copying (at Manager's expense) for the period of time required by regulations of the Internal Revenue Service, but in any event not less than three years subsequent to the date of such Termination. Prior to destroying the records, Corporation shall notify Manager and provide Manager the opportunity to obtain the records from Corporation at Manager's

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expense. . In addition to the Hotel's books and records, Manager shall maintain any guest profiles, contact information, histories and other information obtained or collected by Manager at the Hotel in the ordinary course of business from guests of the Hotel relating to such guests' stay ("Hotel Guest Data"). During and after the Term, Manager shall retain, use and otherwise process Hotel Guest Data in accordance with its publicly posted privacy policy as amended from time to time so long as such information is not used in a manner which would violate Section 4.9.10 of this Agreement or subject Corporation to any liability for the use or disclosure of such information. Corporation shall not be permitted to use Hotel Guest Data for any purpose except as noted in the following sentence. Upon the expiration or earlier termination of this Agreement, Manager will assist with the generation of a set of hotel termination reports that will, among other things, facilitate the ability of Corporation to honor any reservations on the book at the time of such expiration or earlier termination. Any Hotel Guest Data in the hotel termination reports will be used solely for the purpose of honoring such reservations and shall not be used for any other purpose.

2.20.2 Monthly Reports. Manager shall cause to be prepared and delivered to Corporation's consultants (provided Manager has received written notice of the names and addresses of such designees and consultants at least seven Business Days in advance of delivery) the monthly operating reports provided by Manager to Other Hilton Hotels in accordance with its standard practices based on information available to Manager (the "*Monthly Reports*"); provided, however, that such Monthly Reports shall at minimum, contain such information as required under the Indenture or as may otherwise be necessary for Corporation to fulfill its reporting and disclosure obligations under the Indenture; including without limitation, Sections 7.09, 7.28, 7.32, and 9.02 of the Indenture, or as otherwise required by law. The Monthly Reports shall reflect operational results for the current month and the preceding 11 months and year-to-date, including the REVPAR of the Hotel, calculated both on a monthly basis, and an aggregate 12-month trailing basis. Manager shall deliver to Corporation each Monthly Report on or before the 15th day of the month following the month to which such Monthly Report relates. The Monthly Reports shall be in a format (which may be amended from time to time) substantially similar to the operating reports provided by Manager to Other Hilton Hotels and shall include such other information as may be reasonably required by Corporation so as to comply with its obligations under the Bond Documents. Additionally, Corporation shall be permitted from time to time to reasonably request such additional financial and operating information from Manager; provided, however, that any such additional information shall not result in an additional cost or material burden to Manager.

2.20.3 Annual Financial Statements. Within 45 days after the end of each Operating Year, Manager shall cause to be prepared and delivered to Corporation, as an Operating Expense, the unaudited operating statements (including statement of income and expense) for the Hotel, prepared on an accrual basis in accordance with Generally Accepted Accounting Principles and the Uniform System of Accounts, consistently applied (the "*Unaudited Annual Report*"). The Unaudited Annual Report shall include such other information as may be reasonably required by Corporation so as to comply with its obligations under the Bond Documents. Manager shall cooperate with Corporation, the Asset Manager, and the Independent Accountant selected by Corporation in connection with the preparation of the Certified Financial Statements of Corporation relating to the Hotel.

2.20.4 Destruction of Records. Manager shall not destroy any books and records, without identifying the records to Corporation and obtaining Corporation's prior written approval of the destruction of such identified records except in accordance with Manager's and its Affiliates records retention policy.

2.20.5 Corporation's Audit Rights. Corporation, Corporation's designees and consultants, and Trustee shall, at any time throughout the term of this Agreement, have the right to audit and verify the books and records of the Hotel and the operations of the Hotel, upon reasonable prior written notice to Manager. Corporation, its designees and consultants, and Trustee shall also be entitled to conduct spot audits or examinations of the same at the Hotel without prior notice from time to time, when such notice

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could impair the purposes of the audit. Any audit and verification pursuant to this Section 2.20.5 shall be conducted in such a fashion as to interfere as little as reasonably practicable with Manager's normal business operations and during normal business hours. Manager shall cooperate with Corporation, Trustee and its auditors in connection with such audit and shall promptly make available to Corporation, Trustee and its auditors any and all information relating to the Hotel that they may reasonably request in connection with such audit. Corporation shall not be responsible for failure to discover any defalcations during any audit or inspection of the financial records. If Gross Operating Revenue or Net Operating Income as set forth in Manager's Unaudited Annual Report are found to be understated or overstated by more than 3%, then Manager must immediately pay to Corporation the cost of such audit (not to exceed the Materiality Threshold) as well as correct the misstatements as shown by such audit. Notwithstanding the preceding sentence, the costs of such audit shall not be included in the calculation of the Performance Test.

2.21 Personnel. During the Operating Term, Manager shall manage all aspects of the Hotel's human resources functions and shall implement at the Hotel the personnel policies and procedures applicable to Other Hilton Hotels. In connection with the management of the Hotel's human resources functions, Manager shall have the responsibilities and exercise the rights set forth in Sections 2.21.1 through 2.21.8.

2.21.1 Employment of Hotel Personnel.

2.21.1.1 Responsible Party. Subject to Corporation's rights under Section 2.21.1.4 below, Manager shall recruit, hire, relocate, pay, supervise, and dismiss all Hotel Personnel (including, without limitation, Key Employees and the Executive Staff), with the understanding that all Hotel Personnel shall be the employees of Manager, and not Corporation.

2.21.1.2 Personnel Policies. Manager shall determine and implement all personnel policies and practices relating to the Hotel, including the following: (i) policies and practices relating to terms and conditions of employment, screening, selection, training, supervision, compensation, bonuses, severance, pension plans and other employee benefits, discipline, dismissal, and replacement; and (ii) policies and practices relating to the exercise by any Hotel Personnel of rights under any applicable labor laws in relation to the Hotel. Notwithstanding the foregoing or any other provision to the contrary herein contained, bonuses for Key Employees shall not be included in Operating Expenses and shall be paid by Manager from its own funds.

2.21.1.3 Sufficient Personnel. Manager shall ensure that the number of Hotel Personnel is sufficient to operate the Hotel in accordance with the Operating Standard. Manager shall supervise through the Senior Executive Personnel, the Key Employees and the Executive Staff the hiring, discharging, promotion and work performance of all other operating and service employees of the Hotel. Manager shall further ensure that all members of the Senior Executive Personnel, Key Employees and Executive Staff of the Hotel shall be properly qualified for their positions. The direct compensation payable to Senior Executive Personnel, Key Employees and Executive Staff shall be comparable to the direct compensation paid to the members of the senior executive personnel and executive staff of other comparable first-class Upper Upscale Hotels, taking into account the location and size of the Hotel, it being understood that the Hotel will at no time be placed at a competitive disadvantage with respect to the hiring and maintaining of its Senior Executive Personnel, Key Employees and Executive Staff.

2.21.1.4 Corporation's Right to Approve Senior Executive Personnel. Corporation shall have the right to interview and approve (not to be unreasonably withheld, conditioned or delayed) the individuals proposed by Manager to serve as Senior Executive Personnel prior to their appointment; provided, however, that Corporation shall be deemed to have approved the

appointment of any such individuals unless Corporation delivers notice of its disapproval of such appointment within seven days after Manager's delivery to Corporation of (i) a written summary of each such individual's professional experience and qualifications and (ii) notice of Manager's desire to arrange an interview between Corporation and such individual at the Hotel or at another mutually acceptable location (it being agreed that Corporation will forego its right to interview any such individual if Corporation is unwilling or unable to have an authorized representative participate in the interview within seven Business Days following Manager's notice to Corporation of Manager's desire to arrange such an interview); provided, further, neither Corporation's exercise, nor its failure to exercise any right of approval of a proposed Senior Executive Personnel, shall in any way create any liability or responsibility on the part of Corporation or any Affiliate of Corporation in connection with the performance by any person of his or her duties as an employee of Manager. Moreover, Corporation acknowledges that it may not reject more than two candidates proposed by Manager for any one Senior Executive Personnel position each time such position becomes available for hire. Manager will be cognizant that reasonable consistency in the hiring of Senior Executive Personnel is important to the success of the Hotel. Manager agrees that if there is a vacancy in the general manager's position, that Manager shall make reasonable efforts to find a temporary or permanent replacement within a reasonable period of time thereafter.

2.21.1.5Relocation Expenses. If Manager relocates any Key Employees or Executive Staff to another hotel or position (and such individual remains employed by Manager or its Affiliates) within 18 months after his/her arrival at the Hotel, Manager shall reimburse Corporation for the portion of the relocation expenses incurred by Corporation (as determined in accordance with the immediately following sentence) in relocating such individual's replacement to the Hotel unless the relocation of any such Key Employees or Executive Staff is at the request of Corporation. The reimbursement to be made by Manager to Corporation pursuant to this provision shall be equal to the total relocation costs incurred by the Hotel under the relocation policy of Manager and its Affiliates in bringing the replacement employee to the Hotel, multiplied by a fraction, the numerator of which shall be the period of time remaining from the date the departing employee left his or her employment at the Hotel to the date when the departing employee would have been employed at the Hotel for 540 days, and the denominator of which shall be 540 days. It is understood and agreed that the Hotel shall not incur any expense in connection with the relocation of the departing Senior Executive Personnel to his or her new position, regardless of the length of time any such individual is employed at the Hotel.

2.21.1.6Employee Benefits. Manager shall have the right to provide the employees of the Hotel, who are eligible therefor and who are not covered by collective bargaining or similar arrangements, with benefits of (i) incentive plans, (ii) pension, profit sharing or other employee retirement, and/or (iii) disability, health or welfare or other benefit plan or plans now or hereafter applicable to employees of Other Hilton Hotels. Manager may charge the Hotel with its pro rata share of the costs and expenses of such Hilton plan or plans allocated to the Hotel on the same basis as allocated to Other Hilton Hotels participating in the same types of benefit plans provided to the employees of the Hotel. All costs associated with such employee benefit plans shall be Operating Expenses. The terms of employment, including hiring, training, compensation, bonuses, employee benefits, discharge, and replacement of all Hotel Personnel shall be established and administered by Manager consistent with the applicable provisions of the applicable Operating Plan and Budget (but in no event will bonuses for Key Employees be included in any Operating Plan and Budget). All such compensation, bonuses, employee benefits shall be established using Manager's compensation policies and guidelines applicable to all Other Hilton Hotels and shall be reasonable as compared to Other Hilton Hotels (taking into consideration the location of the Hotel and Other Hilton Hotels).

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2.21.1.7Equal Opportunity Employment. Manager shall use diligent efforts to ensure that its general hiring policies and the discharge of all Hotel Personnel are compliant with all "Equal Employment Opportunity" and "Occupational Health and Safety Administration" laws and regulations and that its practices comply generally with all laws, regulations and ordinances regarding the employment and payment of Hotel Personnel. Manager shall maintain insurance related to employment claims in accordance with Article 5 of this Agreement.

2.21.1.8Travel and Reimbursement. Employees and representatives of Corporation, Manager and their Affiliates who travel to the Hotel on a temporary basis to provide technical assistance or other services (including legal and consulting services) shall be permitted to stay at the Hotel and use its facilities (including restaurants and lounges), without charge and on a space available basis. Other employees of Manager, and certain Affiliates of Manager, shall be permitted to stay at the Hotel, on a space available basis, for non-business purposes at reduced rates or on a complimentary basis in accordance with Manager's policies applicable to Other Hilton Hotels with respect to such stays in effect from time to time, provided that the aggregate effect of such complimentary stays do not place more than an immaterial burden on the operations or profitability of the Hotel.

2.21.2 Employee Status. None of the Hotel Personnel shall be considered employees of City, Corporation or Trustee. All Hotel Personnel Costs shall be Operating Expenses and the responsibility of Corporation. Manager shall pay all Hotel Personnel Costs of such employees and the amount of payments shall immediately be reimbursed to Manager by Corporation in accordance with Section 3.4 hereof.

2.21.3 Advance Notice Regarding Termination. Manager shall be responsible for giving notices, if any, required to be given to Manager's employees under any Legal Requirement in connection with the Termination of this Agreement and the reasonable costs to provide such notices shall be Operating Expenses. Corporation shall, however, provide reasonable prior notice to Manager of any sale of the Hotel by Corporation in order to enable Manager to provide notices to employees required by any Legal Requirement. Corporation shall not be responsible to Manager for any compensation, benefits, or other claims relating to any period after the Termination of this Agreement and arising as a result of Manager's failure to timely deliver any required notification to Hotel Personnel following notice from Corporation of an event triggering such notice requirement provided such notice is reasonable as per the previous sentence. Notwithstanding any contrary provision of this Agreement, in connection with any termination of this Agreement, other than pursuant to any termination notice received by Manager that expressly requests Manager to comply with any Employee Termination Notice Requirements and specifies a termination date not less than 15 days plus the number of days necessary for Manager to comply with any Employee Termination Notice Requirements after the notice is delivered, Owner shall (or shall cause any successor operator of the Hotel) to take, or shall cause to be taken, any and all action necessary with respect to Hotel Personnel (including rehiring, or causing to be rehired, the Hotel Personnel) so that Manager will not be required to comply with any Employee Termination Notice Requirements. If, in connection with a termination of this Agreement, Owner expressly requests Manager to comply with any Employee Termination Notice Requirements or Manager is otherwise required to comply with any Employee Termination Notice Requirements, the termination date relating to any such termination shall automatically be deemed extended, to the extent necessary, to the date equal to fifteen days plus the number of days necessary for Manager to comply with any Employee Termination Notice Requirements. Manager may waive this automatic extension for any termination based on an Event of Default by Owner. [NTD - this section remains under further review with ace labor counsel.]

2.21.4 Labor Relations. Manager, upon request by a labor organization, may (to the extent permitted by law) enter into an appropriate voluntary recognition agreement (including "card check"

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recognition) covering an appropriate bargaining unit of Hotel Personnel and may remain neutral in any organizing efforts by a labor organization of Hotel Personnel. Manager will execute any collective bargaining agreement as the employer, subject to the conditions set forth below. Manager shall consult with Corporation in advance of, and, to the extent practicable, during the course of, negotiations with any labor union as to the terms of the collective bargaining agreement being negotiated. Manager shall have no right to enter into any multi-employer group agreement without the prior written approval of Corporation which may be granted or withheld in Corporation's reasonable discretion.

2.21.5 Hilton Personnel. If Manager shall reasonably deem it advisable, Manager shall select the Senior Executive Personnel of the Hotel from the employees of Manager and its Affiliates or from the staff of Other Hilton Hotels.

2.21.6 Non-Solicitation. Corporation and its Affiliates and their successors hereby agree not to solicit the employment of any of the Senior Executive Personnel at any time during the Operating Term, without Manager's prior approval.

2.22 Group Services.

2.22.1 Generally. Consistent with the Operating Plan and Budget, Manager shall furnish or cause its Affiliates to furnish to the Hotel the benefits of the Group Services, and, subject to the remaining provisions of this Section, Corporation hereby agrees that Manager may in its discretion cause the Hotel to participate in any or all such Group Services. Without limiting the definition of Group Services, Manager shall provide the following services, as Group Services:

2.22.1.1 Accounting. Manager may, in its reasonable discretion, handle directly, or through an Affiliate, any of the accounting functions for the Hotel, including without limitation, accounts payable, general ledger, payroll and accounts receivable, or any part thereof, as part of Group Services for the purpose of achieving a more cost efficient operation of the Hotel.

2.22.1.2 Marketing and Sales Program. Manager shall maintain a marketing and sales program that promotes the brand identity of Manager and its Affiliates, advertises to Manager's and its Affiliate's markets and secures bookings for hotels and resorts, including the Hotel, operated under the "HILTON" name (the "*Group Services Marketing Program*"). In addition, Manager shall coordinate the Hotel's individual marketing program with the Group Services Marketing Program and, as appropriate, include the Hotel in the brand identity and national advertising programs conducted as part of the Group Services Marketing Program.

2.22.1.3 Bookings/Reservations. As part of Group Services, Manager shall secure bookings for the Hotel through Manager's local, national and worldwide sales and reservations offices and other local, national and worldwide distribution and sales systems, and shall encourage the use of the Hotel by tourists, special groups, travel congresses, travel agencies, airlines, and other recognized sources of hotel business. Manager shall honor bookings made pursuant to the Room Block Commitment, except as otherwise expressly provided therein. Manager shall develop a local sales program, represent the Hotel at appropriate conventions and travel congresses, and list the Hotel in printings of general tariff bulletins. In addition, Manager shall process reservations for the Hotel through Manager's and its Affiliates' worldwide communications network. To facilitate Manager's provision of such reservations services, Corporation agrees that:

(i) Neither Corporation nor any Affiliate of Corporation shall maintain or use in connection with the Hotel any toll-free or similar telephone line or communications device for making reservations that is independent of the reservations telephone line or communications

device maintained by Manager or its Affiliates in connection with the worldwide communications network of Manager and its Affiliates. The toll-free reservations telephone line or similar telephone number or communications device for making reservations must be the only telephone reservations line or communications device for the Hotel. The Hotel must be listed in all airline reservations systems (which include what are known in the hospitality industry as Global Distribution Systems) under the applicable code for hotels and resorts operated under the "HILTON" name.

(ii) Throughout the Operating Term, Corporation shall permit Manager to load into the reservations system maintained by Manager and its Affiliates and to maintain, on a current basis, the Hotel's total rooms inventory and all associated room rates.

2.22.2 Required Representations. In connection with and as a condition to providing Group Services, Manager represents and warrants to Corporation and Trustee the following: (a) Group Services Fees and Charges for the applicable Group Services represent reimbursement of costs paid by Manager or its Affiliates to Unrelated Third Parties (including payments of salaries, wages, compensations and benefits payable to Manager's employees) for the reasonable and actual costs of providing such Group Services to the Hotel and all participating Other Hilton Hotels, which system wide costs may be determined using reasonable accounting procedures, applied on a consistent basis (which accounting procedures shall at all times comply with the requirements of Section 2.20 of this Agreement and may include carrying costs of facilities of Manager or its Affiliates), (b) the Group Services Fees and Charges for the applicable Group Services do not include any Direct or Indirect Profit to Manager or its Affiliates, (c) the allocation of the Group Services Fees and Charges among the Hotel and all participating Other Hilton Hotels will be based on fair, reasonable and equitable allocations established in accordance with reasonable accounting procedures, consistently applied (which accounting procedures shall at all times comply with the requirements of Section 2.20 of this Agreement), and (d) without limiting clause (c) preceding, the Hotel's allocated share and each participating Other Hilton Hotel's allocated share of Group Services Fees and Charges are and shall be determined using the same formula(s) (including fair, reasonable and equitable variables consistently applied). Manager shall indemnify and hold harmless Corporation and Trustee in its individual capacity and as Trustee for the benefit of the Bondholders from and against any and all damages, expenses, liabilities or obligations that arise out of a breach of any such representation and warranty.

2.23 Required Accounting. Within 120 days after the end of each Operating Year (or such later date as may be mutually agreed upon by Corporation and Manager), Manager shall furnish to Corporation and Trustee (a) a procedures letter from one or more independent public accountants, substantially in the form attached hereto as Exhibit X (the "*Annual Independent Accounting*" or the "*Report*"); and (b) a certificate from a senior officer of Manager, substantially in the form attached hereto as Exhibit X-1, to the effect that based on the Report and such other reasonable inquiry taken by Manager in the ordinary course of business, Manager has not received any Direct or Indirect Profit from the subject calendar year as a result of the Group Services Fees and Charges. Manager shall indemnify and hold harmless Corporation and the Trustee in its individual capacity and as Trustee for the benefit of the Bondholders from and against any and all damages, expenses, liabilities or obligations that arise out of Manager receiving any Direct or Indirect Profit described in this Section 2.23.

2.24 Hotel Marketing Program.

2.24.1 Development and Implementation of Hotel Marketing Program. In addition to affiliating the Hotel with the Group Services Marketing Program, Manager shall, for no additional fee or compensation, develop and implement a specific marketing program for the Hotel, following Manager's policies and guidelines, which will provide for the planning, publicity, internal communications, organizing, and budgeting activities to be undertaken, and which may include the following:

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(a) production, distribution, and placement of promotional materials relating to the Hotel, including materials for the promotion of employee relations;

(b) subject to budget limitations, development and implementation of promotional offers or programs that benefit the Hotel and are undertaken by Manager or by a group of Other Hilton Hotels that includes the Hotel;

(c) subject to budget limitations, attendance of Hotel Personnel at conventions, meetings, seminars, conferences, and travel congresses;

(d) subject to budget limitations, selection of and guidance to, as required, advertising agency and public relations personnel; and

(e) subject to budget limitations, preparation and dissemination of news releases for national and international trade and consumer publications.

2.24.2 Responsibility for Development of Marketing Plan. Development and implementation of the Hotel's individual marketing program will be accomplished substantially by Hotel Personnel, with periodic assistance from Corporate Personnel and Asset Manager with marketing sales expertise. Any such assistance rendered by Corporate Personnel shall be at no cost to Corporation or the Hotel for such Corporate Personnel's time, but Corporation shall pay for the reasonable Out-of-Pocket Expenses (which shall be Operating Expenses) incurred by Manager in connection with such assistance, subject, however, to the provisions of Section 2.18 of this Agreement. The program shall comply with Manager's sales, advertising, and public relations policies and corporate identity requirements, as they may be modified from time to time, except to the extent such cost is included in costs allocable to the Hotel and reimbursable to Manager under Section 3.4 of this Agreement. Such requirements currently include the following: (a) the "HILTON" logotype must be the only logotype or symbol used to identify the Hotel; (b) Corporation must obtain Manager's consent prior to publishing any Hotel advertising materials or implementing any advertising programs of its own; and (c) if required by Manager, the Hotel must participate in all promotional and marketing programs of Manager and its Affiliates for so long as they are continued. The cost of the development and implementation of the Hotel's marketing program shall be an Operating Expense, and the estimated costs for each Operating Year will be included in the Operating Plan and Budget for such Operating Year.

2.25 Automation. The Hotel shall utilize all automation systems necessary to enable the Hotel to function as any Other Hilton Hotel. Upon request, Manager will provide Corporation with a written list of Manager's Proprietary Software actually installed in the Hotel by or for Manager, and if requested by Corporation, Manager will request and use commercially reasonable efforts to obtain extensions of any software or information system licensing agreement for a period (not to exceed 90 days) following Termination of this Agreement. If the software or information system is owned by Manager or any of its Affiliates, then Manager (if requested by Corporation) will be under the absolute obligation to provide an extension of such software and information system for a period (not to exceed 90 days) following Termination of this Agreement and, in any event, for the entirety of the Transition Period, or if owned by a third party, only to the extent that Manager or its Affiliates is contractually permitted to permit Corporation to continue to use such software and information systems. In connection with any such extension, Corporation shall be required to execute Manager's standard grace period license agreement.

2.26 Purchasing.

2.26.1 National Vendors. In the performance of its obligations under Section 2.7 of this Agreement, Manager may elect to purchase the items described therein under vendor contracts available to

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Manager under the purchasing program of Manager and its Affiliates for so long as such a program is maintained. Notwithstanding the preceding sentence, Manager shall use its commercially reasonable efforts to purchase products from those vendors who have the needed items available, at the lowest price. In purchasing goods or services under the purchasing program of Manager or its Affiliates, Manager shall provide written evidence to Corporation that such goods and services and all costs and fees charged therefor are being furnished on terms and conditions (including payment terms, price, quality and time of delivery) that are not less favorable to Corporation than those generally obtained in the competitive, open market, and Corporation shall be entitled to decline participation in any contract with a National Vendor from which Manager or its Affiliates or related parties receives any payments or administrative fees if Manager is not able to provide such written evidence. Manager shall act in an economical manner in purchasing items for the Hotel, but, in selecting such items for purchase, Manager also shall be entitled to reasonably take into account the environmental consequences of its selections and the desirability of encouraging such things as recycling of materials. Manager represents and warrants that Manager will not use any National Vendor to supply goods and/or services to the Hotel if such use would result in Manager, or any Affiliate of or party related to Manager, receiving any Direct or Indirect Profit from any such use. Manager shall indemnify and hold harmless Corporation and the Trustee from and against any and all damages, expenses, liabilities or obligations that arise out of a breach of any such representation and warranty.

2.26.2 Local Vendors. Notwithstanding anything to the contrary in this Agreement, Corporation may suggest that any services that are provided by third party vendors, other than Group Services, be obtained from a local vendor (including minority owned business enterprises and women owned business enterprises), and Manager's consent to such request will not be unreasonably withheld if Corporation can demonstrate to Manager's reasonable satisfaction that such service can be provided in a more cost-efficient way through a reputable third-party identified by Corporation, and that the quality of the service will satisfy Manager's national quality requirements in Manager's reasonable discretion.

2.26.3 Affiliates. Manager may enter into contracts for goods and services with its Affiliates or Related Parties for goods and services normally provided by third party vendors, so long as (i) the contracts do not provide for a price in excess of the market price for such goods and/or services and the goods and/or services are of a quality that would be at least equivalent to that provided by an Unrelated Third Party contractor pursuant to an arms-length contract for the same price as is charged by the Affiliate or related party and (ii) such contracts do not result in any such Affiliate or Related Party receiving any direct or indirect profit by reason thereof. Manager does hereby indemnify and hold harmless Corporation and the Trustee from and against any and all damages, expenses, liabilities or obligations that arise out of a breach of clause (ii).

2.27 Hotel Parking. The Hotel includes the Hotel Unit's Parking Spaces which will accommodate at least 600 parking spaces for use by the Hotel (with the understanding that the Garage also includes additional spaces for use by others). Manager may engage a third party parking manager to manage and operate the Hotel Unit's Parking Spaces and the Garage related thereto; provided that (i) Corporation shall have the right to approve any such third party parking manager (which approval shall not be unreasonably withheld, conditioned or delayed), (ii) the third party parking management agreement will be in the form of a Qualified Management Agreement drafted by counsel selected by Manager and approved by Corporation and Bond Counsel, and (iii) the third party parking manager shall execute an assignment agreement with the Trustee and Corporation in substantially the form of the Hotel Assignment Agreement. All revenue generated by the Hotel Unit's Parking Spaces shall be included in Gross Operating Revenues and, all expenses incurred in connection with the management and operation of the Hotel Unit's Parking Spaces shall be included in Operating Expenses.

2.28 Compliance with Legal Requirements. Manager shall do or cause to be done all such acts and things in or about the Hotel that Manager, in good faith and exercising prudent commercial judgment,

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reasonably believes to be necessary to comply with Legal Requirements and Approvals. Manager shall endeavor to ensure that the business being conducted at the Hotel is in full compliance with all Legal Requirements that are applicable to the ownership or operation of the Hotel. If the cost of compliance is not a Capital Expense, the cost of compliance shall be an Operating Expense. If the cost of compliance is a Capital Expense, the cost shall be funded in the manner as provided in Section 2.19 of this Agreement. Notwithstanding any provision herein to the contrary, Manager shall, at its own expense, comply with all Legal Requirements with which Manager would be required to comply even if Manager was not a party to this Agreement. This Article shall not be construed to limit the right of either Corporation or Manager to contest the applicability of any Legal Requirements so long as such contest does not expose the other Party to material risk of criminal sanctions, or civil sanctions for which the other Party is not willing to fully indemnify.

2.29 Prohibition on Borrowing and other Credit Obligations. Other than the extension of credit to customers in the ordinary course of business and entering into contracts authorized under the preceding provisions of this Article 2, Manager shall not borrow any money or execute any credit obligation in the name and on behalf of Corporation or pledge the credit of Corporation without Corporation's prior written consent, which may be given or withheld in Corporation's sole discretion.

2.30 Minority Business Enterprises and Women Business Enterprises. Manager shall employ an openly advertised, competitive, and non-discriminatory process to select its contractors and consultants, consistent with the City Minority and Disadvantaged Business Ordinance, and to work with the City Office of Small Minority Business Resources to identify qualified minority and women owned firms.

2.31 Certain Limitations on Manager's Duties, Obligations and Rights.

2.31.1 Sufficient Funds. Notwithstanding anything else set forth in this Agreement, Manager's obligations, duties, covenants, agreements and responsibilities under this Agreement that require the expenditure of funds which constitute an Operating Expense, Capital Expense, (without duplication) fixed expenses under the Uniform System of Accounts, Taxes, Excluded Taxes and Other Charges (but only to the extent that Manager has deposited in the Lockbox Fund collections that are attributable to such Excluded Taxes and Other Charges) are subject to Sufficient Funds being available to Manager. Notwithstanding anything herein to the contrary, if there are not (or not reasonably anticipated to be based upon current cash flow forecasts) Sufficient Funds in the Hotel Lockbox Fund (or other funds that are available to Manager for the payment of Operating Expenses pursuant to the Indenture) for the payment of such Operating Expenses, and Corporation shall have failed to make additional funds available for the payment of such Operating Expenses within 30 days after receiving a written request therefor from Manager, then then Manager shall be permitted, but not obligated, to terminate this Agreement upon no less than 30 and no more than 90 days' prior written notice. Any such failure by Corporation to provide such additional funds shall not, however, not be considered an Event of Default of Corporation.

2.31.2 No Representations Concerning Insurance Coverage. In connection with any insurance coverage required or obtained under this Agreement, neither Manager nor its Affiliates makes any warranty or representation regarding the advisability, nature, or extent of the insurance coverages provided by Manager for the benefit of the Hotel and/or Corporation or any other insurance coverages that Corporation should consider for the protection of the Hotel and its operations.

2.31.3 Accuracy of Predictions in Financial Reports. Any and all financial projections and budgets prepared by Manager under this Agreement, including those contained in the annual Operating Plan and Budget, are to be prepared by Manager as accurately as is reasonably possible, using good faith, information then available to Manager and Manager's prudent business judgment. Any and all such financial projections and budgets are not to be independently relied upon by Corporation or any third party as to the

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results predicted therein, although Manager acknowledges that the same will be used by Corporation and given to Corporation's lenders and their financial, professional and legal advisors. Manager does not guarantee the accuracy of the projections and budgets, nor does it guarantee the results of such projections and budgets. Corporation acknowledges that Manager shall not be held responsible by Corporation for any divergence between such projections and budgets and actual operating results achieved, so long as such budgets are prepared by Manager in good faith and Manager, in the preparation of such budgets, uses prudent business judgment and all relevant information then available to Manager. In no event will this paragraph be construed to interfere in any way with Corporation's right to terminate this Agreement in the event of a failed Performance Test or an Event of Default by Manager or relieve Manager from any of its duties, obligations covenants, agreements, and responsibilities set forth in this Agreement.

2.31.4 Responsibility for Environmental, Construction and Other Real Property Issues. If any environmental, construction, or real property-related problem exists at the Hotel during the Operating Term and occurs or arises solely out of activities undertaken (a) prior to the Required Opening Date at the Hotel or on the Land or (b) after the Required Opening Date and caused by persons or entities other than Manager, Hotel Personnel or persons or entities providing services on the Land, Manager's management services under this Agreement shall not extend to management of any abatement or other correction of such problems, other than abatement and correction which costs $350,000 or less, oversight of and coordination with any environmental consultant. However, Manager agrees to extend its management services and engage the necessary parties to oversee any such abatement and correction which costs in excess of $350,000 if Corporation requests such services and Manager and Corporation are able to agree upon a fair, equitable and reasonable fee for such services. The cost to correct and abate any such problems shall be funded from (i) Hotel revenues in the Lockbox Fund, to the extent such costs constitute Operating Expenses or (ii) to the extent that such expenditures do not constitute Operating Expenses, from the Supplemental Renewal and Replacement Fund to the extent such costs constitute Capital Expenditures, or if funds are not sufficient from such sources, from any other source of funds available for the payment thereof under the Indenture (it being acknowledged that Manager may, but shall have no obligation to, request funds from the Operating Reserve Fund for the payment of such items pursuant and subject to Section 5.08(a) of the Indenture). If the Lockbox Fund is not sufficient to pay all such Operating Expenses, then the deficiency shall be paid first from the Excess Revenues Fund or the Cash Trap Fund (as the case may be) and then from the Operating Reserve Fund to the extent Manager requests such funds from the Operating Reserve pursuant to Section 5.08(a) of the Indenture. If the Supplemental Renewal and Replacement Fund is not sufficient to pay all such Capital Expenditures, then the deficiency shall be paid first from the Excess Revenues Fund or the Cash Trap Fund (as the case may be) and then from the Renewal and Replacement Fund. Notwithstanding the foregoing, except with respect to any environmental matters or matters relating to construction deficiencies at the Hotel or other items which the Design/Builder is responsible for under the Design/Build Agreement, if Manager determines that any such problem materially impairs or has the capacity to materially impair operations at the Hotel (including, without limitation, any problem which might result in negative publicity or lower occupancy rates), then Manager shall have the right and the obligation to consult with Corporation in pursuit of solutions to such problem and Manager may elect, at its option and if approved by Corporation, to assume management of such problem as part of its management duties and responsibilities under this Agreement for no additional compensation. Notwithstanding any provision or inference to the contrary herein contained, Manager, as part of its management services and for no additional compensation will be responsible for overseeing and managing the correction or abatement of any environmental, construction and real property-related problems which result from its management and operation of the Hotel, services provided to the Hotel after the Required Opening Date, or any such problem caused by Manager, Hotel Personnel or any contractors on the Land.

2.31.5 Release. Corporation hereby unconditionally releases Manager and its Affiliates, and their respective officers, trustees, directors, employees, partners, attorneys, agents, and assigns from any and all actual or threatened claims, liabilities, detriments, counterclaims, liens, controversies,

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agreements, executions, debts, covenants, causes of action, actions, demands, losses, damages, judgments, costs, expenses, and obligations, whether now existing or hereafter arising, and whether known, unknown, fixed, contingent, or otherwise, direct or indirect, at law or in equity (including, without limitation, attorneys' fees) arising from or related to any matter for which Manager is expressly relieved of liability pursuant to Sections 2.30.1 through 2.30.4 hereof.

2.32 Asset Manager. Manager acknowledges that Corporation is required pursuant to the terms of the Indenture to retain an Asset Manager to perform the duties and responsibilities as set forth in Section 7.24(e) of the Indenture. Manager hereby recognizes that the Asset Manager is an authorized representative of Corporation with respect to the Hotel and agrees to consult with and cooperate in good faith with Asset Manager as Corporation's designated representative, at minimum, to the extent set forth in the Indenture.

2.33 Mandatory Guest Fees. Before Manager assesses any Mandatory Guest Fees at the Hotel, Corporation shall be first required to execute an acknowledgment, in form mutually and reasonably agreed upon by Corporation and Manager, authorizing and directing Manager to charge such Mandatory Guest Fees.

Article 3
Fees and Expenses

3.1 Management Fee

3.1.1 Obligation for Management Fees. In consideration for performing all of its management, administrative, oversight, cooperation and coordination services under this Agreement, Corporation shall pay a "*Management Fee*" for such period of time, consisting of a "*Base Management Fee*" equal to 3% of Gross Operating Revenues for the applicable Operating Year and a "*Subordinate Management Fee*" of up to 1% of Gross Operating Revenues for the applicable Operating Year, subject to the conditions set forth in Section 3.1.3 hereof.

Corporation and Manager agree that, except for the Management Fee, Group Services Fees and Charges, and Reimbursable Expenses, Manager shall not be entitled directly or indirectly to any other fees or compensation in connection with the delivery of services which Manager is required to provide to the Hotel pursuant to this Agreement. All such fees shall be treated as Operating Expenses except the Subordinate Management Fee which, so long as any Bonds remain Outstanding under the Indenture, shall be subordinate to payment of Debt Service on all Outstanding Bonds and payable solely from amounts rightfully on deposit in the Subordinate Management Fee Fund held by the Trustee under the Indenture.

3.1.2 Payment of Base Management Fee. The Base Management Fee for each month shall be paid, in arrears, concurrently with the delivery of the monthly report under Section 2.20.2. Corporation hereby authorizes Manager to withdraw the monthly installment of the Base Management Fee on such date from the Lockbox Fund. If the aggregate monthly Base Management Fees paid during an Operating Year either exceeds or are less than the Base Management Fee shown in the Certified Financial Statements of Corporation relating to the Hotel contemplated by Section 2.20.3, then Manager shall deposit into, or withdraw the amount of such overpayment or underpayment, as the case may be, from the Hotel Accounts. Any overpayments of the Base Management Fee required to be repaid by Manager shall not be subject to any right of offset of Manager for any other amounts owed to or claimed by Manager hereunder.

3.1.3 Subordinate Management Fee. Manager will qualify for a Subordinate Management Fee of 1% of Gross Operating Revenues for the applicable Operating Year, subject to Hotel achieving the REVPAR Performance Standard in such Operating Year.

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For the avoidance of doubt, the Subordinate Management Fee shall continue to be payable to Manager in the event of an equitable adjustment of the REVPAR Performance Standard for any Operating Year pursuant to Section 4.5.3.2 hereof.

3.1.4 Payment of Subordinate Management Fee. Manager shall be paid the Subordinate Management Fee semiannually, as accrued through each Interest Payment Date on the Business Day immediately following such Interest Payment Date (based on the then-current projected amount of the Subordinate Management Fee) from amounts then on deposit in the Subordinate Management Fee Fund (the "*Semi-Annual Installment*"). Manager shall be permitted to request payment of the Subordinate Management Fee pursuant to Section 5.17(c) of the Indenture. To the extent that funds are not available in the Subordinate Management Fee Fund for the payment of any Semi-Annual Installment(s) when due, such amounts shall be deferred ("*Deferred Installment(s)*"), and shall be payable (together with any interest thereon, as set forth below) as and when funds become available in the Subordinate Management Fee Fund. Deferred Installments shall earn interest equal to the lesser of (i) Prime Rate, plus 1.5%, and (ii) the maximum rate of interest permitted by law, including, without limitation Section 2251.025, Texas Government Code. Deferred Installments shall be paid with priority being given to the longest-accrued Deferred Installments, and shall be paid prior to any current/undeterred Semi-Annual Installments. Notwithstanding any of the foregoing or in the Indenture to the contrary, Corporation will be required to pay all Subordinate Management Fees (including interest thereon) no later than five years after the original due date thereof. Manager shall be entitled to reimbursement of any earned and unpaid Subordinate Management Fees (including interest thereon) upon expiration or an early Termination of this Agreement through the date of such expiration or Termination. Such amounts shall be payable regardless of whether funds are available therefor in the Subordinate Management Fee Fund. Notwithstanding any provision to the contrary herein contained, the Subordinate Management Fee is subordinate and inferior in priority to the payment of Debt Service. To the extent there are sufficient funds in the Subordinate Management Fee Fund, Manager shall be paid the first semi-annual payment of the Subordinate Management Fee Fund if the year to date REVPAR of the Hotel is at or above the REVPAR Performance Standard on the date when such semi-annual payment is due. In the event Manager has received payment of any portion of the Subordinate Management Fee with respect to any Operating Year in which the REVPAR Performance Standard is not met, then Manager shall promptly return such portion of the Subordinate Management Fee payment to Trustee for deposit into the Subordinate Management Fee Fund. Furthermore, if the aggregate Subordinate Management Fees paid during an Operating Year either exceed or are less than the Subordinate Management Fee shown in the Certified Financial Statements of Corporation relating to the Hotel contemplated by Section 2.20.3, then Manager shall either (i) deposit with the Trustee such overpayment for deposit into the Subordinate Management Fee Fund, or (ii) have the right to request such underpayment from the Subordinate Management Fee Fund to the extent there are sufficient funds therein. Any overpayments of the Subordinate Management Fee required to be repaid by Manager shall not be subject to any right of offset of Manager for any other amounts owed to or claimed by Manager hereunder. For the avoidance of doubt, at any point after the Bonds are no longer Outstanding, any Subordinate Management Fee due and payable on a semi-annual basis will be paid in the same manner as described herein from the Lockbox Fund. In the event this Agreement terminates prior to year-end for any reason, Manager shall be entitled to payment of any accrued and unpaid Subordinate Management Fee through the date of expiration or termination to the extent that the REVPAR Performance Standard is being met at the time of such expiration or termination. For purposes of payment of the Subordinate Management Fee earned from the Effective Date through December 31, 2020, the REVPAR Performance Standard will be determined with reference to the full 2020 Operating Year (as opposed to measuring whether such REVPAR Performance Standard was met based on the period of time from the Effective Date through December 31, 2020).

3.1.5 Employee Performance Payments.

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3.1.5.1 Reference is made to the Additional Management Fee set forth in Section 3.1.4 of the Original Management Agreement. As of the Effective Date, Manager acknowledges that it is in possession of $[_____] representing the Additional Management Fee earned through the Effective Date. Bonus for Eligible Employees (as defined in the Original Management Agreement) relating to the 2020 Operating Year shall be paid solely from the Additional Management Fee. Manager shall be entitled to retain any such Additional Management Fee not otherwise applied toward such Bonuses.

3.1.5.2 Starting with bonuses relating to the 2021 Operating Year and thereafter, all bonuses of Eligible Employees shall be treated as an Operating Expense. Such total bonuses will be included in the annual Operating Plan and Budget and shall be paid as an Operating Expense from amounts in the Lockbox Fund prior to any distributions of any funds to the Trustee pursuant to the Cash Management Agreement. Manager shall further be permitted to reserve approximately 1/12th of the anticipated total bonus payments due on a monthly basis in order to avoid a potential cash shortfall caused by the yearly bonus payouts. Manager will reasonably adjust any such accruals on a quarterly basis based on actual Hotel performance during the applicable Operating Year.

3.1.5.3 Corporation and Manager hereby acknowledge the terms and provisions of Exhibit G which are incorporated herein by reference. If Manager desires to modify the Original Metrics set forth in Attachment I, it will notify Corporation as part of the yearly Budget approval process and provide Corporation will reasonable information regarding the proposed Changed Metrics. To the extent Corporation agrees with such Changed Metrics as part of the yearly Budget approval process, such Changed Metrics will not constitute, under existing law regulations, rulings and court decisions, a violation of Section 2.1.3 hereof. Corporation agrees, in addition, that any court decision that incentive compensation payments based on factors substantially similar to the Changed Metrics do result in a share of net profits of a managed facility for purposes of Section 141 of the Internal Revenue Code shall not constitute a breach by Manager under this Agreement or subject Manager to any liability under this Agreement.

3.2 Group Services Fees and Charges.

3.2.1 Hotel's Share of Group Services Fees and Charges. Manager and its Affiliates shall be entitled to be paid for Hotel's pro rata share of Group Services Fees and Charges, which pro rata share shall be determined and allocated in the same manner as is the pro-rata share for all Other Hilton Hotels. If equipment and/or software is installed and maintained at the Hotel in connection with the provision of any Group Services, the costs thereof will be paid subject to the limitations of this Agreement with respect to the applicable approved Operating Plan and Budget or the applicable approved Capital Budget, as the case may be.

3.2.2 Payment of Group Services Fees and Charges. The Group Services Fees and Charges shall be paid monthly in arrears during the Operating Term as an Operating Expense. Each time that Manager withdraws funds pursuant to the Cash Management Agreement for the payment of Group Services Fees and Charges, Manager shall be deemed to have made the representations set forth in Section 2.22.2 to each of Corporation and Trustee.

3.3 Intentionally Omitted. .

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3.4 Reimbursable Expenses.

3.4.1 Reimbursable Expenses Defined. Subject to the limitations of the Cash Management Agreement, the applicable provisions of the Indenture and the Operating Plan and Budget (with such deviations therefrom that are expressly permitted pursuant to the terms of this Agreement), Manager shall be entitled to reimburse itself from the Lockbox Fund for all reasonable Out-of-Pocket Expenses incurred by Manager and paid to non-Affiliates (and, if permitted under this Agreement, Affiliates of Manager) that were incurred in the ordinary course of managing the Hotel pursuant to this Agreement (collectively, "*Reimbursable Expenses*"), including the following (subject, however, to the limitations of the applicable Operating Plan and Budget and any limitations set forth below):

(a) all Hotel Personnel Costs incurred in accordance with standard personnel policies applicable to Other Hilton Hotels (as they may be amended from time to time) with respect to any Hotel Personnel employed directly by Manager or its Affiliates including, for the avoidance of doubt, the Hotel Personnel Costs contemplated in Section 3.1.5.2 related to bonus payments;

(b) the per diem rate of pay and benefits for personnel of Manager or its Affiliates not employed at the Hotel and assigned to special projects for the Hotel or traveling on assignment for the specific benefit of the Hotel, which per diem rate shall not exceed the per diem agreed to in the applicable Operating Plan and Budget;

(c) all reasonable Out-of-Pocket Expenses incurred by Manager directly in connection with its management of the Hotel for the specific benefit of the Hotel;

(d) Group Services Fees and Charges payable under Section 3.2 of this Agreement;

(e) the Hotel's properly and reasonably allocated share of all costs and charges payable or incurred to third parties in connection with the provision of Group Services in accordance with this Agreement or for independent third party consultants rendering services to the Hotel regularly used by Hilton in the operation of Other Hilton Hotels; and

(f) all taxes and similar assessments (other than sales taxes and Manager's income taxes) levied against any fees or reimbursements payable to Manager under this Agreement for expenses incurred for Corporation's account.

Manager shall keep good and adequate records (including invoices and statements) to evidence that Manager incurred and paid the Reimbursable Expenses and such records shall constitute a part of the books and records of Corporation.

3.5 Payment of Reimbursable Expenses. Until the Bonds are no longer Outstanding, Reimbursable Expenses properly documented in accordance with Section 3.4.1 hereof shall be paid as Operating Expenses in accordance with the Cash Management Agreement, with the understandings that (a) Reimbursable Expenses shall be subject to the provisions of Section 3.3 of this Agreement and (b) any Reimbursable Expenses in excess of amounts available in the Lockbox Fund shall be paid to Manager from the Operating Reserve Fund (and, if the Operating Reserve Fund is insufficient, then the insufficiency shall be paid from the Excess Revenues Fund or the Cash Trap Fund) within 30 days after Manager delivers to Corporation of a request in the form of Exhibit J attached hereto, supported by invoices and statements evidencing the applicable Reimbursable Expenses, provided the same is consistent with the applicable terms and conditions of this Agreement and provided there are sufficient funds in the Operating Reserve Fund, the Excess Revenues Fund, and the Cash Trap Fund. If there are not Sufficient Funds in the Operating

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Reserve Fund, the Excess Revenues Fund and the Cash Trap Fund within the required 30-day period and the Bonds are still Outstanding, then, without otherwise limiting Manager's termination right set forth in Section 2.31.1, any Reimbursable Expenses shall be paid as soon as there are funds in the Lockbox Fund, the Operating Reserve Fund, the Excess Revenues Fund or Cash Trap Fund and any amounts not paid shall bear interest as provided in Section 12.25 hereof until paid. After the Bonds are no longer Outstanding, any Reimbursable Expenses in excess of amounts available in the Lockbox Fund shall be paid within 30 days of the delivery to Corporation of an invoice evidencing the applicable Reimbursable Expenses.

3.5.1 Required Representations. In connection with and as a condition to being paid Reimbursable Expenses, Manager represents and warrants to Corporation and Trustee the following: (i) Reimbursable Expenses represent reimbursement of costs paid by Manager or its Affiliates to Unrelated Third Parties (including payments of salaries, wages, compensations and benefits payable to Manager's employees) for the reasonable and actual costs of providing services, supplies, goods, products or equipment hereunder to the Hotel and all participating Other Hilton Hotels, (ii) the Reimbursable Expenses do not include any Direct or Indirect Profit received by Manager or an Affiliate of Manager, (iii) to the extent Reimbursable Expenses represent an allocation of costs between the Hotel and Other Hilton Hotels, the allocation of the Reimbursable Expenses among Hotel and all participating Other Hilton Hotels are based on fair, reasonable and equitable allocations established in accordance with reasonable accounting procedures, consistently applied (which accounting procedures shall at all times comply with the requirements of Section 2.20.1), and (iv) without limiting clause (iii) preceding, the Hotel's allocated share and each participating Other Hilton Hotel's allocated share of any such allocated Reimbursable Expenses are and shall be determined using the same formula(s) (including fair, reasonable and equitable variables consistently applied). Manager shall indemnify and hold harmless Corporation and the Trustee in its individual capacity and as Trustee for the benefit of the Bondholders from and against any and all damages, expenses, liabilities or obligations that arise out of a breach of any such representation and warranty.

3.6 Clearing Bank Account. As part of the process of depositing all Gross Operating Revenues into the Lockbox Fund, Manager may also establish and maintain one or more authorized clearing account or accounts for the purpose of obtaining for the Hotel the most favorable terms available for settling electronic transactions effected with bank and non-bank credit cards; provided, however, that the discount and other fees charged by any such bank as well as payment terms must be competitive with the charges for such services and timeliness of payment prevailing among banks in the Hotel's market area and provided further that Manager shall notify Corporation and Trustee in writing of the name and location of each banking institution at which Manager maintains such authorized accounts, together with such information as Corporation shall reasonably request in order to permit a security interest to be established in such account or accounts. During the entire Operating Term, Manager may deposit during each Business Day all Gross Operating Revenue (in excess of the Petty Cash Amount retained at the Hotel) into the Clearing Bank Accounts or the Lockbox Fund. Manager shall transfer funds in the Clearing Bank Accounts at the end of each Business Day into the Lockbox Fund, pursuant to the Cash Management Agreement.

3.7 Deposit of Gross Operating Revenues into Lockbox Fund. Corporation shall deposit (or cause to be deposited) all Gross Operating Revenues calculated on a cash basis (less the Petty Cash Amount) into the Lockbox Fund directly or through Clearing Bank Accounts, pursuant to the Indenture and the Cash Management Agreement. Manager shall have access to the Operating Costs Set Aside Amount as provided in the Cash Management Agreement.

3.8 Payment of Operating Expenses. At all times during the Operating Term, Manager shall have the right to withdraw funds from the Lockbox Fund solely for the purpose of paying Operating Expenses including, without limitation, (i) amounts then due and owing pursuant to the terms of any Short Term Indebtedness then outstanding; (ii) intentionally omitted; and (iii) the Base Management Fee then due and owing. Manager shall further have the right to requisition funds for the payment of Operating Expenses

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from the Operating Reserve Fund and such other funds established under the Indenture as expressly authorized under the terms and conditions of the Indenture. During the occurrence and continuation of an Event of Default hereunder, Manager shall provide a weekly report to Corporation summarizing all Operating Expenses paid during each week to Corporation and, if requested by the Trustee, to the Trustee. All persons whom Manager authorizes as signatories shall conduct themselves in accordance with Manager's standard accounting policies and practices. Manager shall establish controls reasonably satisfactory to Corporation to ensure control over and accurate reporting of all transactions involving such accounts (including fidelity bonding for all persons handling cash) and the administration of all such accounts shall be subject to the requirements of any Mortgagee.

3.9 Funds, Accounts and Disbursements After Redemption of all Bonds. At such time as no Bonds are Outstanding, the limitations on Corporation's funding obligations described in Section 3.10 of this Agreement (among other places in this Agreement) shall terminate. At such time, Corporation and Manager shall execute an amendment to this Agreement and enter into a replacement cash management agreement in form and substance reasonably acceptable to the Parties, with respect to the collection of revenues and administration of funds for the operation of the Hotel, including such reserve funds and accounts as may reasonably necessary for the operation and maintenance of the Hotel (collectively, the "*Post-Financing Amendments*"), it being acknowledged that (a) Manager will (i) continue to control the Hotel accounts, (ii) be the sole signatory on the Hotel accounts, (iii) have the unrestricted right to pay Operating Expenses (including any Reimbursable Expenses) from such Hotel accounts, and (iv) have the right to hold back reasonable working capital prior to the distribution of any funds to Corporation and maintain the Operating Reserve which shall be replenished up to the Operating Reserve Requirement prior to distribution of any funds to Corporation and (b) there shall continue to be maintained the Renewal and Replacement Fund and Supplemental Renewal and Replacement Fund with ongoing contributions equal to the applicable set aside amounts relating to such funds. Notwithstanding the foregoing to the contrary, neither Party shall be permitted to unreasonably withhold its acceptance of and agreement to the Post-Financing Amendments, or condition the same upon any other amendments or modifications to the terms of this Agreement.

3.10 Limitation on Corporation's Obligations While Bonds Remain Outstanding. Notwithstanding anything contained herein to the contrary, Manager acknowledges that Corporation shall have no responsibility or liability for Trustee's failure to honor any requests of Corporation to disburse amounts from any of the Funds pursuant to the Indenture, but Corporation shall use commercially reasonable efforts to enforce Trustee's obligations under the Indenture. Notwithstanding anything in this Agreement to the contrary, Manager acknowledges and agrees that, until no Bonds remain Outstanding, the only funds which Corporation shall be obligated to use to pay any sums due hereunder (without otherwise limiting Manager's termination right set forth in Section 2.31.1, shall be the following (and then only to the extent such funds are made available to Corporation to pay sums due hereunder and also subject to the limitations contained in and the rights of Trustee under the Bond Documents): (a) the Operating Costs Set Aside Amount that is to be funded as provided in Section 3.7 hereof, which Operating Costs Set Aside Amount shall be used solely for the purpose of paying Operating Expenses; (b) Gross Operating Revenues (including any Gross Operating Revenues in the Operating Reserve, Renewal and Replacement Reserve, Supplemental Renewal and Replacement Reserve, Cash Trap Fund, Excess Revenues Fund, Lock Box Fund and/or Clearing Bank Accounts), all of which shall be used in accordance with this Agreement, the Cash Management Agreement and the Indenture; (c) insurance and condemnation proceeds received by Manager, Corporation or Trustee for events that occur during the Operating Term, which proceeds shall be used in accordance with and only for the purposes set forth in Article 7 hereof. In light of the foregoing, Corporation hereby recognizes that Manager's remedy at law for damages is inadequate and agrees that Manager shall have the right to seek any equitable action (which does not violate the foregoing provisions), including, without limitation, temporary restraining orders and injunctive relief to enforce Corporation's obligations under this Agreement.

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3.11 Certain Representations. Manager and Corporation represent that the Management Fee and the Termination Fee were negotiated at arm's length and, given the terms of this agreement, are reasonable.

3.12 No Personal Liability. Trustee shall have no personal liability for the payment of any amounts hereunder, the breach of any duties, obligations, covenants, agreements, responsibilities or representations contained herein. Additionally, Manager agrees that it shall look solely to Corporation's and Trustee's interest in the Hotel and related revenues and funds for the payment and performance of such duties, obligations, covenants, agreements, responsibilities and representations. Without limiting the foregoing, to the extent Corporation's and Trustee's interest in the Hotel and the various revenues and funds described herein are not sufficient to satisfy any liability of Corporation hereunder or otherwise or any judgment entered against Corporation or Trustee, neither Corporation nor Trustee shall be liable for such deficiency.

Article 4
Term and Termination

4.1 Term. The term of this Agreement shall commence on the Effective Date and end on December 31, 2041 (the "*Term*" or "*Operating Term*"), unless earlier terminated in accordance with the terms hereof. The provisions of the Original Agreement (after giving effect to the amendments to the applicable terms in the Original Agreement set forth herein) shall determine the rights, remedies, powers, privileges, liabilities and obligations of Manager and Corporation relating to periods prior to the Effective Date.

4.2 Events of Default by Manager. An Event of Default shall occur with respect to Manager if and only if:

(a) without limiting other provisions of this Section 4.2, Manager breaches or fails to perform any covenant or agreement made by Manager hereunder and fails to cure such breach or failure within 120 days after Manager's receipt of a written notice from Corporation, the Trustee or the Asset Manager specifying the breach or failure to perform;

(b) Manager fails to pay, on the due date thereof, Taxes, Gross Receipts Taxes, or withholding or other employment related taxes; provided, however, that if Manager is contesting the amount of such items in good faith, Manager may withhold payment of the disputed amount until the earlier of 120 days after the payment's due date or the date on which the failure to make full payment would result in the assessment of interest or penalties or the imposition of a lien or other restriction upon the Hotel, or would otherwise have an adverse effect upon the Hotel or Corporation;

(c) Manager fails to pay Insurance Costs when due, or permits the insurance coverages required by this Agreement to lapse for any reason;

(d) Corporation determines, after consultation with Bond Counsel, that, due to Manager's actions in contravention with the terms of this Agreement or failure to act in accordance with the terms set forth herein, this Agreement does not constitute a Qualified Management Agreement; provided however, that if such actions or failure to act can be cured within 30 days of notice thereof to Manager, and Bond Counsel is of the opinion that the interest on the Bonds will not be includible in gross income of the holders thereof for federal income tax purposes during such 30 days, then Manager shall have 30 days to cure such default;

(e) Manager defaults under the Room Block Commitment beyond any applicable grace periods set forth therein;

(f) Manager fails to pay any amounts due to Corporation (including, without limitation, any amounts owed to Corporation under an indemnity, hold harmless or reimbursement clause contained herein) on the date required hereunder and such failure continues for a period of 30 days after Manager receives written notice thereof;

(g) Manager fails to deposit cash receipts, checks, money orders and the like into the Clearing Bank Accounts or Lockbox Fund as soon as is reasonably practicable and such failure continues for a period of five days;

(h) Manager fails to deliver its Unaudited Annual Report within the time required under Section 2.20.3 hereof, and such failure continues for a period of 30 days after Manager receives written notice thereof;

(i) Any Liquor Licenses are revoked or terminated or otherwise declared ineffective by the applicable governmental authority and is not fully restored within 30 days after revocation of such declaration;

(j) any representation or warranty made by Manager herein is false or misleading in any material respect and (a) there is no reasonable action which Manager could take to cause such representation or warranty to be true, correct and not misleading in all material respects within 30 days after receiving written notice thereof or (b) if such a reasonable action exists, Manager fails to have caused such representation or warranty to be true, correct and not misleading in all material respects prior to the end of such 30-day period;

(k) Manager makes a representation or warranty to Corporation hereunder knowing that such representation or warranty is not true or is misleading in a material respect and as a result thereof, Corporation or Trustee suffers damage;

(l) Manager assigns or purports to assign this Agreement or any of its rights hereunder in violation of the provisions of Section 9.1.1 or 9.2.2 of this Agreement;

(m) Manager fails to continuously operate the Hotel during the Operating Term, seven days a week, twenty four hours a day, provided that the failure to continuously operate did not occur by reason of any of the following: (i) Force Majeure Event; (ii) lack of Sufficient Funds for (A) Operating Expenses, (B) Capital Expenses for budgeted Capital Improvements and FF&E, unbudgeted (but approved) Capital Improvements or an Emergency, (C) Taxes, Excluded Taxes and Other Charges (but only to the extent that Manager has deposited in the Lockbox Fund collections that are attributable to such Excluded Taxes and Other Charges), or (D) Insurance; (iii) breach by Corporation of its obligations hereunder, or a breach by Trustee of the agreements and obligations pursuant to Article 10 of the Indenture; or (iv) as a result of Manager's implementation of a Hotel Consultant's recommendation; and further provided that the closing of the shops, restaurants and lounges after normal business hours for shops, lounges and restaurants, respectively, shall not constitute an Event of Default;

(n) any of the following occur or exist:

(i) Manager files a voluntary case concerning itself under the Bankruptcy Code;

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(ii) an involuntary case is filed against Manager under the Bankruptcy Code, and such involuntary case is not dismissed within 90 days after the filing thereof;

(iii) the appointment of a custodian (as defined in the Bankruptcy Code) or a receiver for, or a custodian or receiver taking charge of all or any substantial part of the property of Manager, and such appointment is not revoked or dismissed within 90 days after such appointment is made;

(iv) Manager commences any proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect, or any such proceeding is commenced against Manager and is not dismissed within 90 days after the commencement thereof;

(v) Manager is adjudicated insolvent or bankrupt;

(vi) Manager makes a general assignment of its assets for the benefit of creditors;- Manager calls a general meeting of substantially all of its creditors (either in number or in amount) with a view to arranging a composition or adjustment of its debts;

(vii) all or any substantial part of the property of Manager is attached, and such attachment or levy is not released within 90 days thereafter;-Manager indicates in writing its consent to, approval of, or acquiescence, in any of the foregoing; or

(viii) if Manager is a corporation or partnership, Manager takes any corporate or partnership action for the purpose of effecting any of the foregoing.

Notwithstanding any provision to the contrary herein contained, if (i) the cure periods provided to Corporation under the Indenture are less than the cure periods granted herein (including the time periods contained in Section 4.4.1 herein), the cure periods granted herein shall be deemed reduced to be 15 days less than the cure periods provided for under the Indenture; and (ii) Manager is able to demonstrate to the reasonable satisfaction of Corporation and the Asset Manager that either (a) such default is the direct result of following the Hotel Consultant's written recommendation and would not have occurred but for Manager's following the written recommendation of such Hotel Consultant, (b) such default is the result of there not being Sufficient Funds or (c) such default is a direct result of Corporations failure to materially comply with the terms of this Agreement or reasonably cooperate in a manner necessary for Manager to perform its obligations hereunder, then such default shall not constitute an Event of Default herein. If Manager claims that a breach or failure to perform by Manager would not have occurred but for Manager following the recommendations of a Hotel Consultant and Corporation and Asset Manager disagree with such claim by Manager, then either Party may, by delivering written notice of its requirements for arbitration to the others, require that the disputed matter be submitted to arbitration pursuant to Article 10 of this Agreement. Manager shall keep Corporation and the Asset Manager informed, in writing, of all actions that Manager is taking in order to cure a breach or failure and to satisfy the requirements regarding commencing, pursuing and curing the applicable breach or failure, including, without limitation, satisfaction of time lines regarding the proposed cure and satisfaction of the curative procedure and steps.

4.3 Event of Default by Corporation. An Event of Default shall occur with respect to Corporation if and only if:

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(a) without limiting other provision of this Section 4.3, Corporation breaches or fails to perform any covenant or agreement made by Corporation hereunder and fails to cure such breach or failure within 120 days after Corporation's receipt of written notice from Manager specifying the breach or failure to perform;

(b) Corporation fails to pay any money owed to Manager within the time required hereunder (including, without limitation, any amounts owed to Manager under an indemnity, hold harmless or reimbursement agreement contained herein) and such failure continues for a period of 30 days after Manager delivers written notice to Corporation specifying such failure; or

(c) any representation or warranty made by Corporation hereunder is false or misleading in any material respect and (i) there is no reasonable action which Corporation could take to cause such representation or warranty to be true, correct and not misleading in all material respects within 30 days after receiving written notice thereof or (ii) if such a reasonable action exists, Corporation fails to have caused such representation or warranty to be true, correct and not misleading in all material respects prior to the end of such 30-day period, and in either case, Manager is materially damaged as a result of such false or materially misleading representation or warranty.

4.4 Rights and Remedies of Non-Defaulting Party.

4.4.1 Remedies. Upon the occurrence of an Event of Default by Manager or Corporation, the non-defaulting Party shall have the right, but not the obligation, to terminate this Agreement by giving written notice to the other Party specifying a date, no earlier than 25 days (subject in all respect to Section 2.21.3) and no later than 75 days after the giving of such notice, when the Agreement shall terminate. Such advance notice requirement shall run concurrently with, and not in addition to, any applicable cure periods to which the defaulting Party is entitled under this Agreement for such Event of Default. In addition to its right of Termination, the non-defaulting Party shall be entitled to pursue all other remedies available to it under Legal Requirement as a result of such Event of Default. At the same time Manager delivers a notice to Corporation, including without limitation any notice to Corporation under Section 4.3 of this Agreement, Manager shall provide Trustee with a copy of the notice, including any notice, of a default (failing which the notice of default to Corporation shall be deemed ineffective) and Trustee shall have the right but not the obligation to cure any such default to the same extent and for the same period of time afforded to Corporation to cure such default under Section 4.3 of this Agreement and no longer except as otherwise provided in the Hotel Assignment Agreement or the Subordination Agreement then in effect. Manager shall have no personal liability to Corporation for any failure to deliver (or delay in delivering) any such notice of default to Corporation and Trustee, however, Corporation's and Trustee's time period for cure of any default shall not commence until a copy of such notice of default is delivered to both Corporation and Trustee, and Manager shall not exercise its right to terminate this Agreement under this Section 4.4 until the applicable cure period has elapsed; provided that if one or more additional defaults shall occur during the cure period for a default, the cure period for each of the later defaults shall be each cure period applicable to each such default and not the cure period applicable to any other default. Manager shall accept any performance by the Trustee of any of Corporation's covenants or agreements under this Agreement, and any cure of Corporation's defaults, as if performed by Corporation. If Corporation's default is one that cannot be cured by Trustee's payment of money, then until such time as Trustee has obtained possession of the Hotel from Corporation or exercised such other remedy which would allow the Trustee to cure Corporation's defaults, the time period which Trustee shall have to cure Corporation's default shall be extended by the time necessary for Trustee to obtain possession of the Hotel or take such action, as the case may be, plus a reasonable time thereafter (but not to exceed 90 days), provided Trustee is diligently pursuing such actions.

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4.4.2 Manager's Source of Payment. Any damages owed to Manager by Corporation shall be satisfied solely out of Corporation's interest in the Hotel, from the Hotel's Gross Operating Revenues, from the various funds described herein or from any net sales proceeds received by Corporation upon the sale of the Hotel; subject in all respects, however, to the terms of Hotel Assignment Agreement, for so long as the Bonds are Outstanding. So long as any unpaid damages are owed to Manager, such damages shall constitute an ongoing claim against such assets.

4.5 Performance Termination.

4.5.1 Right to Terminate. In addition to any Termination right that Corporation has pursuant to Section 4.4 of this Agreement, but subject to Sections 4.5.3 and 4.5.4 of this Agreement, Corporation shall have the right to terminate this Agreement with any consent required pursuant to the terms of the Indenture so long as any Bonds remain Outstanding, if with respect to two out of any three consecutive Operating Years during the Performance Test Period, both the Debt Service Coverage Requirement and the REVPAR Performance Standard are not satisfied (each such event a "*Performance Termination Event*").

4.5.2 Competitive Set. The Competitive Set shall be maintained in keeping with the requirements of the Indenture. The initial Competitive Set shall consist of (in addition to the Hotel): (i) the Hilton Garden Inn Austin Downtown, (ii) the Hyatt Regency Austin, (iii) the Omni Austin Downtown, and (iv) the Sheraton at the Capital. The Competitive Set shall be subject to change from time to time as mutually agreed upon by the Parties so as to include a group of at least five hotels in the downtown Austin market that are most comparable to the Hotel in quality, price and market segment (with due consideration given to age, quality, number of guest rooms, room size, facilities, meeting space accommodations and business mix); provided, however, other than the Austin Marriott Downtown, no hotel may be added to the Competitive Set if such hotel has been in operation for less than 36 months.

In connection with a removal or addition of a hotel or hotels to the Competitive Set, either Party may also request that the percentage set forth as the REVPAR Performance Standard be equitably adjusted to account for any changes in the Competitive Set as and when the same shall come into effect. If Corporation and Manager are unable to agree as to (i) an equitable adjustment of the percentage threshold set forth in the definition of "REVPAR Performance Standard" or (ii) the replacement of a Hotel in the Competitive Set, to comply with the foregoing requirements, such determination will be made by an independent nationally recognized hospitality industry consultant that is mutually acceptable to Corporation and Manager and otherwise qualified to be a Hotel Consultant. Terms for selection of a qualified Hotel Consultant shall be agreed upon by both Parties.

Without limiting the generality of the foregoing, Manager may request that the REVPAR Performance Standard be equitably adjusted if the Convention Center Expansion is not substantially completed by December 31, 2027 and, in Manager's judgement, such event results in an oversupply in downtown Austin market. If Corporation and Manager are unable to agree as to an equitable adjustment to the REVPAR Performance Standard, such determination will be made by an independent nationally recognized hospitality industry consultant that is mutually acceptable to Corporation and Manager and otherwise qualified to be a Hotel Consultant. Terms for selection of a qualified Hotel Consultant shall be agreed upon by both Parties.

The Parties specifically acknowledge that the Austin Marriott Downtown is anticipated to open across from the Convention Center in 2020. The Parties agree that upon the Austin Marriott Downtown opening, the Competitive Set will be automatically modified to consist of (in addition to the Hotel): (i) the Austin Marriott Downtown, (ii) Hyatt Regency Austin, (iii) Omni Austin Downtown, (iv) Westin Austin Downtown and (v) Fairmont Austin.

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4.5.3 Exceptions to Performance Termination Event.

4.5.3.1 Limited Right to Avoid Performance Termination Event under Section 4.5.1(a). Notwithstanding Section 4.5.1(a), Manager shall have the right to eliminate a Performance Termination Event under Section 4.5.1(a) if, for the applicable Operating Year, Manager pays Owner the Cure Amount for either of the relevant Operating Years that has resulted in the Performance Termination Event. If Manager elects to pay the Cure Amount, it will do so within 30 days of Owner's delivery of a notice under Section 4.5.4 below and the performance test will be deemed met for the relevant Operating Year cured by Manager. Manager's right to pay the Cure Amount may be exercised by Manager not more than once during any three consecutive Operating Years.

4.5.3.2 Certain Other Exceptions to Performance Termination Events. Notwithstanding Section 4.5.1 of this Agreement, a Performance Termination Event shall not exist if the Performance Termination Event is caused primarily by one or more of the following, or any combination thereof:

(a) The occurrence of a Force Majeure Event during the applicable Operating Year(s);

(b) Corporation's failure to timely complete the Capital Improvements required in the PIP within the timeframes set forth therein, or its failure to authorize or to make the Capital Improvements necessary for the Hotel to maintain the Hotel as an Upper Upscale Hotel;

(c) diminished capacity of the Convention Center or disruption of Convention Center operations as a result of renovation, expansion, closure or otherwise;

(d) An uncured Event of Default by Corporation hereunder during the applicable Operating Year;

(e) Corporation's refusal to disburse or Corporation's inability to cause the Trustee to disburse Sufficient Funds in order to pay Operating Expenses, Capital Expenses, fixed expenses, Taxes, Excluded Taxes and Other Charges or Insurance (but only to the extent that Manager has deposited in the Lockbox Fund collections that are attributable to such Excluded Taxes and Other Charges); or

(f) Manager demonstrates to the reasonable satisfaction of Corporation and the Asset Manager that the Performance Termination Event was a direct result of following the written recommendations of a Hotel Consultant pursuant to Section 2.18.9 of this Agreement and would not have occurred but for Manager's following the written recommendations of such Hotel Consultant.

Manager agrees that it shall have the burden of proof to show that the existence of all or any of the conditions or events specifically described in clauses (a) through (e) above was the primary cause of the Performance Termination Event occurring during the Performance Test Period. If Corporation disagrees that Manager has met such burden of proof, then either Party or the Trustee may, by delivering written notice of its requirement for arbitration to the others, require that the matter be submitted to arbitration pursuant to Article 10 of this Agreement.

4.5.4 Corporation's Exercise of Its Termination Rights. Corporation shall exercise its Termination rights pursuant to Section 4.5.1 of this Agreement, if at all, by giving notice of such Termination to Manager within 90 days following the scheduled deadline for delivery of the Certified

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Financial Statements for the Operating Year on which the Termination is based; provided however, that if the Certified Financial Statements have not been delivered by the scheduled deadline due to the fault of Manager, the period of time to exercise such Termination right shall be extended until such Certified Financial Statements shall have been delivered. Any such notice under this Section 4.5.3 shall specify the effective date of Termination, which date shall be no earlier than 90 days and no later than 365 days following the date of Corporation's notice of Termination. If Corporation fails to deliver notice to Manager within the required 90 day period under this Section 4.5.3, Corporation's right to terminate this Agreement pursuant to this Section shall expire as to the Performance Termination Event in question. For the avoidance of doubt, no Termination Fee shall be payable in the event this Agreement is terminated pursuant to the terms and conditions of this paragraph.

4.6 Termination Upon Sale.

4.6.1 Paying a Termination Fee. Notwithstanding any provision of this Agreement to the contrary, Corporation (with the written consent of a Majority of the Bondholders as provided in the Indenture) or its successor-in-interest, may transfer, only after the 10th full Operating Year of the Operating Term (i.e. starting on January 1, 2031), the Hotel or more than a 50% direct or indirect equity interest in Corporation or its successor-in-interest pursuant to a bona fide, arm's length transaction (whether by fee transfer, a transfer of ownership interests in Corporation (excluding the sale of shares in Corporation to the public) or otherwise) to a third party that is not an Affiliate of Corporation or its constituent owners. Immediately prior to such conveyance, subject to Manager's receipt of the Termination Fee and all other amounts due and owing to Manager through such Termination on or before the effective date of Termination, the party acquiring the Hotel in such transfer shall have the right to terminate this Agreement by delivering written notice to Manager not more than 45 days prior to the conveyance and not later than 60 days after the conveyance, and in any event at least 45 days prior to the effective date of the Termination with the effective date of the Termination being selected by Corporation or the party acquiring the Hotel in its sole and absolute discretion subject to the foregoing notice requirements (as such date may need to be reasonably extended in order for Manager to comply with Employee Termination Notice Requirements). If such a Termination notice is forwarded to Manager prior to the closing of the sale and the sale does not occur for a reason other than an Event of Default by Corporation, then Corporation may withdraw the Termination notice and this Agreement shall continue in full force and effect. If, at the time of the sale, Manager is not in Default hereunder and a then-current right to terminate as a result of a Performance Termination Event beyond any Manager cure right does not exist, Corporation shall pay or cause to be paid to Manager a fee (the "*Termination Fee*") in an amount calculated by multiplying (i) the sum of (a) the Base Management Fee for the most recently ended Operating Year and (b) the Subordinate Management Fee accrued (even if unpaid) for the most recently ended Operating Year by (ii) the applicable "Multiplier" set forth below:

Termination Occurring in Operating Year	**Multiplier**
11-13	3
14-16	2
17-19	1

The payment of such Termination Fee (if payable pursuant to the preceding provisions) and other amounts due and owing to Manager under this Agreement shall be a condition precedent to the Termination of this Agreement in connection with the sale and this provision shall be included in any contract for the sale of the Hotel. Any Termination Fee payable pursuant to this provision will be payable on the effective date of the Termination, and no Termination of this Agreement pursuant to this provision shall be effective unless and until the Termination Fee has been paid in full, subject to Section 4.6.2 hereof. For the avoidance of doubt the Termination Fee shall only be payable to Manager under the circumstances described in this

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Section 4.6.1, and no termination fees shall be payable by Corporation as a result of any other termination of this Agreement provided elsewhere herein, including a termination by Corporation by reason of an Event of Default by Manager; provided that the same shall not otherwise limit any other rights or remedies Manager may have hereunder in connection with a termination of this Agreement.

4.6.2 Not Paying a Termination Fee. Notwithstanding anything contained herein to the contrary, Corporation will have the right to terminate upon sale pursuant to Section 4.6.1, without a payment of a Termination Fee, provided that the buyer retains Hilton as Manager pursuant to a mutually agreed upon assignment and/or amendment of this Agreement or is approved for and enters into a franchise agreement with Manager's franchisor affiliate on then-standard terms and conditions for a Hilton brand name hotel for at least the then-remaining term of this Agreement. If the purchaser and Manager's franchisor affiliate enter into a franchise agreement as contemplated herein, then the Termination Fee will not be due and payable to Manager so long as (i) the then-current Unamortized Key Money is reflected in the new franchise agreement (or accompanying development incentive note), (ii) such Unamortized Key Money continues to amortize on a yearly basis over the lesser of the remaining term of this Agreement or the term of such franchise agreement, and (iii) such franchise agreement provides that any Unamortized Key Money will be due and payable to Manager's franchise affiliate upon termination of such franchise agreement for any reason.

4.7 Recognition Upon Foreclosure. Notwithstanding anything to the contrary in this Agreement, any Mortgagee (including Trustee) shall be required to enter into a Non-Disturbance Agreement as a condition of the execution of any Mortgage or similar security instrument relating to the Hotel. Notwithstanding the foregoing, a Mortgagee (including Trustee) shall have the right to terminate this Agreement upon the foreclosure of its Mortgage or upon acceptance of a deed-in-lieu of foreclosure, if: (a) an Event of Default by Manager exists under this Agreement at the time of commencement, completion or during the process of the foreclosure proceeding or the process of the deed-in-lieu of foreclosure; or (b) Corporation has a then-current and continuing right to terminate this Agreement pursuant to a Performance Termination Event beyond a cure right expressly permitted under Section 4.5.3 above. If this Agreement is so terminated by a Mortgagee in accordance with clause (a) or (b) above, no Termination Fee shall be payable to Manager and the Mortgagee liability for past defaults shall be limited as provided in Sections 9.3 and 9.4. Manager and Corporation intend that Trustee and purchaser at a foreclosure sale, transferee in foreclosure or transferee as a result of a deed-in-lieu of foreclosure or similar remedy (a "*Foreclosure Purchaser*") and their respective Affiliates be and is a third party beneficiary to the foregoing provisions. The right, if any, of a Foreclosure Purchaser to terminate this Agreement upon its acquisition of the Hotel shall be governed by the terms of this Agreement, the Hotel Assignment Agreement, any applicable Hotel Assignment Agreement or Subordination Agreement and the Indenture.

4.8 Non Waiver. If Corporation, Trustee or any Mortgagee or a Foreclosure Purchaser has a right to terminate this Agreement pursuant to Section 4.7 above, but fails or elects not to exercise such right, such failure to exercise shall not constitute a waiver by Corporation, Trustee, Mortgagee or such Foreclosure Purchaser of its right to terminate on account of a subsequent Performance Termination.

4.9 Actions to be Taken on Termination. Upon Termination of this Agreement for any reason, the following shall be applicable (in addition to and without limitation of, the rights of the non-defaulting Party to pursue all other remedies available to it under Legal Requirement):

4.9.1 Payment of Out-of-Pocket Expenses. Except in connection with a Termination by Corporation based upon an Event of Default by Manager (in which case the following amounts shall be payable by Manager), all actual Out-of-Pocket Expenses arising as a result of such Termination or as a result of the cessation of Hotel operations shall be for the sole account of Corporation, and reimbursed to Manager immediately on receipt of any invoice or invoices (together with such reasonable supporting

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documentation as Corporation may request) from Manager therefor, including, but not limited to, expenses arising from or in connection with the severing of Hotel Personnel (with severance benefits calculated according to policies applicable generally to employees of Other Hilton Hotels) incurred by Manager in the course of effecting the Termination of this Agreement or the cessation of Hotel operations; provided however, that Manager shall be responsible for all liability associated with any failure to comply with the WARN Act to the extent due to Manager's Negligence or Willful Acts. Manager acknowledges that Corporation may, at its election and in consultation with Manager, following Corporation's formal notice of the prospective Termination of this Agreement, extend offers to Hotel Personnel for continued employment, and Manager further agrees to cooperate with Corporation to minimize any and all expenses that Corporation incurs under this Section 4.9.1.

4.9.2 Final Accounting. Within 45 days after Termination of this Agreement, Manager shall provide to Corporation a final and full accounting through the date of Termination of all Management Fees, Group Services Fees and Charges, Reimbursable Expenses, and other payments due Manager under the terms of this Agreement through the Termination date; and within 15 days of Corporation's receipt of such final and full accounting, Corporation shall pay Manager all Management Fees, Group Services Fees and Charges, Reimbursable Expenses, and other payments due Manager under the terms of this Agreement through the Termination date or provide Corporation's objections thereto. If Corporation disagrees with any amounts claimed by Manager, then Corporation shall promptly meet with Manager to discuss resolution of the amounts which Corporation disputes and if resolution is not reached within 30 days after Corporation delivered its objections, then either Party may pursue resolution through the arbitration proceeding in Article 10 of this Agreement. Manager shall also provide financial and other records related to the operation of the Hotel to Corporation through the date of Termination and shall continue to provide assistance to Corporation after the Termination of this Agreement to the extent necessary for Certified Financial Statements to be prepared. This obligation is unconditional and shall survive the Termination of this Agreement. Manager shall have reasonable access to the Hotel books and records necessary to provide the final accounting.

4.9.3 Vacating Hotel. Manager shall peacefully vacate and surrender the Hotel to Corporation.

4.9.4 Books and Records. Manager shall deliver to Corporation all of Corporation's books and records respecting the Hotel and all contracts, leases, and other documents respecting the Hotel that are not Manager's Proprietary Information, Hotel Guest Data (except to the extent contemplated in Section 2.20.1 or employee personnel files maintained by Manager and are in the custody and control of Manager, including those provided for in Section 2.4 of this Agreement. Manager will also deliver to the Trustee an explanation indicating each bookkeeping account code used by Manager in connection with its management of the Hotel which is not defined in the Uniform System of Accounts, together with a brief description of each coded account.

4.9.5 Licenses and Permits. Manager shall deliver to Corporation all of the liquor, restaurant, and all other licenses and permits held by Manager or an Affiliate in connection with the operation of the Hotel. In addition, Manager shall assign to Corporation (but only to the extent assignable) all of Manager's right, title, and interest in and to all such licenses and permits; provided, however, if Manager has expended any of its own funds in the acquisition of licenses or permits, Corporation shall reimburse Manager for such expended funds. Manager recognizes that all licenses held for the operation of the Hotel are held for the benefit of Corporation and Manager has no ownership therein, except in order to fulfill its obligations hereunder. The entity holding the Liquor License shall, upon the request of Corporation, enter into a temporary lease, license or such other agreement as may be permitted under applicable law to permit the continuous and uninterrupted sale of alcohol beverages at the Hotel consistent with prior operations. In such event, neither Manager nor the party holding the Liquor Licenses shall be

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entitled to compensation in connection with such arrangement, but shall be reimbursed by Corporation for any cost or liability in connection therewith and shall be named as an additional insured on any "dramshop" or other liability insurance pertaining to the sale of alcoholic beverages at the Hotel. In addition, any such temporary lease, license or other arrangement shall (a) include an indemnification and release of Manager and its Affiliates from all liabilities, obligations, reasonable costs and reasonable expenses, including reasonable attorneys' fees, arising out of or in connection with such temporary lease, license or other agreement, save and except for liabilities, obligations, costs, and expenses arising out of Manager's Negligence or Willful Acts and (b) provide for the Termination of all obligations of Manager and its Affiliates thereunder within 90 days following the date of Termination of this Agreement. Upon the Termination of this Agreement, Manager and the entity holding the Liquor Licenses will fully cooperate with the owner of the Hotel or an entity designated by the owner in their attempts to transfer existing licenses and permits or obtain new Liquor Licenses for the Hotel.

4.9.6 Honoring Reservation Dates. Subject to the Room Block Commitment, Corporation shall honor all business confirmed for the Hotel in the ordinary course of business and in accordance with Section 4.9.14 herein with reservation dates after the Termination; provided, however, that Corporation shall have no obligation to honor rooms at nominal or free rates unless reimbursement is provided by Manager.

4.9.7 Assignment of Contracts. Manager shall, to the extent required by Corporation, assign to Corporation its interest (if any) in, and Corporation shall assume and confirm in writing its continuing responsibility for all obligations and liabilities relating to, any and all contracts (including collective bargaining agreements (unless the Hotel withdraws from the collective bargaining agreement, in which event Corporation shall be responsible for any withdrawal fees), leases, licenses or concession agreements, and maintenance and service contracts) in effect with respect to the Hotel as of the date of Termination of this Agreement. Manager acknowledges that Corporation may further assign such interests to the Trustee.

4.9.8 Trademarks. If this Agreement is terminated in accordance with the terms hereof or for any other reason whatsoever, Manager and Corporation shall cooperate, at Manager's cost as a result of Manager Event of Default, and at Corporations cost for any other termination, immediately take all steps reasonably requested by Corporation to disassociate the Hotel and Corporation from the Trademarks (including the removal of all signage bearing the name or mark of Manager). Corporation shall in any event delete all Trademarks from the Hotel name and cease to use all FF&E and operating supplies bearing any of the Trademarks within a reasonable period of time after the Termination (with the understanding that Manager shall cause the removal of all such FF&E and operating supplies bearing any of the Trademarks upon Termination or promptly thereafter and shall reimburse Corporation for the unamortized cost of such FF&E and operating supplies other than any signage). If the Parties fail to remove Trademark-bearing Hotel signage on or prior to the effective date of the Termination, either Party has the right to remove and retain or dispose of all such interior or exterior signage, at Manager's cost if termination is a result of a Manager Event of Default and at Corporation's cost for any other termination. Manager shall have the right to remove from the Hotel, on or before the effective date of the Termination, all operations manuals which constitute Manager's Proprietary Information, policy statements, any other of Manager's Proprietary Information, and all other written materials bearing the Trademarks. Under no circumstances shall Corporation copy, reproduce, or retain any of Manager's Proprietary Information or materials bearing the Trademarks.

4.9.9 Proprietary Software. Subject to making such items available during the Transition Period as herein provided, as of the effective date of the Termination, Manager shall remove all Manager's Proprietary Software from the Hotel and shall disconnect the Hotel from the reservations systems and their related software applications. Manager shall provide reasonable assistance to Corporation in

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facilitating the orderly transfer of Corporation's records and data contained in Manager's Proprietary Software. Manager shall reasonably cooperate with Corporation in order to avoid disruption in the operation of the Hotel in connection with the transition from Manager Proprietary Software to one or more replacement systems and Manager shall be reimbursed for its reasonable costs incurred in connection with such cooperation. To the extent necessary to facilitate the orderly transfer of Corporation's records and data, Corporation and Manager shall execute Manager's current form of software license agreement at no additional charge other than as previously charged Corporation to provide for the use by Corporation of appropriate Manager's Proprietary Software (excluding, in any event, the reservations system), provided that Manager shall use commercially reasonable efforts to extend the license for the accounting software to Corporation for a period of time not to exceed the greater of 120 days following the effective date of the Termination or the Transition Period.

4.9.10 Protection of Guest Lists. Manager shall not contact any Hotel guests that have booked Hotel rooms or Hotel facilities prior to Termination for the purpose of soliciting such Hotel guests to cancel their previously booked Hotel rooms and transfer such business to any other transient lodging in the City of Austin, Texas; provided that Manager shall be permitted to notify such guests of a Termination so long as such guests are not solicited to cancel their reservations.

4.9.11 Special Provisions Regarding Foreclosure. If the Trustee or a Foreclosure Purchaser is entitled to terminate this Management Agreement upon a Foreclosure Event pursuant to Section 4.7 hereof, and this Agreement has not already been terminated pursuant to the terms hereof at the time of the Foreclosure Event, then, upon delivery of written notification from the Trustee or the Foreclosure Purchaser (as the case may be) of such Person's intent to terminate this Agreement, Manager shall nevertheless continue to manage and operate the Hotel under this Agreement pending the Foreclosure Purchaser's selection and engagement of a new manager for a period of up to 180 days following the completion of the Foreclosure Event (the "*Transition Period*"). The obligation of Manager to continue to manage and operate the Hotel during the Transition Period shall remain in effect without regard to any Event of Default by Corporation or any claims of Manager associated therewith, so long as Trustee continues to pay Manager the amounts owed to Manager and Trustee remains bound by and subject to the terms and conditions of this Agreement during the Transition Period. For the avoidance of doubt, Manager shall not be entitled to receive any Termination Fee related to a Termination under this Section 4.9.11.

4.9.12 Termination of Manager Provided Insurance. If, immediately preceding the date of Termination of this Agreement, the Hotel is included in Manager's insurance program, such participation will be terminated as of the effective date of Termination of this Agreement for the periods after such Termination date (but without in any way destroying or altering the occurrence base nature of any such policies), and Manager shall have the right to reimburse itself for such premiums which may have accrued to the date of Termination by withdrawing the appropriate amount thereof from the Taxes and Insurance Fund (with the understanding that if the Taxes and Insurance Fund is insufficient, Corporation will advance the insufficiency from the Excess Revenues Fund). If Corporation pays its pro rata share of premiums under the chain-wide policies of insurance or the self-insurance program of Manager in advance, Manager shall reimburse Corporation for the unearned portion of insurance premiums (to the extent such apportionment is available from the insurer) or the self-insurance program of Manager. Corporation consents to the Termination of the insurance program with respect to the Hotel as of the effective date of Termination of this Agreement and agrees that Manager shall have no further obligation, after the effective date of such Termination, to provide or obtain any additional insurance coverage for the benefit of Corporation or the Hotel thereafter.

4.9.13 Transition. In addition to the actions set forth in this Agreement which are to be taken by the Parties upon the Termination of this Agreement, upon the expiration or earlier Termination of this Agreement, Manager and Corporation will cooperate with each other and act in a professional manner

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to effect an orderly transition of management functions from Manager to Corporation, any transferee of Corporation or to any managing agent designated by Corporation or any transferee of Corporation for a period of up to 90 days from the date of notice of Termination.

4.9.14 Receivables. All receivables of the Hotel outstanding as of the effective date of Termination, including, without limitation, guest ledger receivables, shall continue to be the property of Corporation. Manager will cooperate with Corporation in all reasonable respects, but at Corporation's sole cost and expense, in the collection of any receivables, and will turn over to Corporation any receivables of the Hotel collected directly by Manager after the effective date of Termination. Manager shall, on the effective date of Termination or as soon thereafter as reasonably practicable, but in no event later than five days after the date of Termination, provide Corporation with a complete list of (a) all bookings for future reservations or use of Hotel rooms or facilities which may have been accepted or entered into by Manager on or at any time prior to the Termination of this Agreement, (b) the terms applicable thereto, and (c) the amount of advance deposits (if any) received with respect to each such booking. Manager agrees that, except with Corporation's consent, Manager will not book reservations for rooms or public space after (i) the date on which this Agreement expires in accordance with the provisions of the Agreement or (ii) the date of earlier Termination of this Agreement once the Termination date has been established in accordance with the provisions of this Agreement.

4.9.15 Survival. The provisions contained in this Section 4.9 shall survive the Termination of this Agreement.

Article 5
Insurance

5.1 Maintenance of Insurance Coverage.

5.1.1 Required Insurance. The Parties agree that the insurance policies described in Exhibit L shall at all times be maintained with respect to the Hotel as an Operating Expense in accordance with the terms hereof. The insurance coverage described in Sections (a) through (e) of Exhibit L shall be maintained by Corporation, which such coverage shall comply with Hilton Brand Standards; provided, however, that Corporation shall have the option to enroll in any Manager-purchased insurance program offered with respect thereto subject to the terms, conditions and qualification relating to Manager-purchased insurance programs. [In addition to the foregoing, Manager shall, at its own cost, carry fidelity bonds on its Senior Executive Personnel and employees handling cash or receipts of the Hotel (including any person with access to funds in the Lockbox Fund) in the amounts set forth in Exhibit L] [NTD - Subject to review as Hilton believes this is now covered under the Crime policy.] or is otherwise adequately covered under the coverages contemplated under Sections (f), (g) or (h) in Exhibit L. Additionally, the Parties agree to maintain such insurance in such higher coverage amounts or as more particularly as required under Sections 7.20, 7.21 and 7.22 of the Indenture and under the Declaration.

5.1.2 Insurance Consultant. Corporation may from time to time, or as may be required pursuant to the terms of the Indenture, but in any event no more than once per year, engage, as an Operating Expense, an Insurance Consultant to review the insurance requirements herein and in the Indenture.

5.1.3 Special Conditions or Hazards. Corporation shall disclose to Manager prior to the commencement of the Operating Term the presence of any condition or hazard (i) existing as of the commencement of the Operating Term, (ii) that is known to Corporation and (iii) that may create or contribute to any claims, damages, losses, or expenses not typically insured against by the coverages required pursuant to Section 5.1.1 of this Agreement. If any such condition or hazard requires removal, abatement, or any other special procedures, such special procedures shall be performed as an Operating

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Expense in compliance with all Legal Requirements. Conditions or hazards to which this Section 5.1.4 refers include the following: latent risks to health such as asbestos, silicosis, toxic or hazardous chemicals, and waste products; hazards to the environment such as underground storage tanks; and latent or patent toxic, nontoxic, abrasive, or irritant pollutants. As an expense of the Hotel, Manager shall endeavor to obtain appropriate insurance coverages against such conditions and hazards to protect the interests of Manager, Corporation and Trustee. Notwithstanding anything contained herein to the contrary, if the existence of any condition or hazard as described above causes Manager to be unable to operate the Hotel as intended, or causes the Termination or temporary suspension of this Agreement, Corporation shall not be liable to Manager or any Affiliate of Manager for any consequential damages in the nature of opportunity cost (e.g., Manager's alleged damages based on the argument that it would have taken another opportunity in the Hotel's market had it known of such condition or hazard).

5.2 Parties Insured and Standard of Insurance. The carriers of all insurance policies required under this Agreement shall be subject to Manager's approval, which approval shall not be unreasonably withheld. All insurance policies provided for in this Article 5 shall be rated no less than A VIII, in the most recent "Best" insurance guide and shall be authorized or eligible to do business in the state of Texas (if required) and shall be in such form and contain such provisions as are generally considered standard for the type of insurance involved to the extent not otherwise required by this Agreement or the Bond Documents. Without in any way limiting the foregoing, the insurance shall conform to all subsections of this Section 5.2.

5.2.1 Named Insureds. All insurances obtained by either Corporation or Manager must name the other as "additional insureds" (provided that any property insurance shall only be required to name Manager as additional insureds only to the extent such coverage is inclusive of business interruption coverage. The commercial general liability policy and umbrella liability policy shall name the Trustee (for the benefit of the Registered Owners of the Bonds) as additional named insureds. The property insurance shall also name Corporation as the named insured, and shall (a) include (if appropriate) a mortgagee endorsement clause in favor of mortgagees, as their interests may appear, and (b) provide coverage for Manager and Trustee (for the benefit of the Registered Owners of the Bonds), as their interests may appear as insureds. With the exception of any professional liability insurance or workers' compensation insurance coverage, all other policies of insurance required to be carried by Manager hereunder shall name Corporation as the named insured and, as appropriate, name Manager and the Trustee (for the benefit of the Registered Owners of the Bonds) as additional insureds, as their interests may appear. In addition to the foregoing, in any instance where Manager shall be named as an "additional insured", Manager's respective Affiliates shall also be named as "additional insureds" as reasonably requested by Manager, as their respective interests may appear.

5.2.2 Amounts of Coverage. When maintained by Corporation, amounts and types of coverages and amounts of deductibles shall comply with Exhibit L and Hilton Brand Standards or shall otherwise be subject to the reasonable approval of Manager; provided, however, if the coverages and amounts conform to the requirements of the Bond Documents, then the coverages and amounts shall be deemed approved by Manager so long as they comply with Exhibit L and the Hilton Brand Standards.

5.3 Waiver of Subrogation Requirements. Where appropriate and obtainable (including the insurance provided for in Exhibit L), all policies shall include the insurer's waiver of subrogation rights against Corporation, Manager, Trustee and Registered Owners of the Bonds.

5.3.1 Notice of Termination. Each insurance policy shall include a requirement that the insurer provide at least 30 days' written notice of cancellation or material change in the terms and provisions of the applicable policy to Corporation and Trustee.

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5.3.2 Severability of Interests. Each insurance policy where obtainable shall include coverage for severability of interests.

5.4 Changes to Insurance Policies. Subject in all respects to any minimum requirements of the Indenture, the requirements of Exhibit L and the Hilton Brand Standards, if either Corporation or Manager believes that the insurance coverage required to be maintained by such Party under this Article 5 is no longer commercially reasonable or available, such Party may, after giving the other Party 10 days' advance written notice, engage an Insurance Consultant to review the insurance requirements herein and to provide a written report determining whether or not such insurance requirements are no longer commercially reasonable or available, and if necessary, proposing alternative insurance requirements. If the recommendations otherwise remain in compliance with this Article V, Exhibit L and the Hilton Brand Standards, each of the Parties agrees to accept the determination of the Insurance Consultant, and the Parties shall agree to adopt the recommended insurance requirements in lieu of those set forth in this Article 5. If the recommendations do not otherwise comply with this Article V, Exhibit L or the Hilton Brand Standards, then the Parties shall consider such recommendations in good faith, but shall have no obligations to implement such recommendations.

5.5 Binders and Certificates. As soon as practicable prior to the effective date of the applicable coverages, the Party obtaining the insurance coverages under this Article 5 shall provide the other Party with binders, or other satisfactory evidence such as a certificate of insurance, evidencing that the applicable insurance requirements of this Agreement have been satisfied and, as soon as practicable thereafter, shall provide certified copies of policies for such insurance or certificates of insurance. As soon as practicable prior to the expiration date of each such policy, the Party obtaining such insurance shall provide the other Party with binders evidencing renewal of existing or acquisition of new coverages. Certified copies of renewed or new policies or certificates of insurance shall be provided by the Party obtaining insurance coverage under this Article 5 to the other Party as soon as practicable after renewed or new coverages become effective.

5.6 Schedule of Insurance. On request, the Party obtaining insurance under this Article shall furnish the other with a schedule of insurance, listing the policy numbers of the insurance obtained, the names of the companies issuing such policies, the names of the parties insured, the amounts of coverage, the expiration date or dates of such policies, and the risks covered thereby.

5.7 Duties of Manager. Manager shall promptly:

(a) cause to be investigated all accidents and claims for damage relating to the operation and maintenance of the Hotel, as they become known to Manager, shall report to Corporation any such incident that is material, and shall provide to Corporation a report semiannually setting forth all accidents and claims for damage relating to the Hotel in the form prepared by Manager for Other Hilton Hotels;

(b) cause to be investigated all damage to or destruction of the Hotel, as it becomes known to Manager, shall report to Corporation any such incident that is material, together with the estimated cost of repair thereof, and shall provide to Corporation a report semiannually setting forth all damage to or destruction of the Hotel in the form prepared by Manager for Other Hilton Hotels;

(c) prepare any and all reports required by any insurance company (or assist Corporation in the preparation of any such reports required by any insurance company) as the result of an incident mentioned in this Section 5.6, acting as the sole agent for all other named insureds, additional insureds, mortgagees, and loss payees; and

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(d) retain on behalf of Corporation all consultants and experts, including architects, engineers, contractors, accountants, and attorneys, as needed, and as an expense of the Hotel, assist in analyzing any loss or damage, determining the nature and cost of repair, and preparing and presenting any proofs of loss or claims to any insurers.

5.8 Review of Insurance. All insurance policy limits provided under this Article 5 shall, at the request of either Party, be reviewed every year following the commencement of the Operating Term, to determine the suitability of such insurance limits in view of exposures reasonably anticipated over the ensuing year. Corporation and Manager hereby acknowledge that changing practices in the insurance industry and changes in the local law and custom may necessitate additions to types or amounts of coverage during the Operating Term. Corporation agrees to comply with any additional insurance requirements Manager reasonably requests in order to protect the Hotel and the respective interests of Corporation and Manager; provided, however, so long as any Bonds are Outstanding, that Corporation shall not be required to comply with any such insurance requirements requested by Manager to the extent the same would violate the Bond Documents.

5.9 Subcontractor's and Vendor's Insurance. Manager will require each contractor, subcontractor and vendor which provides services on-site at the Hotel to produce a certificate of insurance showing that such Party maintains commercial general liability insurance in an amount at least equal to $1,000,000 per occurrence, worker's compensation or its facsimile at statutory levels and employers liability coverage or its equivalent in the amount of $1,000,000 or, if greater, otherwise commensurate with the risk in accordance with Hilton's global insurance provider policy. With respect to any contractor, subcontractor and vendor which provides services on-site at the Hotel for a period of seven or more consecutive days, Manager will require each such Party to name Manager and Corporation as an additional insured under such Party's commercial general liability insurance policy.

5.10 Insurance by Manager. Any insurance provided by Manager under this Article 5 may, at its option, be effected under policies of blanket insurance which cover other properties of Manager and its Affiliates, and a pro rata portion of such premiums shall be allocated to the Hotel on the same basis as allocated to participating Other Hilton Hotels. Any policies of insurance maintained by Manager pursuant to the provisions of this Article 5 may contain deductible provisions in such amounts as are maintained with respect to Other Hilton Hotels, for which Corporation shall be responsible or which Manager, at Corporation's expense, may pay. Further, in lieu of all or a part of commercial general liability insurance and worker's compensation and employer's liability insurance, Manager, with the prior written consent of the Trustee, may self-insure the risks required to be covered by such insurance policies through a self-insurance or assumption of risk program similar to those in effect at Other Hilton Hotels, up to such amounts which such risks are assumed or self-insured at Other Hilton Hotels. Notwithstanding the foregoing, Corporation shall have the right to obtain all or some of the insurance for the Hotel other than those coverages contemplated in Sections (f), (g) and (h) of Exhibit L.

5.11 Acknowledgment Regarding Procurement of Insurance Coverage. Notwithstanding anything to the contrary in this Article 5, Corporation and Manager agree and acknowledge that Corporation, not Manager, currently procures and maintains all insurance coverages contemplated on Exhibit L other than crime insurance, workers' compensation insurance and employment practices liability insurance (which such insurance coverages remain procured and maintained by Manager for Corporation in accordance with this Agreement). Corporation agrees that the insurance coverages it maintains are procured and maintained in accordance with the requirements of this Agreement including, without limitation, Article 5 and Exhibit L hereof.

Article 6
Mortgages

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6.1 Authorization to Mortgage Hotel.

6.1.1 Right to Mortgage. Subject to the requirement that Corporation procure a Non-Disturbance Agreement from any applicable Mortgagee or secured party, Corporation shall have the absolute and unrestricted right from time to time in its sole and absolute discretion to encumber all of the assets that comprise the Hotel, any part thereof, or any interest therein, including the real estate on which the Hotel is constructed, the Hotel building and all improvements thereto, all FF&E and hotel equipment and operating supplies placed in or used in connection with the operation of the Hotel, and all accounts, receivables and other personal property relating to the Hotel, as contemplated in any Mortgage that is entered into by Corporation or its successor-in-interest, and to assign to any Mortgagee as collateral security for any loan secured by the Mortgage, all of Corporation's or its successor-in-interest's right, title, and interest in and to this Agreement; provided, however, notwithstanding the foregoing, the prior written consent of Manager shall be required with respect to any loan placed on any part of the Hotel (other than Additional Bonds and Refunding Bonds as contemplated under Section 6.1.2 below), if the principal amount of indebtedness of such loan exceeds 75% of the appraised value of the Hotel. Corporation or its successor-in-interest shall provide Manager with the name and address of any Mortgagee. Any Mortgagee's interest in the Hotel shall be senior to the rights and interests of Manager or any Affiliate thereof, but (i) shall not affect or impair Manager's rights to receive its Management Fees, Group Services Fees or Charges, or Reimbursable Expenses through the date of Termination of this Agreement from Gross Operating Revenue (pursuant to and subject to the terms and conditions of this Agreement) and (ii) shall be subject to the rights of Manager under the Hotel Assignment Agreement, or any Subordination Agreement or Non-Disturbance Agreement. Nothing in this Section shall be construed to prohibit the issuance of Additional Bonds under the Indenture or any Supplemental Indenture and to have secured by the Bond Documents or new security instruments.

6.1.2 Additional Bonds. Notwithstanding any provision to the contrary herein contained, Corporation shall have the absolute right (without any restriction or condition or approval of Manager) to issue (i) Additional Bonds secured by the Hotel, provided the standards set forth in Section 3.02 of the Indenture are satisfied and (ii) Refunding Bonds pursuant to and under the Indenture or pursuant to another indenture, provided, however, notwithstanding the foregoing, (a) if in the reasonable opinion of Manager delivered within ten days after the receipt of the proposed indenture and other bond documents, the new indenture or bond documents materially alter any rights of Manager under this Agreement or impose any additional material or economic burdens on Manager, then Corporation shall not issue its Additional Bonds or Refunding Bonds until the Indenture and related bond documents are in a form that does not materially alter any rights or impose any additional material or economic burdens on Manager and (b) other than Refunding Bonds issued pursuant to Section 3.02(b) of the Indenture or Additional Bonds issued pursuant to Section 3.02(c) of the Indenture, the prior written consent of Manager shall be required with respect to all other refunding bonds and additional bonds if the principal amount thereof together with all other Bonds then Outstanding under the Indenture after such issuance exceeds 75% of the appraised value of the Hotel. Corporation shall deliver to Manager a copy of any new indenture and related bond documents promptly after the execution thereof. Any such Additional Bonds and/or Refunding Bonds secured by a security interest in the Hotel shall be subject to the continuance of the Hotel Assignment Agreement, or the execution of a Non-Disturbance Agreement in the same form and substance as the Hotel Assignment Agreement in effect as of the Effective Date.

6.1.3 Amendments Following Satisfaction of Bonds. If there are no Bonds Outstanding during the Operating Term of this Agreement, then this Agreement shall, to the extent applicable, be deemed amended to incorporate all Sections of the Indenture specifically referenced herein and, upon the request of either Party, the other Party shall enter into an amendment to this Agreement to reflect the actual changes resulting from the deemed amendment.

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6.1.4 Mortgagee's Right to Inspect Hotel and Books. On reasonable advance notice from a Mortgagee, Manager shall accord to such Mortgagee and its agents the right to enter on any part of the Hotel at any reasonable time for the purposes of inspecting the Hotel and examining, inspecting, or making extracts from the books of account and financial records of the Hotel; provided, however, that any expense incurred in the Hotel's name in connection with such activities shall be deemed to be an Operating Expense; and provided, further, that Manager shall have the right to schedule such activities at times when a member of the Senior Executive Personnel is at the Hotel and available to coordinate the activities of such Mortgagee or its agents.

6.1.5 Existing Mortgages. Corporation represents and warrants that, as of the date hereof, the mortgage, lien and security interests that secure the Bonds are the only Mortgage, lien and security interest encumbering all or any part of the Hotel and its component real and personal property and the real property on which the Hotel is situated. Subject to Section 6.1.1 of this Agreement, Manager hereby acknowledges the existence of the Mortgages securing the Bonds and agrees that Manager's rights and interests in and to the Hotel pursuant to this Agreement shall be subordinate to the lien of such Mortgages. Corporation shall deliver to Manager a true and complete copy of the final form of Bond Documents promptly after the execution thereof.

6.1.6 No Individual Liability. No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any officer, agent, employee or representative of the Trustee, Manager or the Registered Owners of the Bonds, and neither the officers, agents, employees or representatives of the Trustee, Manager or the Registered Owners of the Bonds nor any person executing or authenticating the Bonds shall be personally liable thereon or be subject to any personal liability or accountability by reason of the issuance thereof, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being expressly released and waived as a condition of and in consideration for the acceptance of this Agreement and the issuance of the Bonds; provided however that such protection shall not extend to any employee of Manager located at the Hotel for any liability or accountability due to the negligence or willful misconduct of such employee.

6.2 Subordination; Non-Disturbance.

6.2.1 Subordination. Manager hereby subordinates all rights and interests in the Hotel pursuant to this Agreement and Manager's rights hereunder to the provisions of the Indenture and all other Bond Documents, as well as each Mortgage hereafter granted against the Hotel (provided that any debt held by an Affiliate of Corporation will be deemed to be subordinate to Manager's rights and interests in the Hotel). If there is any conflict between a provision of this Agreement and any provision of the Indenture, the provision of the Indenture shall control. Without limiting the foregoing, Manager agrees that Trustee shall have the absolute right to consent to and approve all matters hereunder, to the same extent that Trustee has the right to consent to or approve of such matters under the Indenture or any other Bond Document.

6.2.2 Execution of Subordination Agreement. Even though this Agreement is subordinate to the lien of each Mortgage, on request at any time from time to time during the Operating Term of this Agreement, Manager shall execute, acknowledge and deliver to Corporation or its successor-in-interest or any Mortgagee a commercially reasonable subordination agreement (a "*Subordination Agreement*") that subordinates this Agreement to the lien of the Mortgage held by such Mortgagee, which includes the protections in favor of Manager as specifically set forth herein, which may include a provision which provides that the Mortgagee shall not be liable in any respect from its own funds or otherwise for any defaults by Corporation or any amounts owed to Manager prior to the date of foreclosure and which includes a provision which permits the Mortgagee to cure any Event of Default hereunder. Manager shall not be required to accept or agree to any proposed Subordination Agreement if it effects a modification of

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this Agreement or otherwise impairs Manager's rights or materially increase its burdens or obligations hereunder (other than by the subordination of this Agreement to the lien of the Mortgage). Manager hereby acknowledges and agrees to the terms of the Hotel Assignment Agreement as being an acceptable Subordination Agreement.

6.2.3 Manager's Agreements. Manager covenants and agrees, represents and warrants with and to Corporation and for the benefit of the Trustee that:

(a) Manager has no right or option of any nature whatsoever, whether pursuant to this Agreement or otherwise, to purchase the Hotel or any portion or any interest therein, and to the extent that Manager has had, or hereafter acquires, any such right or option, the same is acknowledged to be subject and subordinate to the Indenture and the Bonds in all respects and is hereby waived and released as against the Trustee or any interest of the Trustee.

(b) Except as otherwise expressly permitted in Section 7.24 of the Indenture, Manager shall not agree to modify, amend or terminate this Agreement without the Trustee's prior written consent. Manager shall not receive or accept any fees, charges or reimbursements in excess of the amounts set forth in this Agreement and the Cash Management Agreement at any time. Any sums received by Manager in contravention of this Section 6.2.3 or the Indenture shall be held by Manager as trustee for Trustee and Manager shall pay the Trustee, forthwith, any such amounts.

(c) A notice in writing by Trustee to Manager advising it that all future performance under this Agreement be made to Trustee (or its agent), shall be construed as conclusive authority to Manager that such performance is to be made to Trustee (or its agent) and Manager shall be fully protected in making such performance to Trustee; and Corporation hereby irrevocably constitutes and appoints Trustee the attorney-in-fact and agent of Corporation for the purpose of endorsing the consent of Corporation on any such notice. The foregoing power is coupled with an interest and shall survive the liquidation, bankruptcy or insolvency of Corporation and is in addition to and not in lieu of any terms to such effect contained in the Indenture. Manager agrees that, upon Trustee's revocation of Corporation's license to exercise the rights granted by Trustee to Corporation under the Assignment Agreement and receipt of the aforesaid notice, Manager shall perform its obligations under this Agreement directly for the benefit of Trustee, as if Trustee were the "Corporation" thereunder, subject however to the limitations of liability contained in the Indenture and this Agreement. As compensation for such agreement, Manager shall be paid those sums provided for in this Agreement to be paid for management of the Hotel but only to the extent accruing after such revocation by Trustee of Corporation's license, without regard to any claims against Corporation.

(d) No failure or delay on the part of Trustee in exercising any power or right shall operate as a waiver thereof or a waiver of any other term, provision or condition, nor shall any single or partial exercise of any such right or power preclude any other or further exercise thereof or the exercise of any other right or power in favor of Trustee. All rights and remedies of Trustee hereunder are cumulative and shall not be deemed exclusive of any other rights or remedies provided by law. The Trustee shall not be prejudiced in its right to enforce this Agreement by any act or failure to act on the part of Corporation or anyone in custody of Corporation's assets or property.

6.2.4 Bankruptcy. Manager agrees not to cause the filing of a petition in bankruptcy against Corporation for non-payment of any sum due Manager by Corporation until the payment in full of

the Bonds and/or any other sums due under any of the Bond Documents and the expiration of a period equal to the applicable preference period under the federal Bankruptcy Code (Title 11 of the United States Code); provided however, that in the event of a bankruptcy filing of Corporation, Manager shall be entitled to file claims in accordance with applicable bankruptcy laws. In the event of any distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise of all or any part of the assets of Corporation or the proceeds thereof, to creditors of Corporation, or upon any indebtedness of Corporation, by reason of the liquidation, dissolution or other winding up of Corporation or Corporation's business, or any sale, receivership, insolvency or bankruptcy proceeding, or assignment for the benefit of creditors, or any proceeding by or against Corporation for any relief under any bankruptcy or insolvency law or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, compositions or extensions, then and in any such event any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any or all indebtedness or obligations of Corporation to Manager (including, without limitation, interest and post-petition interest) shall be paid or delivered in accordance with the Indenture, until the Bonds and/or any other sums due under any of the Bond Documents shall have first been fully paid and satisfied. Manager agrees to cooperate with Trustee in the administration of any claim by Manager.

6.2.5 Proceeds. Manager covenants and agrees to collect and disburse cash revenues, insurance proceeds and other amounts received in connection with the operation of the Hotel in accordance with the provisions of this Agreement, the Indenture and the Cash Management Agreement. Should any payment, distribution, security or proceeds thereof be received by Manager contrary to the provisions of this Agreement, the Indenture, the Cash Management Agreement or the Hotel Assignment Agreement, Manager will forthwith deliver the same to the Trustee in precisely the form received for application in accordance with the Indenture and, until so delivered, the same shall be held in trust by Manager as property of the Trustee.

6.3 Subordination Agreements.

6.3.1 Mortgagee's Right to Terminate Upon Foreclosure. A Mortgagee's rights to terminate this Agreement upon a foreclosure are limited to those described in Section 4.7 (a) and (b) hereof. If (i) the Trustee, any Affiliate of the Trustee or any other Person shall become the owner of any of the Hotel, through foreclosure, deed in lieu of foreclosure or the exercise or waiver of exercise of any other remedy under the Indenture or the Bond Documents (herein, "*Foreclosure Event*") and (ii) this Agreement shall not have been terminated as a result thereof as provided in this Agreement, then Manager shall attorn to the Trustee, such Affiliate or such other Person to the extent such Trustee, Person or any of their Affiliates is not a Sanctioned Person or otherwise a Person that would cause the representations of Corporation under Section 12.35 to be untrue, as the case may be, and the Trustee agrees not to disturb Manager's rights under this Agreement, and both Manager and Trustee shall be bound by all of the terms, covenants and conditions of this Agreement for the balance of the term thereof remaining and any extensions or renewals thereof, with the same force and effect as if the Trustee, such Affiliate or such other Person, as the case may be, were a party to this Agreement; provided that Trustee shall not be liable for any prior defaults of Corporation. Said attornment and nondisturbance shall be effective and self-operative as an agreement between Manager and the Trustee, such Affiliate or such other Person, as the case may be, without the execution of any further instruments on the part of any party provided, that upon the election of and demand from the Trustee, Manager shall execute an instrument in confirmation of said attornment and nondisturbance. In no event shall Trustee be bound by any amendment, modification, extension, expansion, assignment, termination, cancellation or surrender of this Agreement, unless the same has been expressly approved in writing by Trustee or permitted pursuant to the terms of the Indenture.

6.3.2 Delivery of Non-Disturbance Agreement. Without in any way limiting a Mortgagee's right to terminate this Agreement in connection with the foreclosure of its Mortgage as

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contemplated in Section 4.7 (a) and (b), , Corporation (or its successor-in-interest) shall not accept a Mortgage unless the Mortgagee agrees to a non-disturbance agreement that protects Manager's right to continue to manage the Hotel pursuant to this Agreement following a foreclosure or deed in lieu of foreclosure of the Mortgage, or similar right or remedy with respect to a Mortgage held by such Mortgagee (a "*Non-Disturbance Agreement*"), with the understanding that a Mortgagee may condition its delivery of a Non-Disturbance Agreement upon receipt of a Subordination Agreement from Manager, as provided in Section 6.2.1 of this Agreement. Manager hereby acknowledges and agrees that the requirement of a Non-Disturbance Agreement is met with the execution and delivery of the Hotel Assignment Agreement.

6.3.3 Transfers by Trustee. Subject to Section 9.3 of this Agreement, the rights in favor of Trustee and any Mortgagee provided for in this Agreement shall inure to the benefit of, and bind the parties hereto and their respective successors and assigns, and is the complete agreement of the parties with respect to the subject matter hereof. In the event of transfer or assignment of the interest of Trustee or any Mortgagee (whether by direct assignment, through foreclosure or otherwise), all continuing obligations and liabilities shall be the responsibility of the party to whom such Trustee's or Mortgagee's interest is assigned or transferred. Manager acknowledges that Trustee may assign any or all of its rights and interests in this Agreement, to a third party in connection with transfer and assignment of any Mortgage, the Bonds and/or the Indenture, without any notice to or consent from Manager. Any such assignment shall include an assignment of the Hotel Assignment Agreement.

6.3.4 Assignment of Claims. Manager will not assign or transfer to others any claim which it has or may hereafter have against Corporation while any of the Bonds (including without limitation, post-petition interest) and any other sums due under any of the Bond Documents remain unpaid, unless such assignment or transfer is made expressly subject to the terms and conditions hereof.

Article 7
Casualty & Condemnation

7.1 Destruction, Permanent Taking During the Period when Bonds are Outstanding.

7.1.1 Corporation to Restore with Sufficient Available Casualty/Condemnation Amounts. If during the period any Bonds are Outstanding, the whole or any part of the Hotel is damaged or destroyed by fire or other casualty required to be insured against under Article 5 above or Taken, then the Casualty Proceeds and/or the Condemnation Proceeds, as applicable, shall be paid immediately to the Trustee (with the understanding that any Casualty Proceeds and Condemnation Proceeds received by Manager, Corporation or other named insured parties shall be immediately turned over to the Trustee) for deposit in the Insurance and Condemnation Proceeds Fund; provided, however, the foregoing shall be subject to the rights of Trustee under the Bond Documents to apply the Casualty Proceeds and Condemnation Proceeds to the redemption of some or all of the Bonds. If the amounts in the Insurance and Condemnation Proceeds Fund, after such deposit, together with investment income reasonably expected to be received with respect thereto and any other funds available therefor (including without limitation amounts on deposit in the Operating Reserve Fund, the Excess Revenues Fund and the Cash Trap Fund, in that order) (collectively, the "*Available Casualty/Condemnation Amounts*"), are not applied to the redemption of the Bonds (to the extent permitted under the Bond Documents) and are sufficient to repair or replace the property damaged, destroyed or Taken, as certified in a statement of an independent architect (the "*Independent Architect*") to be mutually agreed upon by Manager and Corporation, then Corporation shall cause the repair or replacement of the property damaged, destroyed or Taken. Notwithstanding the foregoing and subject to Section 7.1.2 of this Agreement, Corporation shall be under no obligation to engage a contractor to perform the repair and restoration of the Hotel if (a) all or substantially all of the Hotel is Taken, (b) in Corporation's reasonable judgment, the portion of the Hotel Taken is such that the Hotel cannot be restored to economically feasible usefulness, (c) the damage, destruction or Taking makes it

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imprudent or unreasonable to operate the remaining portion of the Hotel in accordance with the Operating Standard, or (d) the Trustee, pursuant to and in accordance with the Bond Documents, does not make the Casualty Proceeds and/or Condemnation Proceeds available for repair or reconstruction.

7.1.2 Insufficient Available Amounts – Corporation's Option to Terminate or Restore. If Corporation does not repair, restore, replace, or rebuild the Hotel due to insufficient Available Casualty/Condemnation Amounts and the damage, destruction or Taking makes it imprudent or unreasonable to operate the remaining portion of the Hotel in accordance with the Operating Standard, then Corporation may terminate this Agreement by giving notice to Manager (which shall be effective 90 days after its delivery) within 30 days after the report is delivered by the Independent Architect. Notwithstanding the foregoing, if Corporation operates a Hotel on the Land within three years after such Termination date, Manager shall have the right to elect, in its sole and absolute discretion, to enter into a new hotel operating agreement on the same terms and conditions as this Agreement with the then current owner of the Land (provided that such hotel operating agreement will be modified by the parties in good faith to the extent the following circumstances necessitate reasonable modifications to such hotel operating agreement: (i) damage or destruction to the adjacent historic building and the resulting loss of meeting space available to the Hotel or (ii) insufficient funds exist to restore the Hotel to the condition prior to the casualty or condemnation but Corporation restores the Hotel to the extent of available funds); provided that if the Land is sold to a third party (other than pursuant to a foreclosure sale which will terminate this right automatically without payment of any Termination Fee unless the Foreclosure Purchaser is Corporation or an Affiliate of Corporation, in which case such right will remain in place and may only be terminated by payment of a Termination Fee), such third party can terminate the foregoing right by paying to Manager a Termination Fee equal to that which would have been payable at such time if this Agreement were in effect at such time. The foregoing right shall survive the Termination of this Agreement pursuant to this Section 7.1.2.

7.2 Destruction After Bonds Are No Longer Outstanding . If, after the Bonds are no longer Outstanding, the Hotel or any part thereof is damaged or destroyed by fire or other casualty required to be covered by the insurance described in Article 5 of this Agreement, then Corporation shall repair, restore, replace, or rebuild the Hotel ("*Casualty Restoration*") as nearly as is reasonably possible to the condition and character of the Hotel immediately prior to the occurrence of the damage or destruction, subject to the following conditions precedent: (a) Corporation receives insurance proceeds in an amount sufficient to cover at least 90% of the cost to rebuild and replace the Hotel as certified in a statement of an Independent Architect to be mutually agreed upon by Manager and Corporation, (b) the balance of the Operating Reserve Fund is sufficient to cover the difference between the cost to repair and the insurance proceeds received by Corporation, (c) the holder of any Mortgage then existing against all or any of the Hotel allows the Available Casualty/Condemnation Amounts to be used for the repair and reconstruction of the Hotel, and (d) the repair of the Hotel is not reasonably anticipated by an Independent Architect to exceed six months. If the conditions set forth in (a), (b), (c) and (d) are not satisfied, Corporation shall not be required to repair any damage or destruction of the Hotel and if Corporation elects not to repair the Hotel, then Corporation or Manager may terminate this Agreement by giving notice to the other Party (which shall be effective 90 days after its delivery) within 30 days after the report is delivered by such Independent Architect. Manager shall cooperate with Corporation in obtaining all property damage insurance proceeds payable with respect to the Casualty Restoration so that the same shall be available to Corporation as the Casualty Restoration progresses. Corporation shall use commercially reasonable efforts to negotiate provisions in any Mortgage to provide that all Insurance Proceeds covering damage or destruction to any real or personal property used in the operation of the Hotel shall be available for and used exclusively for the funding of the Casualty Restoration.

7.3 Substantial Uninsured Casualty After the Bonds Are No Longer Outstanding. If after the Bonds are no longer Outstanding, the whole or any part of the Hotel is damaged or destroyed by any peril or event and the cost of the Casualty Restoration exceeds the insurance proceeds payable on account thereof

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by an amount in excess of 5% of the replacement value of the Hotel as of the date of the Casualty, as determined by an Independent Architect to be mutually agreed upon by Manager and Corporation, then Corporation may terminate this Agreement by giving notice to the other Party (which shall be effective 90 days after its delivery) within 30 days after the report is delivered by such Independent Architect.

7.4 Permanent Taking After Bonds are no Longer Outstanding.

7.4.1 Termination Right. If after all Bonds are no longer Outstanding (a) all or substantially all of the Hotel is Taken, (b) in Corporation's reasonable judgment, the portion of the Hotel Taken is such that the Hotel cannot be restored to economically feasible usefulness, or (c) a Taking of a portion of the Hotel makes it imprudent or unreasonable to operate the remaining portion of the Hotel in accordance with the Operating Standard, all as reasonably determined by Corporation, then all Condemnation Proceeds received by Manager with respect to the Hotel shall be payable to Corporation, and this Agreement shall terminate within 30 days after the date of such Taking. If this Agreement is not terminated in accordance with the preceding sentence, then, at Corporation's election, either Corporation or a third party shall coordinate such alterations or modifications to the Hotel, or any part thereof, as approved by Corporation, as shall be reasonably necessary to make the Hotel a satisfactory architectural unit as a first class hotel of the type immediately preceding such taking or condemnation (the "*Required Alteration Standard*"). If the Condemnation Proceeds made available for such alterations are insufficient to alter or modify the Hotel in accordance with the Required Alteration Standard, then this Agreement shall terminate and Corporation shall retain all Condemnation Proceeds.

7.4.2 Operating Hotel on Land Within 24 Months after Termination. Notwithstanding the Termination of this Agreement in accordance with Section 7.4.1 of this Agreement, if Corporation operates a Hotel on the Land within 24 months after the date of Termination under Section 7.4.1 of this Agreement, Manager shall have the right to elect, in its sole and absolute discretion, to enter into a new hotel operating agreement (a) incorporating the terms of this Agreement to the extent applicable (i.e., the provisions relating to the Trustee and Bond Documents will no longer be applicable) and (b) making such modifications to the provisions contained in this Agreement as are necessary to reflect the then existing condition of the Hotel. In addition, if the Land is sold to a third party during such 24-month period and such third party operates a Hotel on the Land within such 24-month period, then such third party may, at its option, terminate the foregoing right by paying to Manager a Termination Fee equal to that which would have been payable at such time if this Agreement were in effect at such time. Notwithstanding the preceding provisions, upon a foreclosure of a Mortgage, this Section 7.4.2 shall be deemed null and void if the party obtaining title to the Land at the foreclosure sale or under a deed in lieu of foreclosure is a party other than Corporation or an Affiliate of Corporation.

7.5 Taking for Temporary Use.

7.5.1 Effect of Temporary Taking. Upon a Taking of all or part of the Hotel for temporary use and provided this Agreement is not terminated pursuant to Section 7.5.2 of this Agreement, this Agreement shall remain in full force and effect and the awards or other proceeds on account of the Taking (including any interest included or paid with respect to such awards or proceeds), other than any portion of such awards or proceeds attributable to compensation for alterations or physical damage to the real or personal property used in the operation of the Hotel, shall be included in Gross Operating Revenue for the Operating Year or Years in which received. When and if, during the such 24-month period, the temporary use ceases and provided this Agreement is not terminated pursuant to Section 7.5.2 of this Agreement, Corporation shall engage a contractor to make all such restoration, repairs, and alterations as are necessary to restore the Hotel to its condition prior to the Taking for temporary use. Corporation shall require its contractor to commence such restoration, repairs, and alterations promptly and shall complete the same with diligence. Subject to the requirements of Generally Accepted Accounting Principles and the

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Uniform System, the costs of any such work shall not be deducted as Operating Expenses in determining Gross Operating Profit.

7.5.2 Termination Right. In the event any temporary Taking is reasonably anticipated to continue or continues for six months or longer, either Manager or Corporation may terminate this Agreement by delivery of written notice to the other party setting forth a Termination date no sooner than 30 days from the date of the notice.

7.6 Commencement and Completion of Casualty Restoration. If Corporation is required to repair or rebuild the Hotel due to fire or other casualty pursuant to this Article 7, Corporation shall commence the Casualty Restoration as soon as practicable after the occurrence of the damage or destruction and shall complete the work with diligence. If a right of Termination does exist, the obligation to commence the Casualty Restoration shall be delayed until the earlier of the giving of the applicable notice of Termination (in which event the obligation shall not become operative) or the expiration of the applicable notice period (in which event the obligation to commence and complete the Casualty Restoration as provided in this Section 7.6 shall become operative immediately).

7.7 Effect of Termination. If this Agreement is terminated pursuant to this Article 7, all expenses arising as a result of Termination of this Agreement or as a result of the cessation of Hotel operations shall be for the sole account of Corporation. Notwithstanding anything to the contrary in this Agreement, no Termination Fee shall be payable upon a Termination of this Agreement due to Casualty or Taking.

Article 8
Business Interruption

8.1 Manager's Compensation During Business Interruption. If the Hotel suffers damage or loss that results in an interruption in the operations of the Hotel, Manager shall continue to be obligated to perform its obligations hereunder and shall also generally coordinate the efforts of all parties involved in the repair and rebuilding of the Hotel; accordingly, Manager shall continue to receive all amounts that would be due to Manager under this Agreement had such damage or loss not occurred, including the Management Fee, the Group Services Fees and Charges and all Reimbursable Expenses, for the period of the business interruption; provided, however, for so long as Corporation either participates in Manager's insurance program or maintains Business Interruption Insurance which provides benefits no less favorable to Manager than if Corporation were participating in Manager's insurance program, the Parties acknowledge that payments pursuant to this Section 8.1 shall be satisfied only by proceeds of such Business Interruption Insurance and further provided that Manager's right to receive payment during the period that Business Interruption Insurance proceeds remain payable shall be subordinate only to the payment of Debt Service on the Bonds (without otherwise limiting Manager's right to terminate this Agreement pursuant to Section 2.31.1). In the event of such a business interruption, for purposes of calculating the Base Fee, the Subordinate Management Fee, Group Services Fees and Charges, the Gross Operating Revenue during the period of operation shall be increased by the amount of insurance proceeds received under the Business Interruption Insurance during the period of the business interruption.

8.2 Corporation's Obligations During Partial Operation. If the Hotel suffers damage or loss that results in an interruption in the operation of the Hotel, Corporation shall nevertheless be obligated to pay all expenses of operating and maintaining the Hotel (at the level which is reasonably necessary given the damage or loss that has occurred), regardless of whether there are available to Corporation any Business Interruption Insurance proceeds to cover such amounts, and Corporation shall be responsible for depositing all such amounts necessary for the operation and maintenance of the Hotel in the Lockbox Fund during the period of the business interruption.

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8.3 Allocation of Proceeds of Insurance. If the business of the Hotel is interrupted by any event or peril covered by Business Interruption Insurance, the proceeds of any such insurance shall be paid to the Trustee, for allocation and distribution in accordance with the Indenture, and Manager shall share in any proceeds (regardless of whether this Agreement has been terminated) to the extent that the proceeds represent the Management Fee, the the Group Services Fees and Charges or the Reimbursable Expenses payable by Corporation to Manager under this Agreement throughout the covered period of any business interruption up to any Termination Date; provided that Manager's right to receive payment during the period that Business Interruption Insurance proceeds remain available shall be subordinate to the payment of Debt Service on the Bonds. The Parties intend that Manager have a separate, independent, insurable interest in the receipt of such amounts, which insurable interest will exist throughout the covered period of any business interruption, regardless of whether this Agreement may be earlier terminated as a result of the event giving rise to such proceeds. The insurance proceeds received by Manager in accordance with this Section 8.2. shall satisfy the applicable amounts that Corporation would otherwise be required to pay in accordance with Section 8.1 so long as Corporation participates in Manager's insurance program or obtains its own Business Interruption Insurance that provides at the level of coverage of Manager's business interruption insurance available through Manager's insurance program.

8.3.1 Deposit of Proceeds of Business Interruption Insurance During Period Bonds are Outstanding. Notwithstanding any other provision hereof, Corporation shall cause any proceeds of Business Interruption Insurance maintained pursuant to this Agreement ("*Business Interruption Proceeds*") which are not paid directly to Manager, so long as any Bonds are Outstanding, to be deposited by the Trustee when and as received in a segregated account (the "*Business Interruption Account*") within the Insurance and Condemnation Proceeds Fund, which account Corporation shall cause to be established by the Trustee upon receipt of notice that the carrier of such insurance will be paying claims thereon to the Trustee. So long as any Bonds are Outstanding, Corporation shall use commercially reasonable efforts to require the Trustee to hold the Business Interruption Account in trust for the intended beneficiaries of such funds separate and apart from any other Funds and Accounts. So long as any Bonds are Outstanding, Corporation shall use commercially reasonable efforts to require the Trustee to immediately transfer any amounts deposited in the Business Interruption Account and transferred in accordance with Section 5.18(d) of the Indenture.

8.3.2 Reduction in Deposits/Amounts Directly Received. Notwithstanding the foregoing, so long as some Bonds are Outstanding, the amounts required to be transferred pursuant to Section 8.2.2 of this Agreement shall be reduced to the extent the insurance carrier has directly paid Business Interruption Proceeds to either Manager or Corporation, which reduction shall be allocated in any manner deemed fair and appropriate by Manager, Corporation, and the Trustee.

8.3.3 Characterization of Business Interruption Proceeds. Business Interruption Proceeds received shall be deemed Gross Operating Revenue and, so long as any Bonds are Outstanding, shall be deposited in accordance with the foregoing and distributed in accordance with the Indenture.

8.3.4 Deposit of Business Interruption Proceeds after No Bonds Outstanding. After there are no Bonds Outstanding, Corporation shall deposit any Business Interruption Proceeds received by Corporation, and Manager shall deposit any Business Interruption Proceeds received by Manager, into the Lockbox Fund immediately upon receipt.

Article 9
Assignment

9.1 Restrictions on Assignment.

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9.1.1 Restriction. Except as expressly provided otherwise herein, neither Party may effect an Assignment without the prior consent of the other Party. Corporation further consents to the assignment of this Agreement to the Trustee for the benefit of the Registered Owners of the Bonds, as security for Corporation's obligations under the Indenture and other documents securing the repayment of the Bonds. Any Assignment by a Party in violation of the terms of this Article 9 shall be a material and non-curable breach of this Agreement by the assigning Party, governed by the terms of Article 4 hereof.

9.1.2 Definition of Assignment. The term "*Assignment*" includes the following: (a) assignment, pledge, encumbrance, or transfer in any manner of an interest in this Agreement, or any rights or obligations under this Agreement; (b) any transfer of an aggregate of more than 50% (measured by fair market value or voting power) of the legal and/or beneficial interest (whether partnership interest, corporate stock, shares, or otherwise); (c) any transfer of an aggregate of more than 50% (measured by fair market value or voting power) of the legal and/or beneficial interest (whether partnership interest, corporate stock, shares, or otherwise) by an investor or investors of any owner of a Party; or (iv) any change in the actual or effective voting control of a Party or an owner of such Party.

9.1.3 Definition of Owner. The term "owner" means (a) the holder of 50% or more (measured by fair market value or voting power) of the legal and/or beneficial interest (whether partnership interests, corporate stock, shares, or otherwise) of an entity; (b) the owner, as defined in clause (a), of an owner, as defined in clause (a); or (c) the owner of a controlling interest in any Party.

9.1.4 Exclusion of Publicly Traded Stock. Neither any transfer of publicly traded stock nor any public offering or private placement of equity ownership interests (whether partnership interest, corporate stock, shares, or otherwise) in either Party to a parent company or other owner of either Party shall be deemed to be an Assignment.

9.2 Permitted Assignment by Manager.

9.2.1 Permitted Assignments. Subject to Section 9.2.2 of this Agreement, Manager shall have the right, without Corporation's consent but upon ten days prior notice to Corporation, to effect an Assignment of all, but not less than all, of its interest in this Agreement to any of the following (each a "*Proposed Assignee*"): (a) any Affiliate of Manager; (b) any successor of Manager that may result from any merger, consolidation, or reorganization; or (c) any Person that acquires all or substantially all of the business and assets of the hotel management and license operations associated with hotels and resorts operating under the HILTON brand and, in each of clauses (a), (b) and (c) in this Section 9.2.1, continues the hotel management business using the HILTON brand.

9.2.2 Conditions Precedent to Assignment. As a condition precedent to any Assignment under Section 9.2.1 of this Agreement, all of the following must be satisfied:

(a) the Proposed Assignee must execute an assignment and assumption agreement in form and substance reasonably acceptable to Corporation pursuant to which such assignee assumes and agrees to be bound by all of the terms and provisions of this Agreement (including the assumption of any and all liabilities relating to any Event of Default of Manager that has occurred and remains uncured);

(b) subject to Manager's rights under Section 11.3 below, the Proposed Assignee shall, at all times during the Operating Term, continue the use of the HILTON brand and continue the use of the name of the Hotel as the Hilton Austin;

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(c) the Proposed Assignee, together with its Affiliates, is recognized as having or operating (or upon such Assignment shall be recognized as having) a national or international chain of Upper Upscale Hotels;

(d) the Proposed Assignee, together with its Affiliates, shall continue to operate the Other Hilton Hotels under the Hilton name and to provide the Group Services and other provisions to be furnished by Manager at the standards provided for in and otherwise in accordance with this Agreement;

(e) the Proposed Assignee is not generally recognized in the community as being of ill repute with whom a prudent business person would not wish to associate in a commercial venture or a Person that would be considered by regulators in the gaming industry to be an unsuitable business associate of Manager and its Affiliates;

(f) in the event that the Proposed Assignee does not have a net worth at least equal to $150,000,000 as of December 31 of the year preceding the proposed date of Assignment, Manager or the Proposed Assignee shall deliver to Corporation and Trustee a guaranty (in form and of substance reasonably satisfactory to Corporation and Trustee) executed by (i) a Person having the required net worth guaranteeing all of the obligations and liabilities of the Proposed Assignee under this Agreement or (ii) Manager, if the Proposed Assignee is an Affiliate of Manager;

(g) if a guaranty is to be provided pursuant to clause (f), then Manager or the Proposed Assignee shall deliver to Corporation and Trustee a legal opinion, in form and substance, and from a law firm, satisfactory to Corporation and Trustee, opining as to the enforceability of the guaranty;

(h) if the Proposed Assignee is an Affiliate of Manager, then Manager shall not be relieved of any of its obligations or liabilities hereunder; and

(i) Manager shall give Corporation notice of an Assignment to the Proposed Assignee, which notice shall (i) identify in reasonable detail the owners of the Proposed Assignee, (ii) in the case of an Affiliate, provide proof (including a legal opinion) reasonably satisfactory to Corporation and Trustee that the Proposed Assignee falls within the definition of an Affiliate of Manager, (iii) in the case of a merger, consolidation, or reorganization of Manager or acquisition of assets of Manager, provide proof of the same reasonably satisfactory to Corporation and Trustee, and (iv) be accompanied by the latest available audited and unaudited financial statements of the Proposed Assignee or other information with respect to such proposed Assignment reasonably necessary for Corporation to determine if the proposed Assignment is a permitted Assignment under this Article.

9.3 Assignment by Corporation.

9.3.1 Certain Permitted Assignments. Notwithstanding anything to the contrary in this Agreement but subject to the provisions of Section 4.7 and Section 11.6 of this Agreement, Corporation may sell, transfer, assign, or convey the Hotel or any part thereof or any constituent ownership interest in Corporation, and effect an Assignment of this Agreement, or any interest therein, to any Person who satisfies all of the following requirements:

(a) is not (and is not an Affiliate of) a national or international chain manager of Upper Upscale Hotels;

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(b) is not (and is not an Affiliate of a Person) generally recognized in the community as being of ill repute and is not in any other manner a Person with whom a prudent business person would not wish to associate in a commercial venture or a Person that would be considered by regulators in the gaming industry to be an unsuitable business associate of Manager and its Affiliates; and

(c) has the ability to fulfill Corporation's financial obligations hereunder.

Corporation shall give Manager not less than 30 days advance written notice of its intention to sell, transfer, or convey the Hotel or effect an Assignment of this Agreement, which notice shall identify in reasonable detail the ownership of the proposed transferee or assignee. Except in the case of a foreclosure sale, Manager shall have the right to require as an additional condition precedent of the consummation of any such sale or lease that all existing defaults by Corporation be cured, or that arrangements reasonably satisfactory to Manager for curing of said defaults be made and that evidence satisfactory to Manager from the purchaser or transferee is furnished showing that insurance as required hereunder is in full force and effect from and after the closing date. Notwithstanding the foregoing, so long as no Bonds remain Outstanding under the Indenture, if a Mortgagee or any Affiliate of a Mortgagee is the purchaser of the Hotel at a foreclosure sale, such Mortgagee or Affiliate shall not be required to cure such prior defaults, but if such defaults are not cured, Manager shall have the right to terminate this Agreement. In the case of a sale, conveyance or transfer of the Hotel, and/or an Assignment, the proposed transferee or assignee shall execute an assignment and assumption agreement in form and substance reasonably acceptable to Manager pursuant to which such assignee/transferee assumes and agrees to be bound by all of the terms and provisions of this Agreement. The terms of this Section shall not apply to any transfer in accordance with Section 4.7 of this Agreement provided that the transferee shall execute an assignment and assumption agreement in form and substance reasonably acceptable to Manager pursuant to which such assignee/transferee assumes and agrees to be bound by all of the terms and provisions of this Agreement.

9.3.2 Rights to Encumber. Without limiting the generality of and notwithstanding Section 9.3.1, Corporation may mortgage, hypothecate, encumber, pledge, assign or grant a security interest in the Hotel and/or this Agreement in connection with the Bonds or other financing transactions subject in all respects to the terms and conditions set forth in Section 4.7 and Article 6 hereof.

9.4 Effect of Permitted Assignments. A consent to any particular Assignment shall not be deemed to be a consent to any other Assignment or a waiver of the requirement that consent be obtained in the case of any other Assignment. Except as otherwise provided under Section 9.3 of this Agreement, as of any permitted Assignment by Corporation or, in the case of an assignment under Section 9.2.2 of this Agreement, Manager (if the terms and conditions thereof are complied with), the assigning Party shall be relieved of all liabilities and obligations under this Agreement accruing after the effective date of such Assignment; provided, however, notwithstanding the foregoing or anything to the contrary in Sections 9.2 or 9.3 of this Agreement, no such assignment shall relieve the assigning Party from its liabilities or obligations under this Agreement accruing prior to the effective date of the Assignment; provided, further, in the event of an Assignment by Corporation, the assignee agrees to pay for vacation, sick leave, severance, and other similar benefits (based on length of service) accrued for Hotel Personnel as of the effective date of the Assignment, provided the Proposed Assignee complies with the criteria of Section 9.3 of this Agreement; provided further, that notwithstanding anything herein to the contrary, if the Trustee exercises foreclosure rights, the Trustee shall not be liable for any obligations of Corporation accrued prior to ownership of the Hotel and Trustee's liability shall be solely limited to its period of ownership of the Hotel.

Article 10
Resolution of Disputes

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10.1 Alternative Dispute Resolution Required

10.1.1 Administration of Mediation. The Parties shall attempt to resolve any Arbitrable Dispute through a process of mediation administered by J.A.M.S./Endispute, Inc. or its successors ("*JAMS*") or American Arbitration Association ("*AAA*") or any other similar arbitration/mediation service mutually acceptable to the Parties. If, at the time such a dispute arises, JAMS or AAA does not exist or is unable to administer the mediation of the dispute in accordance with the terms of this Article 10 and the Parties are unable to mutually agree upon another arbitration/mediation service within five Business Days thereafter, then the mediation will be administered, in accordance with the terms of this Article 10, by United States Arbitration and Mediation or its successors ("*USA&M*"). If USA&M is similarly unavailable or unable to administer the mediation and the Parties cannot agree on the identity of a substitute service provider, then the complaining Party shall petition to the appropriate court of the county in which the Hotel is located to identify a substitute service provider, who will administer the dispute resolution process in accordance with the foregoing and the remaining provisions of this Article 10. The service provider identified in accordance with the provisions of this Section 10.1.1 shall be referred to as the "*ADR Provider*."

10.1.2 Conducting Mediation. The Parties shall attempt to settle the dispute by participating in at least ten hours of mediation at the offices of the ADR Provider. The complaining Party must notify the other Party that a dispute exists and then contact the ADR Provider to schedule the mediation conference. A designated individual mediator will then be selected in accordance with the rules of the ADR Provider to conduct the mediation, provided that such mediator must have experience in the hospitality industry and must not have any conflict of interest. The mediation will be a non-binding conference between the Parties conducted in accordance with the applicable rules and procedures of the ADR Provider. Neither Party may initiate litigation or arbitration proceedings with respect to any dispute until the mediation of such dispute is complete or timely attempted in accordance with the last two sentences of Section 10.1.2. Any mediation will be considered complete: (a) if the Parties enter into an agreement to resolve the dispute; (b) with respect to the Party submitting the dispute to mediation, if the other Party fails to appear at or participate in a reasonably scheduled mediation conference; or (c) if the dispute is not resolved within five days after the conclusion of the mediation conference. The mediation conference shall occur within one day or two consecutive days. Such conference shall be scheduled and held within ten days of notice of the dispute.

10.1.3 Arbitration or Litigation if Mediation Fails. If any dispute remains between the Parties after the mediation is complete or timely attempted in accordance with the last two sentences of Section 10.1.2, then either Party may commence legal proceedings to resolve such dispute; provided, however, that if the dispute is an Arbitrable Dispute, either Party may require that the dispute be submitted to final and binding arbitration (without appeal or review) in the county in which the Hotel is located, administered by the ADR Provider under its then-current rules. The arbitrator must have experience in the hospitality industry and must not have any conflict of interest.

10.1.4 Period Within Which Arbitration or Litigation Must Be Commenced. Any litigation or arbitration of a dispute (including an Arbitrable Dispute) must be initiated within 18 months from the date on which either Party first gave written notice to the other of the existence of the dispute, and any Party who fails to commence litigation or arbitration within such 18-month period shall be deemed to have waived any of its affirmative rights and claims in connection with the dispute and shall be barred from asserting such rights and claims at any time thereafter. An arbitration shall be deemed commenced by a Party when the Party sends a notice to the ADR Provider, with a copy of the notice to the other Party, identifying the Arbitrable Dispute and requesting arbitration. Litigation shall be deemed commenced by a Party when the Party serves a complaint on the other Party with respect to the dispute.

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10.1.5 Compensation of Mediator or Arbitrator. Subject to the right of the prevailing Party to seek reimbursement from the other Party pursuant to Section 10.3 of this Agreement, the Parties agree to share equally the costs, including fees, of the ADR Provider selected or appointed under this Article 10. As soon as practicable after selection of the ADR Provider, the ADR Provider or its designated representative shall determine a reasonable estimate of the ADR Provider's anticipated fees and costs and send a statement to each Party setting forth that Party's equal share of the fees and costs. Each Party shall, within ten days after receipt of the statement, deposit the required sum with the ADR Provider.

10.2 Venue, Jurisdiction, and Jury Waiver. The venue of any mediation, or arbitration shall be, and any judicial proceedings shall be, in the county in which the Hotel is located, unless otherwise mutually agreed in writing by the Parties. Each Party irrevocably submits to the jurisdiction of the federal and state courts located in the county in which the Hotel is located, unless otherwise mutually agreed in writing by the Parties. Each Party waives to the fullest extent permitted by law, trial by jury of all disputes arising out of or relating to this Agreement.

10.3 Expenses. The prevailing Party in any arbitration, suit or other action arising out of or related to this Agreement shall be entitled to recover from the other Party all reasonable attorneys' fees and its reasonable out-of-pocket arbitration costs and expenses incurred in connection with the action, including reasonable attorneys' fees, expenses, and disbursements, and fees, costs, and expenses relating to any mediation, arbitration and/or litigation, as applicable. If any Party secures a judgment in any proceeding brought to enforce or interpret this Agreement, then any costs or expenses (including reasonable attorneys' fees) incurred in enforcing, or in appealing from, such judgment shall be payable to the prevailing party by the Party against whom such judgment has been rendered and shall be recoverable separately from and in addition to any other amount included in such judgment. A "*prevailing party*" shall be a party who is successful on its claim or appeal brought in the arbitration or litigation process, as determined by the ADR Provider or the court. If both parties are a prevailing party, then the arbitrator or court shall award attorneys' fees and allocate costs as it determines to be fair and equitable, in its sole discretion. Notwithstanding the foregoing, a party shall not be a prevailing party if such party is awarded less than 75% of the amount of the claim for which it sought recovery.

10.4 Survival and Severance. The provisions of this Article 10 are intended to be severable from the other provisions of this Agreement and to survive and not be merged into any Termination of this Agreement or any judgment entered in connection with any dispute, regardless of whether such dispute arises before or after Termination of this Agreement, and regardless of whether the related mediation, arbitration or litigation proceedings occur before or after Termination of this Agreement. If any part of this Article 10 is held to be unenforceable, it shall be severed and shall not affect either the duties to mediate or arbitrate or any other part of this Article 10.

Article 11
Intellectual Property

11.1 Ownership of Trademark. Corporation acknowledges and agrees it has no rights to or interest in the Trademarks, and agree not to contest the rights of Manager or its Affiliates in respect of the Trademarks, including any additions or improvements to the Trademarks by whomever developed.

11.2 Use of Trademarks. As part of the management services to be provided under the terms of this Agreement, Manager will use the Trademarks as it deems appropriate and advisable in operating the Hotel consistent with the terms of this Agreement, subject to the following terms:

11.2.1 Prohibition on Use of Trademarks. Corporation may not itself use the Trademarks or apply for international, United States federal, or state or territorial registration of any rights in the

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Trademarks. Without Manager's prior consent (which may be withheld in Manager's sole discretion), Corporation may not use any of the Trademarks as all or part of its legal name or any other trade or assumed name under which Corporation does business, and Corporation shall disclose in any trade or assumed name filing that the Hotel is independently managed and that Corporation has no ownership rights in the Trademarks. Except as provided in Section 11.3 of this Agreement, no other letter, word, design, symbol, or other matter of any kind shall be superimposed on, associated with, or shown in such proximity to the Trademarks so as to alter or dilute them and Corporation shall not combine any of the Trademarks with any other trademark, service mark or logo.

11.2.2 Manager's Rights Regarding Trademarks. Manager reserves the sole right and discretion to:

(a) set reasonable minimum operating standards (consistent with the Operating Standard and the other provisions of this Agreement) associated with the Trademarks for the Hotel which must be met as a condition of continued association with the "Hilton" brand name;

(b) determine how and on what materials the Trademarks may be used;

(c) require the signing of secrecy agreements by Hotel Personnel and third parties to protect the confidentiality and the proprietary nature of the Trademarks;

(d) subject to any limitations on contracts set forth in this Agreement, including Section 2.4 of this Agreement, set standards for and designate approved third-party suppliers of products bearing any of the Trademarks, and receive third-party commissions, fees, or royalty payments from field of use licenses; and

(e) handle disputes and control actual or threatened litigation with third parties relating to any part of the Trademarks.

11.3 Manager's Rights Regarding Hilton Name. Corporation recognizes that the name "Hilton" when used alone or in conjunction with some other words, and that the stylized "H" used by Manager, together with the other names, logos or designs relating to the Trademarks are owned by Manager or one or more of its Affiliates and are the exclusive property of Manager or its Affiliates (herein called "*Hilton Owned Hotel Names*"). Accordingly, Corporation agrees that no right or remedy of Corporation for any default of Manager hereunder shall, nor shall any provisions of this Agreement, confer upon Corporation, its successors or assigns the right to use Hilton Owned Hotel Names in the operation of the Hotel, or otherwise, nor to hold the hold the Hotel out as a Hilton Hotel, after the expiration or earlier Termination of this Agreement. On the expiration or earlier Termination of this Agreement, all exterior and interior signs containing any Hilton Owned Hotel Name and all forms of advertising, stationery, folio, menus, invoices, contract forms, brochures and other promotional material using a Hilton Owned Hotel Name shall be removed consistent with Section 4.9.3. Corporation shall discontinue all use of Hilton Owned Hotel Names, including without limitation, any such Hilton Owned Hotel Names on all of the foregoing, with the exception that Corporation shall not be in breach of this covenant as a result of Manager's failure to remove from the Hotel such exterior and interior signs or such advertising, stationery, folio, menus, invoices, contract forms, brochures, or any other items which bear a Hilton Owned Hotel Name. Moreover, Corporation shall not be responsible for causing billboard companies to remove a Hilton Owned Hotel Name from its billboards. In the event of any breach of this covenant by Corporation, Manager, in addition to any remedies available to it hereunder, at law or in equity, shall have the right to injunctive relief.

11.4 Name of Hotel. At all times during the Operating Term, the Hotel will be operated under the "HILTON" brand and the name of the Hotel will continue as the "Hilton Austin" or any other name

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mutually agreed upon by Manager and Corporation. If Manager and its Affiliates change the brand name used in the system-wide identification of the Other Hilton Hotels, the Hotel name may be changed, at Manager's expense, without Corporation's consent, to reflect the change in the system-wide identification, provided, that if the system-wide identification, as changed, is no longer generally known as an Upper Upscale Hotel brand, then Corporation may terminate this Agreement by delivering written notice thereof without payment of any Termination Fee. If at any time the brand name "HILTON" is no longer generally known as an Upper Upscale Hotel brand, then Manager shall consider operation of the Hotel under another comparable hotel brand operated by Manager or its Affiliates that is generally known as an Upper Upscale Hotel brand, or the highest name brand that is not a luxury collection brand; provided, however, the foregoing shall not affect Manager's obligation to manage the Hotel under the Operating Standard. If Manager fails to operate the Hotel under another hotel brand acceptable to Corporation, then Corporation may terminate this Agreement as its sole remedy by delivering written notice thereof to Manager and no Termination Fee shall be payable to Manager hereunder.

11.5 Obligations of Corporation.

11.5.1 Prohibition on Advertising. Without first obtaining Manager's consent, Corporation shall not publish any Hotel advertising materials or implement any Hotel advertising or promotional programs of its own.

11.5.2 Trademark Litigation. Corporation shall promptly notify Manager of any litigation filed or threatened against Corporation involving the Trademarks, as well as any apparent third-party infringement of the Trademarks of which Corporation becomes aware and, at Manager's expense, shall cooperate fully with Manager on such matters.

11.6 Proprietary Information. Corporation acknowledges that Manager or one of its Affiliates is or will become the owner or licensee of certain intellectual property (the "*Manager's Intellectual Property*") including (a) software in use at one or more Other Hilton Hotels and all source and object code versions thereof and all related documentation, flow charts, user manuals, listing, and service/operator manuals and any enhancements, modification, or substitutions thereof ("*Manager's Proprietary Software*"), and (b) Manager's Proprietary Information. Manager shall utilize Manager's Intellectual Property in connection with the operation of the Hotel to the extent that it deems appropriate for the purpose of carrying out its agreements and obligations hereunder, but such use shall be strictly on a non-exclusive basis, and neither such use nor anything contained in this Agreement shall confer any proprietary or other rights in Manager's Intellectual Property upon Corporation or any third parties.

11.7 Certain Rights of Manager in Connection with a Sale of the Hotel. If Corporation elects to sell the Hotel during the term of this Agreement through a public or private bid process, Corporation will give Manager notice thereof at the time that notice is given to the public or to private bidders, as applicable, and Manager shall have the right to participate as a bidder in connection with such sale, provided that (i) Manager then meets the qualifications applicable to all other bidders, (ii) such bid shall be subject to and submitted in accordance with all qualifications, requirements and limitations which Corporation imposes on each of the other bidders, and (iii) Corporation shall have no obligation whatsoever to accept Manager's bid. Corporation shall take no actions and shall not request any party to take actions for the specific purpose of or which is intended to have the effect of eliminating Manager from a bidding process. As an example of the intent of the preceding sentence, Corporation may not include a provision in a bid that prohibits a corporation that owns hotels from participating in the bidding process. If Corporation hereafter elects to sell the Hotel through a process other than a public or private bid process, Corporation shall give Manager notice of its intent to sell the Hotel at least 15 days prior to accepting any other offer to acquire the Hotel. Corporation shall allow Manager to submit an offer to Corporation for Manager's acquisition of the Hotel, provided that (a) such offer is submitted to Corporation within 15 days after Corporation delivers to

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Manager the notice of Corporation's intent to sell the Hotel, and (b) Corporation shall have no obligation whatsoever to accept Manager's offer for acquisition of the Hotel.

Article 12
Miscellaneous

12.1 Interpretation.

12.1.1 Recitals. The Recitals set forth at the beginning of this Agreement and Exhibits A-Y attached to this Agreement are hereby incorporated in and made a part of this Agreement.

12.1.2 Covenants Versus Condition. Unless the language specifies or the context implies that a term of this Agreement is a condition, all of the terms of this Agreement shall be deemed and construed to be covenants to be performed by the designated Party.

12.1.3 Certain Terms. The use of the terms "including," "include," and "includes" followed by one or more examples is intended to be illustrative and shall not be deemed or construed to limit the scope of the classification or category to the examples listed.

12.1.4 Section References. In this Agreement, any reference to a Subsection, Section or an Article is a reference to a Subsection, Section or Article of this Agreement, unless otherwise specified.

12.2 Timely Decisions and Consents. Unless expressly stated otherwise in this Agreement, whenever a matter is submitted to a Party for approval or consent in accordance with the terms of this Agreement, that Party has a duty to act so as to not unreasonably withhold, condition or delay rendering a decision on the matter.

12.3 Table of Contents. The Table of Contents and captions to the Articles and Sections of this Agreement are for convenience of reference only and in no way define, limit, describe, or affect the scope or intent of any part of this Agreement.

12.4 Meaning of "Consistent With". Whenever a provision in this Agreement specifies that an expenditure or an action shall be "consistent with" the Operating Plan and Budget or the Capital Budget, the determination of consistency shall be made in light of the level of detail set out in the Operating Plan and Budget and the Capital Budget, as applicable, with respect to the type of expenditure or action at issue.

12.5 Representations and Warranties of Manager. Manager represents and warrants to and covenants with Corporation as of the Effective Date as follows:

12.5.1 Due Organization, Etc. Manager is duly organized, validly existing, and in good standing, is duly qualified to do business in the state in which the Hotel is located, and has full power, authority, and legal right to execute, perform, and timely observe all of the provisions of this Agreement. Manager's execution, delivery, and performance of this Agreement have been duly authorized.

12.5.2 Valid and Binding Obligations. This Agreement constitutes a valid and binding obligation of Manager and does not and will not constitute a breach of or default under the corporate documents or bylaws of Manager or the terms, conditions, or provisions of any law, order, rule, regulation, judgment, decree, agreement, or instrument to which Manager is a party or by which it or any of its assets is bound or affected.

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12.5.3 No Third Party Approval Required. No approval of any third party is required for Manager's execution and performance of this Agreement that has not been obtained prior to the execution of this Agreement.

12.5.4 Maintaining Legal Existence. Manager shall, at its own expense, keep in full force and effect throughout the Operating Term its legal existence and the rights required for it timely to observe all of the terms and conditions of this Agreement.

12.5.5 No Litigation. There is no litigation or proceeding pending or threatened against Manager that could adversely affect the validity of this Agreement or the ability of Manager to comply with its obligations under this Agreement.

12.5.6 Operation of Hotel. Manager shall not operate the Hotel in any manner or for any purposes, other than as herein set forth.

12.5.7 Required Approvals. Manager shall maintain throughout the Operating Term all Approvals that are in its name or an Affiliate's name and that are necessary to operate the Hotel.

12.5.8 No Abandonment. Subject to the Termination provisions in this Agreement, Manager shall not abandon the Hotel during the Operating Term (subject to a Force Majeure Event).

12.5.9 No Hazardous Materials. Manager shall not knowingly use or occupy, or knowingly permit the Hotel or any part thereof to be used or occupied, for any unlawful, or ultra-hazardous use (including the prohibited or unlawful use, storage or disposal of Hazardous Materials), or operate or conduct the business of the Hotel in any manner known to constitute or give rise to a nuisance of any kind; provided that Corporation recognizes and agrees that operations of the Hotel in the ordinary course of business and the holding of events in the Hotel meeting the Operating Standard shall not, in and of itself, constitute a nuisance.

12.5.10 Limitation on Alterations. Manager shall not make, authorize or permit any material modifications or alterations to the Hotel, except as expressly authorized by this Agreement or by an approved Capital Budget.

12.6 Representations and Warranties of Corporation. Corporation represents and warrants to Manager as of the Effective Date and the Required Opening Date, as follows:

12.6.1 Due Organization, etc. Corporation is duly organized, validly existing, and in good standing and is duly qualified to do business in the state in which the Hotel is located, and has full power, authority, and legal right to execute, perform, and timely observe all of the provisions of this Agreement. Corporation's execution, delivery, and performance of this Agreement have been duly authorized.

12.6.2 Valid and Binding Obligation. This Agreement constitutes a valid and binding obligation of Corporation and does not constitute a breach of or default under the corporate documents or bylaws of Corporation or the terms, conditions, or provisions of any law, order, rule, regulation, judgment, decree, agreement, or instrument to which Corporation is a party or by which it or any of its assets is bound or affected.

12.6.3 No Third Party Approval Required. No approval of any third party (including any ground lessor or the holder of any Mortgage) is required for Corporation's execution and performance of this Agreement that has not been obtained prior to the execution of this Agreement.

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12.6.4 Continuing Legal Existence. Corporation shall, as an Administrative Expense, keep in full force and effect throughout the Operating Term its legal existence as a non-profit public facility corporation.

12.6.5 Required Approvals. Corporation shall maintain throughout the Operating Term all Approvals that are required to be in its name and that are necessary to own and the Hotel, but the foregoing shall not relieve Manager from obtaining permits, licenses, authorizations and other Approvals required hereunder.

12.6.6 No Adverse Litigation/Condemnation. There is no litigation or proceeding pending or threatened against Corporation, or to the knowledge of Corporation, against the Land, that could adversely affect the validity of this Agreement or the ability of Corporation to comply with its obligations under this Agreement. Corporation is not aware of any condemnation proceeding pending or threatened against the Land or any portion thereof.

12.6.7 Environmental. Except as disclosed in the Environmental Site Assessments delivered to Manager, Corporation has no actual knowledge that the Land violates any environmental Legal Requirement. Manager hereby acknowledges receipt of the Environmental Site Assessments.

12.6.8 Rights to Purchase. Corporation has not granted any other person the right to purchase the Hotel, except for foreclosure rights contained in the Bond Documents and the rights granted to Manager under Section 11.7 of this Agreement.

12.7 Parking. Under the Condominium Documents, Corporation has the exclusive right to use the Hotel Unit's Parking Spaces. Corporation has the right to approve the parking plan for the Garage and will involve Manager in all decisions concerning the parking plan.

12.8 Use of Affiliates by Manager. Subject to the terms of this Agreement, in fulfilling its obligations under this Agreement, Manager may, from time to time upon notice to Corporation, delegate certain of its obligations to one or more Affiliates, provided that, if an Affiliate performs services which Manager is required to provide pursuant to this Agreement, Manager shall be ultimately responsible to Corporation for the Affiliate's performance, and Corporation shall not pay more for the Affiliate's services and expenses than Manager would have been entitled to receive pursuant to this Agreement had Manager performed the services. If an Affiliate otherwise performs services for or provides goods to the Hotel, such goods or services shall be of a quality and supplied at prices and on terms at least as favorable to the Hotel as generally available in the relevant market.

12.9 Governing Law. This Agreement and all disputes relating to the performance or interpretation of any term of this Agreement shall be construed under and governed by the laws of the state of Texas. To the extent permitted by law, Manager hereby irrevocably:

(a) consents to any suit, action or proceeding with respect to this Agreement being brought in any state or federal court of competent jurisdiction located in a judicial district which includes the County;

(b) waives any objection that it may have now or hereafter to the venue of any such suit, action or proceeding in any such court and any claim that any of the foregoing have been brought in an inconvenient forum;

(c) (i) acknowledges the competence of any such court, (ii) submits to the jurisdiction of any such court in any such suit, action or proceeding, and (iii) agrees that the final judgment in

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any such suit, action or proceeding brought in any such court shall be conclusive and binding upon it and may be enforced in any court to the jurisdiction of which it is or may be subject by a suit upon such judgment, a certified copy of which shall be conclusive evidence of its liability;

(d) submits to the non-exclusive jurisdiction of the Federal Courts in the County, and agrees that service of process in any suit, action or proceeding may be made upon Manager's Registered Agent at the address as follows: Corporation Service Company, d/b/a CSC – Lawyers Incorporating Servicing Company, 800 Brazos, Austin, Texas 78701, together with a copy to each address set forth herein, or such other address of which Manager shall have given by written notice to Trustee and agrees that such service shall in every respect be deemed to be effective service upon it in any suit, action or proceeding and shall be taken and held to be valid personal service upon or personal delivery to it, to the fullest extent permitted by law.

12.10 Waivers, Modifications, Remedies. No failure or delay by a Party to insist on the strict performance of any term of this Agreement, or to exercise any right or remedy consequent on a breach thereof, shall constitute a waiver of any breach or any subsequent breach of such term. Neither this Agreement nor any of its terms may be changed or modified, waived, or terminated (unless as otherwise provided hereunder) except by an instrument in writing signed by the Party against whom the enforcement of the change, waiver, or Termination is sought and, so long as any Bonds remain Outstanding, with the written consent of Trustee. Corporation shall notify Manager of any revisions, amendments, supplements, modifications or other changes to the Indenture and the Cash Management Agreement prior to the effectiveness thereof, as set forth in Section 11.06(c) of the Indenture. Corporation acknowledges that Manager shall have the right to consent to such revisions, amendments, supplements, modifications or other changes to the extent set forth in such Section 11.06(c). No waiver of any breach shall affect or alter this Agreement, but each and every term of this Agreement shall continue in full force and effect with respect to any other then existing or subsequent breach of this Agreement. The remedies provided in this Agreement are cumulative and not exclusive of the remedies provided by law or in equity.

12.11 Severability of Provisions. If a court of competent jurisdiction or an arbitrator determines that any term of this Agreement is invalid or unenforceable to any extent under applicable law, the remainder of this Agreement (and the application of this Agreement to other circumstances) shall not be affected thereby, and each remaining term shall be valid and enforceable to the fullest extent permitted by law.

12.12 Notices. Notices, consents, determinations, requests, approvals, demands, reports, objections, directions, and all other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given and to be effective on the date on which such communications are delivered by personal delivery, by facsimile transmission (with telephonic confirmation of receipt), DHL, Federal Express, or other similar courier service or by the United States Postal Service or its successor after being deposited with the United States Postal Service as Express Mail or as registered or certified matter, postage prepaid, return receipt requested, addressed to the Parties at the addresses specified below, or at such other address as the Party to whom the notice is sent has designated in accordance with this Section 12.13. All such communications from Manager to Corporation shall also be given by Manager to the Trustee in the same manner as given to Corporation. Until a Party provides a change in address in accordance with this Section 12.13, notices will be sent to the following addresses:

To Manager: Hilton Management LLC
c/o Hilton Worldwide Holdings Inc.
7930 Jones Branch Drive

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McLean, Virginia 22181
Attention: General Counsel

With a copy to: General Manager
Hilton Austin
500 East 4th Street
Austin, Texas 78701

To Corporation: Austin Convention Enterprises, Inc.
[_____]
[_____]
[_____]
Telephone No.: [_____]

With a copy to: Winstead PC
401 Congress Ave., Suite 2100
Attention: David L. Dawson
Telephone No.: (512) 370-2847

To Trustee: U.S. Bank National Association
Corporate Trust Services
60 Livingston Ave., EP-MN-WS3C
Saint Paul, MN 55107
Telephone No.: (651) 466-6302

12.13 Corporation's Indemnity.

12.13.1 Indemnity. To the extent permitted by law, Corporation shall indemnify, defend, and hold Manager and its Affiliates and their respective officers, directors, employees, agents, and assigns (collectively, "*Manager's Parties*") harmless from and against, and reimburse Manager for, any and all claims, demands, actions, causes of action, enforcement proceedings, penalties, suits, liabilities, judgments, damages, losses, counterclaims, executions, liens, debts, costs and expenses, including reasonably attorneys' fees (collectively, "*Claims*") which Manager's Parties or any of them may have alleged against them, incur, become responsible for, or pay out for any reason, but only to the extent arising out of all or any of the following: (a) the ownership, maintenance, improvement, management or operation of the Hotel, provided Manager at all times acts within the scope of its authority under this Agreement and then only to the extent any such Claim is in excess of Insurance Proceeds made available to Manager and other Manager's Parties; (b) a breach by Corporation of any of its obligations, covenants, agreements or representations under this Agreement; (c) an Event of Default by Corporation; (d) contamination of or any adverse effects on the environment with respect to the Hotel, provided same was not caused by Manager or any of its employees and further provided that the contamination occurred during the period of Corporation's ownership of the Hotel; (e) any violation of any Legal Requirements with respect to the design or construction of the Hotel; or (f) Corporation's Negligent or Willful Acts, but only to the extent the Claims arising out of thereof are in excess of available Insurance Proceeds. Notwithstanding the foregoing, in no event will Corporation's indemnity, hold harmless or defense agreements extend to (i) any breach of any of Manager's obligations, covenants, agreements or representations contained in this Agreement or the Room Block Commitment, (ii) Manager's Negligent or Willful Acts, (iii) an Event of Default by Manager under this Agreement, or (iv) any other matters with respect to which Manager has indemnified Corporation under Section 12.15.3 of this Agreement.

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12.13.2 Treatment of Certain Expenses. Any funds expended on Corporation's indemnity of Manager shall be deemed to be an Operating Expense if the matter for which Manager is being indemnified for (or would have been indemnified for if such indemnity from Corporation is otherwise prohibited by law) would have been an Operating Expense.

12.13.3 Manager's Indemnity. To the extent permitted by law, Manager shall indemnify, defend, and hold Corporation and Trustee and their respective Affiliates and their respective directors, employees, agents, and assigns harmless (collectively, "*Corporation's Parties*") from and against, and reimburse Corporation and Trustee for, any and all Claims, but excluding consequential damages caused by Manager (other than Permitted Consequential Damages), which Corporation, Trustee or all or any of Corporation's Parties may have alleged against them, incur, become responsible for, or pay out for any reason, but only to the extent arising out of all or any of the following: (a) Manager's Negligent or Willful Acts, but only to the extent the Claims arising out of thereof are in excess of available Insurance Proceeds, (b) a breach by Manager of any obligation, agreement, covenant or representation under this Agreement, (c) an Event of Default by Manager, or (d) breach by Manager of any of the Contracts for a reason other than the lack of Sufficient Funds. Notwithstanding the foregoing, in no event will Manager's indemnity, hold harmless or defense agreements extend to (i) any breach of any of Corporation's obligations, covenants, agreements or representations contained in this Agreement or the Room Block Commitment, (ii) Corporation's Negligent or Willful Acts, (iii) an Event of Default by Corporation under this Agreement, or (iv) any other matters with respect to which Corporation has indemnified Manager (or would have indemnified Manager if such indemnity is otherwise prohibited at law) under Section 12.14.1 of this Agreement.

12.13.4 Survival/Exclusion from Indemnity. The obligations set forth in this Section 12.14 shall survive any Termination of this Agreement. In no event shall the settlement by either Party in good faith of any claim brought by a third party (including Hotel Personnel) in connection with the ownership or operation of the Hotel be deemed to create any presumption of the validity of the claim; nor shall any such settlement be deemed to create any presumption that the acts or omissions giving rise to such claim constituted Manager's or Corporation's Negligent or Willful Acts or an Event of Default or breach by Manager or Corporation under this Agreement. Notwithstanding any contrary provision of this Section 12.14, Corporation and Manager mutually agree for the benefit of each other to look first to the appropriate insurance coverages in effect pursuant to this Agreement in the event any Claim or liability occurs as a result of injury to person or damage to property, regardless of the cause of such claim or liability.

12.13.5 Consequential Damages. The foregoing indemnities, hold harmless and reimbursement agreements shall apply to consequential damages only to the extent covered by insurance policies maintained or required to be maintained under this Agreement ("*Permitted Consequential Damages*").

12.14 Force Majeure Events. If, at any time during the Operating Term, Corporation or Manager is unable to perform its obligations under this Agreement due to a Force Majeure Event, or if it becomes necessary, in the reasonable opinion of either Corporation or Manager (with the understanding that if the situation is not an Emergency), to cease operation of the Hotel in order to protect the Hotel and/or the health, safety and welfare of the guests and/or employees of the Hotel due to the occurrence of a Force Majeure Event, then Manager may, and Corporation may direct Manager to, close and cease or partially cease operation of all or any part of the Hotel as necessary based on the occurrence of the Force Majeure Event, reopening and recommencing operation of the Hotel when Manager and Corporation deem that the reopening and recommencement of operations may be done pursuant to applicable Legal Requirements and without jeopardy to the Hotel, its guests or Hotel Personnel. Except as otherwise expressly provided in this Agreement, the time within which a Party is required to perform an obligation (other than the payment of

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money) shall be extended for a period of time equivalent to the period of delay caused by a Force Majeure Event.

12.15 Successors and Assigns. Subject to the provisions of Articles 6 and 9, this Agreement shall inure to the benefit of and shall be binding on the successors and assigns of the Parties, and the terms "Corporation" and "Manager" as used in this Agreement shall include all permitted successors and assigns of the original Parties.

12.16 Estoppel Certificates. On request at any time and from time to time during the Operating Term, Manager shall execute, acknowledge, and deliver to Corporation, Trustee or any Mortgagee, 20 days following Manager's receipt of written request therefor, a certificate: (a) certifying that this Agreement has not been modified and is in full force and effect (or, if there have been modifications, that the same is in full force and effect as modified and specifying the modifications), (b) stating whether, to the best knowledge of the signatory of such certificate, any default exists, including any Event of Default, and if so, specifying each default of which the signatory may have knowledge; and (c) providing any additional information and statements as may be reasonably requested by Corporation, the Trustee, or any other Mortgagee; provided, however, that in no event shall Manager be required to agree to any modifications or waivers with respect to this Agreement or other agreements in effect between the Parties. On similar notice, Manager shall be entitled to a similar certificate from Corporation with respect to this Agreement or any Mortgage or any ground lease covering the Land.

12.17 Entire Agreement. Subject to Section 6.2.1 herein, this Agreement, and the Room Block Commitment constitutes the entire contract between the Parties relating to the operation of the Hotel and supersedes all prior contracts and understandings, written or oral. To the extent any provision of this Agreement is inconsistent with the Room Block Commitment, the Room Block Commitment shall control. No representation, undertaking or promise shall be taken to have been given or be implied from anything said or written in negotiations between the Parties prior to the execution of this Agreement except as expressly stated in this Agreement. Neither Party shall have any remedy in respect of any untrue statement made by the other Party on which that Party relied in entering into this Agreement (unless such untrue statement was made fraudulently) and that Party's only remedy shall be for breach of contract as provided in this Agreement.

12.18 Counterparts. This Agreement may be executed in several counterparts, including electronic or pdf counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

12.19 Relationship of the Parties. Manager and Corporation acknowledge and agree that this Agreement creates an independent contractor relationship, with certain agency rights specifically set forth herein; provided that, (a) Manager's authority is subject to the terms and conditions of this Agreement, and (b) nothing contained in this Agreement shall create an agency coupled with an interest. Nothing contained in this Agreement shall constitute, or be construed to be or to create, a partnership, joint venture, or lease between Manager and Corporation with respect to the Hotel or the operation thereof. This Agreement shall not be construed at any time to be an interest in real estate or a lien or security interest of any nature against the Hotel, the Hotel or any other land used in connection with the Hotel, or any equipment, fixtures, inventory, motor vehicles, contracts, documents, accounts, notes, drafts, acceptances, instruments, chattel paper, general intangibles or other personal property now existing or that may hereafter be acquired or entered into with respect to the Hotel or the operation thereof. Notwithstanding anything to the contrary in this Agreement or otherwise, in no event shall Manager have any right to bind Corporation except as expressly set forth in this Agreement.

12.20 Confidentiality.

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12.20.1 Generally. Subject to Sections 12.21.2 and 12.21.3 hereof and any disclosure required pursuant to the Indenture, each Party agrees to keep confidential all information of a proprietary or confidential nature about or belonging to the other Party to which the other Party gains or has access by virtue of the relationship between the Parties. Except as disclosure may be required to obtain the advice of professionals or consultants, financing for the Hotel from a lender or potential lender, or investors or potential investors in the Hotel or any Corporation Affiliate, or in furtherance of a permitted Assignment of this Agreement, or as may be required by law or by the order of any government, governmental or quasi-governmental unit, tribunal, or otherwise to comply with Legal Requirements (including reporting requirements applicable to public companies), each Party shall make every effort to ensure that such information is not disclosed to the press or to any other third party or entity without the prior consent of the other Party. The obligations set forth in this Section 12.21.1 shall survive any Termination of this Agreement for a period of two years following such Termination. In addition (subject to the exceptions set forth above), Manager shall not disclose any specific information regarding financial performance of the Hotel (i.e. occupancy, average daily rate, gross operating profit, etc.) to any third party, except Smith Travel Research (STAR Report) or a comparable hospitality industry reporting service unless approved in writing by Corporation.

12.20.2 Open Records Information. If Manager receives a request under the Texas Public Information Act pertaining to the Hotel, Manager will promptly inform Corporation thereof.

12.20.3 Certain Permitted Disclosures. Notwithstanding anything to the contrary in the foregoing, this Agreement, and any and all of the terms and conditions herein and therein, may be disclosed to investors and potential investors in connection with any financing or sale of the Hotel, including without limitation to potential Registered Owners of the Bonds and their legal counsel and other representatives reviewing this Agreement on their behalf, and in connection with any due diligence review conducted by a financial institution as a part of a financial restructuring, reorganization, merger, consolidation, purchase or sale of assets involving Manager or any of its Affiliates.

12.21 Limitation on Pledging Corporation's Credit. Except as is necessary or advisable for the purchase of goods and services or the extension of credit to customers in the ordinary course of business in the operation and management of the Hotel within the scope of this Agreement, Manager shall not borrow any money or execute any credit obligation in the name and on behalf of Corporation or pledge the credit of Corporation, without Corporation's prior written and express consent.

12.22 Exculpation. Notwithstanding any provision to the contrary herein contained, none of the Trustee, Registered Owners of the Bonds nor Affiliates of any thereof, nor any officer, director, employee or agent of Corporation, the Trustee, Registered Owners of the Bonds or their Affiliates, or any of their respective heirs, administrators, executors, personal representatives, successors and assigns, shall have any personal liability or other personal obligation with respect to any payment, performance or observance of any amount, obligation, or liability to be paid, performed or observed under this Agreement or any of the representations, warranties, covenants, indemnifications or other undertakings of Corporation hereunder and, except as otherwise expressly provided in this Agreement, Manager agrees it shall not seek to obtain a money judgment against Trustee, Registered Owners of the Bonds or Affiliates of any thereof, or against any officer, director, employee or agent of Corporation, the Trustee, Registered Owners of the Bonds or their Affiliates, or against any of their respective heirs, administrators, executors, personal representatives, successors or assigns. The City of Austin is distinct from Corporation and shall have absolutely no liability or obligation hereunder. All accrued liabilities of Corporation to Manager at Termination of this Agreement shall be due and owing upon Termination.

12.23 Restrictive Covenant. Manager and its Affiliates shall not at any time from the Effective Date through December 31, 2027, without the prior written consent of Corporation, own, lease, operate,

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manage, license, franchise, or merge with, in whole or in part, directly or indirectly, a Restricted Hotel that is within the area bounded by Nueces street to the west, I-35 to the east, 12th street to the north, and Ladybird Lake to the south (the "*Restricted Area*").

"*Restricted Hotel*" shall mean any hotel or motel facility which is operated under the "Hilton" brand as a full service hotel but shall not include or apply to (i) Hilton Worldwide Holdings, Inc. or its Affiliates or (ii) any other hotel that is branded under a chain of hotels that includes the word "Hilton" within the brand names (including, for example, but without limitation Hilton Garden Inn, Canopy by Hilton, Home2 Suites by Hilton, Hampton Inn by Hilton, Hilton Grand Vacations, Tempo by Hilton, Homewood Suites by Hilton, Doubletree by Hilton, Curio – a Collection by Hilton, Motto by Hilton, Tru by Hilton, Signia by Hilton, Tapestry Collection by Hilton, Embassy Suites by Hilton, etc.).

12.24 Interest. Except as otherwise specifically provided herein to the contrary, any and all amounts that may become due from one Party to the other under this Agreement (including, but not limited to, any obligation of Corporation to pay interest on any unpaid Management Fee) shall bear interest from and after the respective due dates thereof (but in no event earlier than date upon which the Party making the claim for payment notifies the other Party thereof) until the date on which the amount is received in the designated bank account, at an annual rate of interest equal to the rate as specifically set forth herein related to such overdue amount, or if none is specified, then at the prevailing lending rate of the primary bank at which the Hotel maintains its accounts; provided that no interest shall be payable on amounts owed by Corporation to Manager which Manager is authorized to pay directly to itself under the terms of this Agreement (unless there are insufficient funds in the applicable account(s) therefore and Corporation has failed to provide adequate funds following request by Manager in accordance with this Agreement). In no event will Corporation be entitled to pay or charge interest in excess of any statutory limitations on interest applicable to Corporation.

12.25 Further Assurance. The Parties shall do and procure to be done all such acts, matters and things and shall execute and deliver all such documents and instruments as shall be required to enable the Parties to perform their respective obligations under, and to give effect to the transactions contemplated by, this Agreement. Corporation hereby consents to the execution and delivery by Corporation and Manager of this Agreement.

12.26 Third Parties. Except as provided in the last two sentences of this Section, none of the obligations hereunder of either party shall run to or be enforceable by any party other than the party to this Agreement or by a party deriving rights hereunder as a result of an assignment permitted pursuant to the terms hereof. The Trustee shall be a third party beneficiary hereunder and all indemnities and disclaimers in favor of Corporation shall extend to the Trustee as a third party beneficiary hereunder. As a third party beneficiary, Trustee shall have the right to enforce its rights hereunder and exercise any rights it has with respect to the Hotel under the Indenture, as a result of any assignment pertaining to this Agreement, or under any other Bond Document; provided that other than as expressly provided herein or as set forth in the Indenture, the Trustee shall have no additional or different rights than Corporation has hereunder. Manager acknowledges that the Trustee has certain approval rights to the consents, approvals and other actions by Corporation in this Agreement.

12.27 Sale of Securities. In the event Corporation, or any person controlling Corporation shall, at any time or from time to time, sell or offer to sell, any securities (including the Bonds) issued by Corporation, Corporation shall clearly disclose to all purchasers and offerors that (i) neither Manager nor any of its Affiliates or their respective officers, directors, agents or employees shall in any way be deemed an issuer or underwriter of said securities and that (ii) Manager or its Affiliates and said officers, directors, agents and employees shall not have any liability whatsoever arising out of or relating to any financial statements, prospectuses or other financial information contained in any prospectus or similar written or

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oral communication other than that which pertains to Manager and/or its operation. Manager shall cooperate in providing adequate disclosure regarding it in such prospectus and certify that such information is true and correct in all material respects and does not omit a material fact necessary to make such disclosure true and correct. For the avoidance of doubt, information relating to Manager and its Affiliates in any prospectus shall be limited to information publicly available pursuant to Manager or its Affiliates then-most recent quarterly filings. All terms used in this Section 12.28 shall have the same meaning as in the Securities Act of 1933, as amended.

12.28 Survivability. The indemnity, hold harmless and defense obligations contained in this Agreement, as well as any provision that by its nature requires performance after Termination of this Agreement, shall survive the Termination of this Agreement.

12.29 Delivery of Information for Approvals Generally. With respect to approvals to be obtained from either Corporation or Manager hereunder, the applicable time period within which the party receiving the request (the "*Receiving Party*") is required to give its approval or disapproval shall not commence until after the Receiving Party has received (i) a written request for its approval, which shall expressly set forth all items (with specificity) for which the Receiving Party's approval is requested and (ii) all reasonable information that the Receiving Party has requested in order to deliver its approval or disapproval.

12.30 Closing Costs. All legal fees and other fees and expenses of Corporation and Manager incurred in the course of consummating this Agreement shall be borne exclusively by Corporation and Manager, respectively.

12.31 Property Improvement Plan. Corporation agrees to undertake and complete the Capital Improvements described in the Property Improvement Plan attached hereto as Exhibit Y ("*PIP*") on or before the dates set forth therein; provided, however, that if funds under the Indenture are not available for the timely completion of the PIP, the Parties may mutually agree in writing to revise the PIP or to extend the time for the completion thereof.

12.32 Exhibits. The Exhibits which are attached to this Agreement and made a part of this Agreement for all purposes are as follows: [NTD - To be updated. Eliminate unnecessary exhibits.]

Exhibit A	Glossary of Defined Terms
Exhibit B	Legal Description of the Site
Exhibit E	Cash Management Agreement
Exhibit F	
Exhibit G	Incentive Compensation Metrics
Exhibit G-1	
Exhibit H	
Exhibit J	Form of Request for Reimbursable Expense
Exhibit K	Form of Request for FF&E and Capital Expenses
Exhibit L	List of Insurance and Insurance Requirements (including subrogation provisions)
Exhibit M	Existing Mortgages
Exhibit N	Intentionally Omitted
Exhibit O	Intentionally Omitted
Exhibit Q	Intentionally Omitted
Exhibit R	Intentionally Omitted
Exhibit S	List of Hotel Consultants
Exhibit U	Intentionally Omitted
Exhibit W	Intentionally Omitted

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Exhibit X	Annual Independent Accounting
Exhibit X-1	Certificate of No Direct or Indirect Profit
Exhibit Y	Property Improvement Plan

12.33 Amendments to Indenture. Any amendment to the Indenture or other Bond Documents shall be subject to the prior written approval of Manager if, in the good faith judgment of Manager, such amendment has the effect of materially altering any rights of Manager under this Agreement or imposing any additional material or economic burdens on Manager, such approval not to be unreasonably withheld, conditioned or delayed. The foregoing does not apply to the Cash Management Agreement, it being understood that Manager is a party to such agreement and therefore such agreement requires Manager's execution to any proposed amendment.

12.34 Amendment to Condominium Documents. At least ten days prior to agreeing to any amendment to the Condominium Documents, Corporation will deliver to Manager copies thereof. Corporation will not agree to any provision in any such amendment if in the reasonable opinion of Manager delivered within ten days after the receipt of the proposed amendments to the Condominium Documents such amendments will have the effect of imposing additional material obligations or any economic burdens on Manager, without Manager's prior written consent which consent may not be unreasonably withheld.

12.35 Anti-Corruption and Trade Restrictions. [NTD – This section remains subject to negotiation.] Each Party, in respect of itself, represents and warrants to the other Party that:

12.35.1 it is not a Sanctioned Person;

12.35.2 any funds received or paid in connection with entry into or performance of this Agreement, including any Key Money, have not been and will not be derived from or commingled with the proceeds of any activities that are proscribed and punishable under the criminal Laws of the United States, and that it is not engaging in this transaction in furtherance of a criminal act; and

12.35.3 it or any of its directors, executive officers, and senior management has not been convicted of, pleaded guilty to, or has not otherwise been adjudged liable for any violation of laws, ordinances, rules or regulations that pertain to bribery or corruption, money laundering, competition, securities or financial fraud, trade sanctions or export controls, human trafficking, sex trade or forced labor.

12.36 Limitations on Fiduciary Duties. To the extent the relationship between the Parties is deemed to be that of a principal, in the case of Corporation, and agent, in the case of Manager, the following provisions shall apply:

(a) This Agreement and any liability between the Parties will be interpreted in accordance with general principles of contract interpretation, without regard to the common law principles of agency. To the extent any fiduciary or other duties that exist or are implied under the common law principles of agency or otherwise, including those resulting from the relationship between the Parties, and including all duties of loyalty, good faith, fair dealing, care, full disclosure, or any other duty deemed to exist under the common law principles of agency or otherwise are inconsistent with, or would have the effect of modifying, limiting or restricting, the express provisions of this Agreement, the terms of this Agreement will prevail. Furthermore, for purposes of assessing Manager's duties and obligations under this Agreement, the Parties acknowledge that the terms and provisions of this Agreement and the duties and obligations set out in this Agreement are intended to satisfy any fiduciary duties or other Implied Duties which may exist between the Parties.

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Corporation specifically consents to all transactions by Manager described in this Agreement.

(b) Except as provided in Section 12.23 and , Manager and its Affiliates may establish or engage in any business of any kind or participate in any investment of any kind, whether use any of the Trademarks or any other proprietary of Manager, at any location, in Manager's sole discretion.

(c) Subject to Sections 2.4, 2.26, 2.30 and 12.8, Manager may elect to use the services of its Affiliates in fulfilling its obligations under this Agreement.

(d) Subject to Section 2.23, Manager and its Affiliates may receive the fees, charges and reimbursements specifically described in this Agreement in connection with the provision of its management services and its Centralized Services to the Hotel and for other properties operated, managed, licensed or owned by Manager or its Affiliates.

(e) Subject to Section 2.26, Manager and its Affiliates may receive the payments, fees, commissions and reimbursements from vendors in connection with Manager's purchasing services described in this Agreement for the Hotel and for other properties operated, managed, licensed or owned by Manager or its Affiliates.

(f) Manager and its Affiliates may use the Hotel Guest Data in any manner permitted by law.

(g) Manager is permitted to use the funds in the Lockbox Fund and Clearing Bank Accounts for the purposes described in this Agreement.

(Remainder of Page Intentionally Left Blank)

IN WITNESS WHEREOF, the Parties have executed this Agreement on the day and year first above written.

HILTON MANAGEMENT LLC,
a Delaware limited liability company

By: Hilton Domestic Operating Company Inc.

_____

By: _____

Name: _____

Title: _____

AUSTIN CONVENTION ENTERPRISES, INC.,
a Texas nonprofit public facility corporation

_____

By: _____

Name: _____

Title: _____

EXHIBIT A
GLOSSARY OF DEFINED TERMS

"*AAA*" has the meaning given in Section 10.1.1.

"*Account or Accounts*" shall mean any one or more of the accounts from time to time created in any of the Funds established by the Indenture or by any Supplemental Indenture. "*Additional Bonds*" shall mean any additional Bonds issued by Corporation pursuant to Section 3.02 of the Indenture to refund any Bonds previously issued thereunder or to make additional improvements and/or renovations to the Hotel; provided that the Additional Bonds shall never constitute Series 2017 Bonds.

"*Administrative Expenses*" shall mean the reasonable fees and expenses of Corporation, the Asset Manager and the Trustee (inclusive of the salaries and wages of Corporation's executive and administrative personnel and fees and expenses of any consultants retained by Corporation, but specifically excluding any legal judgments, settlements or similar resolutions of disputes reduced to a monetary amount against Corporation, unless such judgment, settlement or similar resolution of dispute arises out of the acts or omissions of the Manager), paid in accordance with the Indenture and directly relating to the Hotel and limited as provided in the applicable Operating Plan and Budget. Corporation shall have the right to engage legal counsel as it determines appropriate and the fees and expenses of such legal counsel, as approved by Corporation, shall be deemed reasonable.

"*ADR Provider*" has the meaning given in Section 10.1.1.

"*Affiliate*" shall mean (i) with respect to Manager and Corporation as of the relevant date in question, any other Person directly or indirectly controlling, controlled by, or under common control with Manager or Corporation, as the case may be, and any Person directly or indirectly controlling, controlled by or under common control with such entities and, without limiting the generality of the foregoing, shall include (a) any Person which beneficially owns or holds 50% or more of any class of voting securities of such designated Person or 50% or more of the equity interest in such designated Person and (b) any Person of which such designated Person beneficially owns or holds 50% or more of any class of voting securities or in which such designated Person beneficially owns or holds 50% or more of the equity interest. For greater clarity, the Parties acknowledge that the term control (including controls," "controlled by," and "under common control with") shall mean the ability through ownership, direct or indirect, of voting stock or other equity interests, to direct or cause the direction of the management and policies of a person, partnership, corporation, limited liability company or other entity; provided, however, solely for purposes of any provision of the Management Agreement pertaining to contracts between Manager and any Manager Affiliate, an Affiliate of Manager shall be deemed to include any entity in which Manager owns (directly or indirectly) more than a 50% equity interest or otherwise participates in more than 50% of the profits or revenues of such entity (excluding such participation that represents management fees to Manager); and further provided, however, that for purposes of Section 2.26 of the Management Agreement the applicable percentage with respect to Manager shall be 25%. Under no circumstances shall the Trustee or any Registered Owner be deemed to be Affiliate of Corporation.

"*Agreement*" means this Amended and Restated Hotel Operating Agreement dated to be effective as of the Effective Date, as this same may be further amended, supplemented or modified in accordance with the terms hereof and with the terms of the Indenture.

"*Annual Independent Accounting*" has the meaning given in Section 2.22.3.

"*Anti-Corruption Laws"* all applicable anti-corruption, anti-bribery, anti-money laundering, books and records and internal controls laws.

"*Approvals*" shall mean licenses, approvals, permits, authorizations, registrations, and the like required by any governmental or regulatory organization or unit having jurisdiction over Corporation or the Hotel.

"*Arbitrable Dispute*" shall mean any dispute, claim or issue arising under the Management Agreement with respect to (a) the proper inclusion or exclusion of items in Gross Operating Revenue, Operating Expenses or Total Net Revenues, (b) the proper calculation of Group Services Fees and Charges and Reimbursable Expenses, (c) any dispute regarding the Operating Standard, (d) any disputes arising under Sections 2.18 or 2.19 of the Management Agreement, and (e) any other matter as to which the Management Agreement expressly provides for dispute resolution by arbitration. Notwithstanding the foregoing or any other provision of the Management Agreement, there shall be excluded from Arbitrable Disputes claims and disputes which (i) relate to preserving or protecting Manager's proprietary rights in the proprietary information described in Section 11 in the Management Agreement, (ii) are for extraordinary relief such as injunction or eviction, (iii) either Manager or Corporation asserts against the other in any action brought by a third party and in which Manager and/or Corporation are named or joined defendants, (including counter-defendants and third-party defendants).

"*Arbitration Request*" has the meaning given in Section 2.18.6.1.

"*Asbestos*" shall mean any asbestos or material containing asbestos.

"*Asset Manager*" shall mean a Person with hospitality management experience of at least five years (including at least three years management experience in a hotel similar in size and quality to the Hotel) selected by Corporation with notices to the Bond Insurer, Trustee and Manager of such selection.

"*Assignment*" has the meaning given in Section 9.1.2 of this Agreement.

"*Association*" shall mean the Austin Convention Condominium Association, Inc., a Texas non-profit corporation organized under the Texas Non-Profit Corporation Act pursuant to the formation requirements set out in the Uniform Condominium Act, and created for the purposes and possessing the rights, powers and authority set forth in the Declaration and in the Association Articles.

"*Association Articles*" shall mean the articles of incorporation of the Association filed with the Secretary of State of Texas, as amended from time to time.

"*Available Casualty/Condemnation Amounts*" has the meaning given in Section 7.11 of this Agreement.

"*Available Revenue Fund*" or "*Hotel Available Revenue Fund*" shall mean the Convention Center Hotel Revenue Bond Available Revenue Fund established by Section 5.02 of the Indenture."*Bankruptcy Code*" shall mean the Bankruptcy Reform Act of 1978, as amended, (11 U.S.C. Section 101, et seq.).

"*Base Management Fee*" means the base management fee of Manager equal to 3% of Gross Operating Revenues, payable pursuant to Section 3.1.2 of this Agreement.

"*Bond*" or "*Bonds*" shall mean the Series 2017 Bonds and any Additional Bonds and Refunding Bonds of the Corporation, authenticated and delivered under and pursuant to the Indenture or under any Supplemental Indenture.

"*Bond Counsel*" means Winstead PC or any other law firm selected by the Corporation, whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized including.

"*Bond Documents*" shall mean the Indenture, Assignment Agreement, Cash Management Agreement, the Hotel Deed of Trust, the Security Agreement and any other agreement relating to the Bonds.

"*Bondholder"* shall mean the person in whose name any of the Bonds are registered on the books kept and maintained by the Trustee as bond registrar.

"*Budget*" shall mean the Operating Plan and Budget and the Capital Budget for the applicable Operating Year.

"*Business Day*" shall mean a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of Texas are authorized or required by law or executive order to remain closed.

"*Business Interruption Account*" has the meaning given in Section 8.3.1.

"*Business Interruption Proceeds*" has the meaning given in Section 8.3.1.

"*Bylaws*" shall mean the bylaws of the Association adopted by the Association Board, as amended from time to time.

"*Capital Budget*" shall mean the approved annual plan and budget setting forth all approved Capital Improvements and Capital Expenses for the Hotel for the relevant Operating Year, prepared in accordance with the terms of Section 2.18 of the Management Agreement.

"*Capital Expense*" shall mean any item of expense that, according to Generally Accepted Accounting Principles, is not properly deducted as a current expense on the books of the Hotel, but rather should be capitalized.

"*Capital Improvement*" shall mean an item of any nature incorporated into the Hotel, the cost of which is a Capital Expense.

"*Cash Management Agreement*" shall mean the Amended and Restated Cash Management and Lockbox Agreement, dated as of May 1, 2017, among Corporation, the Trustee, the Depository Bank and the Manager.

"*Cash Trap Fund*" shall mean the Convention Center Hotel Revenue Bond Cash Trap Fund established pursuant to Section 5.02 of the Indenture.

"*Casualty*" shall mean, for the purposes of the Management Agreement, the damage or destruction of the Hotel at any time or times during the Operating Term by fire or other casualty.

"*Casualty Proceeds*" shall mean, for the purposes of the Management Agreement, the proceeds (excluding Business Interruption Proceeds) paid under any casualty and property insurance policy maintained by Manager or Corporation with respect to the Hotel, in accordance with the terms of the Management Agreement, as a result of damage to or destruction of the Hotel arising as a result of a fire or other casualty.

"*Casualty Restoration*" has the meaning given in Section 7.2.

"*Certificate of Occupancy*" shall mean a certificate or certificates, as applicable, issued by the City that permits legal and beneficial occupancy, operation and use of the Hotel without interruption for each of its intended purposes, which certificate or certificates may be issued with or without qualification so long as any qualification shall not prohibit, restrict or impair such occupancy, operation or use.

"*Certified Financial Statements*" shall mean audited financial statements of Corporation relating to the Hotel consisting of a statement of net position, a statement of revenues and expenditures and a statement of cash flows and a certificate of the Independent Accountant to the effect that, subject to any qualifications contained therein, the financial statements fairly present, in conformity with Generally Accepted Accounting Principles, the financial position, results of operations, and cash flows of the Hotel for the Operating Year then ended.

"*City*" shall mean the City of Austin, Travis County, Texas, a municipal corporation.

"*Claims*" has the meaning given in Section 12.14..

"*Clearing Bank Accounts*" shall mean the accounts, bearing the name of the Trustee so long as the Indenture is in effect and otherwise bearing the name of the Corporation, at a bank or banks selected by the Corporation, for the purpose of depositing all Gross Operating Revenues, whether from Manager, from credit card companies, or anyone, each of which shall be given instructions to make deposits in the Clearing Bank Accounts pursuant to the Cash Management Agreement.

"*Closing Date*" shall mean the date of issuance of the 2017 Bonds.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations proposed or in effect with respect thereto.

"*Common Elements*" shall have the meaning set forth in the Declaration.

"*Competitive Set*" shall mean, from time to time during the Operating Term, at least five hotels (not counting the Hotel) in the downtown Austin market that are most comparable to the Hotel in quality, price and market segment (with due consideration given to age, quality, number of guest rooms, room size, facilities, meeting space accommodations and business mix), as determined in accordance with Section 4.5.2. Notwithstanding the foregoing, the initial Competitive Set as of the Effective Date shall consist of the following four hotels (in addition to the Hotel): (i) the HGI Austin Downtown, (ii) the Hyatt Regency Austin, (iii) the Omni Austin Downtown, and (iv) the Sheraton at the Capital. Pursuant to Section 4.5.2 hereof, upon the opening of the Austin Marriott Downtown, the Competitive Set shall be automatically modified to consist of the following five hotels (in addition to the Hotel): (i) the Austin Marriott Downtown, (ii) Hyatt Regency Austin, (iii) Omni Austin Downtown, (iv) Westin Austin Downtown and (v) Fairmont Austin.

"*Condemnation Proceeds*" shall mean, for the purposes of the Management Agreement, the proceeds payable in respect of any Taking of all or a portion of the Project or the Hotel, as the case may be.

"*Condominium*" shall mean the form of real property established by the Declaration with respect to the Property, in which portions of the Property are designated for individual ownership or occupancy and the remainder of the Property is designated for common ownership or occupancy solely by the owners of such remainder. The Condominium contains three Legal Units.

"*Condominium Declaration*" or "*Declaration*" shall mean the Condominium Declaration for Neches Hotel Condominiums and all recorded amendments thereto, which Declaration and all amendments thereto, shall be recorded in the County.

"*Condominium Documents*" shall mean, collectively, the Condominium Declaration, the Bylaws, the Association Articles, and the Map.

"*Consultant*" shall mean any Person at the time employed by or on behalf of Corporation (or, to the extent specifically provided in the Indenture or in any Supplemental Indenture, by or on behalf of the Trustee) for the benefit of the Registered Owners to carry out the duties imposed by or pursuant to the Indenture or a Supplemental Indenture, which Person shall be experienced, have a national and favorable reputation in the matters for which such Person is so employed, and be independent of Corporation, Manager and the City.

"*Continuing Disclosure Agreement*" or "*Disclosure Agreement*" shall mean that certain Continuing Disclosure Agreement by and between the Corporation and the Trustee, as Dissemination Agent, dated as of the Series 2017 Bond Effective Date while the Series 2017 Bonds are Outstanding, and each subsequent Continuing Disclosure Agreement executed by the Corporation in connection with each issuance of Additional Bonds while such Additional Bonds are Outstanding.

"*Contracts*" shall mean, with respect to the Management Agreement as applicable, all contracts, agreements and licenses entered into by the Manager for or on behalf of Corporation.

"*Convention Center*" shall mean the Austin Convention Center located across the street from the Land, together with additions and modifications thereto.

"*Convention Center Expansion*" the expansion of the Convention Center to include at least 450,000 square feet of total functional space (including exhibit, ballroom, and meeting space).

"*Convention Center Representative*" shall have the meaning set forth in Section 1.6 of the Room Block Commitment.

"*Corporate Personnel*" shall mean any personnel from the corporate or regional offices of Manager and its Affiliates or who are otherwise area supervisors for Manager who perform activities in connection with the services provided by Manager under the Management Agreement.

"*Corporation*" means Austin Convention Enterprises, Inc., a Texas nonprofit public facility corporation.

"*Corporation Board*" shall mean the board of directors of the Corporation, or any successor in function.

"*Corporation's Negligent or Willful Act*" shall mean any (i) acts or omissions constituting fraud, negligence, or willful misconduct on the part of Corporation or its Affiliates, their officers, directors, employees, agents, or assigns, or (ii) criminal violation of law by Corporation, Corporation's Affiliates or permitted assignees under the Management Agreement or any of their respective officers, directors or employees.

"*Corporation's Parties*" has the meaning given in Section 12.14.3.

"*County*" shall mean Travis County, Texas.

"*Cure Amount*" means, for the applicable Operating Year, the lesser of either (a) the difference between (i) the amount of Total Net Revenues that would have been necessary to satisfy the Debt Service Coverage Requirement for such Operating Year and (ii) actual Total Net Revenues for the applicable Operating Year; or (b) the difference between (i) the amount of Total Operating Revenues (as defined by the Uniform System) that would have been necessary to meet the REVPAR Performance Standard for the applicable Operating Year and (ii) actual Total Operating Revenues (as defined by the Uniform System) for the applicable Operating Year.

"*Debt Service Coverage Ratio*" shall mean, for any particular period:

(a) with respect to the Outstanding First Tier Bonds, a fraction calculated by dividing the Total Net Revenues for a particular period of time by the Net Debt Service for the Outstanding First Tier Bonds for the same period of time; and

(b) with respect to the Outstanding Second Tier Bonds, a fraction calculated by dividing the Total Net Revenues for a particular period of time by Net Debt Service for the Outstanding First Tier Bonds and Second Tier Bonds for the same particular period of time.

"*Debt Service Coverage Requirement*" shall mean, for each Operating Year, a Debt Service Coverage Ratio which is not less than 1.20:1.00 with respect to the Outstanding First Tier Bonds and Second Tier Bonds.

"*Deferred Installment(s)*" has the meaning given in Section 3.1.4.

"*Depository Bank*" shall mean such banking institution or institutions as the Corporation shall from time to time designate, in writing to the Trustee, at which the account or accounts shall be established and maintained with respect to the Lockbox Fund pursuant to the Cash Management Agreement.

"*Direct or Indirect Profit*" shall mean any monetary compensation, other than for the reasonable and actual costs of providing goods, services, supplies, products or equipment (including carrying costs of facilities), whether in the form of a payment, credit, rebate, refund, kick-back, revenue sharing, royalty, profit participation, equity participation, barter consideration in the form of goods or services, or any other device, however denominated, and whether similar or dissimilar to any of the foregoing, received by the Manager and/or any of its Affiliates, directly or indirectly, in any calendar year from or on account of the Gross Operating Profit from the Hotel. For purposes of this definition, none of the following shall be considered a Direct or Indirect Profit to Manager and/or its Affiliates:

(a) any payment received from a vendor or other third party for services provided by Manager and/or its Affiliates directly to such vendor or other third party in its ordinary course of business, such as market research, collection of purchasing data or participation in co-marketing or advertising programs with such vendor; provided that such payment for such services is reasonable;

(b) any rebate or other amount received by Manager or its Affiliates which is applied to reduce the cost of Manager's national purchasing operations which reduction in cost benefits the Hotel and Other Hilton Hotels which are included in such national purchasing operations;

(c) any rebate or other payment received by Manager or its Affiliates which is otherwise available to each hotel in the Hilton System, including the Hotel, without being included in such national purchasing operations, so long as the reduction in cost is allocated in the same manner among such hotels as allocated to the Hotel or any Direct or Indirect Profit derived from such payment is redistributed among such hotels in the same manner as redistributed to the Hotel;

(d) any other reduction in cost or payment in the form of cash, goods or services to the extent the Hotel is allocated its proportionate share of such reduction in cost or payment (with the allocation to the Hotel and to Other Hilton Hotels determined using the same formula, including fair, reasonable and equitable variables consistently applied or using different formulas for each type of Hotel provided that the use of multiple formulas does not result in the Hotel being allocated a materially disproportionate share of the costs);

(e) any amount which could otherwise be considered Direct or Indirect Profit to Manager or its Affiliates if the Hotel is allocated its proportionate share of such amount in the form of cash, goods, services or a credit (with the allocation to the Hotel and to Other Hilton Hotels determined using the same formula, including fair, reasonable and equitable variables consistently applied or using

different formulas for each type of Hotel provided that the use of multiple formulas does not result in the Hotel being allocated a materially disproportionate share of such costs);

(f) any payment received by the Manager and any of its Affiliates in such calendar year which does not exceed 5% of the Management Fee paid to Manager during such calendar year;

(g) any payment for hotel rooms, food or other services received by any hotel owned in whole or in part or managed by Hilton or any of its Affiliates in connection with any meetings or other travel involving representatives of Hilton, its Affiliates or the Hotel (i.e. national sales meetings) which payment is paid out of Group Services Fees and Charges or directly by the Hotel, provided such payment represents a reasonable charge for such services and is allocated to the Hotel in the same manner as to comparable Other Hilton Hotels; and

(h) any increase in the value of any equity investment by Manager or any of its Affiliates in any entity providing goods and/or services to the Hotel.

"*Dollars*" and "*$*" shall mean the lawful money of the United States of America.

"*Effective Date*" means October 1, 2020, the effective date of the Agreement.

"*Emergency*" shall mean a situation imminently threatening life, health, or safety.

"*Emergency Expenses*" shall mean the expenses incurred to remove the existence of an Emergency.

"*Employee Termination Notice Requirements*" any obligation under federal, state or local law to give advance notice of employment termination, including obligations under the Worker Adjustment and Retraining Notification Act, 29 U.S.C. §2101 *et seq*., as amended, and any similar federal or state statute.

"*Environmental Claims*" shall mean claims, liabilities, investigations, litigation, administrative proceedings, whether pending or to the knowledge of Corporation, threatened, or judgments, orders or anticipated damages in law relating to any Hazardous Materials.

"*Environmental Law*" shall mean any federal, state, or local law, ordinance or regulation or any court judgment or order of any federal, state or local agency or regulatory body relating to industrial hygiene or to environmental or unsafe conditions including, but not limited to, those relating to the generation, manufacture, storage, handling, transportation, disposal, release, emission or discharge of Hazardous Materials and Asbestos, those in connection with the construction, fuel supply, power generation and transmission, waste disposal or any other operations or processes, and those relating to the atmosphere, soil, surface and ground water, wetlands, stream sediments and vegetation. "Environmental Laws" also shall include, but not be limited to, the Comprehensive Environmental Response, Compensation and Liability Act, the Emergency Planning and Community Right-to-Know Act of 1986, the Hazardous Materials Transportation Act, the Resource Conservation and Recovery Act, the Solid Waste Disposal Act, the Clean Water Act, the Clean Air Act, the Toxic Substance Control Act, the Safe Drinking Water Act and the Occupational Safety and Health Act, and all regulations adopted in respect to the foregoing laws.

"*Environmental Site Assessments*" shall mean any assessments, audits, investigations, testing, sampling, analysis and similar procedures conducted on the Property for the purpose of identifying Hazardous Materials.

"*Event of Default*" means an uncured default by an applicable Party under this Agreement beyond applicable cure periods.

"*Event Room Block*" shall mean a block of guest rooms in the Hotel for a series of nights that Corporation, on behalf of a PCC, may reserve in the Hotel pursuant to the Room Block Commitment.

"*Event Room Block Contract*" shall have the meaning assigned to such term in the Room Block Commitment.

"*Excess Revenues Fund"* shall mean the Convention Center Hotel Revenue Bond Excess Revenues Fund established by Section 5.02 of the Indenture.

"*Excluded Taxes and Other Charges*" shall mean any (i) Gross Receipts Taxes; (ii) withholding tax or other employment related taxes; (iii) wage, child support or spousal support garnishments; or (iv) unclaimed property or wages.

"*Executive Staff*" shall mean the persons employed by Manager as the heads of the various departments of the Hotel, as applicable.

"*FF&E*" shall mean all items of furniture, furnishing, fixtures, and equipment and other personal property used or held for use in storage in the ordinary course of operating the Hotel, the cost of which is ordinarily a Capital Expense, but a portion of which may be currently expensed such as smaller items thereof, or expenditures which are ancillary thereto but which are properly chargeable as an Operating Expense to Property Operations and Maintenance under the Uniform System of Accounts.

"*First Tier Bonds*" shall mean the Series 2017A Bonds and all Additional Bonds issued on a parity with the Series 2017A Bonds.

"*First Tier Debt Service Reserve Fund*" shall mean the Convention Center Hotel Revenue Bond First Tier Debt Service Reserve Fund established by Section 5.02 of the Indenture.

"*Force Majeure Event*" for purposes of the Management Agreement, shall mean, (i) fire, storm, earthquake, flood, natural disaster, or other casualty events; (ii) terrorist attacks; (iii) pandemics, epidemics, quarantine restrictions or other public health restrictions or advisories; (iv) the of performance of approved Capital Improvements adversely affecting a material portion of the income generating areas of the Hotel which is the direct cause of the delay of performance; (v) strikes that are not directly related to acts or labor relations of Manager or its respective Affiliates; (vi) riots or other civil unrest; (vii) any acts of governmental agencies (but expressly excluding any acts of Corporation performed in accordance with the terms of the Transaction Documents); (viii) diminished capacity of the Convention Center or disruption of Convention Center operations, as a result of a renovation, expansion, closure or otherwise or the relocation of the Convention Center from its current location in a manner that materially impacts the Gross Operating Revenues of the Hotel; or (ix) a combination of any of the foregoing or any other similar event beyond a party's reasonable control that materially adversely affects the ability of a party to perform, but not in any event market or economic conditions.

"*Foreclosure Event*" has the meaning given in Section 6.3.1.

"*Foreclosure Purchaser*" has the meaning given in Section 4.7.

"*Fund*" or "*Funds*" shall mean any one or more, as the case may be, of the separate special funds established by the Indenture or by any Supplemental Indenture.

"*GAAP*" or "Generally Accepted Accounting Principles" shall mean those conventions, rules, procedures, and practices, consistently applied, affecting all aspects of recording and reporting financial transactions which are generally accepted by major independent accounting firms in the United States. If Corporation

and Manager cannot agree on what constitutes Generally Accepted Accounting Principles, then the accounting firm then or most recently engaged to prepare the Certified Financial Statements of Corporation shall make the determination on the request of either Party, unless such accounting firm is also the auditing firm for Manager, in which case a different nationally recognized accounting firm shall make such determination.

"*Garage*" shall have the meaning given in the Declaration.

"*Gross Operating Profit*" or "*GOP*" shall mean for any period of time, the amount by which Gross Operating Revenue properly attributable to such period exceeds Operating Expenses for the same period.

"*Gross Operating Revenue*" or "*GOR*" shall mean all revenue and income of any kind derived directly or indirectly from operations at the Hotel, whether or not arranged by, for or on behalf of another Person or at another location, properly attributable to the period under consideration (including rentals or other payments from licensees, lessees, or concessionaires of retail space in the Hotel, but not gross receipts of such licensees, lessees, or concessionaires), determined in accordance with Generally Accepted Accounting Principles and the Uniform System of Accounts (except that in determining the amount deposited into the Lockbox Fund, such determination shall be made on a cash basis), except that the following shall not be included in determining Gross Operating Revenue: (a) receipts from awards or sales in connection with any Taking, from other transfers in lieu of and under the threat of any Taking, and other receipts in connection with any Taking, but only to the extent that such amounts are specifically identified as compensation for alterations or physical damage to the Hotel; and (b) interest earned on funds held in any Account.

"*Gross Receipts Taxes*" shall mean applicable excise, sales, occupancy and use taxes, or similar government taxes, duties, levies or charges collected directly from patrons or guests, or as a part of the sales price of any goods, services, or displays, such as gross receipts, admission, cabaret or similar or equivalent taxes, including, but not limited to, any transaction tax, resale of electricity tax, soft drink tax, head tax, occupancy tax, amusement tax, beverage tax, USC tax, SUTA, MEPA sales tax, public utility tax, and/or new service tax.

"*Gross Revenues*" shall mean Gross Operating Revenues, including all receivables related thereto, except that the following shall also be included in determining Gross Revenue:

(a) receipts from the financing, sale or other disposition of capital assets and other items not in the ordinary course of the Project's operations and income derived from securities and other property acquired and held for investment;

(b) receipts from awards or sales in connection with any Taking, from other transfers in lieu of and under the threat of any Taking, and other receipts in connection with any Taking, but only to the extent that such amounts are specifically identified as compensation for alterations or physical damage to the Project;

(c) proceeds of any insurance, including the proceeds of any Business Interruption Insurance;

(d) proceeds of any financing;

(e) the initial operating funds and working capital loans and any other funds provided by Corporation to Manager whether for Operating Expenses or otherwise;

(f) other income or proceeds derived from operations outside of the Project and resulting other than from the use or occupancy of the Project, or any part thereof, or other than from the sale of goods, services or other items sold on or provided from the Project in the ordinary course of business;

(g) interest earned on funds held in any Account; and

(h) deposits for room reservations received by the Manager prior to the Opening Date of the Hotel.

"*Group Services*" shall mean the collective reference to the following services, programs and group benefits (for so long as such services are offered generally within the Hilton System): (a) group advertising, (b) sales and business promotion services for both individual guests and conventions, (c) national marketing programs, (d) the Hilton Reservation System, (e) credit card services,; (f) accounting services and (g) such additional services, programs or group benefits as are, from time to time, provided generally to substantially all Other Hilton Hotels.

"*Group Services Fees and Charges*" shall mean the aggregate fees and charges assessed against Hotel and all Other Hilton Hotels for the provision of Group Services, provided that (a) all such fees and charges shall be solely for reimbursement of payments made by Manager to unrelated third parties (including payments of salaries, wages, compensations and benefits payable to Manager's employees) for the reasonable and actual costs of providing Group Services to the Hotel and all participating Other Hilton Hotels, which system wide costs may be determined using a reasonable accounting procedure, applied on a consistent basis (which accounting procedure in the case of Manager shall at all times comply with the requirements of Section 2.20), and (b) the fees and charges shall not include any indirect or direct profit.

"*Group Services Marketing Program*" has the meaning given in Section 2.22.1.2.

"*Hazardous Materials*" shall include, without limitation, petroleum and petroleum products (excluding a small quantity of gasoline used in maintenance equipment on the Site in compliance with all applicable Environmental Laws), flammable explosives, radioactive materials (excluding radioactive materials in smoke detectors), polychlorinated biphenyls, asbestos in any form that is or could become friable, paint with more than 0.5 percent lead by dry weight, hazardous waste, toxic or hazardous substances or other related materials whether in the form of a chemical, element, compound, solution, mixture or otherwise including, but not limited to, those materials defined as "hazardous substances", "extremely hazardous substances", "hazardous chemicals", "hazardous materials", "toxic substances", "toxic chemicals", "air pollutants", "toxic pollutants", "hazardous wastes", "extremely hazardous waste", or "restricted hazardous waste" by Environmental Laws.

"*Hilton*" shall mean Hilton Management LLC, a Delaware limited liability company, and its permitted successors and assigns.

"*Hilton Brand Standards"* as defined in Section 2.2.1.

"*Hilton Classification of Accounts*" shall mean the classification of accounts generally used by Manager at any particular time in connection with the operation of the Other Hilton Hotels.

"*Hilton Owned Hotel Names*" has the meaning given in Section 11.3.

"*Hilton Parties*" and "*Hilton Party*" shall mean Hilton, its Affiliates, subsidiaries, parent(s), partners, joint venturers, successors and assigns and their respective subcontractors, contractors, agents, employees, directors, officers, attorneys, invitees, and guests.

"*Hilton Reservation System*" shall mean the reservation system maintained by Manager and its Affiliates relating to the Hotel, Other Hilton Hotels and other hotels operating under brands owned or affiliated with Hilton Worldwide Holdings Inc. and its subsidiaries (or their respective successors and assigns).

"*Hilton System*" shall mean, collectively, the elements uniformly designated from time to time to identify structures, facilities, appurtenances, furniture, fixtures, equipment that provide to the consuming public a similar, distinctive, high quality hotel service identified with the "Hilton" brand name, in whole or in part; including licensed brands associated with the Hilton name, trademarks, logos, servicemarks and the like, access to a "Hilton" reservation system, publicity and marketing, training, standards, specifications, policies, inspection programs and manuals containing standards and requirements for the operation of "Hilton" branded hotels.

"*Hotel*" means the Legal Hotel Unit, which consists of an approximately 801-room full service hotel, restaurants, lobby bar, meeting space and parking spaces.

"*Hotel Assignment Agreement*" shall mean the Assignment and Subordination of Hotel Agreements, dated as of June 1, 2001, as amended by the First Amendment to Assignment and Subordination of Hotel Operating Agreements, dated as of December 1, 2006, and as further amended by the Second Amendment to Assignment and Subordination of Hotel Operating Agreements, dated as of May 1, 2017 and effective as of the Closing Date for the Bonds, by the Corporation in favor of the Trustee and as acknowledged and consented to by the Manager and the Trustee.

"*Hotel Consultant*" shall mean an independent nationally recognized consulting firm with substantial and significant experience in the first-class convention hotel segment as chosen by Corporation from the list of hotel consultants attached to the Management Agreement as Exhibit S. If either Manager or Corporation in their sole discretion determines that any such consulting firm listed on Exhibit S to the Management Agreement no longer qualifies as a nationally recognized consulting firm with substantial and significant experience in the first-class convention hotel segment, such consulting firm shall be removed from the list on Exhibit S to the Management Agreement and Manager shall submit to Corporation and the Trustee the names of two nationally recognized consulting firms with substantial and significant experience in the first-class convention center hotel segment, none of whom shall be Manager's primary hotel consultant or auditor and each of whom shall provide a written statement to each of Corporation and Trustee representing that it will make a fair and impartial judgment in any matter submitted to it pursuant to this Agreement. Corporation, upon the advice of the Asset Manager and with the prior written consent of the Trustee, shall select one of the names submitted as a replacement; provided that Corporation, upon the advice of the Asset Manager, may reject both names in its sole discretion and require the Manager to submit two additional names for consideration until Corporation selects the replacement.

"*Hotel Personnel*" shall mean all individuals performing services at the Hotel employed by Manager or an Affiliate of Manager.

"*Hotel Personnel Costs*" shall mean all costs associated with the employment, management or termination of Hotel Personnel, including training expenses, recruitment expenses, the costs of moving executive level Hotel Personnel, their families and their belongings to the area in which the Hotel is located at the commencement of their employment at the Hotel, wages and salaries, compensation (including incentive compensation) and benefits, employment taxes, training, and severance payments, all in accordance with Legal Requirements and Manager's policies for Other Hilton Hotels.

"*Hotel Unit's Parking Spaces*" shall mean the reserved parking spaces designated as such and shown on the Map.

"*Indenture*" shall mean the Amended and Restated Indenture of Trust, dated as of the Series 2017 Bond Effective Date , effective as of the Closing Date for the Series 2017 Bonds, by and between the Corporation and the Trustee, as amended and supplemented from time to time.

"*Independent Accountant*" the accounting firm of RSM US LLP or another national firm of independent certified public accountants mutually acceptable to Corporation.

"*Independent Architect*" has the meaning given in Section 7.1.1.

"*Index*" shall mean the Consumer Price Index for All Urban Consumers, All Items, for the market area that includes the Hotel, as published by the Bureau of Labor Statistics of the United States Department of Labor, using the years 1982-84 as a base of 100, or if such index is discontinued, the most comparable index published by any federal governmental agency. For purposes of determining increases or decreases in any amounts contemplated in this Management Agreement for the ensuing Operating Year, the Index reported for September of the preceding Operating Year shall apply.

"*Insurance and Condemnation Proceeds Fund*" shall mean the "Convention Center Hotel Revenue Bond Insurance and Condemnation Fund" established pursuant to Section 5.02 of the Indenture.

"*Insurance Consultant*" shall mean an insurance consultant mutually acceptable to Corporation.

"*Insurance Costs*" shall mean insurance premiums relating to liability and casualty coverage and Business Interruption Insurance policies and other insurance policies and coverages maintained with respect to the Hotel as required pursuant to the Management Agreement and the Indenture, including, without limitation, Exhibit L attached to the Management Agreement.

"*Insurance Proceeds*" shall mean any and all proceeds received by the Corporation from an insurance company as a result of a casualty loss in connection with the Corporation's Unit.

"*Interest Payment Date*" shall mean, with respect to the Series 2017 Bonds, January 1 and July 1 of each year, commencing July 1, 2017 or any other date on which the principal or Redemption Price of, or interest on the Series 2017 Bonds is due, and with respect to any other Series of Bonds, the date on which interest is due and payable thereon.

"JAMS" has the meaning given in Section 10.1.1.

"*Key Money*" has the meaning given in Section 2.1.4.

"*Key Employees*" shall mean the following positions for the Hotel: the Senior Executive Personnel, the executive assistant manager, the resident manager, the director of food and beverage, the director of front officer operations, the director of security, the director of human resources, the director of housekeeping and the director of engineering.

"*Land*" and "*Site*" shall mean the real property generally bounded by 4th Street, 5th Street, Neches Street, and Red River Street in Austin, Travis County, Texas more particularly described in Exhibit A attached to the Condominium Declaration together with all and singular the rights and appurtenances pertaining thereto.

"*Legal Hotel Unit*" has the meaning given in the Recitals .

"*Legal Requirements*" shall mean (a) all laws, statutes, acts (including, without limitation, the Texas Public Information Act), ordinances, rules, regulations, permits, licenses, authorizations, directives, orders and requirements of all governments, quasi-governmental or regulatory authorities, that now or hereafter may be applicable to, as applicable, (i) the Project and the construction, maintenance and operation thereof, including those relating to employees, zoning, building, health, safety and environmental matters, and

accessibility of public facilities, (ii) Manager, (iii) Manager's business operations, and/or (iv) Corporation and (b) the requirements of all documents properly filed in the real property records against the Hotel.

"*Liquor License*" shall mean the liquor licenses issued for the Hotel in the name of Manager pursuant to Section 2.4.5.

"*Lockbox Fund*" shall mean the fund by that name required to be maintained pursuant to Section 5.04 of the Indenture and established pursuant to Section 2 of the Cash Management Agreement

"*Management Fee*" means Manager's fees earned in consideration for performing all of its management, administrative, oversight, cooperation and coordination services under this Agreement, consisting of the Base Management Fee and the Subordinate Management Fee.

"*Manager*" means Hilton Management LLC, a Delaware limited liability company, together with its permitted successors and assigns.

"*Manager's Intellectual Property*" has the meaning given in Section 11.6.

"*Manager's Negligent or Willful Acts*" shall mean any (a) acts or omissions constituting fraud, negligence, or willful misconduct on the part of Manager or its Affiliates, their officers, directors, employees, agents, or assigns, or Key Employees or (b) criminal violation of law by Manager, Manager's Affiliates or permitted assignees under the Management Agreement, or any of their respective officers, directors or employees, or Key Employees. Notwithstanding the foregoing, acts or omissions of Hotel Personnel (other than Key Employees) shall be excluded from Manager's Negligent or Willful Acts, so long as Manager acted reasonably, prudently and diligently in hiring, firing, training and supervising such Hotel Personnel and Key Employees.

"*Manager's Parties*" has the meaning given in Section 12.14.1.

"*Manager's Proprietary Information*" shall mean (a) Manager's and its Affiliates' know-how, trade secrets, documents, designs, plans, reports, guest lists, and studies, (b) information Manager reasonably identifies from time to time as confidential, (c) personnel information, or (d) information that should be treated as confidential under the circumstances surrounding its disclosure including guest history information, sales and marketing information, account information or could cause competitive harm to Manager or any of its Affiliates relating to the Other Hilton Hotels and other proprietary information relative to the operating methods, procedures and policies distinctive to Other Hilton Hotels, including without limitation, the contents of the Hilton operating manuals information and methodologies relating to the Hilton Honors Program or other similar programs or the Hilton Reservation System and all commercial or financial information (including without limitation, all expenses, calculations and apportionments) relating thereto, and Hilton System information.

"*Manager's Proprietary Software*" has the meaning given in Section 11.6.

"*Manager System Legal Proceeding*" any legal action involving Mandatory Guest Fees, multiple hotels managed by Manager or its Affiliates or business practices of Manager or its Affiliates applicable to multiple hotels.

"*Mandatory Guest Fees*" means any separate fee that a patron or guest is charged for in addition to the base room rate for a guest room, including but not limited to resort fees, facility fees, destination fees, amenity fees, urban destination fees, or any other similar fee. Mandatory Guest Fees do not include employee gratuities, state or local mandatory taxes, and other tax-like fees and assessments that are levied

on a stay and that are passed through to a third party (such as tourism public improvement district fees, tourism or improvement assessments, and convention center fees).

"*Material Interest"* the right to materially influence, directly or indirectly, the affairs of an entity by contract, direct or indirect legal or beneficial ownership of 50% or more of the shareholding or ownership interest, or otherwise.

"*Materiality Threshold*" an amount initially equal to $100,000 for the first Operating Year, adjusted annually on January 1 of each subsequent Operating Year by a percentage increase in the Index (if any) over the prior Operating Year.

"*Map*" shall mean the survey plat of the Land and dimensional drawings that horizontally and vertically identify and describe the Units and the Common Elements attached to the amended condominium declaration.

"*Monthly Reports*" has the meaning given in Section 2.20.2.

"*Mortgagee*" shall mean any holder of a deed of trust or other security instrument evidencing a security interest in the Hotel.

"*National Vendor*" shall mean any vendor providing goods or services to the Hotel and Other Hilton Hotels under a purchasing program or a contractual arrangement with Manager or any of its Affiliates available to or for the benefit of the Hotel and Other Hilton Hotels.

"*Net Operating Income*" shall mean, for any period, the amount by which the sum of (i) Gross Operating Profit properly attributable to the period under consideration and (ii) interest earned on any of the Accounts or Funds (except for the First Tier Debt Service Reserve Fund, the Second Tier Debt Service Reserve Fund, the Rebate Fund, the Renewal and Replacement Fund, the Supplemental Renewal and Replacement Fund and the Operating Reserve Fund to the extent such interest earnings on the Operating Reserve Fund are retained in the Operating Reserve Fund), exceeds the aggregate of the following: (a) Taxes; (b) Insurance Costs; and (c) amounts added to the Renewal and Replacement Fund for the same period.

"*Net Revenues*" shall mean Gross Operating Revenues for the Hotel less (a) Operating Expenses, (b) payments of interest on any Short Term Indebtedness and (c) Administrative Expenses.

"*Non-Disturbance Agreement*" has the meaning given in Section 6.3.2 .

"*Opening Date*" has the meaning given in the Recitals of this Agreement.

"*Operating Costs Set Aside Amount"* means [___]% of Gross Operating Revenue.

"*Operating Expenses*" shall mean all those ordinary and necessary expenses, including Reimbursable Expenses, Base Management Fee, , incurred in the operation of the Hotel (including any management fee payable in respect of the Hotel Unit's Parking Spaces unless the Manager is obligated to pay such management fee pursuant to Section 2.26) in accordance with and to the extent provided in the Management Agreement, including but not limited to Hotel Personnel Costs, the cost of maintenance and utilities, administrative expenses, the costs of advertising, marketing, and business promotion, and any amounts payable to Manager as set forth in the Management Agreement other than the Subordinate Management Fee, all as determined in accordance with Generally Accepted Accounting Principles and the Uniform System of Accounts as well as any other item specifically made an Operating Expense under a specific provision of the Management Agreement. Notwithstanding the foregoing description, unless expressly made an Operating Expense under a specific provision of the Management Agreement, the following shall

not constitute Operating Expenses: (a) Taxes and Excluded Taxes and Other Charges (save and except for payroll taxes included in Excluded Taxes and Other Charges); (b) Insurance Costs; (c) rentals of real property (unless approved in writing by Corporation); (d) depreciation and amortization on capitalized assets; (e) Administrative Expenses and other costs and expenses of Trustee, Corporation, or Trustee's or Corporation's personnel, such as entertainment expenses, salaries, wages and employee benefits of Trustee's or Corporation's employees, directors' fees, and the expenses of directors or Trustee's or Corporation's employees to attend board meetings; (f) costs and professional fees, including the fees of attorneys, accountants, and appraisers, incurred directly or indirectly in connection with any category of expense that would not otherwise be an Operating Expense, unless otherwise expressly provided in the Management Agreement; (g) payments of principal and interest related to any financing of the Hotel; (h) costs covered by and of Manager's indemnity, hold harmless and defense agreements contained in the Management Agreement, all of which shall be funded out of Manager's own funds (from whatever source, including insurance proceeds); (i) costs incurred by Manager to perform obligations, duties, covenants, agreements and responsibilities which, under the express terms of the Management Agreement, are to be funded from Manager's own funds; (j) Capital Expenses, including, without limitation, construction costs of the Project; and , and (k) payments made and amounts required to be paid pursuant to the Development Agreement and the Design/Build Agreement.

"*Operating Plan and Budget*" shall mean an annual marketing and operating plan and budget for the Hotel prepared by Manager and approved (or deemed approved) by Corporation, all in accordance with the terms of Section 2.18.

"*Operating Reserve Fund*" shall mean the Convention Center Hotel Revenue Bond Operating Reserve Fund established by Section 5.02 of the Indenture.

"*Operating Standard*" or "*Standards*" shall mean the standard of management of the Hotel described in Section 2.2.1.

"*Operating Term*" shall mean the term of the Management Agreement, as defined in Section 4.1.

"*Operating Year*" shall mean each full calendar year occurring during the Operating Term and the calendar year in which the Termination of the Management Agreement occurs.

"*Original Agreement*" has the meaning given in the Preamble.

"*Other Hilton Hotels*" shall mean all hotels and resorts in the United States that are owned or managed by Manager and/or its Affiliates under the "HILTON" brand, (it being acknowledge that the "Hilton" brand does not include any brand that includes the word "Hilton" within the brand names (including, for example, but without limitation Hilton Garden Inn, Canopy by Hilton, Home2 Suites by Hilton, Hampton Inn by Hilton, Hilton Grand Vacations, Tempo by Hilton, Homewood Suites by Hilton, Doubletree by Hilton, Curio – a Collection by Hilton, Motto by Hilton, Tru by Hilton, Signia by Hilton, Tapestry Collection by Hilton, Embassy Suites by Hilton, etc.)), including all such hotels and resorts under such brand that are owned or managed by Manager and its Affiliates.

"*Out-of-Pocket Expenses*" shall mean the out of pocket costs paid to non-Affiliates of Manager (with no mark-up or profit to Manager) incurred directly by Manager or any of its Affiliates providing services to the Hotel under the Management Agreement, including, without limitation, reasonable air and ground transportation, meals, lodging, reasonable business entertainment expenses, taxes, gratuities, computer services, document reproduction, printing, promotional materials, stationery, postage, long-distance telephone calls, and facsimiles.

"*Owner's Unit*" shall have the meaning set forth in the Declaration.

"*Party*" shall mean Manager and Corporation.

"*PCC*" shall have the meaning assigned to such term in Section 1.20 of the Room Block Commitment.

"*Performance Test*" shall mean the tests to determine if a Performance Termination Event has occurred.

"*Performance Test Period*" shall mean the period of the Operating Term commencing with the 2024 Operating Year and ending on the last day of the Operating Term (i.e., the first measurement year relating to the Performance test will be the 2024 Operating Year).

"*Performance Termination Event*" has the meaning given in Section 4.5.1.

"*Permitted Consequential Damages*" has the meaning given in Section 12.14.5.

"*Person*" shall mean any individual, public or private corporation, partnership, limited liability company, county, district, authority, municipality, political subdivision or other entity of the State or the United States of America, and any partnership, association, firm, trust, estate or any other entity or organization whatsoever.

"*Petty Cash Amount*" shall mean an amount reasonably estimated by Manager as the amount needed from time to time to be retained by Manager at the Project as petty cash, which amount shall be comparable to the amount kept by Manager as petty cash at other hotels of comparable size and quality operated by Manager.

"*PIP*" has the meaning given in Section 12.32.

"*Prime Rate*" shall mean the prime lending rate then in effect as published in the Wall Street Journal. For purposes of calculating interest under this Management Agreement, the applicable Prime Rate shall be calculated as of the first Business Day of each calendar month.

"*Project*" shall have the meaning set forth in the Declaration.

"*Property*" shall mean the Land and the Improvements.

"*Proposed Assignee*" has the meaning given in Section 9.2.1.

"*Qualified Management Agreement*" means an agreement that complies with the applicable requirements of section 141 of the Internal Revenue Code, as amended, and Rev. Proc. 2017-13 (IRB 2017-6).

"*Rebate Fund*" shall mean the Convention Center Hotel Revenue Bond Rebate Fund established by Section 5.02 of the Indenture, and includes any separate accounts or subaccounts established by the terms of any Supplemental Indentures or any agreement pursuant thereto.

"*Receiving Party*" has the meaning given in Section 12.29.

"*Refunding Bonds*" shall mean all Bonds, whether issued in one or more Series, issued for the purpose of refunding a like or different principal amount of Bonds, and hereafter authenticated and delivered pursuant to the Indenture.

"*Reimbursable Expenses*" has the meaning given in Section 3.4.1.

"*Related Party*" shall mean any Person who is a "related person" within the meaning of Section 144(a)(3) of the Code.

"*Renewal and Replacement Fund*" shall mean the Convention Center Hotel Revenue Bond Renewal and Replacement Fund established by Section 5.02 of the Indenture and shall have the meaning assigned to such term in Section 3.9 of the Management Agreement.

"*Renewal and Replacement Set Aside Amount*" shall mean 4% of Gross Operating Revenue. The Renewal and Replacement Set Aside Amount shall not be classified as an Operating Expense or Capital Expense, provided that upon disbursement of funds from the Renewal and Replacement Fund, the disbursed amounts shall be classified as an Operating Expense or Capital Expense in accordance with GAAP.

"*Report*" has the meaning given in Section 2.22.3.

"*Required Alteration Standard*" has the meaning given in Section 7.4.1.

"*Restricted Area*" has the meaning given in Section 12.24.

"*Restricted Hotel*" has the meaning given in Section 12.24.

"*REVPAR*" shall mean, with respect to each hotel that is a member of the Competitive Set and with respect to the Hotel, and with respect to any period of time, the "Revenue Per Available Room" for the hotel in question, as measured and reported by Smith Travel Research, Inc., or such other reputable independent third party market research firm as may be mutually approved by Corporation and Manager.

"*REVPAR Performance Standard*" shall mean that the Hotel's REVPAR for the applicable Operating Year is at least 88% of the average REVPAR of the Hotels in the Competitive Set for such Operating Year.

"*Room Block Commitment*" shall mean that certain Room Block Commitment Agreement entered into between Corporation and Manager, dated as of June 1, 2001.

"*Room Block Contract*" shall have the meaning assigned to such term in Section 1.15 of the Room Block Commitment.

"*Room Rate Schedule*" shall have the meaning assigned to such term in Section 2.18.4.1.

"*Sanctioned Person*" any person, entity, government, government entity, quasi-governmental entity, or any agency instrumentality or subdivision thereof), who is subject to Trade Restrictions.

"*Second Tier Bonds*" shall mean the Series 2017B Bonds and all Additional Bonds issued on a parity with the Series 2017B Bonds.

"*Second Tier Debt Service Reserve Fund*" shall mean the Convention Center Hotel Revenue Bond Second Tier Debt Service Reserve Fund established by Section 5.02 of the Indenture.

"*Semi-Annual Installment(s)*" has the meaning given in Section 3.1.4.

"*Senior Executive Personnel*" shall mean the individuals employed from time to time as the general manager of the Hotel, the director of finance for the Hotel, and the director of marketing for the Hotel.

"*Series 2017 Bonds*" shall mean, collectively, the Series 2017A Bonds and the Series 2017B Bonds.

"*Series 2017A Bonds*" shall mean the $135,340,000 aggregate principal amount of Austin Convention Enterprises, Inc., Convention Center Hotel First Tier Revenue Refunding Bonds, Series 2017A.

"*Series 2017B Bonds*" shall mean the $59,315,000 aggregate principal amount of Austin Convention Enterprises, Inc., Convention Center Hotel Second Tier Revenue Refunding Bonds, Series 2017B.

"*Series 2017 Bond Effective Date*" shall mean May 1, 2017.

"*Short Term Indebtedness*" shall mean any notes or other indebtedness lawfully issued or incurred by the Corporation payable in full not later than twelve months from the date so issued or incurred.

"*Site*" has the meaning given in the Recitals.

"*State*" shall mean the State of Texas.

"*Sub-Unit*" shall have the meaning set forth in the Declaration.

"*Subordinate Management Fee*" means the subordinate management fee of Manager of 1% of Gross Operating Revenues, payable pursuant to Section 3.1.3.

"*Subordinate Management Fee Fund*" shall mean, so long as any Bonds remain Outstanding, the Convention Center Hotel Revenue Bond Subordinate Management Fee Fund established by Section 5.02 of the Indenture.

"*Subordination Agreement*" has the meaning given in Section 6.2.2.

"*Sufficient Funds*" shall mean the following:

(a) with respect to the payment of Operating Expenses, there are sufficient amounts in the Hotel Lockbox Fund (or other funds that are made available to Manager for the payment of Operating Expenses) for the payment of such Operating Expenses;

(b) with respect to the payment of Capital Expenses in connection with unbudgeted Capital Improvements or an Emergency, there are sufficient funds in the Renewal and Replacement Fund, the Supplemental Renewal and Replacement Fund, the Excess Revenues Fund, the Cash Trap Fund to pay for such Capital Expenses;

(c) with respect to Taxes and Insurance, there shall be sufficient balances in the Taxes and Insurance Fund to pay for such costs;

(d) with respect to Gross Receipts Taxes, there shall be funds available in the Lockbox Fund to pay such taxes at least equal to the collections deposited by Manager into the Lockbox Fund that are attributable to such Gross Receipts Taxes;

(e) with respect to the payment of costs to repair and/or replace FF&E or Capital Expenses in connection with budgeted capital improvements, there are sufficient funds in the Renewal and Replacement Fund, the Supplemental Renewal and Replacement Fund, the Excess Revenues Fund, and the Cash Trap Fund to pay for such costs and Capital Expenses.

"*Supplemental Renewal and Replacement Fund*" shall mean the Convention Center Hotel Revenue Bond Supplemental Renewal and Replacement Fund established by Section 5.02 of the Indenture.

"*Supplemental Renewal and Replacement Set Aside Amount*" shall mean eight percent (8%) of Gross Operating Revenue for each month.

"*Systems*" include, but are not limited to, all fixtures, equipment, pipes, lines, wires, ducts, vents, computer cables, security system cables, monitoring system cables, conduits and other systems and facilities used in the production, heating, cooling and/or transmission of air, water, gas, electricity, communications, waste water, sewage, and audio and video signals, notwithstanding the fact that such System may be located in all or a portion of a Unit.

"*Taking*" or "*Taken*" shall mean a taking as a result of compulsory purchase or acquisition of all or part of the Project, any taking by any governmental authority (or any authority or entity acting on behalf of or purporting to act on behalf of any governmental authority) for any purpose whatsoever or a conveyance by Corporation in lieu thereof.

"*Taxes*" shall mean all taxes, including ad valorem taxes on real property, personal property taxes relating to or assessed in connection with the ownership or operation of the Project, except for Excluded Taxes and Other Charges.

"*Taxes and Insurance Fund*" shall mean the "Convention Center Hotel Revenue Bond Taxes and Insurance Fund" established pursuant to Section 5.02 of the Indenture, and after the Bonds are no longer Outstanding under the Indenture, the fund by that name to be created pursuant to Section 3.9 of the Management Agreement.

"*Term*" means the Operating Term.

"*Termination*" shall mean the expiration or sooner cessation or termination of the Management Agreement.

"*Termination Fee*" has the meaning given in Section 4.6.1.

"*Total Net Revenues*" shall mean Gross Operating Revenue plus the earnings on amounts deposited into the Available Revenue Fund not otherwise included in the definition of Gross Operating Revenue, less Operating Expenses, and less amounts added to the Renewal and Replacement Fund for the same period representing the regularly scheduled 4% of Gross Operating Revenue required to be deposited pursuant to the definition of "Renewal and Replacement Set Aside Amount".

"*Trademarks*" shall mean the trademarks, trade name, service marks, and copyrights associated with the name HILTON, and the related marks that include the word HILTON, including HILTON HOTELS, HILTON RESORTS, and the "Hilton Hotels & Resorts" corporate logo or symbol, together with the right to use any and all slogans, derivations, trade secrets, know-how, and trade dress, and all other proprietary rights, insignia, emblems, symbols, slogans, distinguishing characteristics, trade names, domain names, and all other service marks, trademarks or characteristics associated or used with, or in connection with, such names, marks and slogans or hotels operated under the Hilton name.

"*Trade Restrictions*" means trade, economic or investment sanctions, export controls, anti-terrorism, non-proliferation, anti-money laundering and similar restrictions in force from time to time pursuant to laws, rules and regulations imposed under Laws to which the Parties are subject.

"*Transition Period*" has the meaning given in Section 4.9.11.

"*Trustee*" shall mean U.S. Bank National Association f/k/a U.S. Bank Trust National Association, as trustee under the Indenture, together with any successors or assigns

"*Unamortized 2006 Key Money"* has the meaning given in Section 2.1.4.

"*Unamortized Key Money*" has the meaning given in Section 2.1.4.

"*Uniform Condominium Act*" shall mean the Uniform Condominium Act, Texas Property Code, Chapter 82, Section 82.001 et seq., as amended from time to time.

"*Uniform System of Accounts*" shall mean the latest edition of the Uniform System of Accounts for the Lodging Industry that is published by the American Hotel & Lodging Educational Institute, Lansing, Michigan, and approved by the American Hotel & Motel Association (currently, the 11th Revised Edition, 2014, or the then most current version).

"*Unit*" shall have the meaning set forth in the Declaration.

"*Unrelated Third Party*" means any Person who is not a Related Party.

"*Upper Upscale Hotel*" shall mean a hotel having an Upper Upscale Rating.

"*Upper Upscale Rating*" shall have the meaning assigned to such term in Section 1.3.

"*USA&M*" has the meaning given in Section 10.1.1.

"*Variable Expenses*" has the meaning given in Section 2.18.7.

EXHIBIT G
INCENTIVE COMPENSATION METRICS

Manager has represented to Corporation that its incentive compensation payments to Manager's employees will be based solely and exclusively upon the metrics set forth below (the "**Original Metrics**"), unless and until Manager provides notification to Corporation (as part of the yearly budget process) of its desire to change the applicable Metrics or unless Corporation provides written notification to Manager that the applicable Metrics must be changed in response to a change in law, regulations, rulings or court decisions ("**Changed Metrics**"):

METRIC	DESCRIPTION
RevPAR	Revenue Per Available Room
RevPAR Index	A measurement of the hotel's RevPAR in relation to the RevPAR of a set of competitive hotels. as determined by Smith Travel Research.
Forecast Accuracy	A measurement of how accurately the hotel department, or applicable team member forecasted the actual RevPAR and Total Operating Revenue of the hotel.
SALT Overall Experience	A measurement of guests' aggregate ratings of their hotel stays in the "Satisfaction And Loyalty Tracking" study, with a focus on how the guests answer the following attribute: "Your Overall Experience as a Guest".
Honors	A measurement of how effectively the hotel is enrolling "non-honors-member transient guests" into the Hilton Honors Program.
Leadership Index	A numerical index based on how leaders within certain subsets of the Hilton organization are rated by team members Leadership Index within that organizational subset based on a rating system that does not include reference either to profits of any component of Hotel Operations or expenses of any component of Hotel Operations.
Great Places to Work	A measurement based on Hilton's annual ranking by the "Great Places To Work" organization.
Talent Management	A measurement of HR Director performance in the areas of Diversity and Inclusion. Learning & Development, Succession Planning and Career Growth Results

Corporation agrees that incentive compensation payments determined pursuant to formulas whose sole variables are the Original Metrics as described above will not constitute, under existing law regulations, rulings and court decisions, a violation of Section 3. of this Agreement. Corporation agrees, in addition, that any court decision that incentive compensation payments based on factors substantially similar to the Original Metrics do result in a share of net profits of a managed facility for purposes of Section 141 of the Internal Revenue Code shall not constitute a breach by Manager under this Agreement or subject Manager

to any liability under this Agreement. Manager agrees that, if notified by Corporation that a change in law. regulations, rulings or court decisions subsequent to the Effective Date may reasonably cause use of the Original Metrics to constitute a share of net profits of any component of the Hotel, it shall adopt Changed Metrics reasonably requested by Corporation to eliminate the resulting private business use.

MANAGEMENT AGREEMENT

BY AND

AMONG

ARTV MEDIA, LLC,

ARTV MEDIA, INC.

ART TV MEDIA, LLC, ARTV MEDIA,

AND

STONE STRATEGICAL MEDIA CORPORATION (SCL PTC),

BRC MANAGEMENT GROUP, LLC,

STONE STRATEGICAL MEDIA CORPORATION (SCL PTC), AND BRC MANAGEMENT GROUP, LLC

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(c) Reasonable expenses provided for except as herein expressly provided otherwise shall not be obligated to pay any tax or assessment of the Operators or any other figure or number of Operators, Manager, Operator, or any or more employees or agents of Manager, Operator, or any or more employees or agents of Operators, or any other person or persons, firms, associations or corporations, or any or more of the foregoing, or any or more of the foregoing and

Manager represents and warrants that (i) Manager has the full right, power and authority to enter into and perform its obligations under this Agreement, (ii) the execution of this Agreement by Manager is conducted under Client's control, Manager shall not make any representations or warranties on behalf of Client, and Client shall be liable for any actions or omissions conducted by Manager and (iii) Manager has not filed a petition for bankruptcy.

Client shall (i) be responsible for all costs and fees (including Trade Fees) which Manager incurs in performing its obligations under this Agreement; (ii) [illegible]

(iii) The term "Net Profits" shall mean the operating or gross revenues of the Company.

(iv) [illegible]

Client acknowledges that Manager's ability to perform its obligations under this Agreement is subject to a number of factors, including, without limitation, the availability of sufficient liquidity, trading volume, and volatility in the markets in which the Company shall trade, and that Manager shall not be liable for any failure to perform its obligations under this Agreement if such failure is caused by any of the foregoing factors or any other factor beyond Manager's control.

Client acknowledges that Manager's ability to perform its obligations under this Agreement is subject to the performance by third parties of their respective obligations to Client and Manager, and that Manager shall not be liable for any failure to perform its obligations under this Agreement if such failure is caused by any such third party.

Client represents and warrants that (i) Client has the full right, power and authority to enter into and perform its obligations under this Agreement, (ii) the execution of this Agreement by Client is conducted under Client's control, Client shall be liable for any actions or omissions conducted by Manager, (iii) Client has not filed a petition for bankruptcy.

Client represents and warrants that (i) Client has the full right, power and authority to enter into and perform its obligations under this Agreement, (ii) the execution of this Agreement by Client is conducted under Client's control, Client shall be liable for any actions or omissions conducted by Manager, (iii) Client has not filed a petition for bankruptcy.

ARTICLE 3

FEES

3.1 Management Fee. In all events during the Term of this Manager's appointment as the Manager, Manager shall receive fees in a fixed lump sum after reasonable and adequate amounts of capital, liability and other costs and overhead expenses have been deducted, which shall be payable in cash or in-kind (the "Management Fee") in an amount equal to the sum of (i) [illegible] (ii) [illegible] (iii) [illegible] (iv) [illegible] (v) [illegible] (vi) [illegible] (vii) [illegible] (viii) [illegible] (ix) [illegible] (x) [illegible] (xi) [illegible] (xii) [illegible] (xiii) [illegible] (xiv) [illegible] (xv) [illegible] (xvi) [illegible] (xvii) [illegible] (xviii) [illegible] (xix) [illegible] (xx) [illegible] (xxi) [illegible] (xxii) [illegible] (xxiii) [illegible] (xxiv) [illegible] (xxv) [illegible] (xxvi) [illegible] (xxvii) [illegible] (xxviii) [illegible] (xxix) [illegible] (xxx) [illegible] (xxxi) [illegible] (xxxii) [illegible] (xxxiii) [illegible] (xxxiv) [illegible] (xxxv) [illegible] (xxxvi) [illegible] 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(b) All revenues and expenses of the Hotels which are denominated in a currency other than United States dollars shall be recorded and reported both in United States dollars and in the currency(ies) in which such amounts are earned or expended. Such other currency(ies) shall be converted to United States dollars using commonly verified exchanges with the Accounting Firm of Manager and its Affiliates when accounting for foreign currencies.

24.24 Independent Covenants. The obligations of each party hereunder shall be separate and independent covenants and agreements.

[Signature Page follows]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement effective as of the day and year first above written.

OWNER

DPT TBO GP, L. INC.

By: /s/ John G. Murray
John G. Murray
Vice President

DPT TBO DGC, L. INC.

By: /s/ John G. Murray
John G. Murray
Vice President

DPT TBO DGG, L. INC.

By: /s/ John G. Murray
John G. Murray
Vice President

DPT TBO DGL, L. INC.

By: /s/ John G. Murray
John G. Murray
Vice President

MANAGER

INTERCONTINENTAL HOTELS GROUP RESOURCES, INC.

By: /s/ Robert J. Chitty
Robert J. Chitty
Vice President

INTERCONTINENTAL HOTELS GROUP (CANADA), INC.

By: /s/ Robert J. Chitty
Robert J. Chitty
Vice President

[Signature Page to Management Agreement – Page Two]

DIG MANAGEMENT (MARYLAND) LLC

By: /s/ Robert J. Chitty
Robert J. Chitty
Vice President

[Signature Page to Management Agreement – Page Two]

Each of the parties comprising Landlord in consideration of good and valuable consideration, (who is the foregoing Agreement is exclusive to agreement to be bound by the terms of Sections 8.1 through and including 8.2 and Article 10 and (ii) thereof, in each case to the extent applicable to it, subject to the terms of Section 24.14

LANDLORD

DPT TBO PROPERTIES TRUST

By: /s/ John G. Murray
John G. Murray
President

DPT NCW TI PROPERTIES TRUST

By: /s/ John G. Murray
John G. Murray
President

DPT CW PROPERTIES TRUST

By: /s/ John G. Murray
John G. Murray
President

DPT CW MARKATS TRUST

By: /s/ John G. Murray
John G. Murray
President

DPT DFW II PROPERTIES LLC

By: /s/ John G. Murray
John G. Murray
President

[Signature Page to Management Agreement – Page Three]

DPT DEL2 PROPERTIES TRUST

By: /s/ John G. Murray
John G. Murray
President

DPT DEL2 GA PROPERTIES LLC

By: /s/ John G. Murray
John G. Murray
President

DPT DEL2 CANADA PROPERTIES TRUST

By: /s/ John G. Murray
John G. Murray
President

DD DFW II PROPERTIES LLC

By: /s/ John G. Murray
John G. Murray
President

HARBOR CREEK ASSOCIATES, INC.

By: /s/ John G. Murray
John G. Murray
President

DPT DEL2 PROPERTIES TRUST

By: /s/ John G. Murray
John G. Murray
President

DPT DEL2 PROPERTIES LLC

By: /s/ John G. Murray
John G. Murray
President

[Signature Page to Management Agreement – Page Four]

SCHEDULE 2.6(a)

Designated Hotels	City	State	Rooms
Intercontinental	Bethesda	MD	189
Crowne Plaza	Houston	TX	559
Crowne Plaza	Irvine	CA	320
Holiday Inn	Jacksonville (Riverwalk)	FL	198
Intercontinental	Miami	FL	165
Crowne Plaza	Minneapolis (Bloomington)	MN	563
Holiday Inn	Myrtle Beach	SC	229
Holiday Inn	Orlando (International Drive)	FL	336
Intercontinental	Charleston Resort	SC	120
Holiday Inn	Orlando Int'l Drive	FL	146
Holiday Inn	Pittsburgh	PA	195
Holiday Inn	Schaumburg	IL	505
Intercontinental	Scottsdale	AZ	140
Holiday Inn	Tucson	AZ	229
Intercontinental	Denver, Ambassador	CO	308
Intercontinental	Chicago, Michigan Ave	IL	357
Intercontinental	Cincinnati, Blue Ash	OH	198
Holiday Inn	Dallas, Park Lonesome	TX	253
Intercontinental	Dallas, Las Colinas	TX	432
Intercontinental	Denver, Southfield	MD	122
Intercontinental	Denver, Tech Center	CO	250
Intercontinental	Denver, Farmington Hills	MI	122
Intercontinental	Hartford, Cromwell	CT	120
Intercontinental	Hartford, Meriden	CT	120
Intercontinental	Miami, Doral Boulevard	FL	250
Intercontinental	Minneapolis, Bloomington	MN	122
Intercontinental	Northbrook/Wheeling	IL	145
Intercontinental	Orlando	FL	122
Intercontinental	Orlando	FL	122
Intercontinental	Raleigh, Cary	NC	122
Intercontinental	Tampa, Westshore	FL	150
Intercontinental	Salt Lake, Lake Front	UT	122
Intercontinental	Seattle, Bellevue	WA	122
Intercontinental	Dallas, Dallas Grand	TX	122
Intercontinental	Dallas, Market Center	TX	122
Intercontinental	Houston, Galleria	TX	122
Intercontinental	Houston, Medical Center	TX	122
Intercontinental	Houston, Westchase	TX	122
Intercontinental	Toronto (Thornhill)	ON	120
Intercontinental	Toronto, Yorkdale	ON	120
Intercontinental	Bloomington	IL	122
Intercontinental	County Avenue East	CA	122
Intercontinental	Dallas, Uptown	TX	122
Intercontinental	Salt Lake City, Airport	UT	122
Intercontinental	Philadelphia, Willow Grove	PA	122
Intercontinental	Phoenix, Biltmore	AZ	122
Intercontinental	Wichita, Airport	KS	122
Intercontinental	Wichita, Northeast	KS	122
Intercontinental	Wichita, Downtown	KS	122
Intercontinental	Baltimore	MD	122
Intercontinental	Detroit, Lakeshore	MI	122

SCHEDULE 2.6(b)

"Renewed Hotels"

Brand	City	State	Rooms
Intercontinental	Houston	TX	485
Intercontinental	Minneapolis Downtown	MN	249
Intercontinental	Boston Burlington	MA	401
Intercontinental	Chicago, Magnificent Mile	IL	357
Intercontinental	Boston - Andover	MA	152
Intercontinental	Chicago, Rosemont	IL	505
Intercontinental	Burbank	CA	258

SCHEDULE 5.6

Brand	City	State	Rooms
Intercontinental	Chatsworth	CA	112
Intercontinental	Los Angeles, Downtown	CA	1,020
InterContinental	San Jose	CA	214
InterContinental	Sunnyvale	CA	118
Intercontinental	Washington	DC	405
InterContinental	Orlando (Lake Buena Vista	FL	336
InterContinental	Dallas (Addison)	TX	253
Holiday Inn	Atlanta	GA	122
InterContinental	Atlanta Perimeter	GA	122
Intercontinental	Chicago, Mart Plaza	IL	357
InterContinental	Austin, Ex.	TX	122
Intercontinental	Dallas, Galleria	TX	122
Intercontinental	Houston, Galleria	TX	122
InterContinental	Portland Vancouver	WA	122
Intercontinental	Bellevue, Seattle	WA	122
Intercontinental	Vancouver	CA	120
Intercontinental	Toronto, Bloor	ON	120
Intercontinental	Toronto (Thornhill)	ON	120
Intercontinental	Toronto, Yorkdale	ON	120
Intercontinental	Bloomington	IL	122
Intercontinental	County Avenue East	CA	122
Intercontinental	Dallas, Uptown	TX	122
Intercontinental	Salt Lake City, Airport	UT	122
Intercontinental	Philadelphia, Willow Grove	PA	122
Intercontinental	Phoenix, Biltmore	AZ	122
Intercontinental	Wichita, Airport	KS	122
Intercontinental	Wichita, Northeast	KS	122
Intercontinental	Wichita, Downtown	KS	122
Intercontinental	Baltimore	MD	122
Intercontinental	Detroit, Lakeshore	MI	122
Intercontinental	Chicago	IL	122
Intercontinental	Chicago, Midway	IL	122
Intercontinental	Chicago, Northwest	IL	122
Intercontinental	Chicago, Rosemont	IL	122
Intercontinental	Chicago, Magnificent Mile	IL	122
Intercontinental	Chicago, Michigan Ave	IL	122
Intercontinental	Chicago, Oakbrook	IL	122
Intercontinental	Chicago, Schaumburg	IL	122
Intercontinental	Chicago, Lincolnshire	IL	122
Intercontinental	Chicago, Naperville	IL	122
Intercontinental	Chicago, Northbrook	IL	122
Intercontinental	Columbus	OH	122
Intercontinental	Dallas	TX	122
Intercontinental	Houston, Medical Center	TX	122
Intercontinental	Houston, Westchase	TX	122
Intercontinental	Toronto (Thornhill)	ON	120
Intercontinental	Toronto, Bloor

Exhibit 1.07

EXECUTION COPY

MANAGEMENT AGREEMENT

FOR

MIAMI FAST MEDIA

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MANAGEMENT AGREEMENT

Miami Beach

Miami

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MANAGEMENT AGREEMENT

Miami Beach

Miami

THIS MANAGEMENT AGREEMENT (the "**Agreement**") is made and entered into as of August 2026, by and between **Miami Fast Media LLC** (the "**Owner**") and **U.S. LIVING Co.LLC** (the "**Manager**"), with respect to the Hotel (as defined in Section 1 of Article 1 hereof) to be constructed and operated on the Hotel Property (as defined in Section 2 of Article 1 hereof) located in Miami Beach, Miami, Florida. **Owner** and **Manager** are sometimes individually referred to herein as a "**Party**" and collectively as the "**Parties**".

WHEREAS, Owner desires to have the Hotel constructed and operated as a first class hotel and to engage Manager to provide certain services in connection therewith, all on the terms and conditions hereinafter set forth;

WHEREAS, Owner desires to have Manager provide certain services in connection with the Hotel and Manager is willing to provide such services in accordance with

Section 14. Draft Portfolios

14.1 Subject to the provisions hereof, the parties shall at least twelve (12) months prior to the formal opening of the Main Land Parcels for Development Rights Transfer (the "**Development Rights Transfer Commencement Date**") jointly prepare a draft portfolio of the Development Rights Transfer (the "**Draft Portfolio**") in accordance with the Development Plan and Development Rights Transfer Plan, and commencement shall be commenced thereafter with the approval process of the Draft Portfolio in accordance with the relevant laws and regulations, and the Development Rights Transfer shall be formally opened upon the completion of the approval process of the Draft Portfolio. The Development Rights Transfer Commencement Date shall be subject to, and shall be determined by, the Draft Portfolio.

Section 15. Special Provisions Relating to the Development and the Venture.

15.1 Subject to the provisions hereof, the parties shall cooperate with each other in the Development and the Venture, and shall, in accordance with the Development Plan, the Development Rights Transfer Plan, the Development Rights Transfer Agreements, the Draft Portfolio, the Development Rights Transfer Commencement Date and other relevant documents, the scope of assets, the Venture scale, the Venture Period, the Venture Agreement, the Venture Articles of Association, the Venture Plan, the Venture Budget, the Venture Management Rules, the Venture Management Organization, the Venture Management Personnel, the Venture Management Mechanism

Sensitive/Leading Edge Confidential

Tax Liability means any liability to pay tax to a current or past tax authority in respect of a tax liability or tax assessment, including any penalty or fine in connection with any tax liability or tax assessment, and "Tax" shall be construed accordingly.

(c) the Seller's knowledge or belief as to such or such that the act of Seller in relation to Warranties and Indemnities in this Agreement and in the Ancillary Agreements.

(d) the Seller's knowledge or belief as to such or such that the underwriter has been or reputation liability or liability to pay Tax, other, and related liabilities. The Seller's knowledge or belief as to such or such that

CONFIDENTIAL, DO not copy or distribute

(d) the Company is operated, solely since or on the date within the year from its years of the Operating Years (which Credit Card and any remaining material claims) or claim (which the provision shall apply only as provided in Section 3.2 of this Agreement) (the "Operating Years") in the ordinary course of business in accordance with the Tax laws and regulations under Operating Jurisdictions (the "Operating Jurisdictions").

(e) in connection with one of the foregoing, Seller shall not be liable or liable to pay the total Tax Liability or Tax Liability in respect of any Tax Liability or Tax Liability in respect of any Tax Liability or Tax Liability in respect of any

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Hyatt Hotels 41450 43150 B 41.00USD 138,69 € -0.94% 7.82% 1 Year Chart

Market cap Revenue Earnings Price/Sales PE ratio PB ratio Annual Reports (10-K) More

Hyatt Hotels - 10-K annual report 2025

Text size Small Medium Large

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

(Mark One)
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2025
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File No. 001-34852

HYATT HOTELS CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware	20-1480589
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
150 South Wacker Drive, Chicago, Illinois	60606
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone numbers, including area code: (312) 750-1234
Securities registered pursuant to Section 12(b) of the Act:

Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.01 per share	H	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No
Indicate by check mark whether the registrant is an large accelerated filer, an accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐
If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐
Indicate by check mark whether any of those error corrections are restatements that required recovery analysis of incentive-based compensation received by any of the registrant's executives during the relevant recovery period pursuant to 17 CFR § 240.10D-1(b). ☐
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No
The aggregate market value of the Class A Common Stock and Class B Common Stock held by non-affiliates of the registrant was approximately $12.48 billion based on the closing sale price of the Class A common stock on June 30, 2025, on the New York Stock Exchange. The market value of the registrant's Class B common stock is not included in the above value as there is no active market for such stock.
As of February 17, 2026, there were 97,000,000 shares of Class A common stock, 10,000,000 shares of Class B common stock, and 52,131,071 shares of the registrant's Class B common stock, $0.01 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates by reference portions of the registrant's Proxy Statement for the 2026 Annual Meeting of Stockholders to be held on May 14, 2026.

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FISCAL YEAR ENDED DECEMBER 31, 2025

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Disclosures Regarding Forward-Looking Statements

This annual report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance, including our business strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management. For example, forward-looking statements include, but are not limited to, statements regarding our expectations, beliefs, intentions or strategies regarding the future, or words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predicts," "potential," "continue," "forecasts," "goal," "project," "outlook," "target," "aspire," "scheduled," "assumes," "guidance," or other similar words, phrases or expressions. Forward-looking statements are not historical facts or guarantees of future performance, events or results. Such statements are based on our current expectations, beliefs and assumptions, and are subject to risks, uncertainties, and many factors, some of which may cause actual results to differ materially from those in such forward-looking statements. In your review, you should keep in mind that any forward-looking statement may be preceded by, followed by or otherwise accompanied by, cautionary statements or other qualifications. Forward-looking statements speak only as of the date they are made, and we do not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made or to reflect the occurrence of unanticipated events. For a discussion of factors that could cause our actual results to differ from those in such forward-looking statements, see the discussion in Part I, Item 1A "Risk Factors" and in Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Annual Report on Form 10-K.

Our forward-looking statements include, but are not limited to, statements regarding our future operating results and financial performance, our business strategy and plans, our liquidity and capital resources, our capital expenditures, our ability to pay or maintain cash dividends on our common stock, our ability to execute our share repurchase program, our ability to attract and retain talent, our ability to grow our portfolio of owned, managed, franchised and licensed properties, our ability to maintain our brand and reputation, our ability to grow our fee business, our ability to maintain our franchise fees, our ability to grow our World of Hyatt loyalty program, our ability to execute our asset-light strategy, our ability to maintain our franchisee relationships, our ability to grow our portfolio of luxury, premium, select-service, and lifestyle hotels, our ability to grow our portfolio in the Asia Pacific, Europe, Middle East and Africa, and Latin America regions, our ability to maintain our information technology systems and protect personal data and other information, our ability to execute our strategic initiatives, our ability to maintain our franchisee relationships, our ability to grow our portfolio of owned, managed, franchised and licensed properties, our ability to maintain our brand and reputation, our ability to grow our World of Hyatt loyalty program, our ability to grow our fee business, our ability to maintain our franchise fees, our ability to execute our asset-light strategy, our ability to grow our portfolio in the Asia Pacific, Europe, Middle East and Africa, and Latin America regions, our ability to attract and retain talent, our ability to maintain our information technology systems and protect personal data and other information, our ability to execute our strategic initiatives, our ability to pay or maintain cash dividends on our common stock, our ability to execute our share repurchase program, our capital expenditures, our liquidity and capital resources, our business strategy and plans, our future operating results and financial performance, our ability to pay or maintain cash dividends on our common stock, our ability to execute our share repurchase program, our capital expenditures, our liquidity and capital resources, our business strategy and plans, our future operating results and financial performance, our ability to attract and retain talent, our ability to grow our portfolio of owned, managed, franchised and licensed properties, our ability to maintain our brand and reputation, our ability to grow our World of Hyatt loyalty program, our ability to grow our fee business, our ability to maintain our franchise fees, our ability to execute our asset-light strategy, our ability to grow our portfolio in the Asia Pacific, Europe, Middle East and Africa, and Latin America regions, our ability to maintain our franchisee relationships, our ability to maintain our information technology systems and protect personal data and other information, our ability to execute our strategic initiatives.

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Part I

Item 1. Business

Overview

Hyatt Hotels Corporation is a global hospitality company with widely recognized, industry-leading brands and a tradition of innovation developed over our century-long history.

Hyatt's portfolio of properties consists of full-service hotels and resorts, select-service hotels, all-inclusive resorts, and other properties, including residences and branded residences, and we operate our business across the globe in four reportable segments: Americas; Asia Pacific; Europe, Middle East and Africa; and Latin America. Our properties and distinctive services through the World of Hyatt loyalty program are designed to delight our customers and guests, and we believe our portfolio of brands and our loyalty program provide us with a strong platform for future growth. We have a long-term pipeline of 1,000 properties, including 1,000 rooms and suites, or 200 basis points of our current portfolio, as of December 31, 2025, and have predicted contract revenues of 1,728 hotels and exclusive resorts (172,762 rooms). See Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of our pipeline. We have a diverse portfolio of owned, managed, franchised and licensed properties in 78 countries, including our owned properties in nine around the world, and our exclusive management rights in 11 countries, most heavily concentrated in Chicago.

Our business model focuses on three distinct portfolios: The *Luxury Portfolio* includes Park Hyatt, Andaz, Alila, Grand Hyatt, Impression by Secrets, and The Unbound Collection by Hyatt; the *Premium Portfolio* includes Hyatt Place, Hyatt House, Hyatt Centric, The Standard, Hyatt Regency, Hyatt Regency Signature, Caption by Hyatt, Hyatt Studios, Hyatt Sonder, and the Destinations Collection; and the *Select Portfolio* includes Zoiper, Hyatt Place, Hyatt House, Hyatt Centric, The Standard, Hyatt Regency, Hyatt Regency Signature, Caption by Hyatt, Hyatt Studios, Hyatt Sonder, and the Destinations Collection. We also manage, franchise, own and lease properties and distribute our portfolio of brands through our Hyatt Vacations Corporation joint venture, which we refer to as our "Hyatt Vacations" joint venture, and our Hyatt Residential Group, which we refer to as our "Hyatt Residential Group." Complements to our Hyatt Place and Hyatt House brands, Hyatt Residential Group provides a platform for our owners to leverage our brands and our loyalty program to generate incremental revenue. We refer to our Hyatt Place, Hyatt House, Hyatt Vacations, and Hyatt Residential Group brands as our "Focused Growth" brands. We also have a portfolio of lifestyle brands, which we refer to as our "Lifestyle" brands, which include Alila, Caption by Hyatt, Hyatt Studios, Hyatt Sonder, and Destinations Collection. We also have a portfolio of brands that we refer to as our "Legacy" brands, which include Hyatt Regency, Hyatt Regency Signature, Destinations by Hyatt, Grand Centric, Hyatt Vacation Club, and Hyatt, and the Exclusive Portfolio includes Capella by Hyatt, Unrivaled by Hyatt, Hyatt Place, Hyatt House, Hyatt Sonder, and Co-Ver. We also manage, franchise, own and lease properties and distribute our portfolio of brands through our Hyatt Vacations

Our revenue comparison by the 2007 Shareholder Agreement, which provides for certain rights and obligations as described below. In January 31, 2020, the revenue paid to the 2007 Shareholder Agreement was $[illegible] million, which represents [illegible]%.

Right of First Refusal

Subject to the Board's fiduciary duties and of revenue such proposed to be transferred to a stockholder party to the 2007 Stockholders' Agreement and to affiliates together with any shares of common stock, such proceeds to be transferred by the stockholder party to the 2007 Stockholders' Agreement and to affiliates of such stockholder, the 2007 Stockholders' Agreement provides that the Board of Directors shall not, prior to commencing the sale of common stock to a third party purchaser, offer such shares of common stock to the stockholder party to the 2007 Stockholders' Agreement and to affiliates of such stockholder (the "Offeree Purchasers"). If, in an amount equal to the sum of the number of shares of common stock offered by the Offeree Purchasers, the stockholder party to the 2007 Stockholders' Agreement and to affiliates of such stockholder, the 2007 Stockholders' Agreement and to affiliates of such stockholder shall have the right to purchase such shares of common stock, in such proportion as such stockholder and such affiliates shall determine, at the price and on the terms and conditions specified in such offer.

"Drag-Along" Rights

Subject to the "Tag-Along" rights of control" (as defined in the 2007 Stockholders' Agreement) transaction, we have the right to require such stockholder party to the 2007 Stockholders' Agreement and to affiliates of such stockholder to sell such shares of common stock to such third party purchaser, at the price and on the terms and conditions as those applicable to the other holders of our common stock. In addition, upon our request, the stockholder parties to the 2007 Stockholders' Agreement have agreed to vote in favor of, and to take all other actions necessary to effect, such sale of such shares of common stock, if such sale is approved by the Board of Directors and by a majority of the outstanding shares of our common stock, and such stockholder party to the 2007 Stockholders' Agreement and to affiliates of such stockholder.

"Tag-Along" Rights

Subject to the fiduciary duties of our board of directors, we have agreed that we will not agree to consummate a change of control transaction with respect to which the stockholder parties to the 2007 Stockholders' Agreement and to affiliates of such stockholder (the "Offeree Purchasers") shall not, prior to the consummation of such transaction, have the right to sell such shares of common stock, in such proportion as such stockholder and such affiliates shall determine, at the price and on the terms and conditions, and prior and pro rataprior to the consummation of such transaction.

Preemptive Rights

Each stockholder party to the 2007 Stockholders' Agreement has the right to purchase such stockholder's pro rata share of any new shares of common stock, or securities convertible into or exchangeable for shares of common stock, such stockholder party to the 2007 Stockholders' Agreement and to affiliates of such stockholder may propose to sell and issue to any person or persons, at such price and on such other terms as such stockholder party to the 2007 Stockholders' Agreement and to affiliates of such stockholder may determine, in such proportion

Certain of our contractual arrangements with third-party service providers require us to guarantee payments to the extent of specified levels of operating profit or as adjusted by formula.

The terms of certain guarantees to third-party service providers may require us to fund shortfalls in the net amount specified levels of operating profit. These guarantees generally are for a period of one year and are renewable at our option. Our current guarantees to third-party service providers for certain contact center, enterprise and travel services agreements and travel services agreements are based on operating profit levels for the years ended December 31, 2021, 2022 and 2023. We have in the past, and could in the future, be required to make payments, which could be material, pursuant to these guarantees. While within the parameters of our operating plans and budgets, we believe that our current guarantees to third-party service providers are reasonable, we cannot assure you that our future operating performance will be sufficient to avoid payments under our guarantees, which could have a material adverse effect on our business, results of operations, or financial condition. See Part II, Item 7, "Liquidity and Financial Statement Schedule – Note 14 to our Consolidated Financial Statements" for additional information related to our guarantees.

We are exposed to the risks resulting from investments in owned and leased real estate, which could increase our costs, reduce our profits, limit our ability to make distributions to our stockholders and impair our liquidity.

Real estate ownership and leasing is subject to risks not applicable to management or franchised properties, which could adversely affect our results of operations, cash flows, business, and overall financial condition, including:

- governmental regulations, including those governing usage, zoning, and taxes;
- real estate, insurance, zoning, tax, environmental, and eminent domain laws;
- the ongoing need to invest funds in our properties to maintain our brand standards or maintain or upgrade properties;
- risks associated with mortgage debt, including the possibility of default, fluctuating interest rate levels, and the availability of replacement financing;
- unanticipated costs, including those associated with remediation of environmental contamination, and losses from casualty or condemnation;
- properties of lesser quality than our owned properties may be required to enter into leases or franchise agreements on less favorable terms;
- fluctuations in real estate values or potential impairments in the value of our assets; and
- the volatile financial condition of our tenants compared to some other years.

We plan to continue to sell owned properties; however, we may be unable to sell owned properties at acceptable terms and conditions, if at all.

As part of our strategy to increase our fee-based revenues, we have from time to time sold, contract, propose, subject to a management and franchise agreement or otherwise agreement with the primary purpose of increasing the proceeds to support the growth of our business, where capital is our most limited resource, and to reduce our risk profile. We may be unable to sell properties at acceptable terms and conditions, if at all, or we may sell properties at prices lower than our carrying value. We may be unable to find buyers willing to enter into agreements on acceptable terms or at expected times, which could have a material adverse effect on our business, results of operations, or financial condition. We may be required to provide financing to purchasers or to guarantee lease payments to owners or, as of date we will realize any anticipated benefit from such sales. Such owner obligations sometimes often cannot be sold quickly. Dispositions of properties may result in losses, or lower than expected gains, which could have a material adverse effect on our business, results of operations, or financial condition. Our ability to sell properties may be adversely affected by unanticipated purchaser factors affecting financing or acceptable terms, if at all, thereby delaying or preventing our ability to sell the properties selected for disposition.

We may be unable to obtain, or may be unable to obtain on commercial terms, additional properties, and, if we do obtain such properties, we may be unable to operate them on our behalf or on terms that are favorable to us, or we may be unable to manage our expansion with our existing operations, including with respect to the implementation of internal controls over financial reporting.

We expect to continue to grow our business through the acquisition of additional properties, primarily by entering into franchise agreements for new hotels or franchising our existing hotels, and, to a lesser extent, through the acquisition of existing franchised or managed hotels. Our ability to implement our growth strategy is subject to many factors, which are outside the Continental Venture Capital and membership program and IQ, Inclusive; (iii) in 2023, we completed the acquisition of Hotel Management and Franchise Business from Hilton Worldwide Holdings Inc. ("Hilton"), which added approximately 1,000 hotels to our portfolio; (iv) in 2023, we completed the acquisition of Stonebriar Commercial Finance's Hotel Portfolio, which added approximately 100 hotels to our portfolio; and (v) in 2023, we completed the acquisition of Hotel Management and Franchise Business from Hilton Worldwide Holdings Inc. (the "Hilton Transaction"), which added approximately 1,000 hotels to our portfolio. Our ability to operate properties that manages Baha Principe Resorts & Resorts franchised properties and owns the Baha Principe Resort, and (iv) in 2023, we completed the Phase Resorts franchised properties and owns the Baha Principe Resort, and (iv

We could be subject to liability under such laws if we have been the cause of investigating or remediating hazardous substances or wastes on, under, or in our properties, or those of our tenants, or if we have been the cause of or have contributed to any release of such substances or wastes at other locations, and we may be held liable under these laws regardless of whether we knew of, or were at fault in connection with, the presence or release of any such hazardous or toxic substances or wastes, or whether we were responsible for the presence or release of such substances or wastes. In addition, we may be held responsible for contamination, hazardous or toxic substances, or other environmental liabilities at our properties, or those of our tenants, that we did not cause or know about. We may also be liable to third parties for personal injury or property damage caused by such substances or wastes. The presence of such substances or wastes, or the failure to properly clean up such substances or wastes, may adversely affect our ability to sell or rent such property or to borrow using such property as collateral.

Other laws and regulations require us to manage, abate, or remove materials containing hazardous substances such as mold, lead, or asbestos during renovation, construction, or demolishing projects, and to notify and train those who may come into contact with such materials. Failure to comply with these laws and regulations may result in fines and penalties, and may expose us to third party claims and litigation. In addition, we may be required to make expenditures to comply with these laws and regulations, which could have a material adverse effect on our business, financial condition, and results of operations, financial condition, and business.

Our ability to operate our properties and to make distributions to our stockholders may be adversely affected if we are not able to obtain insurance at a reasonable operating expense or if we are required to operate our properties with no insurance or with only a partial insurance.

We, our third-party owners, hospitality operators, franchisors, and licensors carry insurance from which insurance carriers that we believe is adequate for reasonable losses and such other insurance that we deem appropriate from time to time and necessary. Nevertheless, there can be no assurance that the insurance coverage that we, our third-party owners, hospitality operators, franchisors, or licensors are able to instead use, utilize, or, that hospitality operators, franchisors, or licensors are able to instead use, utilize, will be adequate to cover our losses or liabilities, or that such coverage will be available at a reasonable cost. In the event of a loss, such coverage may not, or third-party owners, hospitality operators, franchisors, or licensors may not, be sufficient to pay the full value of our lost income or our liabilities with respect to such property. In the event of a loss, we could lose the capital invested in the property, as well as the anticipated future revenues from the property and, in the case of a loss with respect to a property that is subject to a ground lease, we could be required to continue to pay the rent and other amounts due under such ground lease. In addition, we or our third-party owners, hospitality operators, franchisors, or licensors may elect to self-insure, or to obtain coverage from captive insurance companies, which could adversely affect our results of operations, financial condition, and business.

Our Tenant Reliance and Spin Transaction Risks: Our tenants' financial difficulties or bankruptcies may have an significantly cause damage or other potential losses to our business, operating properties and our ability to make distributions to our stockholders and to pay our debt obligations.

We, our third-party owners, hospitality operators, franchisors, and licensors carry insurance from which insurance carriers that we believe is adequate for reasonable losses and such other insurance that we deem appropriate from time to time and necessary. Nevertheless, there can be no assurance that the insurance coverage that we, our third-party owners, hospitality operators, franchisors, or licensors are able to instead use, utilize, or, that hospitality operators, franchisors, or licensors are able to instead use, utilize, will be adequate to cover our losses or liabilities, or that such coverage will be available at a reasonable cost. In the event of a loss, such coverage may not, or third-party owners, hospitality operators, franchisors, or licensors may not, be sufficient to pay the full value of our lost income or our liabilities with respect to such property. In the event of a loss with respect to a property that is subject to a ground lease, we could be required to continue to pay the rent and other amounts due under such ground lease. In addition, we or our third-party owners, hospitality operators, franchisors, or licensors may elect to self-insure, or to obtain coverage from captive insurance companies, which could adversely affect our results of operations, financial condition, and business.

Our Tenant Reliance and Spin Transaction Risks: Our tenants' financial difficulties or bankruptcies may have an significantly cause damage or other potential losses to our business, operating properties and our ability to make distributions to our stockholders and to pay our debt obligations.

The Tenant Reliance and Spin Transaction Risks: As of 2022 could result in investigations by the U.S. Government against our Company and could harm our reputation and business.

The Tenant Reliance and Spin Transaction Risks: As of 2022 ("TRSTRR: As") expanded uncertain against Spin and Kelly. In addition, the TRSTRR: As expanded uncertain against our Company and our tenants, hospitality operators, franchisors, and licensors. Our tenants, hospitality operators, franchisors, and licensors are investigating the Government of Iran, investigating the Government of Iran, and have engaged outside counsel to advise, or otherwise retaining outside counsel to advise, us and our tenants, hospitality operators, franchisors, and licensors. Spin and Kelly are subject to the TRSTRR: As and have made disclosures about certain activities internationally conducted by our tenants, hospitality operators, franchisors, and licensors. Our tenants, hospitality operators, franchisors, and licensors have made disclosures about certain activities internationally conducted by our tenants, hospitality operators, franchisors, and licensors. Our Tenant Reliance and Spin Transaction Risks: As of the Exchange Act, we could be required to separately file, concurrently with our tenants, hospitality operators, franchisors, and licensors, disclosures with the U.S. Securities and Exchange Commission ("SEC") regarding our tenants, hospitality operators, franchisors, and licensors. Our tenants, hospitality operators, franchisors, and licensors are subject to the Tenant Reliance and Spin Transaction Risks: As of the TRSTRR: As and have made disclosures about certain activities internationally conducted by our tenants, hospitality operators, franchisors, and licensors. Our tenants, hospitality operators, franchisors, and licensors have made disclosures about certain activities internationally conducted by our tenants, hospitality operators, franchisors, and licensors. Our

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The following tables summarize our revenue mix outside managed, franchised, and owned leased hotels and all exclusive hotels by geography:

	December 31, 2021							
	Managed Properties	Franchised Properties	Owned and Leased Properties	Total Properties	Managed Rooms	Franchised Rooms	Owned and Leased Rooms	Total Rooms
United States	1,164	1,164	50	2,378	154,000	154,000	7,000	315,000
Americas (excluding United States)	19	10,214	10	10,243	4,000	1,149,000	10,000	1,163,000
Asia Pacific (excluding Greater China)	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Asia Pacific (including Greater China)	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Europe	14	12,318	87	12,429	4	1,059	125	1,188
Middle East & Africa	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Greater China	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Systems wide all inclusive rooms	187	14,188	1,137	15,512	87,000	1,154,000	107,000	1,348,000
Franchise fees	43	11,143	1,000	12,186	4,000	1,149,000	48	1,149,000
System wide all inclusive rooms	130	17,231	1	17,362	4	1,383	126	1,513
System wide fees	**$ 1,000**	**$ 12,422**	**$ 1,000**	**$ 14,422**	**$ 48**	**$ 1,149,000**	**$ 1,000**	**$ 1,149,048**
M & M's Stadium (6)							1,200	62,120
Hyatt Vacation Club							1,000	1,000
Residential							42	8,000

	December 31, 2020							
	Managed Properties	Franchised Properties	Owned and Leased Properties	Total Properties	Managed Rooms	Franchised Rooms	Owned and Leased Rooms	Total Rooms
United States	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Americas (excluding United States)	21	9,435	30	9,489	4	1,196	78	1,300
Asia Pacific (excluding Greater China)	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Asia Pacific (including Greater China)	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Europe	11	11,865	49	11,925	1,000	1,000	1,000	3,000
Middle East & Africa	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Greater China	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Systems wide all inclusive rooms	96	17,816	8	17,920	4	1,000	98	1,000
Franchise fees	43	11,143	1,000	12,186	4,000	1,149,000	48	1,149,000
System wide all inclusive rooms	132	19,216	1	19,349	4	1,383	126	1,513
System wide fees	**$ 1,000**	**$ 12,422**	**$ 1,000**	**$ 14,422**	**$ 48**	**$ 1,149,000**	**$ 1,000**	**$ 1,149,048**
M & M's Stadium (6)							1,031	56,347
Hyatt Vacation Club							1,000	1,000
Residential							45	3,378

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	December 31, 2019							
	Managed Properties	Franchised Properties	Owned and Leased Properties	Total Properties	Managed Rooms	Franchised Rooms	Owned and Leased Rooms	Total Rooms
United States	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Americas (excluding United States)	23	9,329	36	9,388	4	1,253	78	1,336
Asia Pacific (excluding Greater China)	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Asia Pacific (including Greater China)	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Europe	47	11,171	44	11,212	3	1,187	118	1,308
Middle East & Africa	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Greater China	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Systems wide all inclusive rooms	75	21,500	8	21,583	4	1,720	96	1,820
Franchise fees	43	11,143	1,000	12,186	4,000	1,149,000	48	1,149,000
System wide all inclusive rooms	118	20,000	8	20,126	4	1,253	126	1,383
System wide fees	**$ 1,000**	**$ 12,422**	**$ 1,000**	**$ 14,422**	**$ 48**	**$ 1,149,000**	**$ 1,000**	**$ 1,149,048**
M & M's Stadium (6)							1,031	56,347
Hyatt Vacation Club							1,000	1,000
Residential							45	3,378

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	December 31, 2018							
	Managed Properties	Franchised Properties	Owned and Leased Properties	Total Properties	Managed Rooms	Franchised Rooms	Owned and Leased Rooms	Total Rooms
United States	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Americas (excluding United States)	23	9,329	36	9,388	4	1,253	78	1,336
Asia Pacific (excluding Greater China)	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Asia Pacific (including Greater China)	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Europe	47	11,171	44	11,212	3	1,187	118	1,308
Middle East & Africa	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Greater China	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Systems wide all inclusive rooms	75	21,500	8	21,583	4	1,720	96	1,820
Franchise fees	43	11,143	1,000	12,186	4,000	1,149,000	48	1,149,000
System wide all inclusive rooms	118	20,000	8	20,126	4	1,253	126	1,383
System wide fees	**$ 1,000**	**$ 12,422**	**$ 1,000**	**$ 14,422**	**$ 48**	**$ 1,149,000**	**$ 1,000**	**$ 1,149,048**
M & M's Stadium (6)							1,031	56,347
Hyatt Vacation Club							1,000	1,000
Residential							45	3,378

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	December 31, 2017							
	Managed Properties	Franchised Properties	Owned and Leased Properties	Total Properties	Managed Rooms	Franchised Rooms	Owned and Leased Rooms	Total Rooms
United States	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Americas (excluding United States)	23	9,329	36	9,388	4	1,253	78	1,336
Asia Pacific (excluding Greater China)	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Asia Pacific (including Greater China)	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Europe	47	11,171	44	11,212	3	1,187	118	1,308
Middle East & Africa	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Greater China	1,000	1,000	1,000	3,000	1,000,000	1,000,000	1,000,000	3,000,000
Systems wide all inclusive rooms	75	21,500	8	21,583	4	1,720	96	1,820
Franchise fees	43	11,143	1,000	12,186	4,000	1,149,000	48	1,149,000
System wide all inclusive rooms	118	20,000	8	20,126	4	1,253	126	1,383
System wide fees	**$ 1,000**	**$ 12,422**	**$ 1,000**	**$ 14,422**	**$ 48**	**$ 1,149,000**	**$ 1,000**	**$ 1,149,048**
M & M's Stadium (6)							1,031	56,347
Hyatt Vacation Club							1,000	1,000
Residential							45	3,378

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	02/01/2020	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
Hyatt Hotels Corporation	$ 100.00	$ 120.24	$ 121.40	$ 176.38	$ 211.35	$ 218.36
S&P 500	$ 100.00	$ 118.40	$ 152.39	$ 124.79	$ 157.59	$ 196.44
Russell 1000 Hotel	$ 100.00	$ 116.26	$ 155.26	$ 138.36	$ 174.16	$ 215.14

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Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Issuer Purchases of Equity Securities

The following table sets forth information regarding our purchases of shares of our common stock on a settlement date basis during the quarter ended December 31, 2021:

	Total number of shares purchased	Weighted-average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs
October 1 to October 31, 2021	166,007	$ 142.32	166,007	$ 765,410,000
November 1 to November 30, 2021	1,000,000	$ 150.00	1,000,000	$ 615,410,000
December 1 to December 31, 2021	1,000,000	$ 150.00	1,000,000	$ 465,410,000
Total	2,166,007	$ 150.07	2,166,007	

(1) On May 3, 2021, our board of directors approved an expansion of our share repurchase program to allow for the repurchase of our common stock in open market purchases up to an additional $1,000 million of Class A and Class B common stock in the open market, to privately negotiated transactions, or otherwise, including pursuant to a Rule 10b5-1 plan or accelerated share repurchase programs, in such amounts as we deem appropriate, in our sole discretion, and subject to market conditions and other factors. The program may be suspended or discontinued at any time, without prior notice, and does not obligate the Company to acquire any particular amount of common stock. For information regarding our share repurchase program, see "Part II, Item 5. Exhibits and Financial Statement Schedule—Note 16 to our Consolidated Financial Statements" in our Annual Report on Form 10-K.

(2) Excludes commissions and fees paid.

Item 6. [Reserved]

Item 7. Management's Discussion and analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Part II, Item 12. "Exhibits and Financial Statement Schedule—Consolidated Financial Statements" for our discussion and analysis of our liquidity and capital resources for the year ended December 31, 2020 compared to the year ended December 31, 2019. For our discussion and analysis of our liquidity and capital resources for the year ended December 31, 2019 compared to the year ended December 31, 2018, see our Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the SEC on February 26, 2020. Our fiscal year ended December 31, 2020 consisted of 53 weeks, with the fourth quarter consisting of 14 weeks, whereas our fiscal years ended December 31, 2019 and 2018 consisted of 52 weeks, with the fourth quarter consisting of 13 weeks. Unless otherwise stated, the financial information presented in this section is for the fiscal years ended December 31, 2020, 2019 and 2018.

Our Business and Operating Environment

In December 31, 2021, our hotel portfolio consisted of 1,126 properties (172,762 rooms), including:

- *102 company-operated properties (30,000 rooms), including 12 all-inclusive resorts (4,107 rooms), all of which we operate under management and hotel services agreements with third-party owners;*
- *700 franchised properties (114,243 rooms);*
- *324 owned and leased properties (28,519 rooms), including 5 hotels (640 rooms), is operating leased all-inclusive resorts (1,262 rooms), 6 operating leases (1,000 rooms), 12 owned all-inclusive resorts (4,107 rooms), and 301 owned properties;*
- *21 managed properties (5,000 rooms) owned or leased by unconsolidated hospitality ventures (1,477 rooms);*
- *72 franchised properties (16,147 rooms) operated by an unconsolidated hospitality venture in accordance with a master license agreement by Hyatt, including 6 properties (1,246 rooms) that are managed by our unconsolidated hospitality venture;*
- *23 all-inclusive resorts (11,000 rooms) operated by a consolidated hospitality venture.*

Our property portfolio is diversified by Hyatt Vacation Club and spread by owned, leased, managed and franchised properties.

Our business and results of operations are affected by the overall demand for lodging and food and beverage, which is driven in part by a third-party and participating in a variety of vertical integrated programs and our Hyatt Vacation Club, which is affected by economic cycles and, and Purpose Driven and Guest Focused, which is affected by consumer preferences.

Additionally, we provide owners/ownership interests and hospitality program services to hotels that are complemented with our hotel portfolio and operate under other brands and business models, including franchise, management, and other agreements, and provide hospitality services to unaffiliated properties and owners, including our Hyatt Vacation Club properties, and other hospitality and leisure goods and services.

We believe our business model allows us to pursue more diversified revenue and income streams including benefits that take advantage and risks associated with fees from owners. Our company-owned properties, our Hyatt Vacation Club and our franchised and managed properties, including our Hyatt Vacation Club properties, generate revenues and income from owners, franchisees, and guests. Our franchised properties generate revenues and income from franchisees and guests. Our managed properties generate revenues and income from owners and guests. Our franchised and managed properties generate fees from owners and franchisees, which are a typical management and hotel services agreement or franchise agreement is not significant, relative to our consolidated revenues and income. Our Hyatt Vacation Club properties generate revenues and income from owners and guests. Our owned and leased properties generate revenues and income from owners and guests, which is the manager of hotels for owners/lessees. Our Hyatt Vacation Club properties generate revenues and income from owners and guests. We generally earn fees for the acquisition and development of hotels that Hyatt will manage, franchise, or provide services to in the form of cash, debt repayment or equity investments, and we may earn incentive fees or incur losses based on the performance of our managed, franchised, and owned and leased properties. Our ability to earn acquisition fees or manage or franchise hotels depends on our ability to identify and secure opportunities for owners, which, in turn, depends on our ability to provide value to owners, which is subject and an incentive for, that is, typically, a percentage of hotel profits or cash conversion, and other factors, including certain financial covenants thresholds to our owners, our ability to provide services to our guests, our ability to attract guests to our properties, our ability to attract owners, franchisees, and guests to our properties, our ability to provide Hyatt franchised properties because franchisees pay us an initial application fee and ongoing royalty fees that are calculated as a percentage of

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gross room revenue, and all or a portion, or a percentage of food and beverage revenues, with no fees based on profits. Disputes or disruptions may arise with third-party owners and franchisees of hotels to manage, franchise, provide services to, or license to, and these disputes can result in the termination of the management, franchise, or other agreements.

With respect to property ownership, we believe our business model helps to mitigate our ability to maintain our ability to maintain our business model and markets. Ownership of hotels allows us to capture the full benefit of increases in operating profits during periods of increasing demand and room rates. The ownership of hotels also exposes us to the risks associated with ownership of real estate, including fluctuations in real estate values and general economic conditions, and to the risks associated with operating leverage, which generally results in earnings and cash flows vary more significantly following a change in demand and revenues than do our fees and revenues earned from the properties we manage, franchise, or provide services to. Our business to decrease in demand and revenues, which may be caused by, among other factors, a decline in economic conditions, or a decline in the lodging industry, may adversely affect our ability to maintain our business, or to operate profitably at our owned and leased properties. Our ability to maintain our business and to operate profitably at our owned and leased properties depends, in part, on our ability to manage our operating costs and expenses and our ability to maintain our revenues, which, in turn, depends on our ability to provide value to owners, franchisees, and guests, which is affected by, among other factors, our ability to attract owners, franchisees, and guests to our properties, our ability to provide services to our guests, our ability to attract owners, franchisees, and guests to our properties, our ability to provide Hyatt franchised properties because franchisees pay us an initial application fee and ongoing royalty fees that are calculated as a percentage of

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Expansion. Expansion revenues derived from the offering of travel products and services through Sabre's GDS, Net Yield Management, and other offerings, including our Hospitality Solutions and Travel Commerce Platform, which accommodates travel shopping and booking for non-traditional travel and ancillary travel products and services. Distribution revenues also include commissions fees related to Sabre's Web Booth for bookings made directly through airline and other travel supplier websites.

Other revenues. Represents revenues derived from our Sabre Travel Network business, including our Sabre Travel Network Asia joint venture, the Unlisted Vacation Club and membership program prior to the LVC Transaction as defined in "—Other Items" below, and the Destination Residential Management business, prior to its sale during the year ended December 31, 2017.

Our revenues are impacted by the volume of travel transactions processed by our GDS, which is a function of the number of travel agencies using our GDS, travel agencies' subscribed sign-on fees, and the number of travel agency locations using our GDS, which is a function of the number of travel agencies and travel agency locations that are subscribers to our GDS, the Unlisted Vacation Club and membership program prior to the LVC Transaction as defined in "—Other Items" below, and the Destination Residential Management business, prior to its sale during the year ended December 31, 2017.

Interchange expenses. Represents payments to other companies for the use of their networks to process travel transactions, including payments to other GDSs, payments to airlines for processing certain travel transactions, and payments to other companies for the use of their networks to process payment card transactions. We believe our future strength and ability to manage our operations in an efficient manner will be in part by our continue competing successfully in these areas.

Technology and other expenses. Technology and other expenses are comprised of our technology and other operating expenses, including our technology operations and functions expenses with third party owners and Distribution Sales and Marketing expenses, which are primarily expenses related to our sales and marketing activities, including our Hospitality Solutions and Travel Commerce Platform. Our technology and other expenses are impacted by our investments in our technology platform, our Hospitality Solutions and Travel Commerce Platform, our operations as well as our relationships with developers and opportunities for property development, all of which can support our growth. We believe our technology and other expenses will increase in absolute dollars in the near-term as we continue to invest in our technology platform and our development of Hospitality Solutions. Our technology and other expenses also include gains and losses on foreign currency transactions, and developers and our hotelsuite concentration with any particular third party.

Access to capital. Our hospitality industry is a capital-intensive business requiring significant capital expenditures to develop, operate, maintain, and improve our properties, and our ability to access capital on acceptable terms and conditions is subject to a variety of factors, including our credit ratings, the applicable management and lease agreements, and our financial performance. Access to capital due to or our third-party owners, developers, or development partners and to finance the construction of new properties or to maintain and renovate existing properties is critical to the continued growth of our business and our ability to maintain our market share and competitive position. Our ability to access capital on acceptable terms and conditions or at all may have a significant impact on the growth of our business and our ability to maintain our market share and competitive position. Our ability to grow our revenues

Expenses

Generally incur the following expenses:

Cost of revenues. Includes, as applicable, revenue primarily of compensation expenses, including deferred compensation plans, limited through contributions to table trusts for certain employees, for our colleagues at our corporate and regional offices, including those that support our management and franchise business, and our Sabre Hospitality Solutions and Travel Commerce Platform, including technology operations, sales and marketing expenses, and technology and other expenses, including our technology and other expenses.

Owned and leased expenses. Reflects the expenses incurred to operate our owned and leased hotels, including rooms expenses, food and beverage costs, other expenses, and, among other items, property taxes, insurance, property, equipment, and other rent expenses, and, to the extent applicable, management and franchise fees, and, to the extent applicable, franchise fees, and, to the extent applicable, franchise fees, and, to the extent applicable,

- We incurred $20 million of proceeds related to distributions from certain equity method investments and the redemption of held-to-maturity ("HTM") debt securities;
- We received $18 million of proceeds from financing receivables;
- We received $12 million of proceeds from the sale of a portfolio of Plaza Hotels for $129 million, net of cash acquired;
- We received $10 million in capital contributions from our joint venture partners;
- We invested $81 million in HTM debt securities;
- We contributed $12 million to our equity method investments;
- We invested $10 million of financing receivables;

Bill Activity

- We incurred $25 million of proceeds, net of cash deposited, transaction costs, and prorations adjustments, from the sale of Hyatt Regency Orlando and an adjacent undeveloped land parcel;
- We received $24 million of proceeds, net of transaction costs and proration adjustments, from the sale of Hyatt Place Gainesville;
- We received $20 million of proceeds, net of transaction costs and proration adjustments, from the sale of Hyatt Place Fort Myers Sanibel Harbor Resort;
- We received $17 million of proceeds, net of transaction costs and proration adjustments, from the sale of Hyatt Regency Green Bay;
- We received $17 million of proceeds, net of transaction costs and proration adjustments, from the sale of Hyatt Regency Cincinnati;
- We completed the Dubai Principal Transaction for approximately $172 million, net of cash acquired;
- We received $6 million in capital contributions from our joint venture partners;
- We acquired 100% of the owned and noncontrolling equity interests of certain entities collectively doing business as Standard International for $148 million, net of cash acquired;
- We issued $126 million of debt;
- We acquired the Alma Portfolio for approximately $61 million, net of cash acquired;
- We invested $52 million in HTM debt securities;
- We contributed $25 million to unconsolidated hospitality ventures;
- We acquired the Bo and Thai Restaurant loan for $24 million, inclusive of transaction cost;

Cash Flow from Financing Activities

Bill Activity:

- We repaid $1,700 million of borrowings in the 2015 Facility, using net proceeds from the sale of the shares of the entities that own the Alma Portfolio and the Hyatt Place Gainesville;
- We received Plaza Hotel existing term loan and repaid the outstanding balance for $129 million, inclusive of $5 million of accrued interest, net, acquisition date;
- We repaid in cash more than 2017 at maturity for $400 million, inclusive of $10 million of accrued interest;
- We redeemed senior notes for 200 in a redemption price of $405 million, which included principal and $5 million of accrued interest;
- We repaid $250 million of our 3.875% senior notes at maturity, including $5 million of accrued interest;
- We paid loan points for $12 million and drew down on the revolving portion of our Class A term loan;
- We paid $27 million of withholding taxes for stock-based compensation;
- We borrowed approximately $41 million, net of cash, under our Class B term loan;
- We utilize our sale-and-leaseback lease for both of our cash and equivalents and short-term investments. We consider our debt and its components to be an integral part of our capital structure and cash management strategy. We do not use derivatives to manage our interest rate risk or to speculate on interest rate movements and by other categories. The following table provides a summary of our debt as of December 31, 2017:

	December 31, 2017	December 31, 2016
Total debt (1)	$ 2,800	$ 2,800
Noncurrent portion	2,716	2,547
Current portion	$ 84	$ 253
Total debt to capital	50.7%	54.5%
Total debt (1)	4,278	3,702
Cash and cash equivalents and short-term investments (2)	$ 1,478	$ 1,102
Net debt	$ 2,800	$ 2,600
Net debt to total capital	45.4 %	51.7 %

(1) Includes approximately $45 million and $50 million as of our unconsolidated hospitality venture indebtedness as of December 31, 2017 and December 31, 2016, respectively, substantially all of which is non-recourse to us and a portion of which we guarantee pursuant to customary agreements.

(2) Includes $1 million and $2 million of restricted cash as of December 31, 2017 and December 31, 2016.

Capital Expenditures

We recently made capital expenditures to enhance our business primarily through renovations on our owned properties, investments in technology, and other capital projects. We believe that, and will continue to be, disciplined with respect to our capital spending, taking into account our short-term and long-term objectives.

	Year Ended December 31,	
	2017	2016
Capital expenditures, as reported	$ 220	$ 178
Capital expenditures, net of amounts reimbursed by the Plaza Hotels Portfolio	$ 220	$ 178

Excluding cash and related to the Plaza Hotels Portfolio, capital expenditures decreased $22 million during the year ended December 31, 2017, compared to the year ended December 31, 2016, primarily due to expansion activity in 2016 and the timing of our capital projects.

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Derivatives

Our subsidiaries sum, from the corresponding principal balance of our various series of senior unsecured notes (collectively, the "Senior Notes") or the corresponding principal balance of our Senior Unsecured Term Loan and Senior Unsecured Revolving Facility which such debt for so long as such debt is so secured, or

- enter into any sale and leaseback transactions with respect to our principal properties.

Equity Securities

The indentures also limit our ability to enter into mergers or consolidations or transfer all or substantially all of our assets unless certain conditions are satisfied.

If a change of control triggering event, as defined in the indentures governing the Senior Notes, occurs, we will be required to offer to purchase the Senior Notes at a purchase price in cash equal to 101% of the principal amount of the Senior Notes plus accrued and unpaid interest, if any, to the date of purchase. If any of the remaining Senior Notes at any time thereafter are not secured by a designated property, we will be required to make an offer to purchase all of the principal amount of the Senior Notes plus accrued and unpaid interest, if any, to the date of redemption plus a make-whole amount, if any. The amount of any make-whole payment would depend on the U.S. Treasury rate and the remaining scheduled payments on the Senior Notes at such time.

We are in compliance with all financial covenants under the indentures governing our Senior Notes at December 31, 2017.

Revolving Credit Facility

On October 30, 2015, we entered into a credit agreement with a syndicate of lenders that provides for a $1.5 billion senior unsecured revolving credit facility (the "revolving credit facility") that matures in October 2019. The credit agreement refinanced and replaced in its entirety our credit agreement dated as of July 19, 2012, as amended, which was terminated in connection with our entering into the revolving credit facility. We may request, from time to time, that the aggregate amount of the revolving credit facility be increased by an amount of up to $500 million (in multiples of $5 million) for any such increase, at the discretion of our lenders. Our revolving credit facility provides for a sub-limit of $150 million for letters of credit and a sub-limit of $50 million for swing line loans. We have additional $1 billion provided that, among other things, new and/or existing lenders agree to provide commitments for the increased amount. We may prepay amounts outstanding under our revolving credit facility at any time without premium or penalty, subject to customary LIBOR breakage costs. The credit agreement contains customary affirmative, negative, and financial covenants, representations and warranties, and default provisions.

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Our revolving credit facility is intended to provide financing for working capital and general corporate purposes, including commercial paper backup and potential investments and acquisitions. At December 31, 2017, we had no borrowings outstanding. At December 31, 2017, we had $5 million outstanding letters of credit under our revolving credit facility. We had $1,495 million of borrowing capacity available under our revolving credit facility at December 31, 2017. See "Liquidity and Capital Resources" in Item 7 of Our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and Consolidated Financial Statements – Note 7 to our Consolidated Financial Statements."

Borrowings under our revolving credit facility bear interest at a rate per annum, at our option, of either a base rate plus a margin ranging from 0.775% to 2.25% per annum or a LIBOR rate plus a margin ranging from 1.775% to 3.25% per annum, in each case, based on our Corporate Family Rating, Corporate Credit Rating and Senior Unsecured Debt Rating, as applicable, from Moody's, S&P and Fitch, or in the absence of such ratings, our leverage ratio. Reference rates refer to the rates Bank National Overnight Financing Rate ("Overnight LIBOR") and the London Interbank Offered Rate ("LIBOR") for dollar deposits of comparable maturity, as the case may be, plus, or in such case, minus, a margin.

Our revolving credit facility provides for a facility fee ranging from 0.08% to 0.25% of the aggregate commitments of the lenders under the revolving credit facility, regardless of usage, based on our Corporate Family Rating, Corporate Credit Rating and Senior Unsecured Debt Rating, as applicable, from Moody's, S&P and Fitch.

At December 31, 2017, the interest rate on the 1-year mark Term SOFR borrowing under our revolving credit facility would have been 1.78%, which consists of a margin of 1.75% and a Term SOFR rate of 1.03%.

We are also required to pay a fronting fee of 0.125% per annum on the amount of outstanding letters of credit issued under the revolving credit facility for the amount of each letter of credit. In addition, we must pay a fronting fee to the issuer of each letter of credit of 0.100% per annum on the face amount of each letter of credit issued.

Our revolving credit facility contains customary affirmative and negative covenants and representations and warranties, including, but not limited to, our ability to incur indebtedness, make investments, acquisitions, and dividends, or sell assets, or engage in transactions with affiliates, to change our direct or indirect subsidiaries' form or organizational documents, and to maintain certain financial ratios.

The revolving credit facility also contains a financial covenant that limits our maximum leverage, consisting of the ratio of Consolidated Adjusted Funded Indebtedness to Consolidated EBITDA, as defined in the revolving credit facility, for the trailing four fiscal quarters to 4.50 to 1.00. Upon the occurrence of certain events, the maximum ratio is adjusted to not more than 5.50 to 1.00. The financial covenant is measured quarterly. Our outstanding Senior Notes do not contain financial covenants, but they do limit our ability to incur secured indebtedness and to sell and lease back our principal properties.

We are in compliance with all applicable covenants under our revolving credit facility at December 31, 2017.

Letters of Credit

We issue letters of credit either under our revolving credit facility or directly with financial institutions. We had $10 million in letters of credit issued directly with financial institutions outstanding at December 31, 2017 and December 31, 2016. We have no letters of credit, which remain in effect after the termination of our revolving credit facility.

Our commitments under contingent consideration arrangements are primarily anticipated to be paid in the long-term based on the expected timing of payments, which are dependent on the performance of the acquired business. See "Liquidity and Capital Resources" in Item 7 of Our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and Consolidated Financial Statements – Note 7 of our Consolidated Financial Statements."

Purchase obligations at December 31, 2017 were $6 million, which are primarily due in the short-term. Our purchase obligations primarily consist of construction and renovation commitments and other contracts.

Other commitments primarily consist of deferred compensation plan liabilities, with $6 million due in the short-term and $62 million due in the long-term. Our short-term and long-term liability for uncertain tax positions, including interest and penalties, is $2 million and $1 million, respectively, as of December 31, 2017. We are unable to reasonably estimate the timing of payments for our long-term liability for uncertain tax positions, including interest and penalties, and deferred compensation plan liabilities, as we do not know when or if such amounts will be paid. See "Liquidity and Capital Resources" in Item 7 of Our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and Consolidated Financial Statements – Note 7 of our Consolidated Financial Statements."

Guarantee Commitments

We enter into performance guarantees on third-party hotel owners related to certain managed hotels, which require us to guarantee payments to the owners if operating results of the managed hotels do not reach specified levels. We also provide guarantees to third-party owners of managed hotels for the return of their initial investment in the managed hotel. We also provide guarantees to our joint venture partners, to acquired joint venture partners and hotel service agreements that provide guarantees based on actual performance levels. Contract terms vary, and we have not recorded liabilities for our guarantees beyond fees earned and deferred, as we do not anticipate any payments to be made under these guarantees. See "Liquidity and Capital Resources" in Item 7 of Our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and Consolidated Financial Statements – Note 7 of our Consolidated Financial Statements."

We enter into indemnification and other agreements in the ordinary course of business, including agreements with our officers and directors, and agreements with purchasers of our assets and businesses. We have not recorded any liabilities for these agreements beyond amounts that are immaterial.

Acquisitions

We may acquire or invest in companies, or other entities, that we believe complement our business. We may also from time to time sell assets or businesses that we believe are not consistent with our strategic plan. We cannot assure that we will be able to complete any such transactions on terms acceptable to us, or that such transactions will be beneficial to our business or our stockholders. Our ability to complete such transactions may be affected by, among other factors, our ability to obtain financing on acceptable terms, our leverage, our credit ratings, our ability to satisfy the closing conditions, and our ability to obtain any required consents and other approvals, including, in certain instances, those of our lenders and stockholders. We may also be required to make payments to our stockholders or our lenders in connection with such transactions, which payments may be material in amount. Our ability to make such payments may be affected by, among other factors, our ability to obtain financing on acceptable terms, our leverage, our credit ratings, our ability to satisfy the closing conditions, and our ability to obtain any required consents and other approvals. See "Liquidity and Capital Resources" in Item 7 of Our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and Consolidated Financial Statements – Note 7 of our Consolidated Financial Statements."

Critical Accounting Policies and Estimates

Preparing financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures at the date of our financial statements. See Item 8 of Our Annual Report on Form 10-K.

A number of our accounting policies, which are described in Item 8 of Our Annual Report on Form 10-K and Consolidated Financial Statements – Note 2 of our Consolidated Financial Statements", are critical in the fact they involve a higher degree of judgment and estimation. These accounting policies and other critical accounting policies, which are described in Item 8 of Our Annual Report on Form 10-K and Consolidated Financial Statements – Note 2 of our Consolidated Financial Statements", are critical in the fact they involve a higher degree of judgment and estimation. Actual results, in the current period or future periods, may be less or more than those reported or expected in our financial statements or notes thereto. In addition, changes in the accounting estimates that we use are reasonably likely to occur from period to period, which may have a material impact on the presentation of our financial condition and results of operations. Although we believe that our estimates, assumptions, and judgments are reasonable, they are based upon information presented to us at the time of the applicable estimate, assumption, or judgment. Therefore, any such estimates, assumptions, and judgments are subject to change. Our critical accounting policies and estimates include those related to our revenue recognition, including our management agreements, our loyalty program, our franchise agreements, our owned hotels, our equity method investments in our joint ventures, our goodwill, our intangibles, a contingent. Management has discussed the development and selection of these critical accounting policies and estimates with the Audit Committee of the board of directors.

Loyalty Program Future Point Redemption Obligation and Revenue Recognition

We operate a loyalty program, World of Hyatt, which provides members with benefits related to future point redemptions associated with the loyalty program. Changes in our estimates, including the estimated cost per point, the estimated number of points that will ultimately expire, and the breakage for such points, could be materially affected by our ability to accurately forecast future redemptions, and the estimated cost per point, which may

Management's Report on Internal Control Over Financial Reporting
Report of Independent Registered Public Accounting Firm (PCAOB ID: 34)
Report of Independent Registered Public Accounting Firm (PCAOB ID: 1)
Consolidated Balance Sheets as of December 31, 2021, December 31, 2020 and December 31, 2022
Consolidated Statements of Comprehensive Income/(Loss) for the Years Ended December 31, 2021, December 31, 2020 and December 31, 2022
Consolidated Statements of Changes in Stockholders' Equity and Noncontrolling Interests for the Years Ended December 31, 2021, December 31, 2020 and December 31, 2022
Notes to Consolidated Financial Statements
Exhibit 21.1
Exhibit 23.1
Exhibit 23.2
Exhibit 31.1
Exhibit 31.2
Exhibit 32.1
Exhibit 32.2

(b) **Financial Statement Schedules**

The following financial statement schedules are included in this annual report on the pages indicated:

	Page
Schedule II - Valuation and Qualifying Accounts for the Years Ended December 31, 2021, December 31, 2020, and December 31, 2022	F-55

(c) **Exhibits**

The Exhibit Index follows Schedule II - Valuation and Qualifying Accounts for the Years Ended December 31, 2021, December 31, 2020, and December 31, 2022 and is incorporated herein by reference.

Item 16. Form 10-K Summary

Omitted at registrant's option.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STATE STREET CORPORATION

By: /s/ Mark E. Hogbin
Mark E. Hogbin
President and Chief Executive Officer

Date: February 11, 2026

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons, on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Mark E. Hogbin Mark E. Hogbin	President, Chief Executive and Director (Principal Executive Officer)	February 11, 2026
/s/ Jose Berrios Jose Berrios	Executive Vice President, Chief Financial Officer (Principal Financial Officer)	February 11, 2026
/s/ Jeff Wadsworth Jeff Wadsworth	Senior Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	February 11, 2026
/s/ Thomas J. Fletcher Thomas J. Fletcher	Executive Chairman of the Board	February 11, 2026
/s/ Paul E. Bulbin Paul E. Bulbin	Director	February 11, 2026
/s/ Cornelius Hughes Cornelius Hughes	Director	February 11, 2026
/s/ Susan D. Kronick Susan D. Kronick	Director	February 11, 2026
/s/ Gary O. McMillan Gary O. McMillan	Director	February 11, 2026
/s/ Sarah Orkin Sarah Orkin	Director	February 11, 2026
/s/ Dean Prevoo Dean Prevoo	Director	February 11, 2026
/s/ Dina Yaron Dina Yaron	Director	February 11, 2026
/s/ Dina Cantu Sanders Dina Cantu Sanders	Director	February 11, 2026
/s/ Jerry T. Sweet Jerry T. Sweet	Director	February 11, 2026
/s/ Richard L. Sutter Richard L. Sutter	Director	February 11, 2026

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The purpose of management's assessment of its internal control over financial reporting is to provide reasonable assurance regarding the reliability of financial reporting and preparation of State Street Corporation's (the "Corporation") consolidated financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of State Street Corporation's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Corporation's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of State Street Corporation's internal control over financial reporting as of December 31, 2025. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013). Based on this assessment, management determined that State Street Corporation maintained effective internal control over financial reporting as of December 31, 2025. There has been no change in the Corporation's internal control over financial reporting during the Corporation's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

The scope of management's assessment of the effectiveness of its internal control over financial reporting included all of our consolidated operations, except for Pitzer Holdco, for which the minimum tender condition pursuant to a tender offer process was satisfied on June 11, 2025 and for which we completed the acquisition on July 1, 2025. Pitzer Holdco's total assets and revenue represent approximately 1% of the consolidated financial statements as of and for the year ended December 31, 2025. Management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Pitzer Holdco, which are included in our consolidated financial statements for the year ended December 31, 2025.

Deloitte & Touche LLP, the independent registered public accounting firm that has audited the consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the effectiveness of State Street Corporation's internal control over financial reporting as of December 31, 2025. That report is included in Item 15 of this Annual Report on Form 10-K.

/s/ Mark E. Hogbin
Mark E. Hogbin
President & Chief Executive Officer

/s/ Jose Berrios
Jose Berrios
Executive Vice President, Chief Financial Officer

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of State Street Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of State Street Corporation and subsidiaries (the "Company") as of December 31, 2025 and 2024, the consolidated statements of comprehensive income/(loss), changes in stockholders' equity and noncontrolling interests, and cash flows for each of the years in the period ended December 31, 2025, and the related notes and the schedule listed in the accompanying index (collectively, the "financial statements"). In our opinion, the financial statements listed in the accompanying index present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, in accordance with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Corporation's internal control over financial reporting as of December 31, 2025, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 11, 2026 expressed an unqualified opinion on State Street Corporation's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the PCAOB standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures, including on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Deferred Revenue Related to the Loyalty Program - Refer to Note 2 and 7 to the financial statements

Critical Audit Matter Description

The Company has a loyalty program for its fund servicing customers. The Company's estimate of the value of deferred revenue liability related to the loyalty program is impacted by the liability's (1) expected redemption rate and (2) standalone selling price. We identified the deferred revenue liability related to the loyalty program as a critical audit matter because of the significant management judgments and estimates used in determining the deferred revenue liability.

Goodwill - Refer to Note 5 to the financial statements

Critical Audit Matter Description

During the year ended December 31, 2025, the Company implemented organizational changes, and as a result, transitioned its reporting units and performed interim impairment analyses. The Company also evaluates goodwill for impairment annually during the fourth quarter of each year. The Company did not recognize any impairment of goodwill in the current year based on the annual and interim impairment analyses. The Company's consolidated goodwill balance as of December 2025 was $12,455 million.

Management estimated the fair values of reporting units within the management and functional reporting units in the interim analyses and a reporting unit within the distribution operations in the annual impairment analysis using a combination of discounted cash flow models and the guideline public company method. The discounted cash flow models include significant assumptions and estimates regarding the amount and timing of expected future cash flows, long-term growth rates, discount rates, and capitalization rates.

Given the determination of the value of the reporting units required management to make significant assumptions and judgments related to the projected cash flows, discount rates, and capitalization rates, performing audit procedures to evaluate the reasonableness of these estimates and assumptions involved a high degree of auditor judgment and an increased extent of effort, including the need to involve our actuarial specialists in performing audit procedures over the liability.

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How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the liability included, among others:

- We tested the effectiveness of the Company's internal controls related to the liability, including those over the estimation of the breakage assumptions.
- We evaluated the Company's ability to accurately forecast the actuarial estimate, redemption rate and standalone selling price by comparing to the actual results.
- With the assistance of our actuarial specialists, we developed independent estimates of the liability and compared our estimates to management's estimate.

Goodwill - Refer to Note 5 to the financial statements

Critical Audit Matter Description

During the year ended December 31, 2025, the Company implemented organizational changes, and as a result, transitioned its reporting units and performed interim impairment analyses. The Company also evaluates goodwill for impairment annually during the fourth quarter of each year. The Company did not recognize any impairment of goodwill in the current year based on the annual and interim impairment analyses. The Company's consolidated goodwill balance as of December 2025 was $12,455 million.

Management estimated the fair values of reporting units within the management and functional reporting units in the interim analyses and a reporting unit within the distribution operations in the annual impairment analysis using a combination of discounted cash flow models and the guideline public company method. The discounted cash flow models include significant assumptions and estimates regarding the amount and timing of expected future cash flows, long-term growth rates, discount rates, and capitalization rates.

Given the determination of the value of the reporting units required management to make significant assumptions and judgments related to the projected cash flows, discount rates, and capitalization rates, performing audit procedures to evaluate the reasonableness of these estimates and assumptions involved a high degree of auditor judgment and an increased extent of effort, including the need to involve our actuarial specialists in performing audit procedures over the liability.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the goodwill impairment tests, among others:

- We tested the effectiveness of the Company's internal controls related to the liability, including those over the estimation of the breakage assumptions.
- We evaluated the Company's ability to accurately forecast the actuarial estimate, redemption rate and standalone selling price by comparing to the actual results.
- With the assistance of our actuarial specialists, we developed independent estimates of the liability and compared our estimates to management's estimate.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of State Street Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of State Street Corporation and subsidiaries (the "Company") as of December 31, 2025, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements listed in the accompanying index of State Street Corporation and subsidiaries as of December 31, 2025 and 2024, and our report dated February 11, 2026, expressed an unqualified opinion on those consolidated financial statements and our report dated February 11, 2026, expressed an unqualified opinion on those consolidated financial statements.

As described in Management's Report on Internal Control over Financial Reporting, management included from its assessment the internal control over financial reporting of Pitzer Holdco, which was acquired on July 1, 2025, and whose financial statements constituted 1% of the consolidated financial statements as of and for the year ended December 31, 2025 and for which the acquisition occurred on June 11, 2025, and accordingly management excluded from its assessment of internal control over financial reporting, 1% of the Company's total revenues, and 20% of the Company's net income (loss) of the consolidated financial statements as of and for the year ended December 31, 2025. Accordingly, our audit did not include the internal control over financial reporting of Pitzer Holdco.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Chicago, Illinois
February 11, 2026

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STATE STREET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
For the Years Ended December 31, 2023, December 31, 2024, and December 31, 2025
(in millions of dollars, except per share amounts)

	2023	2024	2025
REVENUE:			
Fee revenue(1)	$ 9,6[illegible]	$ 10,[illegible]	$ 11,[illegible]
Interest income(1)	2,[illegible]	2,[illegible]	2,[illegible]
Trading and other fees	286	292	301
Total revenue	12,[illegible]	13,[illegible]	14,[illegible]
Interest expense	2,[illegible]	2,[illegible]	2,[illegible]
Net fee	1,[illegible]	1,[illegible]	921
Provision for credit losses	(1[illegible])	(1[illegible])	(1[illegible])
Disaggregated	1,[illegible]	1,[illegible]	1,[illegible]
Other revenues	28	49	100
Total net revenue	11,[illegible]	12,[illegible]	13,[illegible]
DIRECT EXPENSES AND APPROXIMATE EXPENSES:			
Control and administrative	1[illegible]	1[illegible]	1,[illegible]
Delivered and hosted	1,[illegible]	9[illegible]	1,[illegible]
Transaction	1[illegible]	1[illegible]	1[illegible]
Other direct costs	1[illegible]	1[illegible]	1[illegible]
Transaction and integration costs	1[illegible]	1[illegible]	1[illegible]
Amortization of intangibles	1[illegible]	1[illegible]	1[illegible]
Restructuring(2)	1[illegible]	1[illegible]	1,[illegible]
Total direct and general and administrative expenses	8,[illegible]	8,[illegible]	8,[illegible]
Income/(loss) before income taxes and equity in net loss from unconsolidated entities	2,[illegible]	2,[illegible]	2,[illegible]
Equity earnings/(losses) from unconsolidated entities	2[illegible]	1[illegible]	1[illegible]
Income taxes	(7[illegible])	(1[illegible])	(1[illegible])
Net income/(loss)	2[illegible]	2,[illegible]	2,[illegible]
Other income/(loss), net	1[illegible]	1[illegible]	1[illegible]
Net income/(loss)	2,[illegible]	2,[illegible]	2,[illegible]
Income/(loss) attributable to noncontrolling interests	1[illegible]	1[illegible]	1[illegible]
Net income/(loss) attributable to State Street Corporation	$ 2,[illegible]	$ 2,[illegible]	$ 2,[illegible]
EARNINGS/(LOSS) PER COMMON SHARE:			
Net income/(loss) attributable to State Street Corporation - Basic	$ 10.[illegible]	$ 12.[illegible]	$ 12.[illegible]
Net income/(loss) attributable to State Street Corporation - Diluted	$ 10.[illegible]	$ 12.[illegible]	$ 12.[illegible]

See accompanying Notes to consolidated financial statements.

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STATE STREET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
For the Years Ended December 31, 2023, December 31, 2024, and December 31, 2025
(in millions of dollars)

	2023	2024	2025
Net income/(loss)	$ 2,[illegible]	$ 2,[illegible]	$ 2,[illegible]
Other comprehensive income/(loss), net of taxes:			
Foreign currency translation adjustments, net of tax $ 78[illegible], $ 6[illegible] and $ 1[illegible] for the years ended December 31, 2023, December 31, 2024, and December 31, 2025, respectively	(1[illegible])	(96)	38
Net unrealized gains/(losses), net of tax $(7[illegible]) and $ 1[illegible] for the years ended December 31, 2023, December 31, 2024, and December 31, 2025	2	1	1
Pension liabilities adjustments, net of tax $(7[illegible]) and $ 1[illegible] for the years ended December 31, 2023, December 31, 2024, and December 31, 2025	1	1	1
Other comprehensive income/(loss), net of tax	(1[illegible])	(9[illegible])	3[illegible]
Comprehensive income/(loss) attributable to noncontrolling interests	(1[illegible])	(1[illegible])	(1[illegible])
Comprehensive income/(loss) attributable to State Street Corporation	$ 2,[illegible]	$ 2,[illegible]	$ 2,[illegible]

See accompanying Notes to consolidated financial statements.

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STATE STREET CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2023 and December 31, 2024
(in millions of dollars, except share and per share amounts)

	2023	2024
ASSETS:		
CASH AND ASSETS:		
Cash and cash equivalents	$ 7[illegible]	$ 1,[illegible]
Restricted cash	7[illegible]	1[illegible]
Interest-bearing deposits	1,[illegible]	1,[illegible]
Securities purchased under agreements to resell	1,[illegible]	1,[illegible]
Interests in	8	8
Prepaids and other assets	1[illegible]	1[illegible]
Prepaid income taxes	1[illegible]	1[illegible]
Total cash and assets	1[illegible]	1[illegible]
Equity method investments	1[illegible]	1[illegible]
Property and equipment, net	1,[illegible]	1,[illegible]
Goodwill and intangible assets, net	1[illegible]	1[illegible]
Accounts receivable	1[illegible]	1[illegible]
Goodwill	2,[illegible]	2,[illegible]
Intangible assets	1[illegible]	1[illegible]
Deferred tax assets	1[illegible]	1[illegible]
Other assets	1,[illegible]	1,[illegible]
Total assets	$ 1[illegible]	$ 1[illegible]
LIABILITIES AND EQUITY:		
CURRENT LIABILITIES:		
Current income taxes payable	$ 1[illegible]	$ 1[illegible]
Accounts payable	8[illegible]	8[illegible]
Accrued expenses and other current liabilities	1,[illegible]	1,[illegible]
Short-term borrowings	1[illegible]	1[illegible]
Accrued compensation and benefits	2[illegible]	1[illegible]
Total current liabilities	1,[illegible]	1,[illegible]
Total current liabilities	1[illegible]	1,[illegible]
Long-term debt	4,[illegible]	5,[illegible]
Deferred tax liabilities	1[illegible]	1[illegible]
Long-term operating lease liabilities	1[illegible]	1[illegible]
Other long-term liabilities	1[illegible]	1,[illegible]
Total liabilities	1[illegible]	1[illegible]
EQUITY:		
Preferred stock, $1 par value per share, 100,000 shares authorized and none outstanding at both December 31, 2023 and December 31, 2024	—	—
Class A common stock, $1[illegible] par value per share, 1,000,000,000 shares authorized, 31,[illegible] issued and outstanding at December 31, 2023 and 28,[illegible] issued, 2[illegible] outstanding at December 31, 2024 and 27,[illegible] issued and outstanding at December 31, 2025. Class A common stock, $1[illegible] par value per share, 1,000,000,000 shares authorized, 31,[illegible] issued and 2[illegible] outstanding at December 31, 2023 and 28,[illegible] issued, 2[illegible] outstanding at December 31, 2024 and 27,[illegible] issued and outstanding at December 31, 2025	3[illegible]	3[illegible]
Additional paid-in capital	1[illegible]	1[illegible]
Retained earnings	2,[illegible]	2,[illegible]
Accumulated other comprehensive income/(loss)	(1[illegible])	(1[illegible])
Treasury stock	1,[illegible]	1,[illegible]
Total shareholders' equity	1,[illegible]	1,[illegible]
Noncontrolling interests	1[illegible]	1[illegible]
Total equity	1[illegible]	1[illegible]
TOTAL LIABILITIES AND EQUITY	$ 1[illegible]	$ 1[illegible]

See accompanying Notes to consolidated financial statements.

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STATE STREET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND NONCONTROLLING INTERESTS
For the Years Ended December 31, 2023, December 31, 2024, and December 31, 2025
(in millions of dollars)

	2023	2024	2025
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income/(loss)	$ 2[illegible]	$ 2,[illegible]	$ 2,[illegible]
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Depreciation and amortization	7[illegible]	8[illegible]	8[illegible]
(Gain) loss on sale of real estate and other	1[illegible]	(1,[illegible])	(1[illegible])
Provision for credit losses	(1[illegible])	(1[illegible])	(1[illegible])
Amortization of operating lease right-of-use assets	1[illegible]	1[illegible]	1[illegible]
Deferred income taxes	(68)	(17)	(17)
Other, net	(1[illegible])	(1[illegible])	(1[illegible])
Accrued compensation, benefits and benefit payments	1[illegible]	1[illegible]	1[illegible]
Cumbia revenue	38	49	47
Gains from sale of an marketable securities	1[illegible]	1[illegible]	1[illegible]
Contingent consideration liabilities fair value adjustments	(57)	(19)	5
Other, net	1[illegible]	1[illegible]	1[illegible]
Other	1[illegible]	1[illegible]	1[illegible]
Net income/(loss) to cash attributable to changes in assets and liabilities:			
Accrued income	38	(35)	(7)
Accounts receivable	1[illegible]	1[illegible]	1[illegible]
Prepaids and other assets	(28)	(116)	(49)
Accrued expenses	1[illegible]	1[illegible]	1[illegible]
Accrued payable, accrued expenses, and other current liabilities	1[illegible]	1[illegible]	1[illegible]
Current liabilities	(106)	40	90
Net cash provided by/(used in) operating activities	2,[illegible]	2,[illegible]	2,[illegible]
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of available-for-sale investment securities	$ (1,[illegible])	$ (1,[illegible])	$ (1,[illegible])
Proceeds from maturities on available-for-sale investment securities	8[illegible]	1,[illegible]	1[illegible]
Proceeds from sales of available-for-sale investment securities	1[illegible]	1[illegible]	1[illegible]
Business divestitures, net of cash divested	(1[illegible])	(49)	(17)
Acquisitions, net of cash acquired	(1[illegible])	(49)	(17)
Other	(1[illegible])	(1[illegible])	(1[illegible])
Proceeds from Cumbia investment	1[illegible]	1[illegible]	1[illegible]
Proceeds from Cumbia revenue	38	49	47
Proceeds from sales of real estate and other, net(1)	1,[illegible]	1,[illegible]	1,[illegible]
Other investing activities	7	(1[illegible])	1
Net cash provided by/(used in) investing activities	1,[illegible]	1,[illegible]	1,[illegible]
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt, net of issuance costs of $1[illegible], and $1[illegible] for the years ended December 31, 2023, December 31, 2024, and December 31, 2025, respectively	1,[illegible]	1,[illegible]	9[illegible]
Repayments and repurchases of debt	(1,[illegible])	(1,[illegible])	(1,[illegible])
Repurchase of common stock	(2[illegible])	(1,[illegible])	(1[illegible])
Dividends paid	(1,[illegible])	(1,[illegible])	(1,[illegible])
Proceeds of collateralized loan trust beneficial interests	1[illegible]	1[illegible]	1[illegible]
Other financing activities	(8[illegible])	1	1
Net cash used in financing activities	(1,[illegible])	(1,[illegible])	(1,[illegible])
Effect of exchange rate changes on cash	(1[illegible])	1[illegible]	1[illegible]
Net increase/(decrease) in cash, cash equivalents, and restricted cash, including cash, cash equivalents, and restricted cash classified in assets held for sale	(1[illegible])	9[illegible]	1,[illegible]
Net increase/(decrease) in cash, cash equivalents, and restricted cash classified within assets held for sale	—	—	—
Cash, cash equivalents, and restricted cash - beginning of year	1,[illegible]	1,[illegible]	1,[illegible]
Cash, cash equivalents, and restricted cash - end of year	$ 1,[illegible]	$ 1,[illegible]	$ 2,[illegible]

(1) As of year-end December, cash paid for interest on a sale, cash paid or received for income taxes, and cash paid or received for operating activities.

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STATE STREET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023, December 31, 2024, and December 31, 2025
(in millions of dollars)

	2023	2024	2025
CASH FLOWS FROM OPERATING ACTIVITIES:			
Purchases of available-for-sale investment securities	$ (1,[illegible])	$ (1,[illegible])	$ (1,[illegible])
Proceeds from maturities on available-for-sale investment securities	8[illegible]	1,[illegible]	1[illegible]
Proceeds from sales of available-for-sale investment securities	1[illegible]	1[illegible]	1[illegible]
Business divestitures, net of cash divested	(1[illegible])	(49)	(17)
Acquisitions, net of cash acquired	(1[illegible])	(49)	(17)
Other	(1[illegible])	(1[illegible])	(1[illegible])
Proceeds from Cumbia investment	1[illegible]	1[illegible]	1[illegible]
Proceeds from Cumbia revenue	38	49	47
Proceeds from sales of real estate and other, net(1)	1,[illegible]	1,[illegible]	1,[illegible]
Other investing activities	7	(1[illegible])	1
Net cash provided by/(used in) investing activities	1,[illegible]	1,[illegible]	1,[illegible]
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt, net of issuance costs of $1[illegible], and $1[illegible] for the years ended December 31, 2023, December 31, 2024, and December 31, 2025, respectively	1,[illegible]	1,[illegible]	9[illegible]
Repayments and repurchases of debt	(1,[illegible])	(1,[illegible])	(1,[illegible])
Repurchase of common stock	(2[illegible])	(1,[illegible])	(1[illegible])
Dividends paid	(1,[illegible])	(1,[illegible])	(1,[illegible])
Proceeds of collateralized loan trust beneficial interests	1[illegible]	1[illegible]	1[illegible]
Other financing activities	(8[illegible])	1	1
Net cash used in financing activities	(1,[illegible])	(1,[illegible])	(1,[illegible])
Effect of exchange rate changes on cash	(1[illegible])	1[illegible]	1[illegible]
Net increase/(decrease) in cash, cash equivalents, and restricted cash, including cash, cash equivalents, and restricted cash classified within assets held for sale	(1[illegible])	9[illegible]	1,[illegible]
Net increase/(decrease) in cash, cash equivalents, and restricted cash classified within assets held for sale	—	—	—
Cash, cash equivalents, and restricted cash - beginning of year	1,[illegible]	1,[illegible]	1,[illegible]
Cash, cash equivalents, and restricted cash - end of year	$ 1,[illegible]	$ 1,[illegible]	$ 2,[illegible]

(1) As of year-end December, cash paid for interest on a sale, cash paid or received for income taxes, and cash paid or received for operating activities.

See accompanying Notes to consolidated financial statements.

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HYATT HOTELS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020, December 31, 2019, and December 31, 2021
(in millions of dollars)

Supplemental disclosure of cash flow information:

	2020	2019	2021
Cash and cash equivalents	$ 1,127	$ 1,207	$ 1,127
Restricted cash	—	1	10
Restricted cash included in other assets	—	—	1
Total cash, cash equivalents, and restricted cash	$ 1,127	$ 1,208	$ 1,138

	2019	2018	2017
Cash and cash equivalents	$ 1,207	$ 1,127	$ 1,127
Cash and cash equivalents included in assets held for sale	—	1	—
Restricted cash	1	10	8
Restricted cash included in other assets	—	1	1
Total cash, cash equivalents, and restricted cash	$ 1,208	$ 1,139	$ 1,136

	2021	2020	2019
Cash paid during the period for interest	$ 127	$ 137	$ 137
Cash paid during the period for income taxes, net	$ 61	$ 41	$ 77
Non-cash investing and financing activities:			
Exchange	$ —	$ —	$ —
Noncontrolling interest	—	—	—
Other items	—	—	—
Cash paid for operating lease liabilities	$ 121	$ 108	$ 125
Cash paid for amounts included in the measurement of operating lease liabilities	$ 121	$ 108	$ 125
Non-cash investing and financing activities:			
Right-of-use assets obtained in exchange for operating lease liabilities	$ 78	$ 78	$ 86
Contributions to equity method investments	$ 19	$ 19	$ 18
Contributions to equity method investments recorded in disproportionate of dollars, except share and per share amounts	$ 19	$ 19	$ 18
Contributions to equity method investments	$ 19	$ 19	$ 18
Right-of-use assets obtained in exchange for operating lease liabilities	$ 78	$ 78	$ 86
Cash paid during the period for interest	$ 137	$ 137	$ 127
Cash paid during the period for income taxes, net	$ 77	$ 41	$ 61
Technical contribution liability recognized in equity	$ 16	$ 16	$ 16
Derecognition of assets and accounts payable	$ 16	$ 16	$ 16
Reduction of ITFM gift security in exchange for equity method investment (Note 5)	$ 16	$ 16	$ 16
Reduction of ITFM gift security in exchange for equity method investment	$ 16	$ 16	$ 16
Receivable net amounts transferred to disposal group held for sale	$ 16	$ 16	$ 16
Contract relationship intangible acquired (Note 5)	$ 16	$ 16	$ 16
Purchase consideration for acquisition, net of cash acquired	$ 16	$ 16	$ 16
Dividends declared (Note 16)	$ 16	$ 16	$ 16

Effective January 1, 2021, we adopted the provisions of Accounting Standards Update No. 2016-09 and recognized the cumulative effect of the change in the opening balance of retained earnings as of January 1, 2021 in the amount of $ 16 million.

(Concluded)

See accompanying Notes to consolidated financial statements.

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HYATT HOTELS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
AND NONCONTROLLING INTERESTS
For the Years Ended December 31, 2020, December 31, 2019, and December 31, 2021
(in millions of dollars, except share and per share amounts)
Stockholders' equity attributable to Hyatt Hotels Corporation

	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
BALANCE - January 1, 2021	97,667,000	$ 1	$ 1,116	$ 1,116	$ (1,116)	$ 1,116	$ 1,116
Other comprehensive loss	—	—	—	—	—	—	—
Repurchases of common stock (1)	(1,125,878)	—	(191)	(19)	—	(1)	—
Equity compensation activity	1,125,878	—	—	—	—	—	—
Dividends declared ($ 0.16 per share)	476,170	—	—	—	—	—	—
Cash dividends declared ($ 0.16 per share)	—	—	—	—	—	—	—
Other equity transactions	—	—	—	—	—	—	—
BALANCE - December 31, 2021	98,076,170	$ 1	$ 1,116	$ 1,116	$ (1,116)	$ 1,116	$ 1,116
Net income	—	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	—	—
Repurchases of common stock (1)	(1,765,776)	—	—	—	—	—	—
Equity compensation activity	1,765,776	—	—	—	—	—	—
Dividends declared ($ 0.16 per share)	—	—	—	—	—	—	—
Cash dividends declared ($ 0.16 per share)	—	—	—	—	—	—	—
Other equity transactions	—	—	—	—	—	—	—
BALANCE - December 31, 2020	98,076,170	$ 1	$ 1,116	$ 1,116	$ (1,116)	$ 1,116	$ 1,116
Net income	—	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	—	—
Repurchases of common stock (1)	(1,765,776)	—	—	—	—	—	—
Equity compensation activity	1,765,776	—	—	—	—	—	—
Dividends declared ($ 0.16 per share)	—	—	—	—	—	—	—
Cash dividends declared ($ 0.16 per share)	—	—	—	—	—	—	—
Other equity transactions	—	—	—	—	—	—	—
BALANCE - December 31, 2019	97,667,000	$ 1	$ 1,116	$ 1,116	$ (1,116)	$ 1,116	$ 1,116
Net income	—	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	—	—
Repurchases of common stock (1)	(1,125,878)	—	(191)	(19)	—	(1)	—
Equity compensation activity	1,125,878	—	—	—	—	—	—
Dividends declared ($ 0.16 per share)	476,170	—	—	—	—	—	—
Cash dividends declared ($ 0.16 per share)	—	—	—	—	—	—	—
Other equity transactions	—	—	—	—	—	—	—
BALANCE - December 31, 2018	97,667,000	$ 1	$ 1,116	$ 1,116	$ (1,116)	$ 1,116	$ 1,116
Net income	—	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	—	—
Repurchases of common stock (1)	(1,125,878)	—	(191)	(19)	—	(1)	—
Equity compensation activity	1,125,878	—	—	—	—	—	—
Dividends declared ($ 0.16 per share)	476,170	—	—	—	—	—	—
Cash dividends declared ($ 0.16 per share)	—	—	—	—	—	—	—
Other equity transactions	—	—	—	—	—	—	—
BALANCE - December 31, 2017	97,667,000	$ 1	$ 1,116	$ 1,116	$ (1,116)	$ 1,116	$ 1,116

(1) Repurchases of common stock for the years ended December 31, 2021, December 31, 2020, December 31, 2019, December 31, 2018, and December 31, 2017, exclude $ 1 million, $ 1 million, $ 1 million, $ 1 million, and $ 1 million, respectively, of shares withheld for employee tax liability related to vesting of equity awards. Repurchases of common stock for the years ended December 31, 2021, December 31, 2020, and December 31, 2019, exclude $ 1 million, $ 1 million, and $ 1 million, respectively, of shares withheld for employee tax liability related to vesting of equity awards.

See accompanying Notes to consolidated financial statements.

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HYATT HOTELS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in millions, except share and per share amounts)

1. ORGANIZATION

Hyatt Hotels Corporation, a Delaware corporation, and its consolidated subsidiaries (the "Company") operate the portfolio of full-service hotels and resorts, select-service hotels, and all-inclusive resorts, as well as vacation ownership properties, residential properties, fractional, and other branded and non-branded, fee-for-service and asset-light businesses, as well as other ancillary businesses, in 69 countries and territories as of December 31, 2021. The Company's portfolio includes 1,124 hotels and 82 vacation ownership properties, residential properties, and fractional properties. As of December 31, 2021, our hotel portfolio included 1,126 hotels (172,763 rooms) through the world, of which 736 hotels (145,200 rooms) are managed or franchised and 390 hotels (27,563 rooms) are owned or leased. Our portfolio also includes 82 vacation ownership properties, residential properties, and fractional units, which are generally managed and/or marketed, and which provide owners with the right to use vacation homes that are unaffiliated with our hotel portfolio and operate under other brand names or marks owned by our hotels or licensed by third parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - Our consolidated financial statements present the results of operations, financial position, and cash flows of Hyatt Hotels Corporation and our subsidiaries and variable interest entities ("VIEs") in which we are the primary beneficiary (collectively, "Hyatt"). All intercompany accounts and transactions have been eliminated.

Use of Estimates - We are required to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Very estimates and assumptions relate to our allowance for doubtful trade receivables and notes, expected credit losses, and other financial instruments, [illegible]

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation.

Revenue Recognition - Our revenues are primarily derived from management and franchise fees, which are recognized and generally recognized when control of the product or service has transferred to the customer. Our customers primarily include third party owners and franchisees, the unconsolidated entities in which we have equity method investments, and guests at our hotels, resorts, and other properties. We have contracts with our customers that include fixed and variable consideration. We estimate the variable consideration and determine whether it is probable that a significant reversal of the amount of cumulative revenue will not occur in the future. Our contracts with customers generally have one performance obligation, which is the promise to stand ready to perform daily services throughout the contract period. Our management and franchise fees are generally comprised of sales-and usage-based royalties with sales-based royalty consideration allocated entirely to our performance obligation to transfer the franchise license. Our franchise fees are recognized over time on a straight-line basis because we have a right to bill our franchisees in an amount that corresponds to our performance to date. Our management fees are recognized over time because the customer simultaneously receives and consumes the benefits of our management services as we perform them, and we have a right to bill our customers for our services in an amount that corresponds to our performance to date. Our contracts for hotel power a lot to upgrade, and those upgrades are defined and the transfer of control of the related performance obligation occurs, at the time the upgrade is completed and the customer has control of the upgrade.

We also earn commissions for booking rooms for our managed and franchised properties through our various central loyalty programs and reservation systems through which travel agent inventory is made available and reservations are booked. Revenues are recognized in distribution revenues or net revenues from managed and franchised hotels, and we do not allocate any of our transaction price to our performance obligation to stand ready to perform daily services throughout the contract period. Revenues are recognized in distribution revenues or net revenues from managed and franchised hotels.

Loyalty and co-branded credit card programs

Under our management and franchise agreements and franchise agreements, we administer the World of Hyatt loyalty program for the benefit of our franchisees and managed hotel owners. We operate the World of Hyatt loyalty program, which is a hospitality loyalty program, to provide our loyalty members with frequent stay bonuses, loyalty rewards, including Award Nights, and Activity, and to encourage loyalty members to stay at our participating hotels, resorts, and other properties. Revenues are recognized in the amount of the transaction price allocated to the performance obligation when the performance obligation is satisfied. We have a performance obligation to provide the loyalty program, including the promise to provide Revenues are recognized in the amount of the transaction price allocated to the performance obligation when the performance obligation is satisfied. We have a performance obligation to provide the loyalty program, including the promise to provide and operate the loyalty program, including the promise to provide Award Nights and Activity, which are recognized and deferred in the amount of the transaction price allocated to the performance obligation when the performance obligation is satisfied. We have a performance obligation to provide

impacted organic assumptions and judgments related to projected cash flows, discount rates, and agreement terms. The excess of the book value over the fair value of the reporting unit's net assets indicates that goodwill is not impaired as of December 31, 2021.

We evaluate the carrying value of our long-lived equipment and internal-use software assets based on our plans, at the time of the acquisition and consider qualitative factors such as future developments in the surrounding state, of local competition, and any significant adverse changes in the business climate. In 2021, there were no impairments of our long-lived assets, including a discussion of our long-lived assets in Note 7 and Note 8, respectively, of our Form 10-K.

For additional information about property and equipment and deferred tax assets, see Note 7 and Note 9, respectively.

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Leases. We primarily lease land, buildings, office space, and equipment. We determine whether an arrangement is an operating or finance lease at inception. Our management lease arrangements are classified as operating or finance in alignment with our accounting for our owned assets. Our management lease arrangements are based on the specific facts and circumstances, including third party contracts and obtain substantially all of the economic benefits associated with the underlying asset.

Certain lease contracts include variable payments, which generally include the cost of lease and non-lease components, such as maintenance, which are included as our operating lease ROU assets and lease liabilities. Our lease agreements do not contain any significant residual value guarantees or restrictive covenants.

Our operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. We use our lease payments and apply a portfolio approach. Estimating the ROU requires judgment, including assumptions related to currency risk and our credit risk, and management's estimate of our incremental borrowing rate, which is a hypothetical rate of interest we would pay.

Our operating lease ROU assets and liabilities include options to extend or terminate the lease when it is reasonably certain that we will exercise such an option. Our probability estimate, as defined in the lease, 12-24 lease payments equal to the greater of a lease termination or variable amount based on a percentage of the remaining lease payments, or a fixed amount. Our lease payments are based on the lease term and contingent lease payments are expected from the measurement of the operating lease liability. Minimum lease payments are recognized on a straight-line basis over the lease term and contingent lease payments are expected or incurred are recognized in operating expenses in the period in which the obligation for those payments is probable and reasonably estimable. Our lease agreements do not contain any material of income taxes, depending on the lease term.

For office space, land and building leases, we do not separate the lease and nonlease components, which primarily relate to common area maintenance and utilities. We have elected the practical expedient to account for the lease and non-lease components as a single lease with terms of 12 months or less, we do not recognize ROU assets and lease liabilities.

We assess operating lease ROU assets for impairment quarterly, and when events or circumstances indicate the carrying value may not be recoverable, we evaluate the ROU asset for impairment. Our long-lived assets, including our ROU assets, are reviewed for impairment when events or changes in circumstances such as a change in the business climate, that may cause an impairment charge or asset impairment, see our consolidated statements of income (loss).

For additional information about leases, see Note 10.

Acquisitions. We evaluate the facts and circumstances of each acquisition to determine whether it is accounted for as an asset acquisition or a business combination.

Under management asset acquisitions, we allocate the purchase price of the asset to the identifiable assets and liabilities based on their relative fair value, including methods, including the income, cost and market approaches, principally using Level Three inputs. Assumptions include historical financial results, projected financial results, and the cost of capital. We recognize the identifiable assets and liabilities, including goodwill, and we expense transaction costs. We recognize the fair value of the consideration, including contingent consideration, and we expense transaction costs. Our management acquisitions, any differences between the consideration paid and the fair value of the assets acquired is allocated across the identifiable assets based on the relative fair value.

The results of operations of acquired businesses are included in our consolidated financial statements from the date of acquisition. We have not presented pro forma results of operations for our acquisitions, and any noncontrolling interest in the acquiree are recorded at fair value on our consolidated balance sheets as of the acquisition date. Our management acquisitions, we recognize the fair value of the consideration, including contingent consideration, and we expense transaction costs, see our consolidated statements of income (loss).

For additional information about acquisitions, see Note 2.

Contingent and Non-Controlling Interests. In our management acquisitions, we may enter into contingent consideration arrangements whereby the buyer pays the seller additional consideration after transaction closes upon the achievement of certain milestones, performance based metrics, or other events. We recognize the fair value of the contingent consideration, and we expense transaction costs, see our consolidated statements of income (loss).

Contingent consideration payable arising from acquisitions is recorded at fair value as a liability, or the acquisition date and remeasured quarterly. Fair value is typically estimated using a Monte Carlo simulation or a probability of possible outcomes.

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income over the term of the agreement using a systematic and rational, risk-based approach to other income (loss), net or equity earnings (losses) from unconsolidated investments, depending on the nature of the investment, see our consolidated statements of income (loss).

Performance and other guarantees, liability is recognized at the fair value of the likelihood of making a payment. To the extent an insurance company is found to hold profitable and reasonable based on performance during the period in lieu and recognition of the underlying indemnification liability, we recognize the fair value of the contingent liability, see our consolidated statements of income (loss) and our consolidated balance sheets.

Debt guarantees - recognized as a liability, we consider the risk of default and the impact on our consolidated financial statements, see our consolidated statements of income (loss) and our consolidated balance sheets.

Non-cash consideration is generally recorded at other assets on our consolidated balance sheets based on the underlying nature of the consideration.

For additional information about contingent and non-cash consideration, see Note 3, Note 7, and Note 17.

Contingencies. We are subject to various legal proceedings, claims, and assessments arising in the ordinary course of our business that are not individually identified or combinations that are not individually identified in our consolidated financial statements, including contingent liabilities arising from the Fourth quarter, see Note 17 and Note 18, and Note 19, respectively, of our Form 10-K.

Income Taxes. We account for income taxes to recognize the amounts of taxes payable or refundable for the current year and the amount of deferred tax assets and liabilities for the future tax consequences of events that have been recognized in our financial statements or tax returns. Our management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our net deferred tax assets and our valuation. This assessment is completed by tax jurisdiction and relies on the weight of both positive and negative evidence available with respect to our operations, including our recent cumulative earnings, our expectations of future taxable income, our cumulative losses in recent years, our forecasts of future profitability, our tax planning strategies, and our ability to utilize tax loss and credit carryforwards.

We recognize the financial statement effect of a tax position when, based on the technical merits of the uncertain tax position, it is more likely than not (greater than 50%) that the position will be sustained upon tax audit, assuming full knowledge of the relevant facts and interpretations of uncertain tax positions, see our consolidated financial statements.

For additional information about income taxes, see Note 10.

Stock-Based Compensation. We grant stock options, the Long-Term Stock Plan, we award time-vested stock appreciation rights ("SARs"), time-vested restricted stock units ("RSUs"), and performance-based RSUs ("PSUs") to employees and non-employee directors. We recognize the fair value of the employee directors may elect to receive their annual fees and/or annual equity retainer in the form of shares of Class A common stock. Under the ESPP and the Plans Under Plans, we are authorized to issue up to 25,700,000 shares.

Stock options - Each vested SAR gives the holder the right to the difference between the value of one share of Class A common stock at the exercise date and the grant date, payable in shares of Class A common stock.

SARs are valued using the closing stock price of our Class A common stock at the grant date and compensation under the Black-Scholes option-pricing model. SARs generally vest 25% annually over four years, beginning in the first anniversary of the grant date, and can be exercised over their contractual term of ten years. Our SARs, RSUs, and PSUs are valued at the closing stock price of our Class A common stock at the grant date and are accounted for as equity.

Compensation expense is recognized on a straight-line basis Over the grant date through the requisite service period, which is generally the vesting period, net of estimated forfeitures, and adjusted for actual forfeitures in the period in which they occur, see our consolidated statements of income (loss).

PSUs - Each vested PSU will generally be settled in one share of our Class A common stock and Bonus is accounted for as equity instruments. Is formal recognition, or grant date, and is settled RSUs, which are recorded in liabilities.

PSUs are valued using the closing stock price of our Class A common stock at the grant date. Gross PSUs include a relative total shareholder return component, which is a market condition, and a Company-wide performance component, which is a performance condition. Our Company-wide performance component is based on our achievement of certain Company-wide performance metrics, including revenue, operating income, and income before income taxes, and earnings, and annual incentive bonus. Generally, the fair value of the PSUs estimated using a Monte Carlo simulation does not exceed the maximum payout, see our consolidated financial statements.

Compensation expense is recognized on a straight-line basis over the grant date through the requisite service period, which is generally vesting period or over two years, unless the employee terminates earlier, and adjusted for actual forfeitures in the period in which they occur.

For additional information about stock-based compensation, see Note 12.

Revenue recognition. We provide services to our customers, which primarily consists of our management services, and we recognize revenue when we satisfy our performance obligations, which generally occurs when we transfer control of our services to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

Transaction and Integration Costs. We incur transaction costs for potential and completed transactions, primarily related to professional fees for investment banking services, legal services, accounting services, and other consulting services, and integration costs, primarily related to professional services, employee retention, sales and marketing expenses, and technology expenses. We expensed transaction costs for potential acquisitions and dispositions, and we capitalize transaction costs for completed transactions, and we expense integration costs as incurred. We capitalize transaction costs for completed transactions in conjunction with completed business combinations are recognized in transaction and integration costs on our consolidated statements of income (loss) and our consolidated balance sheets. We capitalize transaction costs for completed transactions, and we expense integration costs as incurred. We capitalize transaction costs for completed transactions, and we expense integration costs as incurred. We capitalize transaction costs for completed transactions, and we expense integration costs as incurred.

Equity Method Investments. We have equity method investments that represent our ownership of strategic equity alliances based on our ownership interests in the participating properties and strategic alliances based on members' qualified expenditures.

Advertising. We expense costs to produce advertising the first time the advertising is run in our consumer advertising in the communication sector, and we expense the production costs of our consumer advertising in the communication sector in the period in which we first run the advertising, see our consolidated statements of income (loss). Certain advertising costs associated with our distribution agreement are not attributable. During the year ended December 31, 2021, we expensed $1,000,000 and $1,000,000 for the year ended December 31, 2020, and $1,000,000 for the year ended December 31, 2019, respectively, of advertising costs in distribution expenses on our consolidated statements of income (loss).

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Government Assistance. We receive government subsidies, primarily in the form of cash, payroll and related expenses. Subsidies are recorded in other income (loss), net, see our consolidated statements of income (loss). We recognize government subsidies when we have met the conditions associated with the subsidy and when we can reasonably expect that we will receive the subsidy or have received the subsidy. Government assistance is recognized in other income (loss), net, see our consolidated statements of income (loss). We recognize government subsidies when we have met the conditions associated with the subsidy and when we can reasonably expect that we will receive the subsidy. During the year ended December 31, 2021, and December 31, 2021, we recognized $1,000,000 and $1,000,000 for the year ended December 31, 2020, and $1,000,000 for the year ended December 31, 2019, respectively, of $1,000,000 and $1,000,000, respectively, in other income (loss), net, see our consolidated statements of income (loss).

Adopted Accounting Standards

Income Taxes. In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2021-09 ("ASU 2021-09") Income Taxes (Topic 740): Improvements to Income Tax Disclosures. ASU 2021-09 requires enhanced annual income tax disclosures for disaggregation of rate reconciliation and income taxes paid by jurisdiction, and it removes the requirement to disclose the nature of, reason for, and timing of changes to unrecognized tax benefits. We adopted ASU 2021-09 on a prospective basis and included the required disclosures in our consolidated statements of cash flows and in Note 10.

Financial Instruments - Credit Losses. In December 2019, the FASB issued Accounting Standards Update No. 2019-01 ("ASU 2019-01"), *Financial Instruments - Credit Losses (Topic 326): Operating Leases (Topic 842), Financial Instruments - Credit Losses (Topic 326), and Leases (Topic 842).* ASU 2019-01 provides a lessee with an election to account for the contract as a lease, unless the contract is accounted for as a lease. We adopted ASU 2019-01 on a prospective basis and included the required disclosures in our consolidated statements of cash flows and in Note 10.

Income Taxes. In December 2019, the FASB issued Accounting Standards Update No. 2019-01 ("ASU 2019-01"), *Financial Instruments - Credit Losses (Topic 326): Operating Leases (Topic 842), Financial Instruments - Credit Losses (Topic 326), and Leases (Topic 842).* ASU 2019-01 provides a lessee with an election to account for the contract as a lease, unless the contract is accounted for as a lease. We adopted ASU 2019-01 on a prospective basis and included the required disclosures in our consolidated statements of cash flows and in Note 10.

Disclosure Improvements. In October 2018, the FASB issued Accounting Standards Update No. 2018-08 ("ASU 2018-08"), *Disclosure Improvements: Accounting for Contingencies in Business Combinations (Topic 805): Measurement of Acquired Contingencies.* ASU 2018-08 provides guidance for business combinations for certain FASB Accounting Standards Codification ("ASC") topics, including ASC 805, Business Combinations, and ASC 606, Revenue from Contracts with Customers, which is the SEC's interest of what financial disclosures from its regulations however effective, if the SEC removes the disclosure by June 30, 2027. The adoption of ASU 2018-08 is not expected to have a material impact on our consolidated financial statements and disclosures.

Equity Method and Joint Ventures. In March 2017, the FASB issued Accounting Standards Update No. 2017-07 ("ASU 2017-07"), *Equity Method and Joint Ventures.* In November 2020, the FASB issued Accounting Standards Update No. 2020-07 ("ASU 2020-07"), *Equity Method and Joint Ventures.* ASU 2020-07 requires disclosure of disaggregated financial information for our equity method investments, including the nature of our investments, including purchases of inventory, employee compensation, depreciation, and intangible asset amortization. The provisions of ASU 2020-07 are effective for fiscal years beginning after December 31, 2021 and interim periods within those fiscal years beginning after December 31, 2022 and interim periods within those fiscal years beginning after December 31, 2023, and we adopted ASU 2020-07 on a prospective basis. *Equity Method and Joint Ventures.* ASU 2020-07 requires disclosure of disaggregated financial information for our equity method investments, including the nature of our investments, including purchases of inventory, employee compensation, depreciation, and intangible asset amortization. The provisions of ASU 2020-07 are effective for fiscal years beginning after December 31, 2021 and interim periods within those fiscal years beginning after December 31, 2022 and interim periods within those fiscal years beginning after December 31, 2023, and we adopted ASU 2020-07 on a prospective basis.

Equity Method and Joint Ventures. In March 2017, the FASB issued Accounting Standards Update No. 2017-07 ("ASU 2017-07"), *Equity Method and Joint Ventures.* In November 2020, the FASB issued Accounting Standards Update No. 2020-07 ("ASU 2020-07"),

U.S. government agencies	25	—
U.S. government sponsored enterprises	19	—
Mortgage-backed securities	21	—
Asset-backed securities	4	—
Municipal and provincial notes and bonds	1	—
Total	2,408	$ 50

During both the year ended December 31, 2021 and December 31, 2020, there were no material sales from the available-for-sale securities portfolio.

Other Investments

Other Investments—We hold investments in third-party entities associated with certain of our hotels. The investments are recorded at $50 million and $0 million as of December 31, 2021 and December 31, 2020, respectively.

Debt and accumulated interest (1)

	December 31, 2021	December 31, 2020
Less: allowance for credit losses	$ —	$ —
Total DTZ debt receivable, net of allowance	$ —	$ —

Gross DTZ debt accretion or unaccreted discount

Gross DTZ debt accretion or unaccreted discount, net of accretion, net of a 20% minority interest, and net of a 20% minority interest, as of December 31, 2021 and December 31, 2020, respectively, is a discount equity which has been a unaccreted discount from unaccreted interest income (other than cash interest), net of unaccreted discounts of income (loss) from TC1 and net loss on an impaired interest rate of approximately 9.9%.

The following table summarizes the activity in our DTZ debt securities allowance for credit losses:

	2019	2020	2021
Allowance at January 1	$ —	$ —	$ —
Provisions (reversals) net (1)	—	—	—
Write-offs	—	—	—
Allowance at December 31	$ —	$ —	$ —

(1) Provisions for credit losses were partially or fully offset by interest income recognized in the same period (see Note 21).

We estimated the fair value of our DTZ debt securities to be approximately $315 million and $278 million as of December 31, 2021 and December 31, 2020, respectively. Our preferred equity investments, which are substantially on terms identical to our DTZ debt, are classified as Level Three in the fair value hierarchy. We have elected the fair value option for our preferred equity investments in accordance with ASC 825-10-15-5 and ASC 825-10-15-6 through 825-10-15-8 arrangements. Our primary variables in our fair value measurement of our preferred equity investments are our estimates of the fair value of the underlying collateral, which is our DTZ debt, and our estimated yield required by a third party investor to purchase our preferred equity investment. The fair value of our preferred equity investments in TC1 and TC2 is the fair value thereof due to the net asset equalizing of multiple market factors being considered in the fair value of the security.

Preferred Equity Investments—Our fair value under Subsidiary Debt, TC1, was recorded at $200 million preferred equity investment in conjunction with the Ivanhoe joint venture. The Ivanhoe joint venture, we estimated the fair value of the investment to be

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approximately $100 million. The debt security, which is classified as AFS and recorded within other assets on our consolidated balance sheet, is mandatorily redeemable upon the occurrence of a change in control, or upon the occurrence of a change in control, or upon the occurrence of a change in control, or

the initial fiscal reality, marked both, of which included revenue projections based on the expected contract terms and long-term growth rates, which are consistent with the Company's plans and estimates of its operating performance, and other relevant factors. Fair value of the Company's reporting units was determined using a combination of the income approach, which utilizes discounted cash flows, and the market approach, which is guided by a composite of market multiples of comparable companies, including contract terms and cash flows, which affected the underlying cash flows in the valuation and were based on facts and circumstances existing at the valuation date.

The following table presents the fair value and the identifiable net assets acquired at the acquisition date:

	December 31, 2021
Receivables	$ 12,[illegible]
Goodwill (1)	12,[illegible]
Indefinite-lived intangibles (2)	2,[illegible]
Other intangible assets (2)	1,[illegible]
Other assets (3)	[illegible]
Total assets acquired	$ 32,[illegible]
Long-term contract liabilities	$ [illegible]
Total liabilities assumed	$ [illegible]
Net assets acquired attributable to Hyatt Hotels Corporation	$ [illegible]

(1) The goodwill, which is not deductible and was recorded in our management and franchising segment, is attributable to the growth opportunities we expect to realize by combining our business with that of Apple Leisure Group, including the assembled workforce and synergies.

(2) Includes management and franchise fees, trademarks, and customer relationships. Refer to Note 7 for further information on amortization and our accounting policies for intangible assets.

(3) Amortized over useful lives of approximately 5 to 22 years, with a weighted-average useful life of approximately 17 years.

During the year ended December 31, 2021, we incurred transaction costs of $[illegible] million, which were included in administrative and general expenses, and legal, tax, and transaction and integration costs on our consolidated statements of income (loss).

Playa Hotels & Resorts

Playa Hotels & Resorts, formerly known as Playa, was acquired on December 1, 2021 and is part of the acquisition of the Playa Hotels & Resorts portfolio, which added approximately 82 million, net of transaction costs and premium adjustments, and we added the balance of the assets and liabilities of the entity into our consolidated financial statements. The acquisition of Playa Hotels & Resorts expands our presence in the all-inclusive market and provides a platform for growth in the all-inclusive market. The acquisition of the transaction is accounted for as a business combination. The fair value of the consideration transferred, which approximated $[illegible] million, consisted of the following: $[illegible] million, net of transaction costs and premium adjustments, and other amounts to be paid to Playa Hotels & Resorts shareholders, which approximated $[illegible] million, which was included in other accounts payable and accrued liabilities on our consolidated balance sheet. The fair value of the consideration transferred was determined using a probability-based weighting approach to determine the likelihood of payment of the contingent consideration. The valuation methodology included assumptions and judgments regarding probability weighting, discount rates, estimates of the

expected cash flows, and other relevant factors. The following table presents the fair value of the acquisition date:

	December 31, 2021
Cash and cash equivalents	$ [illegible]
Receivables (1)	[illegible]
Inventories	[illegible]
Prepaid expenses	[illegible]
Other current assets	[illegible]
Property and equipment, net (2)	[illegible]
Current maturities of long-term debt	[illegible]
Long-term debt	[illegible]
Other liabilities	[illegible]
Total assets and liabilities	$ [illegible]

(1) Includes accounts receivable, net of $[illegible] million and $[illegible] million of allowance for credit losses, respectively.

(2) Amortized over useful lives of approximately 5 to 22 years, with a weighted-average useful life of approximately 17 years.

During the year ended December 31, 2021, we incurred transaction costs of $[illegible] million, which were included in administrative and general expenses, and legal, tax, and transaction and integration costs on our consolidated statements of income (loss).

Other Acquisitions

Playa Hotels & Resorts. During the year ended December 31, 2021, we added the balance of the assets and liabilities of the Playa Hotels & Resorts portfolio, which added approximately 82 million, net of transaction costs and premium adjustments, and we added the balance of the assets and liabilities of the entity into our consolidated financial statements. The acquisition of Playa Hotels & Resorts expands our presence in the all-inclusive market and provides a platform for growth in the all-inclusive market. The acquisition of the transaction is accounted for as a business combination. The fair value of the consideration transferred, which approximated $[illegible] million, consisted of the following: $[illegible] million, net of transaction costs and premium adjustments, and other amounts to be paid to Playa Hotels & Resorts shareholders, which approximated $[illegible] million, which was included in other accounts payable and accrued liabilities on our consolidated balance sheet. The fair value of the consideration transferred was determined using a probability-based weighting approach to determine the likelihood of payment of the contingent consideration. The valuation methodology included assumptions and judgments regarding probability weighting, discount rates, estimates of the expected cash flows, and other relevant factors. The following table presents the fair value of the acquisition date:

	December 31, 2021
Cash and cash equivalents	$ [illegible]
Receivables (1)	[illegible]
Inventories	[illegible]
Prepaid expenses	[illegible]
Other current assets	[illegible]
Property and equipment, net (2)	[illegible]
Current maturities of long-term debt	[illegible]
Long-term debt	[illegible]
Other liabilities	[illegible]
Total assets and liabilities	$ [illegible]

(1) Includes accounts receivable, net of $[illegible] million and $[illegible] million of allowance for credit losses, respectively.

(2) Amortized over useful lives of approximately 5 to 22 years, with a weighted-average useful life of approximately 17 years.

During the year ended December 31, 2021, we incurred transaction costs of $[illegible] million, which were included in administrative and general expenses, and legal, tax, and transaction and integration costs on our consolidated statements of income (loss).

Other Acquisitions

Playa Hotels & Resorts. During the year ended December 31, 2021, we sold Playa Hotels & Resorts to an unrelated third party and accounted for the transaction

Foreign	22	11	141	34
Total current	$ 1,000	$ (1,000)	$ 2,000	$ 1,000
Deferred:				
Federal	$ (40)	$ (41)	$ (42)	$ (42)
State	(7)	(7)	(7)	(7)
Foreign	(1)	(1)	(1)	(1)
Total deferred	$ (48)	$ (49)	$ (50)	$ (50)
Provision for income taxes	$ 952	$ (1,049)	$ 2,050	$ 950

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The following tables reconcile the statutory federal income tax rate to the effective tax rate:

	December 31, 2021		December 31, 2020	
	Amount	Percentage	Amount	Percentage
Statutory U.S. federal income tax rate	$ 1,000	21.0%	$ (1,000)	(21.0)%
State and local income, net of federal income tax effect	$ 1,000	21.0%	$ (1,000)	(14)%
Effects of non-taxable tax laws:				
Tax-exempt interest and dividend income	(1)	(0.1)%	(1)	(0.1)%
Impact from foreign operations:				
Indefinite reinvestment foreign earnings	2	0.1%	2	2.1%
Other foreign operations	(1)	(0.1)%	(1)	(0.1)%
Other non-taxable items	(1)	(0.1)%	(1)	(0.1)%
Foreign tax effects:				
Foreign rate differential	(2)	(0.2)%	(2)	(0.2)%
Foreign tax credits	1	0.1%	1	0.1%
Nondeductible compensation	4	0.1%	5	0.1%
Changes in unrecognized tax benefits	1	0.1%	1	0.1%
Other	1	0.1%	1	0.1%
Total	$ 952	20.0%	$ (1,049)	(21.0)%
Effective tax rate				

(1) State taxes in California, Illinois, Florida, New York, and Texas made up the majority (greater than 50%) of the tax effect in this reconciliation.

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	Year Ended December 31,		
	2021	2020	2019
Statutory U.S. federal income tax rate	21.0%	(21.0)%	(21.0)%
State and local income, net of federal income tax effect	(1.1)%	4.5%	4.5%
Impact of foreign operations (1)	2.6%	(0.2)%	(0.2)%
Tax-exempt interest income	(0.1)%	(0.1)%	(0.1)%
Nondeductible compensation	0.1%	0.1%	0.1%
Change in valuation allowance	(1.0)%	(7.1)%	(7.1)%
Nondeductible transaction costs	0.1%	0.1%	0.1%
Other	0.3%	0.1%	0.1%
Effective income tax rate	22.0%	(20.8)%	(24.1)%

(1) Includes unrecognized tax benefits’ reduction items.

The components of the net deferred tax assets and deferred tax liabilities were comprised of the following:

	December 31, 2021	December 31, 2020
Deferred tax assets related to:		
Leases	$ 217	$ 208
Foreign net operating losses and credit carryforwards	179	128
Stock compensation	97	97
Long-term employee benefits	66	69
Interest deduction limitations	45	43
Accrued expenses	37	37
Allowance for uncollectible accounts	31	31
Investment	18	18
Foreign tax net operating losses and credit carryforwards	14	14
Unrealized losses	13	13
Other	76	76
Valuation allowance	(1,000)	(1,000)
Total deferred tax assets	$ 778	$ 735
Deferred tax liabilities related to:		
Intangibles	$ (351)	$ (297)
Operating lease ROU assets	(291)	(289)
Investments	(90)	(90)
Property and equipment	(52)	(52)
Prepaid expenses	(9)	(9)
Other	(25)	(25)
Total deferred tax liabilities	$ (818)	$ (762)
Net deferred tax assets	$ 160	$ 148
Recorded on consolidated balance sheet:		
Deferred tax assets	$ 168	$ 160
Deferred tax liabilities	(8)	(12)
Foreign currency translation adjustments	1	1
Unrecognized tax benefits – (Deferred)	$ 161	$ 149

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During the year ended December 31, 2021, significant changes in our deferred tax assets included a $39 million increase in foreign net operating losses primarily driven by the Physix Biologics Transaction. This increase was offset by an increase in the valuation allowance. Additionally, the deferred tax asset related to our operating lease right-of-use assets increased $2 million, which was offset by an increase in our operating lease liabilities. Our net deferred tax liability increased $4 million. Our net deferred tax asset increased $12 million primarily related to the Physix Biologics Transaction and the tax as a result of the Physix Transaction. This increase was offset by a decrease in deferred tax liabilities related to property and equipment and intangibles.

At December 31, 2021, we had $179 million of deferred tax assets for foreign net operating losses and credit carryforwards. Approximately $32 million of losses will expire if not used, and the remaining $147 million of losses will not expire. We have recorded a valuation allowance of $1 million against the foreign net operating losses and credit carryforwards. We have recorded a valuation allowance of $1 million against the foreign tax credit carryforwards. We have recorded a valuation allowance of $1 million against the foreign tax credit carryforwards. We have recorded a valuation allowance of $1 million against the foreign tax credit carryforwards.

Our pre-tax income from our wholly owned subsidiaries in Ireland, Switzerland and the Netherlands for the year ended December 31, 2021 was approximately $220 million, $20 million and $10 million, respectively. Our pre-tax income from our wholly owned subsidiaries in Ireland, Switzerland and the Netherlands for the year ended December 31, 2020 was approximately $220 million, $20 million and $10 million, respectively. Our pre-tax income from our wholly owned subsidiaries in Ireland, Switzerland and the Netherlands for the year ended December 31, 2019 was approximately $220 million, $20 million and $10 million, respectively. The increase in our pre-tax income from our wholly owned subsidiaries in Ireland, Switzerland and the Netherlands for the year ended December 31, 2021 as compared to the year ended December 31, 2020 was primarily driven by the Physix Biologics Transaction.

Our foreign earnings are generally taxed when they are repatriated to the United States. Our Irish subsidiaries have historically reinvested their earnings in their respective operations and have not repatriated any earnings to the United States. We have not provided for U.S. federal and foreign income taxes on the undistributed earnings of our Irish subsidiaries because such earnings are intended to be reinvested in our Irish operations for an indefinite period of time. Our Irish subsidiaries have historically reinvested their earnings in their respective operations and have not repatriated any earnings to the United States. We have not provided for U.S. federal and foreign income taxes on the undistributed earnings of our Irish subsidiaries because such earnings are intended to be reinvested in our Irish operations for an indefinite period of time.

On July 8, 2021, U.S. legislation was enacted that, in relevant part, provides for a new U.S. corporate income tax rate of 21% beginning in 2021. We have assessed the impact of this legislation and determined that it will not have a material impact on our consolidated financial statements for the year ended December 31, 2021.

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The aggregate amount of unrecognized tax benefits as a component of income tax expense. Total gross unrecognized tax benefits were approximately $16.0 million, $10.0 million and $17.0 million at December 31, 2021, December 31, 2020, and December 31, 2021, respectively. The amount of unrecognized tax benefits that would affect our effective tax rate if recognized, net of federal tax benefit, was approximately $12.0 million, $7.0 million and $13.0 million at December 31, 2021, December 31, 2020, and December 31, 2021, respectively. The amount of unrecognized tax benefits that would affect our effective tax rate if recognized, net of federal tax benefit, for the Physix Biologics and Europe by transfer pricing and Europe by transfer pricing.

The total amount of interest and penalties recognized in the income tax statements. Gross interest and penalties were $0.0 million, $0.0 million and $0.0 million at December 31, 2021, December 31, 2020, and December 31, 2021, respectively. The total amount of interest and penalties recognized in the income tax statements. Gross interest and penalties were approximately $0.0 million, $0.0 million and $0.0 million at December 31, 2021, December 31, 2020, and December 31, 2021, respectively, in other long-term liabilities on our consolidated balance sheets. We do not anticipate any material changes in our unrecognized tax benefits within the next 12 months.

The Tax Cuts and Jobs Act of 2017 (the "Act") was enacted in December 2017. We have recorded provisional amounts that the Company must recognize approximately $12.0 million as an income tax benefit for the year ended December 31, 2021 and $12.0 million as an income tax expense approximately $12.0 million for the year ended December 31, 2020 and $12.0 million as an income tax benefit for the year ended December 31, 2019 in accordance with SEC Staff Accounting Bulletin No. 118 (SAB 118) and ASC 740 for the impact of the Act. The provisional amounts are based on our current interpretation of the Act and our current estimates of the impact of the Act. We are continuing to analyze the Act and its impact on our financial statements, including the impact of the Act on our deferred tax assets and liabilities, and we may adjust the provisional amounts in the future, which could be material to our consolidated financial statements, results of operations, or liquidity.

Our effective tax rate for the year ended December 31, 2021 was 22.0% compared to (20.8)% for the year ended December 31, 2020. The increase in our effective tax rate for the year ended December 31, 2021 compared to the year ended December 31, 2020 was primarily driven by the Physix Biologics Transaction and the tax as a result of the Physix Transaction. This increase was offset by a decrease in deferred tax liabilities related to property and equipment and intangibles.

At December 31, 2021, we had $179 million of deferred tax assets for foreign net operating losses and credit carryforwards. Approximately $32 million of losses will expire if not used, and the remaining $147 million of losses will not expire. We have recorded a valuation allowance of $1 million against the foreign net operating losses and credit carryforwards. We have recorded a valuation allowance of $1 million against the foreign tax credit carryforwards. We have recorded a valuation allowance of $1 million against the foreign tax credit carryforwards. We have recorded a valuation allowance of $1 million against the foreign tax credit carryforwards.

Our pre-tax income from our wholly owned subsidiaries in Ireland, Switzerland and the Netherlands for the year ended December 31, 2021 was approximately $220 million, $20 million and $10 million, respectively. Our pre-tax income from our wholly owned subsidiaries in Ireland, Switzerland and the Netherlands for the year ended December 31, 2020 was approximately $220 million, $20 million and $10 million, respectively. Our pre-tax income from our wholly owned subsidiaries in Ireland, Switzerland and the Netherlands for the year ended December 31, 2019 was approximately $220 million, $20 million and $10 million, respectively. The increase in our pre-tax income from our wholly owned subsidiaries in Ireland, Switzerland and the Netherlands for the year ended December 31, 2021 as compared to the year ended December 31, 2020 was primarily driven by the Physix Biologics Transaction.

Our foreign earnings are generally taxed when they are repatriated to the United States. Our Irish subsidiaries have historically reinvested their earnings in their respective operations and have not repatriated any earnings to the United States. We have not provided for U.S. federal and foreign income taxes on the undistributed earnings of our Irish subsidiaries because such earnings are intended to be reinvested in our Irish operations for an indefinite period of time. Our Irish subsidiaries have historically reinvested their earnings in their respective operations and have not repatriated any earnings to the United States. We have not provided for U.S. federal and foreign income taxes on the undistributed earnings of our Irish subsidiaries because such earnings are intended to be reinvested in our Irish operations for an indefinite period of time.

On July 8, 2021, U.S. legislation was enacted that, in relevant part, provides for a new U.S. corporate income tax rate of 21% beginning in 2021. We have assessed the impact of this legislation and determined that it will not have a material impact on our consolidated financial statements for the year ended December 31, 2021.

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The components of the net deferred tax assets and deferred tax liabilities were comprised of the following:

	December 31, 2021	December 31, 2020
Deferred tax assets related to:		
Leases	$ 217	$ 208
Foreign net operating losses and credit carryforwards	179	128
Stock compensation	97	97
Long-term employee benefits	66	69
Interest deduction limitations	45	43
Accrued expenses	37	37
Allowance for uncollectible accounts	31	31
Investment	18	18
Foreign tax net operating losses and credit carryforwards	14	14
Unrealized losses	13	13
Other	76	76
Valuation allowance	(1,000)	(1,000)
Total deferred tax assets	$ 778	$ 735
Deferred tax liabilities related to:		
Intangibles	$ (351)	$ (297)
Operating lease ROU assets	(291)	(289)
Investments	(90)	(90)
Property and equipment	(52)	(52)
Prepaid expenses	(9)	(9)
Other	(25)	(25)
Total deferred tax liabilities	$ (818)	$ (762)
Net deferred tax assets	$ 160	$ 148
Recorded on consolidated balance sheet:		
Deferred tax assets	$ 168	$ 160
Deferred tax liabilities	(8)	(12)
Foreign currency translation adjustments	1	1
Unrecognized tax benefits – (Deferred)	$ 161	$ 149

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During the year ended December 31, 2021, we received a notice from the Irish tax authorities assessing additional service tax on our operations in Ireland. We appealed the decision and made a payment of the assessed amount. We have not recognized any tax benefit in connection with the notice. For the year ended December 31, 2021, our maximum exposure is not expected to exceed $2 million, including $1.5 million of estimated penalties and interest.

We have a tax sharing agreement with Perrigo in Ireland, pursuant to which Perrigo is responsible for any additional tax assessments or corrections to prior tax filings or to prior year filings of the entity. However, the state impact of any federal changes would remain with us. We have recorded a receivable from Perrigo in the amount of the tax assessment, which we believe is probable of collection, and we have recorded a liability for the tax assessment and related penalties. The amount of the liability for the foreign jurisdiction exceeds Perrigo’s share in our joint filings, which qualifies as income.

10. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, we enter into various commitments, guarantees, surety and other bonds, and letter of credit agreements.

Commitments – At December 31, 2021, we are contracted, under certain conditions, to make certain contributions to, or invest in various partnerships, joint ventures, and other entities in the amount of $1 million.

Performance Guarantees and Performance Bonds – We have issued letters of credit or contracted for performance bonds with third parties to secure our performance to the owners of specified levels of operating profit per our achieved by their bonds. Except as described below, at December 31, 2021, our maximum exposure under such letters of credit and performance bonds was approximately $1 million.

Through acquisitions, we acquired certain arrangements under which we have agreements with our partners based on operating profit levels and with expiration dates between 2017 and 2065. Contract terms within certain management and brand service agreements limit our exposure, and therefore, we do not consider our exposure to be material to our financial statements.

Our aggregate liability for uncertain tax positions, including accrued interest and penalties, was approximately $16 million, $10 million and $17 million, respectively, recorded in other long-term liabilities and approximately $2 million and $0.0 million, respectively, recorded in accrued expenses and other current liabilities on our consolidated balance sheets.

Additionally, we enter into certain management and brand service agreements where we have the right, but not an obligation, to make payments to certain entities in the amount of the net income of such entities, if such payments are deemed by us to be in our best interest. Such payments, if made, would be in the form of a dividend. We have accrued $0.0 million, $0.0 million and $0.0 million, respectively, recorded in accrued expenses and other current liabilities on our consolidated balance sheets.

Debt Repayment Guarantees – We enter into various debt repayment guarantees, as summarized below, in order to assist third party owners, franchisees, and unconsolidated hospitality ventures in obtaining financing from unrelated lenders. Our maximum exposure is:

	Maximum potential future payments	Maximum potential future payments to third parties (1)	Other long-term liabilities recorded at December 31,	Other long-term liabilities recorded at December 31,	Net of guarantee exposure
Unregulated subsidiaries	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Unrelated Parties (2)	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
All Foreign	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Total	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000

(1) Our maximum exposure is generally based on a specified percentage of the total project loan agreement amount.

(2) Our guarantees to third parties are for the benefit of unrelated hospitality ventures in which we have an immaterial investment to recent certain amounts funded under the debt repayment guarantees, the unconsolidated hospitality ventures have ceased to be in default of the debt agreements.

(3) Certain agreements are in the ability to assume control of the property if defaulted lending thresholds are met or if certain events occur.

At December 31, 2021, we are not aware of any material contingencies, including environmental matters, franchisee, or unconsolidated hospitality ventures that are current on their debt service obligations where we have provided a debt repayment guarantee.

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Other Guarantees – We may be obligated to fund up to $100 million and $0 million which is certain guarantees as a result of the TCE Transaction and Physix Biologics Transaction, respectively, in the event that our subsidiaries do not fund their respective operations. We have recorded $0.0 million and $0.0 million, respectively, recorded in other long-term liabilities on our consolidated balance sheets as of December 31, 2021.

Guarantor Liability Fair Value – We estimated the fair value of our guarantees to be approximately $100 million and $21 million at December 31, 2021 and December 31, 2020, respectively, which is the amount we would have to pay if we were to sell our guarantees to an unrelated party.

Contingent Consideration Fair Value – As part of acquisitions, we have entered into various contingent or conditional arrangements. At December 31, 2021, we have recorded $0.0 million and $0.0 million, respectively, in accrued expenses. These amounts are carried at fair value, which approximates their settlement value.

At December 31, 2021 and December 31, 2020, we had $17 million and $214 million, respectively, recorded in other long-term liabilities, and $0 million recorded in both reporting periods in accrued expenses and other current liabilities on our consolidated balance sheets. Our maximum exposure to our contingent consideration liabilities are measured at fair value on a recurring basis and are classified as Level 3 fair value hierarchy. Changes in our contingent consideration liabilities are primarily driven by changes in our estimated probability of achieving the milestones.

The following summarizes the activity in our contingent consideration liabilities:

	2019	2020	2021
Fair value at January 1	$ 1,000	$ 1,000	$ 1,000
Fair value of acquisition date (Note 2)			
Contingent payments	(275)	(59)	(59)
Payments	(1)	(1)	(1)
Foreign currency exchange, net (Note 21)	1	1	1
Fair value at December 31	$ 1,000	$ 1,000	$ 1,000

(1) Including the year ended December 31, 2021, we remained certain terms of the Dermal Dried Forage contingent consideration arrangement, which is not material.

Inventories – We obtain insurance for potential losses from general liability, property, automobile, aviation, environmental, workers’ compensation, employment practices, crime, cyber, and other miscellaneous risks. A portion of these risks is retained through U.S. based and licensed captive insurance companies. Our reserves for these risks are based on actuarial estimates of the ultimate cost of claims incurred but not reported, taking into account the expected projections of ultimate losses. Reserves for these risks are recorded in other long-term liabilities on our consolidated balance sheets as of December 31, 2021 and December 31, 2020, respectively, and amounts were recorded in accrued expenses and other current liabilities on our consolidated balance sheets as of December 31, 2021 and December 31, 2020, respectively. Our reserves for these risks are based on actuarial estimates of the ultimate cost of claims incurred but not reported, taking into account the expected projections of ultimate losses. Our reserves for these risks are recorded in other long-term liabilities on our consolidated balance sheets as of December 31, 2021 and December 31, 2020, respectively.

Collective Bargaining Agreements – At December 31, 2021, approximately 22% of our U.S. based employees were covered by various collective bargaining agreements. We believe that our relations with our employees are generally good. Our operations may be adversely affected by a significant work stoppage, which could have a material adverse effect on our consolidated financial statements, results of operations, or liquidity. We have collective bargaining agreements with our employees in certain locations in Europe. Our operations in Europe may be adversely affected by a significant work stoppage, which could have a material adverse effect on our consolidated financial statements, results of operations, or liquidity.

Letters of Credit – A letter of credit commitment on our behalf at December 31, 2021 were $0.5 million, which primarily relate to our ongoing operations, and are issued by various banks in the ordinary course of business. Our letters of credit commitments are generally renewed annually, and we pay a fee for letters of credit under replacement guarantees, which is not a material amount. We have not recorded a liability for our letters of credit outstanding. $1 million reduces the available capacity under our revolving credit facility (see Note 11).

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Capital Expenditures – As part of our ongoing business operations, we expected to complete certain construction projects that have been approved. The approximate amount of certain capital expenditures that we have contracted for at December 31, 2021 and December 31, 2020, respectively, and which we generally have the benefit to recover in assets financed and other assets of the partnership and/or the general partners’ thereof.

Indemnifications – We have agreed to indemnify certain unconsolidated hospitality ventures in which we have an immaterial investment against certain standard representations in the loan facility, including certain environmental matters, and we have agreed to indemnify our franchisees and certain franchisees or authorities to accept the respective third-party owners or franchisees.

We have agreed to indemnify our franchisees and certain franchisees or authorities against certain standard representations and warranties in the franchise agreements, and we have agreed to indemnify our franchisees and certain franchisees or authorities against certain standard representations and warranties in the franchise agreements, and we have agreed to indemnify our franchisees and certain franchisees or authorities against certain standard representations and warranties in the franchise agreements.

We are subject to various claims and contingencies related to lawsuits, taxes, environmental, healthcare, employee benefits, and other matters arising in the normal course of business, which are customary in our business. Many of these claims are covered under our current insurance programs, subject to deductibles. We have recorded our estimate of our liability for these claims, which we believe is adequate in light of the information currently available. We believe that the ultimate resolution of the pending claims and contingencies, individually or in the aggregate, will not have a material effect on our consolidated financial statements.

During the year ended December 31, 2020, the Mylan Grand Cayman Holdings sued to operate affecting a previous verdict awarding damages to a patent holder in the amount of $1.5 million, which we have recorded in other long-term liabilities on our consolidated balance sheets as of December 31, 2021. We have accrued expenses and other current liabilities with an offsetting receivable from insurance recorded in accrued expenses, net on our consolidated balance sheet. We have recorded a receivable from insurance in other long-term liabilities on our consolidated balance sheets (see Note 15).

11. STOCK-BASED EQUITY AND COMPENSATION LIABILITY

Our stock-based compensation plans, which are described below, compensation expense for the aggregate, approximately 99.7% of our Class B common stock and approximately 99.9% of our total voting power of our outstanding common stock. As a result, consistent with the voting agreement contained in the Amended and Restated Stockholders Agreement, the Company’s Board of Directors approved the Amended and Restated Stockholders Agreement, which, among other things, provides for a significant degree of influence or actual control over our management and affairs and over matters requiring stockholder approval, including the election of directors and other significant corporate transactions. While the voting agreements are in effect, they will provide our board of directors with effective control over our affairs and over matters requiring stockholder approval, including the election of directors and other significant corporate transactions. A significant degree of influence or actual control over matters requiring stockholder approval, including the election of directors and other significant corporate transactions, may be deemed to be in our best interest. Our Board of Directors has

In addition to the above, from time to time, we provide services to our hotel owners or franchisees and franchisees provide services to our hotel owners or franchisees on a reimbursed or unreimbursed basis, or without charge, such as reservation services, loyalty program administration, revenue management services, procurement services, and other services. Such services may be provided by us or by third parties on behalf of Hyatt's portfolio of properties. These expense bases, fees, and self-revenue, to the extent not reimbursed by our third-party owners and franchisees and our management and franchise fees, are included in our results of operations and our Adjusted EBITDA.

Class B Share Conversion. During the years ended December 31, 2020, 2021, and 2022, we converted 0, 2021, 100,200 shares, 0, 2021, 0 shares of our Class B common stock into shares of our Class A common stock on a one-for-one basis, respectively, at the holders' discretion. The shares of Class B common stock are convertible into shares of our Class A common stock on a one-for-one basis, respectively, at the holders' discretion.

Class B Share Repurchase. During the year ended December 31, 2020, we repurchased 2,000,000 shares of Class B common stock at a weighted-average price of $79.19 per share. As a result, we recognized an gain of approximately $0.0 million, $0.0 million and $0.0 million, respectively, in our consolidated statements of stockholders' equity. The gain was recorded in additional paid-in capital. The repurchased shares were retired.

Class B Share Conversion. During the year ended December 31, 2020, 2021, and 2022, we converted 0, 2021, 100,200 shares, 0, 2021, 0 shares of our Class B common stock into shares of our Class A common stock on a one-for-one basis, respectively, at the holders' discretion. The shares of Class B common stock are convertible into shares of our Class A common stock on a one-for-one basis, respectively, at the holders' discretion.

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19. SEGMENT AND GEOGRAPHIC INFORMATION

Our reportable segments are components of the business which are managed discretely and for which discrete financial information is reviewed regularly by our chief operating decision maker, our President and Chief Executive Officer, who uses the information of operating results to make decisions about how to allocate our resources and operational regards to the business.

- **Management and Franchising.** This segment derives its earnings primarily from the provision of management, franchising, and hotel services, in the business as well as related fees and services, including revenues from our loyalty program, and equity earnings from our joint ventures. Our management and franchise agreements generally provide for the payment of base fees, which are generally based on a specified percentage of hotel revenues, and incentive fees, which are generally based on hotel revenues and hotel operating profit, or hotel revenues and hotel gross operating profit, or hotel revenues and hotel net

	Bank, N.A. and Wells Fargo Securities, LLC, as joint book runners and lead arrangers (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-34521) filed with the Securities and Exchange Commission on April 14, 2025)
+10.27	Playa Hotels & Resorts N.V. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 4.1 to the Company's registration statement on Form S-8 (File No. 333-287936) filed with the Securities and Exchange Commission on June 11, 2025)
+10.28	First Amendment to Playa Hotels & Resorts N.V. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 4.2 to the Company's registration statement on Form S-8 (File No. 333-287936) filed with the Securities and Exchange Commission on June 11, 2025)
+10.29	Second Amendment to Playa Hotels & Resorts N.V. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 4.3 to the Company's registration statement on Form S-8 (File No. 333-287936) filed with the Securities and Exchange Commission on June 11, 2025)
+10.30	Third Amendment to Playa Hotels & Resorts N.V. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 4.4 to the Company's registration statement on Form S-8 (File No. 333-287936) filed with the Securities and Exchange Commission on June 11, 2025)
+10.31	Fourth Amendment to Playa Hotels & Resorts N.V. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 4.5 to the Company's registration statement on Form S-8 (File No. 333-287936) filed with the Securities and Exchange Commission on June 11, 2025)

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Exhibit Number	Exhibit Description
+10.32	Fifth Amendment to Playa Hotels & Resorts N.V. 2017 Omnibus Incentive Plan (incorporated by reference to Exhibit 4.6 to the Company's registration statement on Form S-8 (File No. 333-287936) filed with the Securities and Exchange Commission on June 11, 2025)
10.33	Share Purchase Agreement, dated as of June 29, 2025, by and between HI Holdings Playa B.V., Turquoise Topco Limited and Hyatt Corporation (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-34521) filed with the Securities and Exchange Commission on June 30, 2025)
10.34	Credit Agreement, dated as of October 30, 2025, by and among Hyatt Hotels Corporation, as a borrower, certain subsidiaries of the borrower from time to time party thereto as borrowers or guarantors, the lenders from time to time party thereto, Bank of America, N.A., as administrative agent, Wells Fargo Bank, National Association, as syndication agent, BofA Securities, Inc., Wells Fargo Securities, LLC, JPMorgan Chase Bank, N.A. and The Bank of Nova Scotia, as joint book runners and co-lead arrangers, JPMorgan Chase Bank, N.A., The Bank of Nova Scotia, Deutsche Bank AG New York Branch, Goldman Sachs Lending Partners LLC, PNC Bank, National Association, Truist Bank and U.S. Bank National Association, as co-documentation agents, and Credit Agricole Corporate and Investment Bank, Fifth Third Bank, National Association and Sumitomo Mitsui Banking Corporation, New York Branch, as co-senior managing agents (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-34521) filed with the Securities and Exchange Commission on October 30, 2025)
19.1	Hyatt Hotels Corporation Insider Trading Compliance Policy
21.1	List of Subsidiaries
23.1	Consent of Deloitte & Touche LLP
31.1	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97.1	Hyatt Hotels Corporation Policy for Recovery of Erroneously Awarded Compensation (incorporated by reference to Exhibit 97.1 to the Company's Annual Report on Form 10-K (File No. 001-34521) filed with the Securities and Exchange Commission on February 23, 2024)
99.1	Amended and Restated Global Hyatt Agreement, dated as of October 1, 2009, by and among Thomas J. Pritzker, Marshall E. Eisenberg, and Karl J. Breyer, solely in their capacity as co-trustees, and each signatory thereto
99.2	Amended and Restated Foreign Global Hyatt Agreement, dated as of October 1, 2009, by and among each signatory thereto
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

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Exhibit Number	Exhibit Description
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

+ Management contract or compensatory plan or arrangement.

What is the market capitalization of a company?

The market capitalization sometimes referred as Marketcap, is the value of a publicly listed company.
In most cases it can be easily calculated by multiplying the share price with the amount of outstanding shares.

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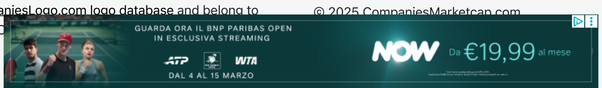

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Title 16 —Commercial Practices
Chapter I —Federal Trade Commission
Subchapter D —Trade Regulation Rules

Part 436 Disclosure Requirements and Prohibitions Concerning Franchising
- **Subpart A** Definitions
  - **§ 436.1** Definitions.
- **Subpart B** Franchisors' Obligations
  - **§ 436.2** Obligation to furnish documents.
- **Subpart C** Contents of a Disclosure Document
  - **§ 436.3** Cover page.
  - **§ 436.4** Table of contents.
  - **§ 436.5** Disclosure items.
- **Subpart D** Instructions
  - **§ 436.6** Instructions for preparing disclosure documents.
  - **§ 436.7** Instructions for updating disclosures.
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- **Subpart F** Prohibitions
  - **§ 436.9** Additional prohibitions.
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- **Appendix A to Part 436**
  - Sample Item 10 Table—Summary of Financing Offered
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- **Appendix C to Part 436**
  - Sample Item 20(2) Table—Transfers of Franchised Outlets
- **Appendix D to Part 436**
  - Sample Item 20(3) Table—Status of Franchise Outlets
- **Appendix E to Part 436**
  - Sample Item 20(4) Table—Status of Company-Owned Outlets
- **Appendix F to Part 436**

Sample Item 20(5) Table—Projected New Franchised Outlets

PART 436—DISCLOSURE REQUIREMENTS AND PROHIBITIONS CONCERNING FRANCHISING

Authority: 15 U.S.C. 41-58.

Source: 72 FR 15544, Mar. 30, 2007, unless otherwise noted.

Subpart A—Definitions

§ 436.1 Definitions.

Unless stated otherwise, the following definitions apply throughout part 436:

(a) ***Action*** includes complaints, cross claims, counterclaims, and third-party complaints in a judicial action or proceeding, and their equivalents in an administrative action or arbitration.

(b) ***Affiliate*** means an entity controlled by, controlling, or under common control with, another entity.

(c) ***Confidentiality clause*** means any contract, order, or settlement provision that directly or indirectly restricts a current or former franchisee from discussing his or her personal experience as a franchisee in the franchisor's system with any prospective franchisee. It does not include clauses that protect franchisor's trademarks or other proprietary information.

(d) ***Disclose*** , *state*, *describe*, and *list* each mean to present all material facts accurately, clearly, concisely, and legibly in plain English.

(e) ***Financial performance representation*** means any representation, including any oral, written, or visual representation, to a prospective franchisee, including a representation in the general media, that states, expressly or by implication, a specific level or range of actual or potential sales, income, gross profits, or net profits. The term includes a chart, table, or mathematical calculation that shows possible results based on a combination of variables.

(f) ***Fiscal year*** refers to the franchisor's fiscal year.

(g) ***Fractional franchise*** means a franchise relationship that satisfies the following criteria when the relationship is created:

(1) The franchisee, any of the franchisee's current directors or officers, or any current directors or officers of a parent or affiliate, has more than two years of experience in the same type of business; and

(2) The parties have a reasonable basis to anticipate that the sales arising from the relationship will not exceed 20% of the franchisee's total dollar volume in sales during the first year of operation.

(h) ***Franchise*** means any continuing commercial relationship or arrangement, whatever it may be called, in which the terms of the offer or contract specify, or the franchise seller promises or represents, orally or in writing, that:

(1) The franchisee will obtain the right to operate a business that is identified or associated with the franchisor's trademark, or to offer, sell, or distribute goods, services, or commodities that are identified or associated with the franchisor's trademark;

(2) The franchisor will exert or has authority to exert a significant degree of control over the franchisee's method of operation, or provide significant assistance in the franchisee's method of operation; and

(3) As a condition of obtaining or commencing operation of the franchise, the franchisee makes a required payment or commits to make a required payment to the franchisor or its affiliate.

(i) ***Franchisee*** means any person who is granted a franchise.

(j) ***Franchise seller*** means a person that offers for sale, sells, or arranges for the sale of a franchise. It includes the franchisor and the franchisor's employees, representatives, agents, subfranchisors, and third-party brokers who are involved in franchise sales activities. It does not include existing franchisees who sell only their own outlet and who are otherwise not engaged in franchise sales on behalf of the franchisor.

(k) ***Franchisor*** means any person who grants a franchise and participates in the franchise relationship. Unless otherwise stated, it includes subfranchisors. For purposes of this definition, a “subfranchisor” means a person who functions as a franchisor by engaging in both pre-sale activities and post-sale performance.

(l) ***Leased department*** means an arrangement whereby a retailer licenses or otherwise permits a seller to conduct >business from the retailer's location where the seller purchases no goods, services, or commodities directly or indirectly from the retailer, a person the retailer requires the seller to do business with, or a retailer-affiliate if the retailer advises the seller to do business with the affiliate.

(m) ***Parent*** means an entity that controls another entity directly, or indirectly through one or more subsidiaries.

(n) ***Person*** means any individual, group, association, limited or general partnership, corporation, or any other entity.

(o) ***Plain English*** means the organization of information and language usage understandable by a person unfamiliar with the franchise business. It incorporates short sentences; definite, concrete, everyday language; active voice; and tabular presentation of information, where possible. It avoids legal jargon, highly technical business terms, and multiple negatives.

(p) ***Predecessor*** means a person from whom the franchisor acquired, directly or indirectly, the major portion of the franchisor's assets.

(q) ***Principal business address*** means the street address of a person's home office in the United States. A principal business address cannot be a post office box or private mail drop.

(r) ***Prospective franchisee*** means any person (including any agent, representative, or employee) who approaches or is approached by a franchise seller to discuss the possible establishment of a franchise relationship.

(s) ***Required payment*** means all consideration that the franchisee must pay to the franchisor or an affiliate, either by contract or by practical necessity, as a condition of obtaining or commencing operation of the franchise. A required payment does not include payments for the purchase of reasonable amounts of inventory at bona fide wholesale prices for resale or lease.

(t) ***Sale of a franchise*** includes an agreement whereby a person obtains a franchise from a franchise seller for value by purchase, license, or otherwise. It does not include extending or renewing an existing franchise agreement where there has been no interruption in the franchisee's operation of the business, unless the new agreement contains terms and conditions that differ materially from the original agreement. It also does not include the transfer of a franchise by an existing franchisee where the franchisor has had no significant involvement with the prospective transferee. A franchisor's approval or disapproval of a transfer alone is not deemed to be significant involvement.

(u) ***Signature*** means a person's affirmative step to authenticate his or her identity. It includes a person's handwritten signature, as well as a person's use of security codes, passwords, electronic signatures, and similar devices to authenticate his or her identity.

(v) ***Trademark*** includes trademarks, service marks, names, logos, and other commercial symbols.

(w) ***Written*** **or** ***in writing*** means any document or information in printed form or in any form capable of being preserved in tangible form and read. It includes: type-set, word processed, or handwritten document; information on computer disk or CD-ROM; information sent via email; or information posted on the Internet. It does not include mere oral statements.

Subpart B—Franchisors' Obligations

§ 436.2 Obligation to furnish documents.

In connection with the offer or sale of a franchise to be located in the United States of America or its territories, unless the transaction is exempted under subpart E of this part, it is an unfair or deceptive act or practice in violation of Section 5 of the Federal Trade Commission Act:

(a) For any franchisor to fail to furnish a prospective franchisee with a copy of the franchisor's current disclosure document, as described in subparts C and D of this part, at least 14 calendar-days before the prospective franchisee signs a binding agreement with, or makes any payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

(b) For any franchisor to alter unilaterally and materially the terms and conditions of the basic franchise agreement or any related agreements attached to the disclosure document without furnishing the prospective franchisee with a copy of each revised agreement at least seven calendar-days before the prospective franchisee signs the revised agreement. Changes to an agreement that arise out of negotiations initiated by the prospective franchisee do not trigger this seven calendar-day period.

(c) For purposes of paragraphs (a) and (b) of this section, the franchisor has furnished the documents by the required date if:

(1) A copy of the document was hand-delivered, faxed, emailed, or otherwise delivered to the prospective franchisee by the required date;

(2) Directions for accessing the document on the Internet were provided to the prospective franchisee by the required date; or

(3) A paper or tangible electronic copy (for example, computer disk or CD-ROM) was sent to the address specified by the prospective franchisee by first-class United States mail at least three calendar days before the required date.

Subpart C—Contents of a Disclosure Document

§ 436.3 Cover page.

Begin the disclosure document with a cover page, in the order and form as follows:

(a) The title "FRANCHISE DISCLOSURE DOCUMENT" in capital letters and bold type.

(b) The franchisor's name, type of business organization, principal business address, telephone number, and, if applicable, email address and primary home page address.

(c) A sample of the primary business trademark that the franchisee will use in its business.

(d) A brief description of the franchised business.

(e) The following statements:

(1) The total investment necessary to begin operation of a [franchise system name] franchise is [the total amount of Item 7 (§ 436.5(g))]. This includes [the total amount in Item 5 (§ 436.5(e))] that must be paid to the franchisor or affiliate.

(2) 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. [The following sentence in bold type] NOTE, HOWEVER, THAT NO GOVERNMENTAL AGENCY HAS VERIFIED THE INFORMATION CONTAINED IN THIS DOCUMENT.

(3) 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.

(4) 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* for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

(6) [The issuance date].

(f) A franchisor may include the following statement between the statements set out at paragraphs (e)(2) and (3) of this section: "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 [name or office] at [address] and [telephone number]."

(g) Franchisors may include additional disclosures on the cover page, on a separate cover page, or addendum to comply with state pre-sale disclosure laws.

§ 436.4 Table of contents.

Include the following table of contents. State the page where each disclosure Item begins. List all exhibits by letter, as shown in the following example.

Table of Contents

1. The Franchisor and any Parents, Predecessors, and Affiliates

2. Business Experience

3. Litigation

4. Bankruptcy

5. Initial Fees

6. Other Fees

7. Estimated Initial Investment

8. Restrictions on Sources of Products and Services

9. Franchisee's Obligations

10. Financing

11. Franchisor's Assistance, Advertising, Computer Systems, and Training

12. Territory

13. Trademarks

14. Patents, Copyrights, and Proprietary Information

15. Obligation to Participate in the Actual Operation of the Franchise Business

16. Restrictions on What the Franchisee May Sell

17. Renewal, Termination, Transfer, and Dispute Resolution

18. Public Figures

19. Financial Performance Representations

20. Outlets and Franchisee Information

21. Financial Statements

22. Contracts

23. Receipts

EXHIBITS

A. Franchise Agreement

§ 436.5 Disclosure items.

(a) ***Item 1*** : *The Franchisor, and any Parents, Predecessors, and Affiliates.* Disclose:

(1) The name and principal business address of the franchisor; any parents; and any affiliates that offer franchises in any line of business or provide products or services to the franchisees of the franchisor.

(2) The name and principal business address of any predecessors during the 10-year period immediately before the close of the franchisor's most recent fiscal year.

(3) The name that the franchisor uses and any names it intends to use to conduct business.

(4) The identity and principal business address of the franchisor's agent for service of process.

(5) The type of business organization used by the franchisor (for example, corporation, partnership) and the state in which it was organized.

(6) The following information about the franchisor's business and the franchises offered:

(i) Whether the franchisor operates businesses of the type being franchised.

(ii) The franchisor's other business activities.

(iii) The business the franchisee will conduct.

(iv) The general market for the product or service the franchisee will offer. In describing the general market, consider factors such as whether the market is developed or developing, whether the goods will be sold primarily to a certain group, and whether sales are seasonal.

(v) In general terms, any laws or regulations specific to the industry in which the franchise business operates.

(vi) A general description of the competition.

(7) The prior business experience of the franchisor; any predecessors listed in § 436.5(a)(2) of this part; and any affiliates that offer franchises in any line of business or provide products or services to the franchisees of the franchisor, including:

(i) The length of time each has conducted the type of business the franchisee will operate.

(ii) The length of time each has offered franchises providing the type of business the franchisee will operate.

(iii) Whether each has offered franchises in other lines of business. If so, include:

(A) A description of each other line of business.

(B) The number of franchises sold in each other line of business.

(C) The length of time each has offered franchises in each other line of business.

(b) ***Item 2*** : *Business Experience.* Disclose by name and position the franchisor's directors, trustees, general partners, principal officers, and any other individuals who will have management responsibility relating to the sale or operation of franchises offered by this document. For each person listed in this section, state his or her principal positions and employers during the past five years, including each position's starting date, ending date, and location.

(c) ***Item 3*** : *Litigation.*

(1) Disclose whether the franchisor; a predecessor; a parent or affiliate who induces franchise sales by promising to back the franchisor financially or otherwise guarantees the franchisor's performance; an affiliate who offers franchises under the franchisor's principal trademark; and any person identified in § 436.5(b) of this part:

(i) Has pending against that person:

(A) An administrative, criminal, or material civil action alleging a violation of a franchise, antitrust, or securities law, or alleging fraud, unfair or deceptive practices, or comparable allegations.

(B) Civil actions, other than ordinary routine litigation incidental to the business, which are material in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

(ii) Was a party to any material civil action involving the franchise relationship in the last fiscal year. For purposes of this section, “franchise relationship” means contractual obligations between the franchisor and franchisee directly relating to the operation of the franchised business (such as royalty payment and training obligations). It does not include actions involving suppliers or other third parties, or indemnification for tort liability.

(iii) Has in the 10-year period immediately before the disclosure document's issuance date:

(A) Been convicted of or pleaded nolo contendere to a felony charge.

(B) Been held liable in a civil action involving an alleged violation of a franchise, antitrust, or securities law, or involving allegations of fraud, unfair or deceptive practices, or comparable allegations. “Held liable” means that, as a result of claims or counterclaims, the person must pay money or other consideration, must reduce an indebtedness by the amount of an award, cannot enforce its rights, or must take action adverse to its interests.

(2) Disclose whether the franchisor; a predecessor; a parent or affiliate who guarantees the franchisor's performance; an affiliate who has offered or sold franchises in any line of business within the last 10 years; or any other person identified in § 436.5(b) of this part is subject to a currently effective injunctive or restrictive order or decree resulting from a pending or concluded action brought by a public agency and relating to the franchise or to a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law.

(3) For each action identified in paragraphs (c)(1) and (2) of this section, state the title, case number or citation, the initial filing date, the names of the parties, the forum, and the relationship of the opposing party to the franchisor (for example, competitor, supplier, lessor, franchisee, former franchisee, or class of franchisees). Except as provided in paragraph (c)(4) of this section, summarize the legal and factual nature of each claim in the action, the relief sought or obtained, and any conclusions of law or fact.[1] In addition, state:

(i) For pending actions, the status of the action.

(ii) For prior actions, the date when the judgment was entered and any damages or settlement terms.[2]

(iii) For injunctive or restrictive orders, the nature, terms, and conditions of the order or decree.

(iv) For convictions or pleas, the crime or violation, the date of conviction, and the sentence or penalty imposed.

(4) For any other franchisor-initiated suit identified in paragraph (c)(1)(ii) of this section, the franchisor may comply with the requirements of paragraphs (c)(3)(i) through (iv) of this section by listing individual suits under one common heading that will serve as the case summary (for example, "royalty collection suits").

(d) ***Item 4*** : *Bankruptcy.*

(1) Disclose whether the franchisor; any parent; predecessor; affiliate; officer, or general partner of the franchisor, or any other individual who will have management responsibility relating to the sale or operation of franchises offered by this document, has, during the 10-year period immediately before the date of this disclosure document:

(i) Filed as debtor (or had filed against it) a petition under the United States Bankruptcy Code ("Bankruptcy Code").

(ii) Obtained a discharge of its debts under the Bankruptcy Code.

(iii) Been a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition under the Bankruptcy Code, or that obtained a discharge of its debts under the Bankruptcy Code while, or within one year after, the officer or general partner held the position in the company.

(2) For each bankruptcy, state:

(i) The current name, address, and principal place of business of the debtor.

(ii) Whether the debtor is the franchisor. If not, state the relationship of the debtor to the franchisor (for example, affiliate, officer).

(iii) The date of the original filing and the material facts, including the bankruptcy court, and the case name and number. If applicable, state the debtor's discharge date, including discharges under Chapter 7 and confirmation of any plans of reorganization under Chapters 11 and 13 of the Bankruptcy Code.

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[1] Franchisors may include a summary opinion of counsel concerning any action if counsel consent to use the summary opinion and the full opinion is attached to the disclosure document.

[2] If a settlement agreement must be disclosed in this Item, all material settlement terms must be disclosed, whether or not the agreement is confidential. However, franchisors need not disclose the terms of confidential settlements entered into before commencing franchise sales. Further, any franchisor who has historically used only the Franchise Rule format, or who is new to franchising, need not disclose confidential settlements entered prior to the effective date of this Rule.

(3) Disclose cases, actions, and other proceedings under the laws of foreign nations relating to bankruptcy.

(e) ***Item 5*** : *Initial Fees.* Disclose the initial fees and any conditions under which these fees are refundable. If the initial fees are not uniform, disclose the range or formula used to calculate the initial fees paid in the fiscal year before the issuance date and the factors that determined the amount. For this section, "initial fees" means all fees and payments, or commitments to pay, for services or goods received from the franchisor or any affiliate before the franchisee's business opens, whether payable in lump sum or installments. Disclose installment payment terms in this section or in § 436.5(j) of this part.

(f) ***Item 6*** : *Other Fees.* Disclose, in the following tabular form, all other fees that the franchisee must pay to the franchisor or its affiliates, or that the franchisor or its affiliates impose or collect in whole or in part for a third party. State the title "OTHER FEES" in capital letters using bold type. Include any formula used to compute the fees.[3]

ITEM 6 TABLE
OTHER FEES

Column 1 Type of fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks

(1) In column 1, list the type of fee (for example, royalties, and fees for lease negotiations, construction, remodeling, additional training or assistance, advertising, advertising cooperatives, purchasing cooperatives, audits, accounting, inventory, transfers, and renewals).

(2) In column 2, state the amount of the fee.

(3) In column 3, state the due date for each fee.

(4) In column 4, include remarks, definitions, or caveats that elaborate on the information in the table. If remarks are long, franchisors may use footnotes instead of the remarks column. If applicable, include the following information in the remarks column or in a footnote:

(i) Whether the fees are payable only to the franchisor.

(ii) Whether the fees are imposed and collected by the franchisor.

(iii) Whether the fees are non-refundable or describe the circumstances when the fees are refundable.

(iv) Whether the fees are uniformly imposed.

[3] If fees may increase, disclose the formula that determines the increase or the maximum amount of the increase. For example, a percentage of gross sales is acceptable if the franchisor defines the term "gross sales."

(v) The voting power of franchisor-owned outlets on any fees imposed by cooperatives. If franchisor-owned outlets have controlling voting power, disclose the maximum and minimum fees that may be imposed.

(g) ***Item 7*** : *Estimated Initial Investment.* Disclose, in the following tabular form, the franchisee's estimated initial investment. State the title "YOUR ESTIMATED INITIAL INVESTMENT" in capital letters using bold type. Franchisors may include additional expenditure tables to show expenditure variations caused by differences such as in site location and premises size.

ITEM 7 TABLE:
YOUR ESTIMATED INITIAL INVESTMENT

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 4 To whom payment is to be made
Total.				

(1) In column 1:

(i) List each type of expense, beginning with pre-opening expenses. Include the following expenses, if applicable. Use footnotes to include remarks, definitions, or caveats that elaborate on the information in the Table.

(A) The initial franchise fee.

(B) Training expenses.

(C) Real property, whether purchased or leased.

(D) Equipment, fixtures, other fixed assets, construction, remodeling, leasehold improvements, and decorating costs, whether purchased or leased.

(E) Inventory to begin operating.

(F) Security deposits, utility deposits, business licenses, and other prepaid expenses.

(ii) List separately and by name any other specific required payments (for example, additional training, travel, or advertising expenses) that the franchisee must make to begin operations.

(iii) Include a category titled "Additional funds— [initial period]" for any other required expenses the franchisee will incur before operations begin and during the initial period of operations. State the initial period. A reasonable initial period is at least three months or a reasonable period for the industry. Describe in general terms the factors, basis, and experience that the franchisor considered or relied upon in formulating the amount required for additional funds.

(2) In column 2, state the amount of the payment. If the amount is unknown, use a low-high range based on the franchisor's current experience. If real property costs cannot be estimated in a low-high range, describe the approximate size of the property and building and the probable location of the building (for example, strip shopping center, mall, downtown, rural, or highway).

(3) In column 3, state the method of payment.

(4) In column 4, state the due date.

(5) In column 5, state to whom payment will be made.

(6) Total the initial investment, incorporating ranges of fees, if used.

(7) In a footnote, state:

(i) Whether each payment is non-refundable, or describe the circumstances when each payment is refundable.

(ii) If the franchisor or an affiliate finances part of the initial investment, the amount that it will finance, the required down payment, the annual interest rate, rate factors, and the estimated loan repayments. Franchisors may refer to § 436.5(j) of this part for additional details.

(h) ***Item 8*** : *Restrictions on Sources of Products and Services.* Disclose the franchisee's obligations to purchase or lease goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the franchised business either from the franchisor, its designee, or suppliers approved by the franchisor, or under the franchisor's specifications. Include obligations to purchase imposed by the franchisor's written agreement or by the franchisor's practice.[4] For each applicable obligation, state:

(1) The good or service required to be purchased or leased.

(2) Whether the franchisor or its affiliates are approved suppliers or the only approved suppliers of that good or service.

(3) Any supplier in which an officer of the franchisor owns an interest.

(4) How the franchisor grants and revokes approval of alternative suppliers, including:

(i) Whether the franchisor's criteria for approving suppliers are available to franchisees.

(ii) Whether the franchisor permits franchisees to contract with alternative suppliers who meet the franchisor's criteria.

(iii) Any fees and procedures to secure approval to purchase from alternative suppliers.

(iv) The time period in which the franchisee will be notified of approval or disapproval.

(v) How approvals are revoked.

[4] Franchisors may include the reason for the requirement. Franchisors need not disclose in this Item the purchase or lease of goods or services provided as part of the franchise without a separate charge (such as initial training, if the cost is included in the franchise fee). Describe such fees in Item 5 of this section. Do not disclose fees already described in § 436.5(f) of this part.

(5) Whether the franchisor issues specifications and standards to franchisees, subfranchisees, or approved suppliers. If so, describe how the franchisor issues and modifies specifications.

(6) Whether the franchisor or its affiliates will or may derive revenue or other material consideration from required purchases or leases by franchisees. If so, describe the precise basis by which the franchisor or its affiliates will or may derive that consideration by stating:

(i) The franchisor's total revenue.[5]

(ii) The franchisor's revenues from all required purchases and leases of products and services.

(iii) The percentage of the franchisor's total revenues that are from required purchases or leases.

(iv) If the franchisor's affiliates also sell or lease products or services to franchisees, the affiliates' revenues from those sales or leases.

(7) The estimated proportion of these required purchases and leases by the franchisee to all purchases and leases by the franchisee of goods and services in establishing and operating the franchised businesses.

(8) If a designated supplier will make payments to the franchisor from franchisee purchases, disclose the basis for the payment (for example, specify a percentage or a flat amount). For purposes of this disclosure, a “payment” includes the sale of similar goods or services to the franchisor at a lower price than to franchisees.

(9) The existence of purchasing or distribution cooperatives.

(10) Whether the franchisor negotiates purchase arrangements with suppliers, including price terms, for the benefit of franchisees.

(11) Whether the franchisor provides material benefits (for example, renewal or granting additional franchises) to a franchisee based on a franchisee's purchase of particular products or services or use of particular suppliers.

[5] Take figures from the franchisor's most recent annual audited financial statement required in § 436.5(u) of this part. If audited statements are not yet required, or if the entity deriving the income is an affiliate, disclose the sources of information used in computing revenues.

(i) *Item 9* : *Franchisee's Obligations.* Disclose, in the following tabular form, a list of the franchisee's principal obligations. State the title "FRANCHISEE'S OBLIGATIONS" in capital letters using bold type. Cross-reference each listed obligation with any applicable section of the franchise or other agreement and with the relevant disclosure document provision. If a particular obligation is not applicable, state "Not Applicable." Include additional obligations, as warranted.

ITEM 9 TABLE:
FRANCHISEE'S OBLIGATIONS

[IN BOLD] THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease		
b. Pre-opening purchase/leases		
c. Site development and other pre-opening requirements		
d. Initial and ongoing training		
e. Opening		
f. Fees		
g. Compliance with standards and policies/operating manual		
h. Trademarks and proprietary information		
i. Restrictions on products/services offered		
j. Warranty and customer service requirements		
k. Territorial development and sales quotas		
l. Ongoing product/service purchases		
m. Maintenance, appearance, and remodeling requirements		
n. Insurance		
o. Advertising		
p. Indemnification		
q. Owner's participation/management/staffing		
r. Records and reports		
s. Inspections and audits		
t. Transfer		
u. Renewal		

Obligation	Section in agreement	Disclosure document item
v. Post-termination obligations		
w. Non-competition covenants		
x. Dispute resolution		
y. Other (describe)		

(j) ***Item 10*** : *Financing.*

(1) Disclose the terms of each financing arrangement, including leases and installment contracts, that the franchisor, its agent, or affiliates offer directly or indirectly to the franchisee.[6] The franchisor may summarize the terms of each financing arrangement in tabular form, using footnotes to provide additional information. For a sample Item 10 table, see appendix A of this part. For each financing arrangement, state:

(i) What the financing covers (for example, the initial franchise fee, site acquisition, construction or remodeling, initial or replacement equipment or fixtures, opening or ongoing inventory or supplies, or other continuing expenses).[7]

(ii) The identity of each lender providing financing and their relationship to the franchisor (for example, affiliate).

(iii) The amount of financing offered or, if the amount depends on an actual cost that may vary, the percentage of the cost that will be financed.

(iv) The rate of interest, plus finance charges, expressed on an annual basis. If the rate of interest, plus finance charges, expressed on an annual basis, may differ depending on when the financing is issued, state what that rate was on a specified recent date.

(v) The number of payments or the period of repayment.

(vi) The nature of any security interest required by the lender.

(vii) Whether a person other than the franchisee must personally guarantee the debt.

(viii) Whether the debt can be prepaid and the nature of any prepayment penalty.

(ix) The franchisee's potential liabilities upon default, including any:

[6] Indirect offers of financing include a written arrangement between a franchisor or its affiliate and a lender, for the lender to offer financing to a franchisee; an arrangement in which a franchisor or its affiliate receives a benefit from a lender in exchange for financing a franchise purchase; and a franchisor's guarantee of a note, lease, or other obligation of the franchisee.

[7] Include sample copies of the financing documents as an exhibit to § 436.5(v) of this part. Cite the section and name of the document containing the financing terms and conditions.

(A) Accelerated obligation to pay the entire amount due;

(B) Obligations to pay court costs and attorney's fees incurred in collecting the debt;

(C) Termination of the franchise; and

(D) Liabilities from cross defaults such as those resulting directly from non-payment, or indirectly from the loss of business property.

(x) Other material financing terms.

(2) Disclose whether the loan agreement requires franchisees to waive defenses or other legal rights (for example, confession of judgment), or bars franchisees from asserting a defense against the lender, the lender's assignee or the franchisor. If so, describe the relevant provisions.

(3) Disclose whether the franchisor's practice or intent is to sell, assign, or discount to a third party all or part of the financing arrangement. If so, state:

(i) The assignment terms, including whether the franchisor will remain primarily obligated to provide the financed goods or services; and

(ii) That the franchisee may lose all its defenses against the lender as a result of the sale or assignment.

(4) Disclose whether the franchisor or an affiliate receives any consideration for placing financing with the lender. If such payments exist:

(i) Disclose the amount or the method of determining the payment; and

(ii) Identify the source of the payment and the relationship of the source to the franchisor or its affiliates.

(k) *Item 11: Franchisor's Assistance, Advertising, Computer Systems, and Training.* Disclose the franchisor's principal assistance and related obligations of both the franchisor and franchisee as follows. For each obligation, cite the section number of the franchise agreement imposing the obligation. Begin by stating the following sentence in bold type: "EXCEPT AS LISTED BELOW, [THE FRANCHISOR] IS NOT REQUIRED TO PROVIDE YOU WITH ANY ASSISTANCE."

(1) Disclose the franchisor's pre-opening obligations to the franchisee, including any assistance in:

(i) Locating a site and negotiating the purchase or lease of the site. If such assistance is provided, state:

(A) Whether the franchisor generally owns the premises and leases it to the franchisee.

(B) Whether the franchisor selects the site or approves an area in which the franchisee selects a site. If so, state further whether and how the franchisor must approve a franchisee-selected site.

(C) The factors that the franchisor considers in selecting or approving sites (for example, general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings, and lease terms).

(D) The time limit for the franchisor to locate or approve or disapprove the site and the consequences if the franchisor and franchisee cannot agree on a site.

(ii) Conforming the premises to local ordinances and building codes and obtaining any required permits.

(iii) Constructing, remodeling, or decorating the premises.

(iv) Hiring and training employees.

(v) Providing for necessary equipment, signs, fixtures, opening inventory, and supplies. If any such assistance is provided, state:

(A) Whether the franchisor provides these items directly or only provides the names of approved suppliers.

(B) Whether the franchisor provides written specifications for these items.

(C) Whether the franchisor delivers or installs these items.

(2) Disclose the typical length of time between the earlier of the signing of the franchise agreement or the first payment of consideration for the franchise and the opening of the franchisee's business. Describe the factors that may affect the time period, such as ability to obtain a lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures, and signs.

(3) Disclose the franchisor's obligations to the franchisee during the operation of the franchise, including any assistance in:

(i) Developing products or services the franchisee will offer to its customers.

(ii) Hiring and training employees.

(iii) Improving and developing the franchised business.

(iv) Establishing prices.

(v) Establishing and using administrative, bookkeeping, accounting, and inventory control procedures.

(vi) Resolving operating problems encountered by the franchisee.

(4) Describe the advertising program for the franchise system, including the following:

(i) The franchisor's obligation to conduct advertising, including:

(A) The media the franchisor may use.

(B) Whether media coverage is local, regional, or national.

(C) The source of the advertising (for example, an in-house advertising department or a national or regional advertising agency).

(D) Whether the franchisor must spend any amount on advertising in the area or territory where the franchisee is located.

(ii) The circumstances when the franchisor will permit franchisees to use their own advertising material.

(iii) Whether there is an advertising council composed of franchisees that advises the franchisor on advertising policies. If so, disclose:

(A) How members of the council are selected.

(B) Whether the council serves in an advisory capacity only or has operational or decision-making power.

(C) Whether the franchisor has the power to form, change, or dissolve the advertising council.

(iv) Whether the franchisee must participate in a local or regional advertising cooperative. If so, state:

(A) How the area or membership of the cooperative is defined.

(B) How much the franchisee must contribute to the fund and whether other franchisees must contribute a different amount or at a different rate.

(C) Whether the franchisor-owned outlets must contribute to the fund and, if so, whether those contributions are on the same basis as those for franchisees.

(D) Who is responsible for administering the cooperative (for example, franchisor, franchisees, or advertising agency).

(E) Whether cooperatives must operate from written governing documents and whether the documents are available for the franchisee to review.

(F) Whether cooperatives must prepare annual or periodic financial statements and whether the statements are available for review by the franchisee.

(G) Whether the franchisor has the power to require cooperatives to be formed, changed, dissolved, or merged.

(v) Whether the franchisee must participate in any other advertising fund. If so, state:

(A) Who contributes to the fund.

(B) How much the franchisee must contribute to the fund and whether other franchisees must contribute a different amount or at a different rate.

(C) Whether the franchisor-owned outlets must contribute to the fund and, if so, whether it is on the same basis as franchisees.

(D) Who administers the fund.

(E) Whether the fund is audited and when it is audited.

(F) Whether financial statements of the fund are available for review by the franchisee.

(G) How the funds were used in the most recently concluded fiscal year, including the percentages spent on production, media placement, administrative expenses, and a description of any other use.

(vi) If not all advertising funds are spent in the fiscal year in which they accrue, how the franchisor uses the remaining amount, including whether franchisees receive a periodic accounting of how advertising fees are spent.

(vii) The percentage of advertising funds, if any, that the franchisor uses principally to solicit new franchise sales.

(5) Disclose whether the franchisor requires the franchisee to buy or use electronic cash registers or computer systems. If so, describe the systems generally in non-technical language, including the types of data to be generated or stored in these systems, and state the following:

(i) The cost of purchasing or leasing the systems.

(ii) Any obligation of the franchisor, any affiliate, or third party to provide ongoing maintenance, repairs, upgrades, or updates.

(iii) Any obligations of the franchisee to upgrade or update any system during the term of the franchise, and, if so, any contractual limitations on the frequency and cost of the obligation.

(iv) The annual cost of any optional or required maintenance, updating, upgrading, or support contracts.

(v) Whether the franchisor will have independent access to the information that will be generated or stored in any electronic cash register or computer system. If so, describe the information that the franchisor may access and whether there are any contractual limitations on the franchisor's right to access the information.

(6) Disclose the table of contents of the franchisor's operating manual provided to franchisees as of the franchisor's last fiscal year-end or a more recent date. State the number of pages devoted to each subject and the total number of pages in the manual as of this date. This disclosure may be omitted if the franchisor offers the prospective franchisee the opportunity to view the manual before buying the franchise.

(7) Disclose the franchisor's training program as of the franchisor's last fiscal year-end or a more recent date.

(i) Describe the training program in the following tabular form. Title the table “TRAINING PROGRAM” in capital letters and bold type.

ITEM 11 TABLE
TRAINING PROGRAM

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location

(A) In column 1, state the subjects taught.

(B) In column 2, state the hours of classroom training for each subject.

(C) In column 3, state the hours of on-the-job training for each subject.

(D) In column 4, state the location of the training for each subject.

(ii) State further:

(A) How often training classes are held and the nature of the location or facility where training is held (for example, company, home, office, franchisor-owned store).

(B) The nature of instructional materials and the instructor's experience, including the instructor's length of experience in the field and with the franchisor. State only experience relevant to the subject taught and the franchisor's operations.

(C) Any charges franchisees must pay for training and who must pay travel and living expenses of the training program enrollees.

(D) Who may and who must attend training. State whether the franchisee or other persons must complete the program to the franchisor's satisfaction. If successful completion is required, state how long after signing the agreement or before opening the business the training must be completed. If training is not mandatory, state the percentage of new franchisees that enrolled in the training program during the preceding 12 months.

(E) Whether additional training programs or refresher courses are required.

(l) ***Item 12*** : *Territory.* Disclose:

(1) Whether the franchise is for a specific location or a location to be approved by the franchisor.

(2) Any minimum territory granted to the franchisee (for example, a specific radius, a distance sufficient to encompass a specified population, or another specific designation).

(3) The conditions under which the franchisor will approve the relocation of the franchised business or the franchisee's establishment of additional franchised outlets.

(4) Franchisee options, rights of first refusal, or similar rights to acquire additional franchises.

(5) Whether the franchisor grants an exclusive territory.

(i) If the franchisor does not grant an exclusive territory, state: “You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.”

(ii) If the franchisor grants an exclusive territory, disclose:

(A) Whether continuation of territorial exclusivity depends on achieving a certain sales volume, market penetration, or other contingency, and the circumstances when the franchisee's territory may be altered. Describe any sales or other conditions. State the franchisor's rights if the franchisee fails to meet the requirements.

(B) Any other circumstances that permit the franchisor to modify the franchisee's territorial rights (for example, a population increase in the territory giving the franchisor the right to grant an additional franchise in the area) and the effect of such modifications on the franchisee's rights.

(6) For all territories (exclusive and non-exclusive):

(i) Any restrictions on the franchisor from soliciting or accepting orders from consumers inside the franchisee's territory, including:

(A) Whether the franchisor or an affiliate has used or reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within the franchisee's territory using the franchisor's principal trademarks.

(B) Whether the franchisor or an affiliate has used or reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales within the franchisee's territory of products or services under trademarks different from the ones the franchisee will use under the franchise agreement.

(C) Any compensation that the franchisor must pay for soliciting or accepting orders from inside the franchisee's territory.

(ii) Any restrictions on the franchisee from soliciting or accepting orders from consumers outside of his or her territory, including whether the franchisee has the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of his or her territory.

(iii) If the franchisor or an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark and that business sells or will sell goods or services similar to those the franchisee will offer, describe:

(A) The similar goods and services.

(B) The different trademark.

(C) Whether outlets will be franchisor owned or operated.

(D) Whether the franchisor or its franchisees who use the different trademark will solicit or accept orders within the franchisee's territory.

(E) The timetable for the plan.

(F) How the franchisor will resolve conflicts between the franchisor and franchisees and between the franchisees of each system regarding territory, customers, and franchisor support.

(G) The principal business address of the franchisor's similar operating business. If it is the same as the franchisor's principal business address stated in § 436.5(a) of this part, disclose whether the franchisor maintains (or plans to maintain) physically separate offices and training facilities for the similar competing business.

(m) ***Item 13*** : *Trademarks.*

(1) Disclose each principal trademark to be licensed to the franchisee. For this Item, “principal trademark” means the primary trademarks, service marks, names, logos, and commercial symbols the franchisee will use to identify the franchised business. It may not include every trademark the franchisor owns.

(2) Disclose whether each principal trademark is registered with the United States Patent and Trademark Office. If so, state:

(i) The date and identification number of each trademark registration.

(ii) Whether the franchisor has filed all required affidavits.

(iii) Whether any registration has been renewed.

(iv) Whether the principal trademarks are registered on the Principal or Supplemental Register of the United States Patent and Trademark Office.

(3) If the principal trademark is not registered with the United States Patent and Trademark Office, state whether the franchisor has filed any trademark application, including any “intent to use” application or an application based on actual use. If so, state the date and identification number of the application.

(4) If the trademark is not registered on the Principal Register of the United States Patent and Trademark Office, state: “We do not have a federal registration for our principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.”

(5) Disclose any currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court; and any pending infringement, opposition, or cancellation proceeding. Include infringement, opposition, or cancellation proceedings in which the franchisor unsuccessfully sought to prevent registration of a trademark in order to protect a trademark licensed by the franchisor. Describe how the determination affects the ownership, use, or licensing of the trademark.

(6) Disclose any pending material federal or state court litigation regarding the franchisor's use or ownership rights in a trademark. For each pending action, disclose:[8]

(i) The forum and case number.

(ii) The nature of claims made opposing the franchisor's use of the trademark or by the franchisor opposing another person's use of the trademark.

(iii) Any effective court or administrative agency ruling in the matter.

(7) Disclose any currently effective agreements that significantly limit the franchisor's rights to use or license the use of trademarks listed in this section in a manner material to the franchise. For each agreement, disclose:

(i) The manner and extent of the limitation or grant.

(ii) The extent to which the agreement may affect the franchisee.

(iii) The agreement's duration.

(iv) The parties to the agreement.

(v) The circumstances when the agreement may be canceled or modified.

(vi) All other material terms.

(8) Disclose:

[8] The franchisor may include an attorney's opinion relative to the merits of litigation or of an action if the attorney issuing the opinion consents to its use. The text of the disclosure may include a summary of the opinion if the full opinion is attached and the attorney issuing the opinion consents to the use of the summary.

(i) Whether the franchisor must protect the franchisee's right to use the principal trademarks listed in this section, and must protect the franchisee against claims of infringement or unfair competition arising out of the franchisee's use of the trademarks.

(ii) The franchisee's obligation to notify the franchisor of the use of, or claims of rights to, a trademark identical to or confusingly similar to a trademark licensed to the franchisee.

(iii) Whether the franchise agreement requires the franchisor to take affirmative action when notified of these uses or claims.

(iv) Whether the franchisor or franchisee has the right to control any administrative proceedings or litigation involving a trademark licensed by the franchisor to the franchisee.

(v) Whether the franchise agreement requires the franchisor to participate in the franchisee's defense and/or indemnify the franchisee for expenses or damages if the franchisee is a party to an administrative or judicial proceeding involving a trademark licensed by the franchisor to the franchisee, or if the proceeding is resolved unfavorably to the franchisee.

(vi) The franchisee's rights under the franchise agreement if the franchisor requires the franchisee to modify or discontinue using a trademark.

(9) Disclose whether the franchisor knows of either superior prior rights or infringing uses that could materially affect the franchisee's use of the principal trademarks in the state where the franchised business will be located. For each use of a principal trademark that the franchisor believes is an infringement that could materially affect the franchisee's use of a trademark, disclose:

(i) The nature of the infringement.

(ii) The locations where the infringement is occurring.

(iii) The length of time of the infringement (to the extent known).

(iv) Any action taken or anticipated by the franchisor.

(n) ***Item 14*** : *Patents, Copyrights, and Proprietary Information.*

(1) Disclose whether the franchisor owns rights in, or licenses to, patents or copyrights that are material to the franchise. Also, disclose whether the franchisor has any pending patent applications that are material to the franchise. If so, state:

(i) The nature of the patent, patent application, or copyright and its relationship to the franchise.

(ii) For each patent:

(A) The duration of the patent.

(B) The type of patent (for example, mechanical, process, or design).

(C) The patent number, issuance date, and title.

(iii) For each patent application:

(A) The type of patent application (for example, mechanical, process, or design).

(B) The serial number, filing date, and title.

(iv) For each copyright:

(A) The duration of the copyright.

(B) The registration number and date.

(C) Whether the franchisor can and intends to renew the copyright.

(2) Describe any current material determination of the United States Patent and Trademark Office, the United States Copyright Office, or a court regarding the patent or copyright. Include the forum and matter number. Describe how the determination affects the franchised business.

(3) State the forum, case number, claims asserted, issues involved, and effective determinations for any material proceeding pending in the United States Patent and Trademark Office or any court.[9]

(4) If an agreement limits the use of the patent, patent application, or copyright, state the parties to and duration of the agreement, the extent to which the agreement may affect the franchisee, and other material terms of the agreement.

(5) Disclose the franchisor's obligation to protect the patent, patent application, or copyright; and to defend the franchisee against claims arising from the franchisee's use of patented or copyrighted items, including:

(i) Whether the franchisor's obligation is contingent upon the franchisee notifying the franchisor of any infringement claims or whether the franchisee's notification is discretionary.

(ii) Whether the franchise agreement requires the franchisor to take affirmative action when notified of infringement.

(iii) Who has the right to control any litigation.

(iv) Whether the franchisor must participate in the defense of a franchisee or indemnify the franchisee for expenses or damages in a proceeding involving a patent, patent application, or copyright licensed to the franchisee.

(v) Whether the franchisor's obligation is contingent upon the franchisee modifying or discontinuing the use of the subject matter covered by the patent or copyright.

(vi) The franchisee's rights under the franchise agreement if the franchisor requires the franchisee to modify or discontinue using the subject matter covered by the patent or copyright.

(6) If the franchisor knows of any patent or copyright infringement that could materially affect the franchisee, disclose:

(i) The nature of the infringement.

(ii) The locations where the infringement is occurring.

(iii) The length of time of the infringement (to the extent known).

(iv) Any action taken or anticipated by the franchisor.

[9] If counsel consents, the franchisor may include a counsel's opinion or a summary of the opinion if the full opinion is attached.

(7) If the franchisor claims proprietary rights in other confidential information or trade secrets, describe in general terms the proprietary information communicated to the franchisee and the terms for use by the franchisee. The franchisor need only describe the general nature of the proprietary information, such as whether a formula or recipe is considered to be a trade secret.

(o) ***Item 15*** : *Obligation to Participate in the Actual Operation of the Franchise Business.*

(1) Disclose the franchisee's obligation to participate personally in the direct operation of the franchisee's business and whether the franchisor recommends participation. Include obligations arising from any written agreement or from the franchisor's practice.

(2) If personal “on-premises” supervision is not required, disclose the following:

(i) If the franchisee is an individual, whether the franchisor recommends on-premises supervision by the franchisee.

(ii) Limits on whom the franchisee can hire as an on-premises supervisor.

(iii) Whether an on-premises supervisor must successfully complete the franchisor's training program.

(iv) If the franchisee is a business entity, the amount of equity interest, if any, that the on-premises supervisor must have in the franchisee's business.

(3) Disclose any restrictions that the franchisee must place on its manager (for example, maintain trade secrets, covenants not to compete).

(p) ***Item 16*** : *Restrictions on What the Franchisee May Sell.* Disclose any franchisor-imposed restrictions or conditions on the goods or services that the franchisee may sell or that limit access to customers, including:

(1) Any obligation on the franchisee to sell only goods or services approved by the franchisor.

(2) Any obligation on the franchisee to sell all goods or services authorized by the franchisor.

(3) Whether the franchisor has the right to change the types of authorized goods or services and whether there are limits on the franchisor's right to make changes.

(q) ***Item 17*** : *Renewal, Termination, Transfer, and Dispute Resolution.* Disclose, in the following tabular form, a table that cross-references each enumerated franchise relationship item with the applicable provision in the franchise or related agreement. Title the table “THE FRANCHISE RELATIONSHIP” in capital letters and bold type.

(1) Describe briefly each contractual provision. If a particular item is not applicable, state “Not Applicable.”

(2) If the agreement is silent about one of the listed provisions, but the franchisor unilaterally offers to provide certain benefits or protections to franchisees as a matter of policy, use a footnote to describe the policy and state whether the policy is subject to change.

(3) In the summary column for Item 17(c), state what the term "renewal" means for your franchise system, including, if applicable, a statement that franchisees may be asked to sign a contract with materially different terms and conditions than their original contract.

ITEM 17 TABLE:
THE FRANCHISE RELATIONSHIP

[IN BOLD] THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS DISCLOSURE DOCUMENT.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
a. Length of the franchise term		
b. Renewal or extension of the term		
c. Requirements for franchisee to renew or extend		
d. Termination by franchisee		
e. Termination by franchisor without cause		
f. Termination by franchisor with cause		
g. "Cause" defined—curable defaults		
h. "Cause" defined—non-curable defaults		
i. Franchisee's obligations on termination/non-renewal		
j. Assignment of contract by franchisor		
k. "Transfer" by franchisee—defined		
l. Franchisor approval of transfer by franchisee		
m. Conditions for franchisor approval of transfer		
n. Franchisor's right of first refusal to acquire franchisee's business		
o. Franchisor's option to purchase franchisee's business		
p. Death or disability of franchisee		
q. Non-competition covenants during the term of the franchise		
r. Non-competition covenants after the franchise is terminated or expires		
s. Modification of the agreement		
t. Integration/merger clause		
u. Dispute resolution by arbitration or mediation		
v. Choice of forum		

Provision	Section in franchise or other agreement	Summary
w. Choice of law		

(r) ***Item 18*** : *Public Figures.* Disclose:

(1) Any compensation or other benefit given or promised to a public figure arising from either the use of the public figure in the franchise name or symbol, or the public figure's endorsement or recommendation of the franchise to prospective franchisees.

(2) The extent to which the public figure is involved in the management or control of the franchisor. Describe the public figure's position and duties in the franchisor's business structure.

(3) The public figure's total investment in the franchisor, including the amount the public figure contributed in services performed or to be performed. State the type of investment (for example, common stock, promissory note).

(4) For purposes of this section, a public figure means a person whose name or physical appearance is generally known to the public in the geographic area where the franchise will be located.

(s) ***Item 19*** : *Financial Performance Representations.*

(1) Begin by stating the following:

> The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

(2) If a franchisor does not provide any financial performance representation in Item 19, also state:

> We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting [name, address, and telephone number], the Federal Trade Commission, and the appropriate state regulatory agencies.

(3) If the franchisor makes any financial performance representation to prospective franchisees, the franchisor must have a reasonable basis and written substantiation for the representation at the time the representation is made and must state the representation in the Item 19 disclosure. The franchisor must also disclose the following:

(i) Whether the representation is an historic financial performance representation about the franchise system's existing outlets, or a subset of those outlets, or is a forecast of the prospective franchisee's future financial performance.

(ii) If the representation relates to past performance of the franchise system's existing outlets, the material bases for the representation, including:

(A) Whether the representation relates to the performance of all of the franchise system's existing outlets or only to a subset of outlets that share a particular set of characteristics (for example, geographic location, type of location (such as free standing vs. shopping center), degree of competition, length of time the outlets have operated, services or goods sold, services supplied by the franchisor, and whether the outlets are franchised or franchisor-owned or operated).

(B) The dates when the reported level of financial performance was achieved.

(C) The total number of outlets that existed in the relevant period and, if different, the number of outlets that had the described characteristics.

(D) The number of outlets with the described characteristics whose actual financial performance data were used in arriving at the representation.

(E) Of those outlets whose data were used in arriving at the representation, the number and percent that actually attained or surpassed the stated results.

(F) Characteristics of the included outlets, such as those characteristics noted in paragraph (3)(ii)(A) of this section, that may differ materially from those of the outlet that may be offered to a prospective franchisee.

(iii) If the representation is a forecast of future financial performance, state the material bases and assumptions on which the projection is based. The material assumptions underlying a forecast include significant factors upon which a franchisee's future results are expected to depend. These factors include, for example, economic or market conditions that are basic to a franchisee's operation, and encompass matters affecting, among other things, a franchisee's sales, the cost of goods or services sold, and operating expenses.

(iv) A clear and conspicuous admonition that a new franchisee's individual financial results may differ from the result stated in the financial performance representation.

(v) A statement that written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

(4) If a franchisor wishes to disclose only the actual operating results for a specific outlet being offered for sale, it need not comply with this section, provided the information is given only to potential purchasers of that outlet.

(5) If a franchisor furnishes financial performance information according to this section, the franchisor may deliver to a prospective franchisee a supplemental financial performance representation about a particular location or variation, apart from the disclosure document. The supplemental representation must:

(i) Be in writing.

(ii) Explain the departure from the financial performance representation in the disclosure document.

(iii) Be prepared in accordance with the requirements of paragraph (s)(3)(i)-(iv) of this section.

(iv) Be furnished to the prospective franchisee.

(t) ***Item 20*** : *Outlets and Franchisee Information.*

(1) Disclose, in the following tabular form, the total number of franchised and company-owned outlets for each of the franchisor's last three fiscal years. For purposes of this section, “outlet” includes outlets of a type substantially similar to that offered to the prospective franchisee. A sample Item 20(1) Table is attached as appendix B to this part.

ITEM 20 TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS [ ] TO [ ]

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2004			
	2005			
	2006			
Company-Owned	2004			
	2005			
	2006			
Total Outlets	2004			
	2005			
	2006			

(i) In column 1, include three outlet categories titled “franchised,” “company-owned, and “total outlets.”

(ii) In column 2, state the last three fiscal years.

(iii) In column 3, state the total number of each type of outlet operating at the beginning of each fiscal year.

(iv) In column 4, state the total number of each type of outlet operating at the end of each fiscal year.

(v) In column 5, state the net change, and indicate whether the change is positive or negative, for each type of outlet during each fiscal year.

(2) Disclose, in the following tabular form, the number of franchised and company-owned outlets and changes in the number and ownership of outlets located in each state during each of the last three fiscal years. Except as noted, each change in ownership shall be reported only once in the following tables. If multiple events occurred in the process of transferring ownership of an outlet, report the event that occurred last in time. If a single outlet changed ownership two or more times during the same fiscal year, use footnotes to describe the types of changes involved and the order in which the changes occurred.

(i) Disclose, in the following tabular form, the total number of franchised outlets transferred in each state during each of the franchisor's last three fiscal years. For purposes of this section, “transfer” means the acquisition of a controlling interest in a franchised outlet, during its term, by a person other than the franchisor or an affiliate. A sample Item 20(2) Table is attached as appendix C to this part.

ITEM 20 TABLE NO. 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)

FOR YEARS [ ] TO [ ]

Column 1 State	Column 2 Year	Column 3 Number of Transfers
	2004	
	2005	
	2006	
	2004	
	2005	
	2006	
Total	2004	
	2005	
	2006	

(A) In column 1, list each state with one or more franchised outlets.

(B) In column 2, state the last three fiscal years.

(C) In column 3, state the total number of completed transfers in each state during each fiscal year.

(ii) Disclose, in the following tabular form, the status of franchisee-owned outlets located in each state for each of the franchisor's last three fiscal years. A sample Item 20(3) Table is attached as appendix D to this part.

ITEM 20 TABLE NO. 3

STATUS OF FRANCHISED OUTLETS

FOR YEARS [ ] TO [ ]

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations-Other Reasons	Column 9 Outlets at End of the Year
	2004							
	2005							
	2006							
	2004							
	2005							
	2006							
Totals	2004							
	2005							
	2006							

(A) In column 1, list each state with one or more franchised outlets.

(B) In column 2, state the last three fiscal years.

(C) In column 3, state the total number of franchised outlets in each state at the start of each fiscal year.

(D) In column 4, state the total number of franchised outlets opened in each state during each fiscal year. Include both new outlets and existing company-owned outlets that a franchisee purchased from the franchisor. (Also report the number of existing company-owned outlets that are sold to a franchisee in Column 7 of Table 4).

(E) In column 5, state the total number of franchised outlets that were terminated in each state during each fiscal year. For purposes of this section, “termination” means the franchisor's termination of a franchise agreement prior to the end of its term and without providing any consideration to the franchisee (whether by payment or forgiveness or assumption of debt).

(F) In column 6, state the total number of non-renewals in each state during each fiscal year. For purposes of this section, “non-renewal” occurs when the franchise agreement for a franchised outlet is not renewed at the end of its term.

(G) In column 7, state the total number of franchised outlets reacquired by the franchisor in each state during each fiscal year. For purposes of this section, a “reacquisition” means the franchisor's acquisition for consideration (whether by payment or forgiveness or assumption of debt) of a franchised outlet during its term. (Also report franchised outlets reacquired by the franchisor in column 5 of Table 4).

(H) In column 8, state the total number of outlets in each state not operating as one of the franchisor's outlets at the end of each fiscal year for reasons other than termination, non-renewal, or reacquisition by the franchisor.

(I) In column 9, state the total number of franchised outlets in each state at the end of the fiscal year.

(iii) Disclose, in the following tabular form, the status of company-owned outlets located in each state for each of the franchisor's last three fiscal years. A sample Item 20(4) Table is attached as appendix E to this part.

Item 20 Table No. 4

Status of Company-Owned Outlets

For years [ ] to [ ]

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired From Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
	2004						
	2005						
	2006						
	2004						
	2005						
	2006						
Totals	2004						
	2005						
	2006						

(A) In column 1, list each state with one or more company-owned outlets.

(B) In column 2, state the last three fiscal years.

(C) In column 3, state the total number of company-owned outlets in each state at the start of the fiscal year.

(D) In column 4, state the total number of company-owned outlets opened in each state during each fiscal year.

(E) In column 5, state the total number of franchised outlets reacquired from franchisees in each state during each fiscal year.

(F) In column 6, state the total number of company-owned outlets closed in each state during each fiscal year. Include both actual closures and instances when an outlet ceases to operate under the franchisor's trademark.

(G) In column 7, state the total number of company-owned outlets sold to franchisees in each state during each fiscal year.

(H) In column 8, state the total number of company-owned outlets operating in each state at the end of each fiscal year.

(3) Disclose, in the following tabular form, projected new franchised and company-owned outlets. A sample Item 20(5) Table is attached as appendix F to this part.

ITEM 20 TABLE NO. 5
PROJECTED OPENINGS AS OF [LAST DAY OF LAST FISCAL YEAR]

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet In The Next Fiscal Year	Column 4 Projected New Company-Owned Outlet In the Next Fiscal Year
Total			

(i) In column 1, list each state where one or more franchised or company-owned outlets are located or are projected to be located.

(ii) In column 2, state the total number of franchise agreements that had been signed for new outlets to be located in each state as of the end of the previous fiscal year where the outlet had not yet opened.

(iii) In column 3, state the total number of new franchised outlets in each state projected to be opened during the next fiscal year.

(iv) In column 4, state the total number of new company-owned outlets in each state that are projected to be opened during the next fiscal year.

(4) Disclose the names of all current franchisees and the address and telephone number of each of their outlets. Alternatively, disclose this information for all franchised outlets in the state, but if these franchised outlets total fewer than 100, disclose this information for franchised outlets from contiguous states and then the next closest states until at least 100 franchised outlets are listed.

(5) Disclose the name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with the franchisor within 10 weeks of the disclosure document issuance date.[10] State in immediate conjunction with this information: "If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system."

(6) If a franchisor is selling a previously-owned franchised outlet now under its control, disclose the following additional information for that outlet for the last five fiscal years. This information may be attached as an addendum to a disclosure document, or, if disclosure has already been made, then in a supplement to the previously furnished disclosure document.

(i) The name, city and state, current business telephone number, or if unknown, last known home telephone number of each previous owner of the outlet;

(ii) The time period when each previous owner controlled the outlet;

(iii) The reason for each previous change in ownership (for example, termination, non-renewal, voluntary transfer, ceased operations); and

(iv) The time period(s) when the franchisor retained control of the outlet (for example, after termination, non-renewal, or reacquisition).

(7) Disclose whether franchisees signed confidentiality clauses during the last three fiscal years. If so, state the following: "In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with [name of franchise system]. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you." Franchisors may also disclose the number and percentage of current and former franchisees who during each of the last three fiscal years signed agreements that include confidentiality clauses and may disclose the circumstances under which such clauses were signed.

(8) Disclose, to the extent known, the name, address, telephone number, email address, and Web address (to the extent known) of each trademark-specific franchisee organization associated with the franchise system being offered, if such organization:

(i) Has been created, sponsored, or endorsed by the franchisor. If so, state the relationship between the organization and the franchisor (for example, the organization was created by the franchisor, sponsored by the franchisor, or endorsed by the franchisor).

(ii) Is incorporated or otherwise organized under state law and asks the franchisor to be included in the franchisor's disclosure document during the next fiscal year. Such organizations must renew their request on an annual basis by submitting a request no later than 60 days after the

[10] Franchisors may substitute alternative contact information at the request of the former franchisee, such as a home address, post office address, or a personal or business email address.

close of the franchisor's fiscal year. The franchisor has no obligation to verify the organization's continued existence at the end of each fiscal year. Franchisors may also include the following statement: “The following independent franchisee organizations have asked to be included in this disclosure document.”

(u) ***Item 21*** : *Financial Statements.*

(1) Include the following financial statements prepared according to United States generally accepted accounting principles, as revised by any future United States government mandated accounting principles, or as permitted by the Securities and Exchange Commission. Except as provided in paragraph (u)(2) of this section, these financial statements must be audited by an independent certified public accountant using generally accepted United States auditing standards. Present the required financial statements in a tabular form that compares at least two fiscal years.

(i) The franchisor's balance sheet for the previous two fiscal year-ends before the disclosure document issuance date.

(ii) Statements of operations, stockholders equity, and cash flows for each of the franchisor's previous three fiscal years.

(iii) Instead of the financial disclosures required by paragraphs (u)(1)(i) and (ii) of this section, the franchisor may include financial statements of any of its affiliates if the affiliate's financial statements satisfy paragraphs (u)(1)(i) and (ii) of this section and the affiliate absolutely and unconditionally guarantees to assume the duties and obligations of the franchisor under the franchise agreement. The affiliate's guarantee must cover all of the franchisor's obligations to the franchisee, but need not extend to third parties. If this alternative is used, attach a copy of the guarantee to the disclosure document.

(iv) When a franchisor owns a direct or beneficial controlling financial interest in a subsidiary, its financial statements should reflect the financial condition of the franchisor and its subsidiary.

(v) Include separate financial statements for the franchisor and any subfranchisor, as well as for any parent that commits to perform post-sale obligations for the franchisor or guarantees the franchisor's obligations. Attach a copy of any guarantee to the disclosure document.

(2) A start-up franchise system that does not yet have audited financial statements may phase-in the use of audited financial statements by providing, at a minimum, the following statements at the indicated times:

(i) The franchisor' first partial or full fiscal year selling franchises.	An unaudited opening balance sheet.
(ii) The franchisor' second fiscal year selling franchises.	Audited balance sheet opinion as of the end of the first partial or full fiscal year selling franchises.
(iii) The franchisor' third and subsequent fiscal	All required financial statements for the previous fiscal year, plus any previously disclosed audited statements that still must be disclosed

years selling franchises.	according to paragraphs (u)(1)(i) and (ii) of this section.

(iv) Start-up franchisors may phase-in the disclosure of audited financial statements, provided the franchisor:

(A) Prepares audited financial statements as soon as practicable.

(B) Prepares unaudited statements in a format that conforms as closely as possible to audited statements.

(C) Includes one or more years of unaudited financial statements or clearly and conspicuously discloses in this section that the franchisor has not been in business for three years or more, and cannot include all financial statements required in paragraphs (u)(1)(i) and (ii) of this section.

(v) ***Item 22*** : *Contracts.* Attach a copy of all proposed agreements regarding the franchise offering, including the franchise agreement and any lease, options, and purchase agreements.

(w) ***Item 23*** : *Receipts.* Include two copies of the following detachable acknowledgment of receipt in the following form as the last pages of the disclosure document:

(1) State the following:

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If [name of franchisor] offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If [name of franchisor] does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and [state agency].

(2) Disclose the name, principal business address, and telephone number of each franchise seller offering the franchise.

(3) State the issuance date.

(4) If not disclosed in paragraph (a) of this section, state the name and address of the franchisor's registered agent authorized to receive service of process.

(5) State the following:

I received a disclosure document dated _____ that included the following Exhibits:

(6) List the title(s) of all attached Exhibits.

(7) Provide space for the prospective franchisee's signature and date.

(8) Franchisors may include any specific instructions for returning the receipt (for example, street address, email address, facsimile telephone number).

Subpart D—Instructions

§ 436.6 Instructions for preparing disclosure documents.

(a) It is an unfair or deceptive act or practice in violation of Section 5 of the FTC Act for any franchisor to fail to include the information and follow the instructions for preparing disclosure documents set forth in subpart C (basic disclosure requirements) and subpart D (updating requirements) of part 436. The Commission will enforce this provision according to the standards of liability under Sections 5, 13(b), and 19 of the FTC Act.

(b) Disclose all required information clearly, legibly, and concisely in a single document using plain English. The disclosures must be in a form that permits each prospective franchisee to store, download, print, or otherwise maintain the document for future reference.

(c) Respond fully to each disclosure Item. If a disclosure Item is not applicable, respond negatively, including a reference to the type of information required to be disclosed by the Item. Precede each disclosure Item with the appropriate heading.

(d) Do not include any materials or information other than those required or permitted by part 436 or by state law not preempted by part 436. For the sole purpose of enhancing the prospective franchisee's ability to maneuver through an electronic version of a disclosure document, the franchisor may include scroll bars, internal links, and search features. All other features (e.g., multimedia tools such as audio, video, animation, pop-up screens, or links to external information) are prohibited.

(e) Franchisors may prepare multi-state disclosure documents by including non-preempted, state-specific information in the text of the disclosure document or in Exhibits attached to the disclosure document.

(f) Subfranchisors shall disclose the required information about the franchisor, and, to the extent applicable, the same information concerning the subfranchisor.

(g) Before furnishing a disclosure document, the franchisor shall advise the prospective franchisee of the formats in which the disclosure document is made available, any prerequisites for obtaining the disclosure document in a particular format, and any conditions necessary for reviewing the disclosure document in a particular format.

(h) Franchisors shall retain, and make available to the Commission upon request, a sample copy of each materially different version of their disclosure documents for three years after the close of the fiscal year when it was last used.

(i) For each completed franchise sale, franchisors shall retain a copy of the signed receipt for at least three years.

§ 436.7 Instructions for updating disclosures.

(a) All information in the disclosure document shall be current as of the close of the franchisor's most recent fiscal year. After the close of the fiscal year, the franchisor shall, within 120 days, prepare a revised disclosure document, after which a franchise seller may distribute only the revised document and no other disclosure document.

(b) The franchisor shall, within a reasonable time after the close of each quarter of the fiscal year, prepare revisions to be attached to the disclosure document to reflect any material change to the disclosures included, or required to be included, in the disclosure document. Each prospective franchisee shall receive the disclosure document and the quarterly revisions for the most recent period available at the time of disclosure.

(c) If applicable, the annual update shall include the franchisor's first quarterly update, either by incorporating the quarterly update information into the disclosure document itself, or through an addendum.

(d) When furnishing a disclosure document, the franchise seller shall notify the prospective franchisee of any material changes that the seller knows or should have known occurred in the information contained in any financial performance representation made in Item 19 (section 436.5(s)).

(e) Information that must be audited pursuant to § 436.5(u) of this part need not be audited for quarterly revisions; provided, however, that the franchisor states in immediate conjunction with the information that such information was not audited.

Subpart E—Exemptions

§ 436.8 Exemptions.

(a) The provisions of part 436 shall not apply if the franchisor can establish any of the following:

(1) The total of the required payments, or commitments to make a required payment, to the franchisor or an affiliate that are made any time from before to within six months after commencing operation of the franchisee's business is less than $735.

(2) The franchise relationship is a fractional franchise.

(3) The franchise relationship is a leased department.

(4) The franchise relationship is covered by the Petroleum Marketing Practices Act, 15 U.S.C. 2801.

(5)

(i) The franchisee's initial investment, excluding any financing received from the franchisor or an affiliate and excluding the cost of unimproved land, totals at least $1,469,600 and the prospective franchisee signs an acknowledgment verifying the grounds for the exemption. The acknowledgment shall state: “The franchise sale is for more than $1,469,600—excluding the cost of unimproved land and any financing received from the franchisor or an affiliate— and thus is exempted from the Federal Trade Commission's Franchise Rule disclosure requirements, pursuant to 16 CFR 436.8(a)(5)(i)”;[11] or

(ii) The franchisee (or its parent or any affiliates) is an entity that has been in business for at least five years and has a net worth of at least $7,348,000.

[11] The large franchise exemption applies only if at least one individual prospective franchisee in an investor-group qualifies for the exemption by investing at the threshold level stated in this section.

(6) One or more purchasers of at least a 50% ownership interest in the franchise: within 60 days of the sale, has been, for at least two years, an officer, director, general partner, individual with management responsibility for the offer and sale of the franchisor's franchises or the administrator of the franchised network; or within 60 days of the sale, has been, for at least two years, an owner of at least a 25% interest in the franchisor.

(7) There is no written document that describes any material term or aspect of the relationship or arrangement.

(b) For purposes of the exemptions set forth in this section, the Commission shall adjust the size of the monetary thresholds every fourth year based upon the Consumer Price Index. For purposes of this section, “Consumer Price Index” means the Consumer Price Index for all urban consumers published by the Department of Labor.

[72 FR 15544, Mar. 30, 2007, as amended at 77 FR 36150, June 18, 2012; 81 FR 31501, May 19, 2016; 85 FR 38791, June 29, 2020; 89 FR 57078, July 12, 2024]

Subpart F—Prohibitions

§ 436.9 Additional prohibitions.

It is an unfair or deceptive act or practice in violation of Section 5 of the Federal Trade Commission Act for any franchise seller covered by part 436 to:

(a) Make any claim or representation, orally, visually, or in writing, that contradicts the information required to be disclosed by this part.

(b) Misrepresent that any person:

(1) Purchased a franchise from the franchisor or operated a franchise of the type offered by the franchisor.

(2) Can provide an independent and reliable report about the franchise or the experiences of any current or former franchisees.

(c) Disseminate any financial performance representations to prospective franchisees unless the franchisor has a reasonable basis and written substantiation for the representation at the time the representation is made, and the representation is included in Item 19 (§ 436.5(s)) of the franchisor's disclosure document. In conjunction with any such financial performance representation, the franchise seller shall also:

(1) Disclose the information required by §§ 436.5(s)(3)(ii)(B) and (E) of this part if the representation relates to the past performance of the franchisor's outlets.

(2) Include a clear and conspicuous admonition that a new franchisee's individual financial results may differ from the result stated in the financial performance representation.

(d) Fail to make available to prospective franchisees, and to the Commission upon reasonable request, written substantiation for any financial performance representations made in Item 19 (§ 436.5(s)).

(e) Fail to furnish a copy of the franchisor's disclosure document to a prospective franchisee earlier in the sales process than required under § 436.2 of this part, upon reasonable request.

(f) Fail to furnish a copy of the franchisor's most recent disclosure document and any quarterly updates to a prospective franchisee, upon reasonable request, before the prospective franchisee signs a franchise agreement.

(g) Present for signing a franchise agreement in which the terms and conditions differ materially from those presented as an attachment to the disclosure document, unless the franchise seller informed the prospective franchisee of the differences at least seven days before execution of the franchise agreement.

(h) Disclaim or require a prospective franchisee to waive reliance on any representation made in the disclosure document or in its exhibits or amendments. Provided, however, that this provision is not intended to prevent a prospective franchisee from voluntarily waiving specific contract terms and conditions set forth in his or her disclosure document during the course of franchise sale negotiations.

(i) Fail to return any funds or deposits in accordance with any conditions disclosed in the franchisor's disclosure document, franchise agreement, or any related document.

Subpart G—Other Provisions

§ 436.10 Other laws and rules.

(a) The Commission does not approve or express any opinion on the legality of any matter a franchisor may be required to disclose by part 436. Further, franchisors may have additional obligations to impart material information to prospective franchisees outside of the disclosure document under Section 5 of the Federal Trade Commission Act. The Commission intends to enforce all applicable statutes and rules.

(b) The FTC does not intend to preempt the franchise practices laws of any state or local government, except to the extent of any inconsistency with part 436. A law is not inconsistent with part 436 if it affords prospective franchisees equal or greater protection, such as registration of disclosure documents or more extensive disclosures.

§ 436.11 Severability.

If any provision of this part is stayed or held invalid, the remainder will stay in force.

Appendix A to Part 436—Sample Item 10 Table—Summary of Financing Offered

SUMMARY OF FINANCING OFFERED

Item Financed	Source of Financing	Down Payment	Amount Financed	Term (Yrs)	Interest Rate	Monthly Payment	Prepay Penalty	Security Required	Liability Upon Default	Loss of Legal Right on Default
Initial Fee										
Land/Constr										
Leased Space										
Equip. Lease										
Equip. Purchase										
Opening Inventory										
Other Financing										

Appendix B to Part 436—Sample Item 20(1) Table—Systemwide Outlet Summary

SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2004 TO 2006

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2004	859	1,062	+ 203
	2005	1,062	1,296	+ 234
	2006	1,296	2,720	+ 1,424
Company Owned	2004	125	145	+ 20
	2005	145	76	-69
	2006	76	141	+ 65
Total Outlets	2004	984	1,207	+ 223
	2005	1,207	1,372	+ 165
	2006	1,372	2,861	+ 1,489

Appendix C to Part 436—Sample Item 20(2) Table—Transfers of Franchised Outlets

TRANSFERS OF FRANCHISED OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)
FOR YEARS 2004 TO 2006

Column 1 State	Column 2 Year	Column 3 Number of Transfers
NC	2004	1
	2005	0
	2006	2
SC	2004	0
	2005	0
	2006	2
Total	2004	1
	2005	0

Column 1 State	Column 2 Year	Column 3 Number of Transfers
	2006	4

Appendix D to Part 436—Sample Item 20(3) Table—Status of Franchise Outlets

Status of Franchise Outlets
For years 2004 to 2006

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations-Other Reasons	Column 9 Outlets at End of the Year
AL	2004	10	2	1	0	0	1	10
	2005	11	5	0	1	0	0	15
	2006	15	4	1	0	1	2	15
AZ	2004	20	5	0	0	0	0	25
	2005	25	4	1	0	0	2	26
	2006	26	4	0	0	0	0	30
Totals	2004	30	7	1	0	0	1	35
	2005	36	9	1	1	0	2	41
	2006	41	8	1	0	1	2	45

Appendix E to Part 436—Sample Item 20(4) Table—Status of Company-Owned Outlets

Status of Company-Owned Outlets
For years 2004 to 2006

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired From Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
NY	2004	1	0	1	0	0	2
	2005	2	2	0	1	0	3
	2006	3	0	0	3	0	0
OR	2004	4	0	1	0	0	5
	2005	5	0	0	2	0	3
	2006	3	0	0	0	1	2
Totals	2004	5	0	2	0	0	7
	2005	7	2	0	3	0	6
	2006	6	0	0	3	1	2

Appendix F to Part 436—Sample Item 20(5) Table—Projected New Franchised Outlets

PROJECTED NEW FRANCHISED OUTLETS
AS OF DECEMBER 31, 2006

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Current Fiscal Year
CO	2	3	1
NM	0	4	2
Total	2	7	3

FRANCHISE DISCLOSURE DOCUMENT
HOLIDAY HOSPITALITY FRANCHISING, LLC
A Delaware Limited Liability Company
Three Ravinia Drive, Suite 100
Atlanta, Georgia 30346
(770) 604-2000
https://development.ihg.com

VIGNETTE™
COLLECTION

The franchisee will establish and operate a luxury hotel as a part of the Vignette Collection™.

The total investment necessary to begin operation of a typical 200-room hotel in the Vignette Collection™, excluding land costs and other matters, ranges from $28,725,250 to $64,876,500 ($143,626 - $324,383 per guest room) or more (see Item 7), including between $231,000 and $433,500 or more that must be paid to the franchisor or an affiliate (see Item 5).

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. **Note, however, that no governmental agency has verified the information contained in this document.**

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 Patricia Womack, Franchise Sales, Holiday Hospitality Franchising, LLC, at Three Ravinia Drive, Suite 100, Atlanta, Georgia 30346 and (770) 604-2912.

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.

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, DC 20580. You can also visit the FTC's home page at 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.

Issuance Date: September 13, 2021

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibits G1 and G2 includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Vignette Collection™ hotel in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Vignette Collection™ licensee?	Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit E.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution**. The license agreement requires you to resolve disputes with the franchisor by litigation. You are not required to sue the franchisor only in the state of Georgia, but the franchisor can sue you in the state of Georgia. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in the state, county and judicial district in which the franchisor's principal place of business is then located than in your own state.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

This disclosure document refers to the franchisor, Holiday Hospitality Franchising, LLC, as "Holiday" and to the franchisee as "you". If you are a corporation, partnership or other entity, the word "you" may also include owners or partners of the franchisee.

Holiday is a Delaware limited liability company which was formed on November 3, 1989 (originally under the name "Holiday Inns Franchising, Inc", which was subsequently changed to "Holiday Hospitality Franchising, Inc." and then converted from a corporation to a limited liability company). Except as set forth in this disclosure document, Holiday does business only under its limited liability company name. Holiday's principal business address is Three Ravinia Drive, Suite 100, Atlanta, Georgia 30346, and its telephone number is (770) 604-2000.

Holiday began offering franchises for Vignette Collection™ hotels in the United States with the issuance of this disclosure document in September 2021 (though its predecessors operated hotel businesses and offered franchises for hotel businesses starting in approximately 1953).

Holiday also offers and grants franchises for other hotel brands, including the Holiday Inn brand group of full service hotels, which includes Holiday Inn® hotels and Holiday Inn® & Suites hotels (formerly known as "Holiday Inn® Hotel & Suites" hotels), the Holiday Inn Express® brand group of limited service hotels, which includes Holiday Inn Express® hotels and Holiday Inn Express® & Suites hotels (formerly known as "Holiday Inn Express® Hotel & Suites" hotels); and Holiday Inn® Resort hotels, InterContinental® Hotels & Resorts, the Crowne Plaza® Hotels & Resorts, voco™ Hotels, Hotel Indigo®, EVEN® Hotels, Atwell Suites™, Staybridge Suites®, Candlewood Suites®, and avid® hotels, under separate disclosure documents. However, this disclosure document contains information related only to the Vignette Collection™ brand (see below in this Item 1).

While Holiday has not itself owned, managed or leased any hotels, its affiliates do. As of the date of this disclosure document Holiday's affiliates operate (own, lease or manage) 38 Holiday Inn brand group, Holiday Inn Resort, Holiday Inn Express brand group, Crowne Plaza, InterContinental Hotels & Resorts, Staybridge Suites, EVEN® Hotels and Hotel Indigo brand hotels in the United States, Puerto Rico and Canada. Additionally, as of the date of this disclosure document Holiday's affiliates operate 75 U.S. Army lodging facilities across the United States. Some of these facilities are branded as Holiday Inn Express or Candlewood Suites hotels.

Holiday's agents for service of process in the states whose franchise laws require Holiday to name a state agency as agent for service are shown on Exhibit D.

HOLIDAY'S BUSINESS:

Holiday offers and grants franchises under the terms of a License Agreement (the "License") to establish and operate, at a single, defined location, a distinctive, high quality hotel under the service mark Vignette Collection™ (the "Hotel"). Holiday may designate other trademarks, service marks, logotypes and proprietary marks for use in connection with the Vignette Collection™ system (the "System").

The System includes, among other things, those service marks and copyrights, trademarks and similar intellectual property rights that Holiday designates; rights to domain names and other identifications or elements used in electronic commerce made available to licensees of the System by the License; access to a reservation system operated in accordance with specifications Holiday establishes from time to time; advertising, distribution, publicity and other marketing programs and materials; architectural drawings and architectural works, training programs and materials; confidential or proprietary information, standards, specifications and policies for construction, furnishing, operation, appearance and guest service; programs for inspecting the Hotel, measuring and assessing service, quality and consumer opinion and consulting with you; and other requirements referred to in the License, or in

Holiday's Vignette Collection™ brand standards, (collectively, the "Standards") and in other communications. Holiday may add elements to the System or modify or delete elements of the System.

The License may include obligations for the performance of construction and renovation work, specific to the property being licensed which will be detailed in Attachment "B" to the License. You should review these obligations before signing any License.

A Vignette Collection™ Hotel will provide accommodations targeted to upper-upscale/entry-level luxury travelers who are seeking a hotel that stands out from the crowd. A typical Vignette Collection™ Hotel consists of more than 75 guest rooms; however, each Hotel's room count may be adjusted to align with market conditions.

Vignette Collection™ is a new upper-upscale/entry-level luxury brand that combines a collection of distinctive hotels with the global power of IHG. The Vignette Collection™ brand allows guests to experience unique, independently minded hotels under a name they can trust. The collection delivers one-of-a-kind stays and memorable rituals combined with a focus on providing a means for good among our guests and within our hotels and communities.

HOLIDAY'S PARENT, PREDECESSOR IN INTEREST AND AFFILIATES:

Holiday's ultimate corporate parent is InterContinental Hotels Group PLC. InterContinental Hotels Group PLC does not maintain a principal place of business in the United States. Its principal place of business is in the United Kingdom at Broadwater Park, Denham, Buckinghamshire, UB9 5HR.

Holiday's direct corporate parent is Six Continents Hotels, Inc. ("SCH") (formerly known as Bass Hotels & Resorts, Inc. and Holiday Hospitality Corporation). SCH's principal business address is Three Ravinia Drive, Suite 100, Atlanta, Georgia 30346.

Certain trademarks associated with the various hotel brands disclosed in this disclosure document are owned by SCH's affiliate, Six Continents Limited ("SCL"). Pursuant to various license agreements, SCL has granted SCH the exclusive license in the United States and Canada to use and sublicense use of all such trademarks (the "SCL License Agreements"). SCL's principal business address is in the United Kingdom at Broadwater Park, Denham, Buckinghamshire, UB9 5HR.

SCH has granted - - pursuant to a master license agreement (originally entered into between each party's respective predecessor) which was amended and restated most recently on September 10, 2021 (the "Master License") - - Holiday the right to franchise and operate the Holiday Inn®, Holiday Inn Express®, Holiday Inn® Resort, Crowne Plaza® Hotels & Resorts, Staybridge Suites®, Candlewood Suites®, Hotel Indigo®, EVEN® Hotels, voco™ Hotels, Vignette Collection™ hotels, avid® hotels, InterContinental® Hotels & Resorts and Atwell Suites™ systems in the United States and Canada. Under the terms of the Master License, certain fees paid by franchisees, other than the royalties and related fees, are payable to SCH, and either SCH or Holiday may collect those amounts from franchisees. Also under the Master License, SCH is required to provide Holiday and its licensees with central marketing, reservation and training services.

SCH has also offered franchises outside of North America for the Crowne Plaza®, Holiday Inn Express® and Holiday Inn® hotel brand groups since April, 1997 (and its predecessors engaged in such activities before that time, commencing originally in May, 1988). In November, 2010, SCH assigned some of its international licenses to certain affiliates of Holiday, as follows: InterContinental Hotels Group (Asia Pacific) Pte Ltd, a Singapore company, with a registered business address of 230 Victoria Street #13-00 Bugis Junction Towers, Singapore 188024, Singapore and IHG Japan Management LLC, a Japanese company, with a registered business address of 20th Floor, Toranomon Kotohira Tower, 2-8, Toranomon 1-chome, Minato-ku, Tokyo, Japan. These companies now offer franchises on a regional basis, outside of the Americas.

Holiday's affiliate, IHG Hotels Limited, an English company, with its principal place of business located at Broadwater Park, Denham, Buckinghamshire, UB9 5HR, has offered franchises for the voco™ and Regent brand group hotels on a regional basis outside of the Americas since 2018. As of the date of this disclosure

document, there are 17 voco hotels in the United Kingdom, Middle East and Australia and 3 Regent Hotels in Europe and Asia which are open for business.

Holiday's affiliate, IHG Franchising Brasil LTDA, a Brazilian company, with its principal place of business located at Alameda Jau 537 #3S-E, Sao Paulo, Brazil, has offered franchises for the Holiday Inn®, Holiday Inn Express®, Candlewood Suites, Staybridge Suites®, InterContinental® Hotels & Resorts, Crowne Plaza® Hotels & Resorts, and Hotel Indigo® brand groups since 2007, for EVEN® Hotels since 2015 and for avid® hotels since 2019. As of the date of this disclosure document, there are 7 franchised Holiday Inn® hotels and 4 franchised Holiday Inn Express hotels open in Brazil.

Holiday's international affiliates disclosed above also offer InterContinental® Hotels & Resorts franchises on a regional basis, outside of the Americas. As of the date of this disclosure document, there are 39 franchised InterContinental® Hotels & Resorts hotels in Europe, the United States, Mexico, Latin America and the Asia/Pacific region, of which 6 hotels are co-branded under licensing agreements in Mexico (with "Grupo Presidente") and 3 are co-branded in Central America with Real Hotels & Resorts.

Holiday's affiliate, IHG Franchising, LLC ("IHGFL"), has offered franchises for Kimpton® Hotels & Restaurants since September, 2018. As of the date of this disclosure document, there are 7 franchised Kimpton® Hotels & Restaurants which are open for business in the United States. IHGFL does not operate businesses of the type franchised; however, certain of its affiliates manage such businesses and as of the date of this disclosure document, there are 67 managed Kimpton® Hotels & Restaurants worldwide. IHGFL's address is Three Ravinia Drive, Suite 100, Atlanta, GA 30346.

Except as set forth above, neither Holiday nor any of its parents or affiliates has offered franchises for any other line of business. Holiday does not operate businesses of the type being franchised, but its affiliates do. However, Holiday and its affiliates reserve the right to enter into any future business activities.

Holiday's affiliate, IHG Technology Solutions LLC, provides services related to the procurement, installation, training, use and maintenance of PMS equipment and software (see below). The address for IHG Technology Solutions LLC is Three Ravinia Drive, Suite 100, Atlanta, GA 30346.

Holiday has had no predecessor in the ten year period prior to the issuance date of this disclosure document.

PROPERTY MANAGEMENT, RESERVATION SYSTEM, & PAYMENT CARD PROCESSING SYSTEM:

SCH owns or licenses (in the case of certain software) and administers a computerized reservation network, the "Reservation System," revenue management system, and a cloud-based network. Components of the Reservation System, revenue management system, and cloud-based network operate under the name of IHG Concerto™ ("IHG Concerto™"). All Hotels must be linked to the aforementioned central Reservation System, including all system enhancements and upgrades such as the revenue management system ("RMS", which is fully integrated with IHG Concerto™) or such successor systems as SCH may designate. Hardware, software and network systems required to connect to the Reservation System must be fully operational when the Hotel opens, with appropriate management and staff trained and competent to operate the Reservation System at all times.

SCH requires each Vignette Collection™ Hotel to obtain and install an approved property management system ("PMS"). As of the date of this disclosure document, the Oracle America, Inc. Opera or Opera Xpress solutions are the only approved PMS. The Opera or Opera Xpress PMS Software are supplied by Oracle America, Inc. ("Oracle"). In addition, a front office protection (FastConnect Plus, currently provided by AT&T) service is required as part of PMS deployment (see Items 8 and 11 of this disclosure document for a detailed description of the systems).

You must enter into the Master Technology Services Agreement ("MTSA") (attached as Exhibit C to this disclosure document) with IHG Technology Solutions LLC in order to access and communicate with the Reservation System; an Opera license or hosting agreement (which are available upon request) with

Oracle for the software, installation, training, and maintenance of the PMS software; and a contract with AT&T for the FastConnect Plus service.

In August 2017, SCH entered into an Equipment Refresh and Integration Services Agreement with Hewlett-Packard Inc. ("HP") for deployment and procurement services for the hotel property management system. Pursuant to that agreement, HP will provide PMS hardware, software and deployment services at your Hotel. In September 2014, SCH entered into a Secure Payment System Deployment Services Agreement with HP for the procurement and installation services of a credit card solution. Pursuant to that agreement, HP will provide hardware, software, and installation services at your Hotel. You must enter into HP Joinder Agreements in order to obtain the PMS hardware, software and deployment services, and the SPS solution at your Hotel. Copies of the HP Joinder Agreements can be found within Exhibit C to this disclosure document.

The Reservation System will provide room availability and rate data on all hotels that Holiday franchises. You must also participate in Holiday's reservation and referral system. This system will facilitate communication of reservations to you from Holiday and from other hotels that Holiday franchises on a reservation referral basis.

SCH may install one or more "private network" connecting services, or another solution as specified, for use in communicating with the Reservation System or PMS.

IHG Concerto™ is a technology platform designed to enable many capabilities such as reservations, rate management, inventory management and yielding and interactive homepage. The IHG Concerto™ platform is also designed to support effective management of Hotel Content and quick response to Guest Relations issues.

SCH administers a computerized payment card processing program, Secure Payment Solution ("SPS"). SPS is a data security process designed to remove certain credit card information from our systems. Using PCI certified payment terminals, credit card data will be encrypted and converted to tokens before entering the PMS. SCH has contracted with FreedomPay to provide the tokenization application services. All Hotels are required to use SPS or such successor payments program as may be implemented by SCH. Each franchisee will be required to enter into a merchant processing agreement with FDS Holdings, Inc., the SCH-approved merchant service provider, and a participation agreement with SCH (see Exhibit I-4).

CONDOMINIUM AND TIMESHARING PROJECTS:

Holiday may consider granting a franchise in connection with a condominium or timesharing hotel development project. Because such projects are complex and unique, each project must be considered by Holiday individually. Holiday will determine, according to the unique facts of each proposed development, to what extent variations and additions to the License terms and provisions, including without limitation additional royalties and other fees, are warranted. Therefore, it is probable that Holiday will vary materially License terms and provisions for condominium or timesharing hotel developments, but at this time there is no formal program or guidelines with general applicability.

In September 2008, Holiday entered into license agreements and other agreements (which were subsequently amended in 2019) with Holiday Inn Club Vacations Incorporated (formerly known as Orange Lake Country Club, Inc.) and certain of its affiliates (collectively, "HICV"). Among other things, the agreements provide for HICV's use of the Holiday Inn Club Vacations® brand in connection with the branding of certain timeshare resorts developed and/or operated by HICV and the sales and marketing of timeshare interests in such resorts, and the agreements permit HICV to use the Holiday Inn Club® service mark in connection with the branding and operation of HICV's timeshare exchange program. The licensing arrangement grants HICV certain exclusive rights to use the Holiday Inn Club Vacations® and Holiday Inn Club® service marks (the "Service Marks") within the United States and certain other territories and prohibits Holiday from franchising the Holiday Inn Club Vacations® brand or allowing third parties to use the Service Marks while HICV's exclusivity rights are in effect, subject to the conditions of the licensing arrangement. Accordingly, Holiday does not offer franchises involving

timeshare properties. As of the date of this disclosure document, HICV's exclusivity rights were in effect and Holiday and HICV had entered into license agreements for the branding by HICV of twenty-eight timeshare resorts located within the United States. All of those resorts were developed and/or are operated by HICV.

THE MARKET:

The market for hotel services is highly developed. The lodging industry is very competitive. You will compete with a wide range of facilities offering various types of lodging and related services (including other hotel brands that Holiday or its affiliates franchise or manage). These facilities include various other types of operations, some of which belong to large national and international companies. Your ability to compete in your market will depend upon factors such as your geographic area, specific site location, general economic conditions and the capabilities of your management and service team.

INDUSTRY-SPECIFIC REGULATIONS:

You must comply with a number of federal, state and local laws which apply generally to hotel businesses. These include laws affecting zoning and construction, public accommodations, accessibility by persons with disabilities, service of alcoholic beverages, health and safety, food storage and preparation, labor, data security and privacy. Many of these laws vary from jurisdiction to jurisdiction. It is your responsibility to learn about and comply with all applicable laws including the following:

Health and Sanitation. Most states have regulations or statutes governing the lodging business and related services. Many state and local authorities require licensing of lodging businesses to assure compliance with health and sanitation codes. Health related laws affect the use of linens, towels, and glassware and food preparation and service, among other things.

Facility Operations. Lodging facilities are subject to state innkeepers' laws that may (i) allow innkeepers to impose liens against the possessions of guests who do not pay their bills; (ii) limit the liability of innkeepers regarding guests' valuables; (iii) require posting of house rules and room rates in each room or near the registration area; (iv) require registration of guests and proof of identity at check-in, and retention of records for a specified period of time; (v) limit the right of innkeepers to refuse lodging to certain guests; and (vi) limit the right of innkeepers to evict guests in certain circumstances. Applicable federal and state civil rights laws prohibit discrimination in hotels on the basis of race, creed, color or national origin. Some states prohibit "overbooking" and require innkeepers to find other accommodations if the guest has paid a deposit. Some states and municipalities have also enacted laws and regulations governing non-smoking areas and guest rooms.

Persons with Disabilities. The Americans With Disabilities Act ("ADA") requires hotels that are newly constructed or altered on or after March 15, 2012 to be compliant with the provisions of the ADA (28 CFR Part 36) and all of the requirements of the 2010 ADA Standards for Accessible Design contained in 28 CFR Part 36, Subpart D and 36 CFR Part 1191, Appendices B and D (the "2010 Standards"). Hotels constructed or altered between September 15, 2010 and March 15, 2012 may comply with either the 2010 Standards or the prior 1991 ADA Standards for Accessible Design ("1991 Standards"), but a hotel must use the selected standards for all elements in the entire facility. If elements in hotels existing before September 15, 2010 already comply with corresponding elements in the 1991 Standards and are not being altered, hotels are not required to make changes to those elements to bring them into compliance with the 2010 Standards until such time as those elements are altered. The ADA, 2010 Standards and 1991 Standards contain certain specific criteria for accessibility of public spaces and elements in hotels as well as room design, auxiliary equipment in rooms, and distribution of rooms designated as accessible for guests with disabilities. The ADA, 2010 Standards and 1991 Standards also set forth various operational requirements for hotels and reservation system requirements. These reservation system requirements have been incorporated into the Reservation System and the Standards. You are responsible for on-going compliance with the ADA, applicable design standards, and related local, state and federal laws and regulations at your Hotel. The entire text of the ADA, the 2010 Standards, and the 1991 Standards are available through IHG Merlin, the internet-based information delivery service for System hotels, as well as

www.ada.gov. Note that ADA compliance is not included in the Vignette Collection™ rooms plan review process.

Telephone Charges. Federal and state laws and regulations affect the re-offering of local, intrastate, and long-distance telephone services in hotel guest rooms and at coin box telephones. Surcharges on local and intrastate calls are regulated or prohibited in some states.

COVID-19. As a response to the global outbreak of the COVID-19 pandemic, governmental authorities have imposed operating restrictions, limitations on group gatherings, forced closures, and other requirements and conditions that impact the lodging industry, all of which vary on a federal, state and local level and which, as of the issuance date of this Disclosure Document, continue to evolve. It is your sole responsibility to research and comply with all applicable laws, rules, and orders of any government authority concerning the outbreak and your response. Holiday reserves the right to make any adjustments to our services as it may determine necessary, in its sole judgement, from time to time in order to protect health and safety. These adjustments may include, by way of example but without limitation, suspending in-person gatherings such as training, meetings and conferences; instead, such events may be conducted virtually.

ITEM 2

BUSINESS EXPERIENCE

Chief Executive Officer, InterContinental Hotels Group, PLC – Keith Barr:

Chief Executive Officer, InterContinental Hotels Group, PLC (since July, 2017); Chief Commercial Officer, InterContinental Hotels Group, PLC (May, 2013-June, 2017).

Chief Executive Officer, Americas – Elie W. Maalouf:

Chief Executive Officer, Americas (since January, 2015).

Chief Development Officer, Americas – Joel M. Eisemann:

Chief Development Officer, Americas (since September, 2011).

Chief Operating Officer, Americas – Jason M. Caiafa:

Chief Operating Officer, Americas (since February, 2020); Senior Vice President, Hotel Life Cycle and Growth Initiatives (February, 2018-January, 2020); Vice President, Americas Strategy (April, 2015-January, 2018).

Senior Vice President, Global Loyalty & Partnerships – Heather Balsley:

Senior Vice President, Global Loyalty & Partnerships (since November, 2019); Senior Vice President, Global Marketing, Mainstream Brands (February, 2018-October, 2019); Senior Vice President, Americas Brands and Marketing (February, 2016-January, 2018).

Senior Vice President, Global Marketing, Mainstream Brands – Jennifer Gribble:

Senior Vice President, Global Marketing, Mainstream Brands (since November, 2019); Vice President, Global Holiday Inn Express, avid hotels & Mainstream Growth (April, 2018-October, 2019); Vice President, Americas Holiday Inn Express & avid hotels (January, 2017-March, 2018); Vice President, Americas Holiday Inn Express (July, 2014-December, 2016).

Senior Vice President, Global Marketing, Luxury Brands – Jane Mackie:

Senior Vice President, Global Marketing, Luxury Brands (since March, 2019); Chief Marketing Officer, Aman Group Sarl, Baar, Switzerland (April, 2017-November, 2018); Vice President, Fairmont Brand, FRHI Hotels and Resorts, Toronto, Ontario, Canada (October, 2013-March, 2017).

Senior Vice President, HR Americas & Global Learning – Raymond Co:

Senior Vice President, HR Americas & Global Learning (since September, 2018); Vice President,

Human Resources, Greater China (September, 2013-August, 2018).

Senior Vice President and General Counsel, Americas – Nimesh Patel:

Senior Vice President and General Counsel, Americas (effective September, 2020); Vice President and Associate General Counsel, Americas (October, 2011-September, 2020).

Senior Vice President and Chief Financial Officer, Americas – Michael Glover:

Senior Vice President and Chief Financial Officer, Americas (since August, 2019); Senior Vice President and Group Controller (September, 2015-August, 2019).

Senior Vice President, Capital Investments and Transactions – Robert J. Chitty:

Senior Vice President, Capital Investments and Transactions (since February, 2018); Senior Vice President, Global Corporate Finance, Acquisitions and Mergers (March, 2014-January, 2018).

Senior Vice President, Hotel Lifecycle and Growth, Americas – Chris Bagnato:

Senior Vice President, Hotel Lifecycle and Growth, Americas (since February, 2020); Vice President, Franchise Lifecycle (April, 2018-February, 2020); Vice President, Franchise Performance Support (October, 2015-March, 2018).

Senior Vice President, Development – Julienne Smith:

Senior Vice President, Development (since August, 2019); Senior Vice President Development and Owner Relations, Hyatt Hotels Corp, Chicago, IL (July, 2014-April, 2019).

Director, Owner & Franchise Services, Americas – David Comai:

Director, Owner & Franchise Services, Americas (since September, 2009).

Vice President, Development & Owner Support – Eric Frye:

Vice President, Development & Owner Support (since January, 2021); Vice President, Full Service Development, Marriott International, Bethesda, MD (January, 2011-September, 2020).

Vice President, Transactions & Asset Management – Matt Frankiewicz:

Vice President, Transactions & Asset Management (since May, 2017); Senior Director of Development and Asset Management, White Lodging Services Corporation, Merrillville, IN (March, 2010-April, 2017).

Director, Transactions & Asset Management – Josh Josephson:

Director, Transactions & Asset Management (since January, 2015).

Director, Transactions & Asset Management – Kevin M. Winkowski:

Director, Transactions & Asset Management (since March, 2018); Manager, Transactions & Asset Management (March, 2014-March, 2018).

Vice President, Upscale Development – Arik Kono:

Vice President, Upscale Development (since January, 2016); Vice President, Development, Starwood Hotels & Resorts (Marriott International), Atlanta, GA (January, 2006-December, 2016).

Vice President, Upscale Development – Christopher Dobbins:

Vice President, Upscale Development (since September, 2017); Vice President Development West, Hyatt Hotels Corp, Scottsdale, AZ (October, 2005-August, 2017).

Vice President, Luxury and Upscale Development – Alex Kuhl:

Vice President, Luxury and Upscale Development (since April, 2020); Vice President, Upscale Development (January, 2011-March, 2020).

Vice President, Franchise Sales and Development, Mainstream Brands – Kevin Schramm:

Vice President, Franchise Sales and Development, Mainstream Brands (since October, 2019); Regional Vice President, Franchise Sales and Development, West Core Brands (December, 2013-September, 2019).

Regional Vice President, Franchise Sales and Development, East Mainstream Brands – Roland J. Schick:

Regional Vice President, Franchise Sales and Development, East Mainstream Brands (since October, 1995).

Regional Vice President, Franchise Sales and Development, Northeast Mainstream Brands – Mitchell Salaman:

Regional Vice President, Franchise Sales and Development, Northeast Mainstream Brands (since September, 2016).

Regional Vice President, Franchise Sales and Development, West Mainstream Brands – Shawn P. Siemers:

Regional Vice President, Franchise Sales and Development, West Mainstream Brands (since October, 2019); Regional Director, Franchise Sales and Development (June, 2004-September, 2019).

Regional Director, Franchise Sales and Development – David Bingham:

Regional Director, Franchise Sales and Development (since January, 2011).

Regional Director, Franchise Sales and Development – Dan Duenas:

Regional Director, Franchise Sales and Development (since November, 2019); Business Development Manager, Franchise Sales & Development, West Core Brands (July, 2017-October, 2019); Sales Representative, Cleveland/Srixon Golf Co., Scottsdale, AZ (January, 2005-June, 2017).

Regional Director, Franchise Sales and Development – Cooper Gantt:

Regional Director, Franchise Sales and Development (since November, 2019); Business Development Manager, Franchise Sales and Development, West Core Brands (June, 2016-October, 2019).

Regional Director, Franchise Sales and Development – Laurie Gardner:

Regional Director, Franchise Sales and Development (since May, 2012).

Regional Director, Franchise Sales and Development – John D. Faught:

Regional Director, Franchise Sales and Development (since 1997).

Regional Director, Franchise Sales and Development – Dan Henretty:

Regional Director, Franchise Sales and Development (since November, 2006).

Regional Director, Franchise Sales and Development Canada – Stuart Laurie:

Regional Director, Franchise Sales and Development Canada (since 1995).

Regional Director, Franchise Sales and Development – Alex Moeckel:

Regional Director, Franchise Sales and Development (since August, 2016).

Regional Director, Franchise Sales and Development – Ed Shaw:

Regional Director, Franchise Sales and Development (since April, 2002).

Regional Director, Franchise Sales and Development – Silas K. Simpson:

Regional Director, Franchise Sales and Development (since 1999).

Regional Director, Franchise Sales and Development – William L. Watson:

Regional Director, Franchise Sales and Development (since January, 2015).

Regional Director, Franchise Sales and Development – Mark Zach:

Regional Director, Franchise Sales and Development (since July, 2013).

Manager, Business Development, Canada – Anto Vrdoljak:

Manager, Business Development, Canada (since July, 2016).

Director, Luxury Development – Genna M. Panagopoulos:

Director, Luxury Development (since August, 2020); Director, Upscale Development (July, 2019-July, 2020); Development Manager, Upscale Development, North America (May, 2016-June, 2019).

Director, Upscale Development – Madison Schliewe:

Director, Upscale Development (since July, 2019); Development Manager, Upscale Development, North America (January, 2018-June, 2019); Manager, Investment Analysis (April, 2017-January, 2017); Senior Analyst, Feasibility and Development Finance, Hyatt Hotels Corporation (March, 2015-April, 2017).

Development Manager, Upscale Development – Misty E. Roe:

Development Manager, Upscale Development (since October, 2016).

Business Development Manager, Franchise Sales and Development, Mainstream Brands – Courtney O'Donnell:

Business Development Manager, Franchise Sales and Development, Mainstream Brands (since November, 2016); Coordinator – Real Estate Investment Management, Starwood Hotels & Resorts, New York, NY (March, 2014-October, 2016).

Business Development Manager, Franchise Sales & Development, Mainstream Brands – Marcus Linden:

Business Development Manager, Franchise Sales & Development, Mainstream Brands (since March, 2018); Manager, Investment Analysis (February, 2017-February, 2018); Senior Analyst, Investment Analysis (January, 2016-February, 2017).

Development Manager, Upscale Development – Jimmy Bae:

Development Manager, Upscale Development (since August, 2020); Business Development Manager, Franchise Sales and Development, West Core Brands (July, 2019-August, 2020); Director, Investment Analysis, Americas (January, 2015-June, 2019).

Vice President, Franchise Licensing and Compliance – Jenny L. Tidwell:

Vice President, Franchise Licensing and Compliance (since January, 2009).

Lead Manager, Franchise Licensing and Compliance – Elisa A. Uhlis:

Lead Manager, Franchise Licensing and Compliance (since April, 2015).

Lead Manager, Franchise Licensing and Compliance – Gwendolyn E. Gailliard:

Lead Manager, Franchise Licensing and Compliance (since June, 2018); Lead Specialist, Franchise Licensing and Compliance (September, 2015-June, 2018).

Lead Manager, Franchise Licensing and Compliance – David Ferguson:

Lead Manager, Franchise Licensing and Compliance (since January, 2021); Manager, Franchise Licensing and Compliance (September, 2017-January, 2021); Lead Regional Licensing Specialist, Franchise Licensing and Compliance (September, 2015-September, 2017).

Manager, Franchise Licensing and Compliance – Baris Ozdiker:

Manager, Franchise Licensing and Compliance (since May, 2013).

Manager, Franchise Licensing and Compliance – Jennifer N. Prince:

Manager, Franchise Licensing and Compliance (since March, 2015).

Head of Global Hotel Indigo – Carol Hoeller:

Head of Global Hotel Indigo (since May, 2018); Director, Guest Experience, Crowne Plaza (June, 2013-May, 2018).

Vice President, Global Crowne Plaza and voco Americas – Ginger Taggart:

Vice President, Global Crowne Plaza and voco Americas (since August, 2020); Vice President Global Luxury Brands (April, 2018-August, 2020); Vice President Global InterContinental and Crowne Plaza Brands (February, 2017-April, 2018); Vice President Global Crowne Plaza Brand (June, 2015-February, 2017).

Head of Global Luxury Brands – Jenifer Reese:

Head of Global Luxury Brands (since March, 2020); Director, Global Luxury Brands (March, 2018-March, 2020); Director, Global Crowne Plaza (October, 2015-March, 2018).

Vice President, Global Holiday Inn/Holiday Inn Resorts & EVEN Hotels – Raul Ortiz:

Vice President, Global Holiday Inn/Holiday Inn Resort & EVEN Hotels (since September, 2020); Vice President, Global Staybridge Suites, Candlewood Suites & EVEN Hotels (September, 2019-September, 2020); Vice President, Global Staybridge Suites & Candlewood Suites Brands (April, 2018-September, 2019); Vice President, Extended Stay Brands, Americas (June, 2017-March, 2018); Marketing Director, Holiday Inn & Crowne Plaza - Americas (August, 2014-June, 2017).

Vice President, Global Holiday Inn Express – Stephanie Atiase:

Vice President, Global Holiday Inn Express (since January, 2021); Senior Director, Strategy and New Ventures, Hilton, Washington, DC (December, 2019-October, 2020), Senior Director, Corporate Strategy and Corporate Development, Hilton, Washington, DC (September, 2016-December, 2019), Project Leader, Boston Consulting Group, Washington, DC (January, 2015-September, 2016).

Vice President, Global avid hotels & Atwell Suites – Karen Gilbride:

Vice President, Global avid hotels & Atwell Suites (since November, 2019); Head of avid hotels (January, 2017-October, 2019); Director, Multi-Brand Concepts & Delivery, Americas (June, 2015-January, 2017).

Vice President, Global Staybridge Suites & Candlewood Suites – Justin Alexander:

Vice President, Global Staybridge Suites & Candlewood Suites (since September 2020); Director, Global Brand Design, Staybridge Suites & Candlewood Suites (November, 2019-August, 2020); Director, Global Brand Design, Candlewood Suites (October, 2017-October, 2019); Director, Brand Experience, Holiday Inn Americas (September, 2013-September, 2017).

Vice President, Franchise Performance Owner Support – Patrick Dwyer:

Vice President, Franchise Performance Owner Support (since April, 2018); Franchise Performance Support, Vice President – Mid-Atlantic Region (October, 2015-March, 2018).

Vice President, Operations, Extended Stay – Jimmy Taylor:

Vice President, Operations, Extended Stay (since October, 2015).

Vice President, Franchise Performance Support, US & Canada – Kurt Weber:

Vice President, Franchise Performance Support, US & Canada, Atlanta, GA (since April, 2019); Chief Operating Officer, Account Management, Sales and Customer Support, Alliance Reservations Network, Orlando, FL (August, 2017-April, 2019); Regional Vice President, Franchise Operations, Starwood Hotels & Resorts, Atlanta, GA (January, 2015-January, 2017).

Franchise Performance Support, Regional Vice President, Crowne Plaza Accelerate – Debbie Grant:

Franchise Performance Support, Regional Vice President, Crowne Plaza Accelerate (since May, 2018); Franchise Performance Support, Vice President – Southeast Region (October, 2015-May, 2018).

Franchise Performance Support, Regional Vice President, Mid-Atlantic – Trent Croxall:

Franchise Performance Support, Regional Vice President, Mid-Atlantic (since May, 2018); Director, Hotel Operations Support (July, 2014-May, 2018).

Franchise Performance Support, Regional Vice President, West – Tim Kennedy:

Franchise Performance Support, Regional Vice President, West (since October, 2015).

Franchise Performance Support, Regional Vice President, Southeast – Cindy Murphy:

Franchise Performance Support, Regional Vice President, Southeast (since December, 2015).

Franchise Performance Support, Regional Vice President, South – John Kelley:

Franchise Performance Support, Regional Vice President, South (since May, 2018); Regional Director, Franchise Performance Support, South Region (October, 2015-May, 2018).

Franchise Performance Support, Regional Vice President, West – Mike Fitzmaurice:

Franchise Performance Support, Regional Vice President, West (since May, 2018); Regional Director, Franchise Performance Support, West Region (October, 2015-May, 2018).

Franchise Performance Support, Regional Vice President, Central – Dawn Allcroft:

Franchise Performance Support, Regional Vice President, Central (since May, 2018); Regional Director, Franchise Performance Support, Central Region (October, 2015-May, 2018).

Franchise Performance Support, Regional Vice President, East Central – Dave McAllister:

Franchise Performance Support, Regional Vice President, East Central (since July, 2019); Area Manager, Franchise Performance Support (October, 2013-July, 2019).

Franchise Performance Support, Regional Vice President, West Central – Tony Franzen:

Franchise Performance Support, Regional Vice President, West Central (since May, 2018); Franchise Performance Support Director, West Central Region (October, 2015-May, 2018).

Franchise Performance Support, Regional Vice President, Canada – Jonathan Lund:

Franchise Performance Support, Regional Vice President, Canada (since October, 2015).

Franchise Performance Support, Regional Vice President, Appalachia – Kevin Schockling:

Franchise Performance Support, Regional Vice President, Appalachia (since May, 2018); Franchise Performance Support Director, Appalachia (October, 2015-May, 2018).

Franchise Performance Support, Regional Vice President, Central – Rod Lindsey:

Franchise Performance Support, Regional Vice President, Central (since May, 2018); Franchise Performance Support Director, Central (October, 2015-May, 2018).

Franchise Performance Support, Regional Vice President, North – George C. Hall:

Franchise Performance Support, Regional Vice President, North (since May, 2018); Franchise Performance Support Director, North (April, 2017-May, 2018); General Manager, Task Force (June, 2016-March, 2017).

Franchise Performance Support, Regional Vice President, North – Hafeez Merani:

Franchise Performance Support, Regional Vice President, Southwest Region (since November, 2019); Franchise Performance Support, Western Canada Region (September, 2016-November, 2019).

Franchise Performance Support, Regional Vice President, New York – Jay Lyden:

Franchise Performance Support, Regional Vice President, New York (since July, 2019); Senior Director Full Service Franchising, Marriott International, Bethesda, MD (January, 2017-July, 2019); Senior Director of Franchise Operations, Starwood Hotels and Resorts, Atlanta, GA (January, 2012-December, 2016).

Principal, Architecture and Design – John M. Leary:

Principal, Architecture and Design (since December, 2018); Vice President, Project Management, Park Hotels and Resorts, McLean, VA (January, 2017-December, 2018); Vice President, Capital Projects, Hilton Worldwide, McLean, VA (June, 2009-December, 2016).

ITEM 3

LITIGATION

Note: Throughout Item 3, Six Continents Hotels, Inc. (f/k/a Bass Hotels and Resorts, Inc.) is referred to as "SCH" and Holiday Hospitality Franchising, LLC (f/k/a Holiday Hospitality Franchising, Inc. and Holiday Inns Franchising, Inc.) is referred to as "Holiday." Please see Item 1 for further detail on corporate history and corporate name changes.

Pending Litigation:

A. Pending Litigation Relating Solely to the Vignette Collection™ Brand

None.

B. Pending Litigation Not Relating Solely to the Vignette Collection™ Brand

Holiday, SCH, and the IHG Owner's Association are named defendants in six class action lawsuits filed by punitive classes of Holiday franchisees in Connecticut, Louisiana, New Jersey, New Mexico, Ohio, Pennsylvania and Texas. Each of the lawsuits allege that Holiday and SCH engages in unlawful and otherwise improper franchise business practices, including, imposing unreasonable products, services and requirements and receiving improper kickbacks from required purchases. Specifically, the lawsuits assert causes of action including breach of contract, breach of the implied covenant of good faith and fair dealing, breach of fiduciary duty, declaratory judgment, violation of the Sherman Act, and a demand for an accounting. Holiday and SCH believe the allegations to be meritless and intend to defend the allegations vigorously. The six lawsuits are:

(1) Park 80 Hotels LLC, a Louisiana limited liability company, PL Hotels, LLC, a Louisiana limited liability company, individually, and on behalf of a class of similarly situated individuals and entities v. Holiday Hospitality Franchising, LLC, Six Continents Hotels, Inc. D/b/a Intercontinental Hotels Group and IHG Owners Association, Inc., United States District Court for the Eastern District of Louisiana, Civil Action No. 2:21-cv-974 (May 19, 2021).

(2) Aaron Hotel Group, LLC, a Connecticut limited liability company, individually, and on behalf of a class of similarly situated individuals and entities v. Holiday Hospitality Franchising, LLC, Six Continents Hotels, Inc. d/b/a Intercontinental Hotels Group and IHG Owners Association,

Inc., United States District Court for the District of Connecticut, Civil Action No. 3:21-cv-00727 (May 27, 2021).

(3) PH Lodging Tomball, LLC, a Texas limited liability company, on behalf of itself and a class of similarly situated entities v. Holiday Hospitality Franchising, LLC, Six Continents Hotels, Inc. d/b/a Intercontinental Hotels Group and IHG Owners Association, United States District Court for the Southern District of Texas, Civil Action No. 4:21-cv-01803 (June 3, 2021).

(4) Synergy Hotels, LLC, an Ohio Limited Liability Company, on behalf of itself and all those similarly situated v. Holiday Hospitality Franchising, LLC, Six Continents Hotels, Inc. D/b/a InterContinental Hotels Group and IHG Owners Association, Inc., United States District Court for the Southern District of Ohio, Civil Action No. 2:21-cv-03248-MHW-KAJ (June 7, 2021).

(5) Bensalem Lodging Associates, LLC, a Pennsylvania Limited Liability Company, individually and on behalf of all others similarly situated v. Holiday Hospitality Franchising, LLC, Six Continents Hotels, Inc. D/b/a Intercontinental Hotels Group and IHG Owners Association, Inc., United States District Court for the District of Pennsylvania, Civil Action No. 2:21-cv-02882 (D. Penn. June 29, 2021).

(6) A Hunts Mills Associates LLC, a New Jersey Limited Liability Company, individually and on behalf of all others similarly situated v. Holiday Hospitality Franchising, LLC, Six Continents Hotels, Inc. d/b/a Intercontinental Hotels Group and IHG Owners Association, Inc. d/b/a Intercontinental Hotels Group and IHG Owners Association, Inc., Civil Action No. 2:21-cv-13726 (D. N.J. July 16, 2021).

(7) 110 Sunport LLC, a New Mexico Limited Liability Company, individually and on behalf of all others similarly situated v. Holiday Hospitality Franchising, LLC, Six Continents Hotels, Inc. d/b/a Intercontinental Hotels Group, Civil Action No. 1:21-cv-00844 D.N.M. August 26, 2021).

Holiday Hospitality Franchising, LLC v. Triumph Investment Group, L.L.C., Navintal M. Patel a/k/a Navnit M. Patel, and Manuben Navintal Patel a/k/a Manu N. Patel, State Court of Dekalb County, Georgia, Civil Action File No. 21A01070 (March 2, 2021).

On March 2, 2021, Holiday filed a lawsuit against the defendants seeking liquidated damages and unpaid system fees owed under a Staybridge Suites® license agreement that Holiday terminated as a result of the licensee's failure to pay amounts owed to Holiday under the agreement. On July 7, 2021, the defendants asserted a counterclaim against Holiday raising substantially similar allegations to those raised in the franchise class actions summarized immediately above. The defendants asserted counterclaims for breach of contract, breach of the implied covenant of good faith and fair dealing, breach of fiduciary duty, declaratory judgment, and a demand for an accounting. Holiday believes the allegations to be meritless and intends to defend the allegations vigorously.

Holiday Hospitality Franchising, LLC v. Niranjan Khatiwala, Nimesh D. Vesuwala and Mayur N. Khatiwala, State Court of Dekalb County, Georgia, Civil Action File No. 20A83898 (December 11, 2020).

On December 11, 2020, Holiday filed a lawsuit against the defendants seeking liquidated damages and unpaid system fees owed under a Crowne Plaza® license agreement that Holiday terminated as a result of the licensee's failure to pay amounts owed to Holiday under the agreement. On April 30, 2021, the defendants filed counterclaims against Holiday alleging Holiday imposed unreasonable renovation requirements on the licensee related to the subject hotel and required renovations outside the scope of the requirements of the applicable agreements. The defendants asserted claims for breach of contract, breach of quasi-contract, negligent misrepresentation,

promissory estoppel, and attorneys' fees. Holiday believes the allegations to be meritless and intends to defend the allegations vigorously.

Scion Hotels LLC vs. Holiday Hospitality Franchising, LLC, United States District Court, New Jersey, Civil Action File No. 2:21-cv-02276-MCA-MAH (February 18, 2021)

Scion Hotels LLC ("Scion"), a New Jersey franchisee of a Holiday Inn hotel, filed a civil complaint against Holiday to obtain damages for violation of the New Jersey Franchise Practices Act in allegedly wrongfully imposing unreasonable standards of performance upon Scion and then wrongfully refusing to renew its license agreement. Scion's allegations initially focused on the alleged concealment of Holiday's intent to convert a nearby 400-room Ramada Plaza to a full-service Holiday Inn (completed in January 2020), proposed licensing of a nearby Hampton Inn as a Holiday Inn Express, and purported refusal to extend the existing license agreement with Scion to the end of 2021 (set to expire on April 21, 2021). Scion acquired the hotel on March 20, 2019 and signed a license agreement with IHG on June 4, 2019. Scion alleged that it would not have acquired the hotel had it known Holiday's intentions. On April 9, 2021, Scion filed an amended complaint which removed the previously-asserted allegations regarding alleged fraudulent concealment on the part of Holiday. The amended complaint asserts causes of action for wrongful non-renewal under the New Jersey Franchise Practices Act, constructive termination under the New Jersey Franchise Practices Act, and unreasonable standards of performance under the New Jersey Franchise Practices Act. Scion alleges damages of no less than $10 million. Holiday believes the allegations to be meritless and intends to defend the allegations vigorously.

Astoria Enterprises Ltd. v. Holiday Hospitality Franchising, Inc. and InterContinental Hotels Group PLC, The Queen's Bench Winnipeg Centre, File No. CI-07-01-54936 (December 21, 2007).

On December 21, 2007, Astoria Enterprises ("Astoria"), a former Licensee, filed suit against Holiday demanding $541,000 in damages for failing to renew or extend an existing license beyond its original termination date and for loss of reputation. According to Astoria, Holiday's refusal to renew the License was wrongful and commercially unreasonable. Holiday filed an answer denying any liability, and discovery is ongoing. Holiday intends to defend the allegations vigorously.

Marina di Castello SpA v. IHG Hotels Limited, Court of Santa Maria Capua Vetere, Italy, Docket No. 4307/27 (November 22, 2013).

The former licensee of the Holiday Inn Resort Naples - Castel Volturno hotel and the Crowne Plaza Caserta hotel issued a claim against IHG Hotels Limited ("IHGHL"), brought in the Court of Santa Maria Capua Vetere, seeking to have the Court: 1) declare that the arbitration provisions in the license agreements are invalid; 2) determine whether or not IHGHL's conduct has resulted in damages to the licensee of circa €3,000,000; 3) determine that IHGHL owes the licensee €1,467,316 in respect of excess fees paid to IHGHL (plus interest) re: the Holiday Inn Castel Volturno hotel and €325,027 in respect of excess fees paid to IHGHL (plus interest) re: the Crowne Plaza Caserta hotel; and 4) award licensee's costs in respect of the claim. IHGHL terminated the license agreements for both hotels in March 2013 for non-payment of fees of €373,000 and an early termination payment of €800,000 under the license agreement for the Crowne Plaza Caserta hotel and fees of €190,000 and an early termination payment of €417,000 under the license agreement for the Holiday Inn Resort Naples - Castel Volturno hotel. IHGHL believes these claims to be without merit and intends to defend against these claims vigorously.

K.J. Harjani & Cia Ltda v. Six Continents Hotels, Inc., 3rd Civil Court of Manaus, Brazil, Case No. 0022145-55.2006.8.04.0001 (July 5, 2006).

The former licensee of the Holiday Inn® hotel in Manaus, Brazil filed a lawsuit seeking damages for alleged wrongful termination of the license agreement. The license agreement was terminated due to non-compliance with brand standards in 2002. This lawsuit was filed on July 5, 2006 and Six Continents Hotels, Inc. ("SCH") was served in 2014. SCH filed an answer denying the claims and requesting dismissal for failure to prosecute. SCH intends to defend against this claim vigorously.

Holiday Hospitality Franchising, LLC v. 109454 Canada, Inc., Michael Rosenberg, and Louis Drazin, Province of Quebec, District of Montreal, Case No. 500-17-098388-179 (April 18, 2017).

On April 18, 2017, Holiday filed a lawsuit against the defendants seeking unpaid system fees and liquidated damages related to the termination of a Holiday Inn® hotel license agreement. On July 13, 2018, defendants filed a cross demand seeking damages for alleged misuse of the judicial process. A trial date for November 28, 2022 has been set and is scheduled to conclude by December 9, 2022. Holiday believes the allegations to be meritless and intends to defend the claim vigorously.

Hotels Cote de Liessee, Inc. v. Holiday Hospitality Franchising, LLC, Chancery Court for the State of Tennessee, Davidson County, Case No. 19-145-I (January 30, 2019).

Plaintiff, licensee of a Holiday Inn® hotel in Montreal, originally brought suit in Montreal, Canada - - in the case Hotels Cote de Liesse, Inc. v. Holiday Hospitality Franchising, LLC, Province of Quebec, District of Montreal, Superior Court No. 500-17-100372 (September 22, 2017) - - alleging that Holiday breached the obligation of good faith with respect to the license agreement by allegedly failing to honor alleged oral representations concerning a nearby hotel. The Montreal Court dismissed the claims against Holiday on November 26, 2018; after which dismissal, the Plaintiff then filed this complaint in Tennessee on January 30, 2019 alleging breach of contract of the hotel license agreement. Holiday believes the allegations to be meritless and intends to defend the claim vigorously. Plaintiff subsequently sold the hotel in violation of the license agreement in 2019, Holiday terminated the license agreement thereafter, and on April 10, 2020, Holiday asserted a counterclaim against Plaintiff and a third-party claim against Michael Rosenberg seeking unpaid system fees and liquidated damages arising from the early termination of the license agreement.

Holiday Hospitality Franchising, LLC, f/k/a Holiday Hospitality Franchising, Inc. v. RD Secaucus, LP, RosDev Hospitality US, LLC, and Michael Rosenberg, State Court of DeKalb County, GA, Civil Action File No. 18A71055-7 (September 11, 2018).

On September 11, 2018, Holiday filed a lawsuit against the defendants seeking unpaid system fees and liquidated damages related to the termination of a Crowne Plaza® hotel license agreement. On November 27, 2018, defendants filed a counterclaim alleging breach of contract, failure to provide consultation and advice, and misrepresentation. The parties participated in mediation, but were unsuccessful in reaching an amicable resolution. The parties are currently engaged in discovery. Holiday believes the counterclaim to be meritless and intends to defend against the claim vigorously.

Holiday Hospitality Franchising, LLC v. Stamford Plaza Hotel and Conference Center, L.P., RDCP Holdings and Michael Rosenberg, State Court of DeKalb County, GA, Civil Action File No. 20A78893 (January 30, 2020).

On January 30, 2020, Holiday filed a lawsuit against the defendants seeking more than $2 million in unpaid system fees owed to Holiday under a Crowne Plaza® hotel license agreement. On August 6, 2020, defendants filed substantially the same counterclaim that was asserted in the RD Secaucus matter described above (the two hotels are owned by the same group), and a separate claim for fraudulent inducement. Holiday believes the counterclaims to be meritless and intends to defend against the claims vigorously.CPTS Hotel Lessee LLC v. Holiday Hospitality Franchising, LLC, Supreme Court of the State of New York, 653517/2016 (June 5, 2016).

CPTS Hotel Lessee LLC ("CPTS"), the franchisee for the Crowne Plaza Times Square New York, sent Holiday a notice of termination and filed suit against Holiday on July 5, 2016 claiming that Holiday breached its license agreement and seeking in excess of $30M in damages. CPTS alleges that Holiday failed to effectively market the Crowne Plaza brand and Crowne Plaza branded hotels as upscale hotels so as to promote, protect and enhance the public image and reputation of the brand and to increase the demand for services offered by the System. The lawsuit also sought a declaratory judgment ordering that CPTS has the right to terminate its license agreement with Holiday. Holiday and InterContinental Hotels Group Resources, Inc. ("IHGR") filed a claim against CPTS seeking injunctive relief, a declaratory judgment and alleging breach of contract and fraud. On May 1, 2018, the

Court granted Holiday's motion for preliminary injunction, holding that CPTS could not terminate the license agreement until a final judgment is entered and all rights of appeal have been exhausted. Also on May 1, 2018, the Court denied CPTS's motion to dismiss the complaint, granted IHGR's application for a declaratory judgment that the license agreement is not terminable at will by CPTS, and dismissed IHGR's claim for fraud. CPTS appealed, and the appellate division upheld the decision in favor of Holiday. Holiday intends to vigorously defend its rights under the license agreement.

Kensington Close Hotel Limited ("KCH") v. IHG Hotels Limited ("IHG Hotels"), London Court of International Arbitration (December 23, 2019).

The franchisee owner of the Holiday Inn London Kensington High Street hotel issued a Statement of Claim in the London Court of International Arbitration on December 23, 2019. Owners claim that they sustained losses due to the operation of a neighboring IHG branded hotel. IHG Hotels submitted its response in opposition on February 12, 2020 and a merits hearing is set for November 30, 2020. On November 27, 2020 the parties finalized a settlement agreement in respect of the dispute resulting in IHG Hotels making payment to KCH. The parties are currently resolving costs and then the arbitration will be dismissed.

Tsemex Global Enterprise PLC & Tsemex Hotels and Business PLC ("Tsemex") v. IHG Hotels Limited and InterContinental Hotels Group, PLC ("IHG"), International Chamber of Commerce (March 13, 2020).

Claimant, owner of a proposed non-franchised hotel development project in Addis Abbaba, Ethiopia, filed a Statement of Claim with the International Chamber of Commerce alleging that IHG misrepresented its rights to license the Crowne Plaza brand in Ethiopia, causing damages. The Claimant's memorial and witness statements were received on March 23, 2020. . IHG served its responsive memorial on July 17, 2020. The Claimants served their second memorial on November 4, 2020 and IHG responded on January 13, 2021. The merits hearing is scheduled for July 5-14, 2021. IHG Hotels believes the allegations to be meritless and intends to defend the claim vigorously.

Anderson, et al. v. Kimpton Hotel & Restaurant Group, LLC, United States District Court, Northern District of California, Civil Action Case No. 3:19-cv-01860-MMC (April 5, 2019).

On April 5, 2019, Plaintiffs filed a purported class action suit alleging that they were harmed by the compromise of personal information due to a data security breach affecting Kimpton Hotels during the period August 10, 2016 – March 9, 2017. This suit relates to the breach of the Sabre SynXis reservation system used by Kimpton during the referenced time frame. On August 8, 2019, the court granted Kimpton's motion to dismiss the complaint. Plaintiffs filed an amended complaint on August 30, 2019, adding two new named plaintiffs. On November 1, 2019, the court granted Kimpton's motion to dismiss the amended complaint. Plaintiffs filed a second amended complaint on December 16, 2019. In response to Kimpton's motion to dismiss the second amended complaint, Plaintiffs amended the complaint for the third time on February 11, 2020. Kimpton answered on August 7, 2020 and the discovery process is underway. Kimpton believes the allegations to be meritless and intends to defend the claim vigorously.

Litigation Against Franchisees Commenced in the Last Fiscal Year:

Litigation against Franchisees and/or Guarantors for Unpaid Franchise Fees and/or other damages

Holiday Hospitality Franchising, LLC v. Stamford Plaza Hotel and Conference Center, L.P., RDCP Holdings and Michael Rosenberg, State Court of DeKalb County, GA, Civil Action File No. 20A78893. Date filed: January 30, 2020.

Holiday Hospitality Franchising, LLC v. Amika Capital Investments, Inc., Atulkumar R. Amin, Parul A. Amin and Hanabe J. Patel, United States District Court for the District of Colorado, Civil Action File No. 1:20-cv-00874. Date Filed: March 31, 2020.

Holiday Hospitality Franchising, LLC v. Sarahshua Enterprise LLC and Sal Shahriar, State Court of DeKalb County, GA, Civil Action File No. 20A80366. Date filed: May 11, 2020.

Holiday Hospitality Franchising, LLC v. Southwest Hotel Management, Inc., Kamlesh B. Gosai, Smita K. Gosai, Nainesh T. Desai, Anant J. Gandhi and Jyoti A. Gandi, State Court of DeKalb County, GA, Civil Action File No. 20A80420. Date filed: May 14, 2020.

Holiday Hospitality Franchising, LLC v. Arushi Enterprise Corporation, Laxmanbhai M. Patel and Harshaben L. Patel, State Court of DeKalb County, GA, Civil Action File No. 20A80866. Date filed: June 24, 2020.

Holiday Hospitality Franchising, LLC v. Suresh Anadani and Anita Anadani, United States District Court for the Northern District of Georgia, Civil Action File No. 1:20-cv-034360WMR. Date filed: July 8, 2020.

Holiday Hospitality Franchising, LLC v. Narain Gulabani, State Court of DeKalb County, GA, Civil Action File No. 20A81337. Date filed: July 27, 2020.

Holiday Hospitality Franchising, LLC v. William D. Singh and Apreet Kaur, State Court of DeKalb County, GA, Civil Action File No. 20A81697. Date filed: August 19, 2020.

Holiday Hospitality Franchising, LLC v. Manoj Mehta, State Court of DeKalb County, GA, Civil Action File No. 20A81785. Date filed: August 21, 2020.

Holiday Hospitality Franchising, LLC v. Brian M. Byrnes and Thomas D'Iorio, State Court of DeKalb County, GA, Civil Action File No. 20A81866. Date filed: August 25, 2020. Holiday Hospitality Franchising, LLC v. Surinder Bhogal and Bhanveet Kaur Bhogal, State Court of DeKalb County, GA, Civil Action File No. 20A83370. Date Filed: November 12, 2020.

Holiday Hospitality Franchising, LLC v. Niranjan Khatiwala, Nimesh D. Vesuwala and Mayur N. Khatiwala, State Court of DeKalb County, GA, Civil Action File No. 20A83898. Date Filed: December 11, 2020.

Concluded Litigation:

A. Concluded Litigation Relating Solely to the Vignette Collection Brand

None.

B. Other Concluded Litigation Not Relating Solely to the Vignette Collection Brand

Holiday Hospitality Franchising, LLC v. Jamesburg Hospitality, LLC, Ashok Pancholi, Yogesh Pancholi, Hetal Pancholi, and Vishnu Dayal, State Court of DeKalb County, GA, Civil Action File No. 20A80648 (June 5, 2020).

On June 5, 2020, Holiday filed a lawsuit against the defendants seeking unpaid system fees under a terminated Crowne Plaza® license agreement. On August 21, 2020, the defendants filed a counterclaim against Holiday alleging breach of contract and breach of covenant of good faith. The parties resolved the matter via a settlement that resulted in payments being made to Holiday and no payment made by Holiday. The litigation was dismissed on February 10, 2021.

Holiday Hospitality Franchising, LLC v. South Boston Hospitality, LLC, Prakash N. Bhoola, Urjita P. Bhoola, Rajendra Jariwala, and Hemlata R. Jariwala a/k/a Hemlataben R. Jariwala, State Court of DeKalb County, GA, Civil Action File No. 18A69075 (April 30, 2018).

On April 30, 2018, Holiday filed a lawsuit against the defendants seeking unpaid system fees and liquidated damages related to the termination of a Holiday Inn Express® hotel license agreement. On July 20, 2018, defendants filed a counterclaim alleging breach of contract, breach of implied covenant of good faith and fair dealing, fraud, and fraudulent misrepresentation. The parties resolved this matter via a settlement that resulted in payments being made to Holiday and no payment made by Holiday. The litigation was dismissed on September 30, 2020.

120-122 Water Street LLC, Raj Guru, Vinod Chand, Prakash Patel, Balram Kakkar, Neelam Jain v. Holiday Hospitality Franchising, LLC, United States District Court, Northern District of Georgia, Civil Action Case No. 1:20-cv-01154-JPB (March 13, 2020).

On March 13, 2020, the licensee and guarantors of a proposed Hotel Indigo® branded hotel to be located in New York filed suit against Holiday alleging breach of the covenant of good faith and fair dealing, common law fraudulent inducement, and negligent misrepresentation. Plaintiffs alleged that they were entitled to terminate the license agreement after deciding not to construct the hotel. Plaintiffs also sought a declaratory judgment and permanent injunction confirming that their actions terminated and cancelled the license agreement. The parties resolved the litigation consensually, the license agreement remains in effect and the licensee is currently in the process of preparing the hotel to open for business in accordance with the license agreement as a Hotel Indigo® branded hotel. The litigation was dismissed with prejudice on December 7, 2020.

David Orr v. InterContinental Hotels Group, PLC, Inter-Continental Hotels Corp., and InterContinental Hotels Group Resources, Inc., United States District Court, Northern District of Georgia, Civil Action No. 1:17-cv-01622-MHC (May 5, 2017).

Plaintiff filed a class action complaint on May 5, 2017 alleging breach of implied contract, negligence, and unjust enrichment regarding a payment card incident. Plaintiff alleges that the defendants failed to secure and safeguard customers' personal financial data. The court approved a motion for preliminary approval of settlement on May 18, 2020. On September 2, 2020, the court gave final approval and the case was dismissed with prejudice.

Jay Brodsky v. Hilton Worldwide Holdings, Inc., Hyatt Hotels Corporation, Marriott International, Inc., Wyndham Worldwide Corporation, InterContinental Hotel Group, John and Jane Doe, United States District Court for the Northern District of New Jersey, Case No. 2:18-cv-13045 (August 20, 2018).

Plaintiff filed suit against InterContinental Hotels Group ("IHG") and others alleging violations of federal antitrust law. The complaint alleged that the defendant hotel companies engaged in a scheme to restrict keyword bidding that resulted in Plaintiff being forced to pay higher hotel prices. The defendants resolved this matter with a total payment of $7,000 ($1,400 per defendant) to Plaintiff. The case was dismissed with prejudice on April 1, 2019.

Back Bay Resorts SWF, LLC and Edmund Shamsi v. Holiday Hospitality Franchising, LLC, United States District Court, Northern District of Georgia, Atlanta Division, Civil Action No. 1:14-cv-02521-ELR (August 14, 2014).

A current franchisee and guarantor who operate a Hotel Indigo brand hotel in Ft. Myers, Florida, filed suit seeking to terminate their license agreement. Plaintiffs sought actual damages they claimed to have suffered based on Holiday's alleged breaches of the license agreement, breach of the duty of good faith and fair dealing, and tortious interference with their contractual relationship with third party vendors and prospective hotel guests. Plaintiffs also sought declaratory and injunctive relief. On March 2, 2015, the court granted Holiday's motion to dismiss but gave plaintiffs leave to amend the complaint. On April 1, 2015, Plaintiff filed an amended complaint alleging breaches of the license agreement, violations of the duty of good faith and fair dealing, and seeking declaratory relief. On November 20, 2015, the court granted in-part Holiday's motion to dismiss. The court dismissed Plaintiff's claims that Holiday breached the license agreement and duty of good faith and fair dealing by failing to use certain fees collected to confer certain benefits upon the hotel. The court also dismissed Plaintiff's request for declaratory judgment. The parties resolved this matter with no money paid by Holiday. This matter was dismissed with prejudice on July 11, 2018.

110 Sunport, LLC, 786 Sunport, LLC, Gibbs Master Tenant, LLC, Tajdin Gillani, Rashida Gillani, Tushar Patel, Sangita Patel, Jayesh Patel, Nanda Patel, Ashish Patel, Yamini Patel v. Holiday Hospitality Franchising, LLC, United States District Court, District of New Mexico, Case No. 1:17-cv-01097-KBM-SCY (October 5, 2017).

On October 5, 2017, the licensees of a Holiday Inn® Express & Suites hotel and a Staybridge Suites hotel located in Albuquerque, New Mexico and the licensee and guarantors of a former Hotel Indigo® hotel located in San Antonio, Texas filed suit against Holiday alleging tortious interference with prospective contract, misrepresentation, unfair and unconscionable trade practices, repudiation of contract, breach of implied fiduciary duty, and breach of contract for payment plan. Plaintiffs originally filed suit in the State Court of New Mexico. Holiday removed the action to federal court and filed a motion to dismiss the claims. The parties resolved this matter with no payment made by Holiday. The litigation was dismissed with prejudice on December 26, 2018.

Holiday Hospitality Franchising, LLC v. Omkar Rocklin, Inc., Bhavin Mehta, and Monali Mehta, State Court of DeKalb County, Civil Action File No. 18A70085-5 (July 3, 2018).

On July 2, 2018, Holiday filed a lawsuit against the defendants seeking unpaid system fees and liquidated damages related to the termination of a Holiday Inn Express® hotel license agreement. On August 13, 2018, defendants filed a counterclaim alleging breach of contract, wrongful termination of license agreement, and breach of the implied duty of good faith and fair dealing. The parties resolved this matter with no payment made by Holiday. The litigation was dismissed with prejudice on June 10, 2019.

Holiday Hospitality Franchising, LLC v. AE Hotels, LLC, Adel Shehata and Heba Shehata, State Court of DeKalb County, GA, Civil Action File No. 18A71043 (September 11, 2018).

On September 11, 2018, Holiday filed a lawsuit against the defendants seeking unpaid system fees and liquidated damages related to the termination of a Holiday Inn Express® hotel license agreement. On October 24, 2018, defendants filed a counterclaim alleging unjust termination of the license agreement. On July 10, 2019, Holiday obtained a judgment against defendants in the amount of $950,145.90 plus attorneys' fees and prejudgment interest.

In the Matter of Foremost Hospitality HIEX GMBH and IHG Hotels Limited, London Court of International Arbitration (January 29, 2018).

On January 29, 2018, a party to a franchise agreement for a Holiday Inn Express® hotel to be located in Stuttgart, Germany, requested an arbitration proceeding in accordance with the terms of the franchise agreement. The Claimant alleged that that IHG Hotels Limited ("IHG Hotels") wrongfully terminated the agreement. An arbitration was held in April 2019, where the Claimant sought monetary damages and a declaratory judgment. On February 7, 2020, the arbitrator issued an award against IHG Hotels for damages, legal fees and costs, and interest. The amount of the award is confidential pursuant to requirements of the London Court of International Arbitration. IHG Hotels has never offered franchises in the United States.

Sands Empreendimentos Hoteleiros v. IHG Franchising Brasil LTDA, State Court of Sao Luis, MA, Brazil. Case Number 44620-22.2015.8.10.0001 (September 24, 2015).

Plaintiff, former licensee of a Holiday Inn® hotel in Brazil, filed suit against IHG Franchising Brasil LTDA ("IHG Brasil") and claimed that the license agreement did not comply with Brazilian franchise laws. Former licensee seeks reimbursement of all fees paid under the license agreement. On November 24, 2015, IHG Brasil filed a counterclaim seeking payment of unpaid fees due under the license. The court ruled that this matter was required to be determined by arbitration rather than litigation and dismissed the claim without prejudice on November 22, 2019.

Eric Washington v. Six Continents Hotels, Inc., United States District Court, Central District of California, Western Division, Civil Action No. 2:16-cv-03719 (May 27, 2016).

On May 27, 2016, Washington filed suit against Six Continents Hotels, Inc., ("SCH"), alleging that SCH sent him hundreds of text messages without his consent, in violation of the Telephone Consumer Protection Act (TCPA). The TCPA prohibits companies from using an automatic telephone dialing system (ATDS) to send text messages and prohibits certain text messages absent written consent. Washington seeks statutory damages. SCH filed a motion to dismiss Washington's claims. The parties agreed to resolve this matter with a payment made by SCH of $175,000. This matter was dismissed with prejudice on February 26, 2019.

Lenexa Hotel, LP v. Holiday Hospitality Franchising, Inc., United States District Court, District of Kansas, Kansas City Division, KS, Case No. 12CV2775 (December 10, 2012), Case No. 15-9196 (August 4, 2015).

A lawsuit was filed by a Crowne Plaza® franchisee in Lenexa, Kansas, initially on December 10, 2012 and later amended on January 17, 2013, alleging breach of contract, breach of the covenant of good faith and fair dealing and seeking declaratory relief as result of Holiday's alleged failure to meet its contractual obligations concerning the reservation system. Holiday filed a motion to dismiss on March 1, 2013, which was denied. Near the close of the discovery process, the parties jointly moved the Court to permit Plaintiff to voluntarily dismiss the lawsuit so that the parties could discuss a possible resolution. Under the dismissal, which was approved by the Court, plaintiff was permitted to re-file if the parties could not resolve the matter. Plaintiff re-filed the lawsuit on August 4, 2015 and filed for Chapter 11 bankruptcy protection on November 1, 2016. The hotel left the Crowne Plaza system on August 31, 2017. Holiday filed a counterclaim seeking unpaid fees and liquidated damages related to the termination of the license agreement. On April 26, 2018, Plaintiff amended the complaint to allege fraudulent inducement of contract. On August 31, 2018, Holiday moved for summary judgment on all claims. Following a mediation, the parties resolved this matter with no admission of liability by either party and Holiday making a payment to Plaintiff of $10.9M. The matter was dismissed with prejudice on January 7, 2019.

Holiday Hospitality Franchising, LLC v. RP/OE Waikiki Beachcomber, LLC, State Court of DeKalb County, GA, Civil Action File No. 18A68410. (March 8, 2018).

On March 8, 2018, Holiday filed a lawsuit against the defendant seeking damages related to the termination of a Holiday Inn® Resort hotel license agreement. In response, on May 11, 2018, defendant filed a counterclaim against Holiday alleging breach of contract. The parties resolved this matter with no payment made by Holiday. The litigation was dismissed with prejudice on August 28, 2018.

Gulf Coast Bank & Trust Co. v. InterContinental Hotels Group, PLC, Inter-Continental Hotels Corp., InterContinental Hotels Group Resources, Inc., United States District Court, Northern District of Georgia, Civil Action No. 1:18-cv-00411 (January 26, 2018).

Plaintiff, a bank located in Louisiana, filed a purported class action complaint regarding a payment card incident. Plaintiff alleges that defendants negligently failed to protect card holder data, thus harming the bank that issued the card. The suit seeks injunctive relief as well as unspecified damages. Defendants moved to dismiss the suit. On May 29, 2018, plaintiff dismissed this case without prejudice.

NSD Hotel Associates, LLC v. MBA Architects, Inc. & Liberty International Underwriters, Inc. v. Galileo Consulting Group, LLC & Six Continents Hotels, Inc., State of Wisconsin, Circuit Court, La Crosse, Case No. 16-cv-597 (September 22, 2017).

On September 22, 2017, MBA Architects, Inc. filed a third party complaint against SCH in an existing lawsuit brought against MBA Architects by the licensee of a Candlewood Suites® hotel in La Crosse, Wisconsin. In the underlying lawsuit, the licensee alleged claims for negligence and breach of contract against MBA Architects related to architectural design services provided in the construction of the hotel. MBA Architects alleges that if it is deemed liable to Plaintiff, SCH should be liable to MBA Architects on

a theory of contribution or indemnification. The parties resolved this matter with no payment by SCH. This matter was dismissed with prejudice on August 27, 2018.

Holiday Hospitality Franchising, LLC v. Essag Canada and Eshri Singh, State Court, DeKalb County, GA, Civil Action File No.: 17A64721-1 (June 2, 2017).

On June 2, 2017, Holiday filed a lawsuit against the defendants seeking damages related to the termination of a Holiday Inn® hotel license agreement. In response, defendants filed a counterclaim against Holiday alleging breach of the duty of good faith and reasonableness. The parties resolved this matter with no payment made by Holiday. The litigation was dismissed with prejudice on February 23, 2018.

Holiday Hospitality Franchising, LLC v. Khan Hospitality, Inc., Reza Hussain a/k/a Mohammad R. Hussain, Asrar Khan, Baby Hussain Khan a/k/a Baby Hussain, Ripen Khan, Rowan Akther a/k/a Roshan Akther, and Mona Khan a/k/a Mona Shahnaz, United States District Court, Northern District of Georgia, Civil Action File No. 1:16-CV-3339-SCJ (June 20, 2016).

In response to a lawsuit filed by Holiday on June 20, 2016 seeking damages related to the termination of a Holiday Inn Express® hotel license agreement, defendants filed a counterclaim on September 8, 2016 against Holiday alleging bad faith and seeking attorneys' fees. The parties resolved this matter with no payment made by Holiday. The litigation was dismissed with prejudice on October 5, 2017.

Jay Z. Dalwadi and Jay Shree Kapi Hospitality Franchising, LLC v. Holiday Hospitality Franchising, Inc., United States District Court, Southern District of Texas, Case No. 4:16-cv-02588 (August 24, 2016).

On August 24, 2016, former licensee Jay Shree Kapi Hospitality Franchising and former guarantor Jay Z. Dalwadi filed suit against Holiday Hospitality Franchising, LLC. The suit alleges breach of contract, breach of the implied covenant of good faith and fair dealing, and fraud based upon Holiday's alleged failure to approve an application for relicensing of a Holiday Inn Express & Suites hotel. On July 5, 2017, the Court granted Holiday's motion to dismiss the complaint and dismissed the complaint with prejudice. Defendants appealed the ruling. The parties resolved this matter with no payment made by Holiday. The appeal was dismissed with prejudice on October 31, 2017.

Hospitality Marketing Concepts, Inc. v. Six Continents Hotels, Inc. & InterContinental Hotels Group, PLC, United States District Court, Central District of California, Southern Division, Civil Action No. 8:15-cv-01791 (November 2, 2015).

On June 12, 2015, Hospitality Marketing Concepts, Inc. ("HMC") filed suit against "InterContinental Hotels Group" in California Superior Court. Following an amended complaint and voluntary dismissal, HMC filed a new action in California federal court on November 2, 2015 against Six Continents Hotels, Inc. and InterContinental Hotels Group, PLC alleging breach of oral contracts, fraud, fraudulent inducement, breach of fiduciary duty, and unfair business practices related to a dining rewards program previously in existence in hotels outside the United States. On January 28, 2016, the court partially granted SCH's motion to dismiss, but gave HMC leave to amend its complaint. On March 4, 2016, HMC filed an amended complaint re-alleging the same claims. Following a partially successful motion to dismiss, SCH was the only remaining defendant and the remaining claims were breach of oral contract, fraud, and unfair business practices. Following a partially successfully motion for summary judgment by SCH, the parties resolved this matter with SCH making a payment of $699,000 to HMC. The litigation was dismissed with prejudice on December 14, 2017.

Holiday Hospitality Franchising, LLC v. Holtsville Hospitality, LLC, Ashock Pancholi, Chintah Mehta a/k/a Chintan Mehta, United States District Court, Northern District of Georgia, Civil Action No. 1:16-CV-00828-TWT (November 30, 2015).

In response to a lawsuit filed by Holiday on November 30, 2015 against the defendants seeking damages related to the termination of a Crowne Plaza® hotel license agreement, defendants filed a counterclaim against Holiday on March 25, 2016 alleging damages related to investments made in

converting and renovating the hotel. On July 13, 2017, the Court granted Holiday's motion for summary judgment, entered judgment in Holiday's favor regarding the damages sought by Holiday, and dismissed Defendants' counterclaim.

TCBH, Inc. v. Holiday Hospitality Franchising, Inc., United States District Court, District of Minnesota, Civil Action No. 12-CV-2813 SRN/TNL (November 5, 2012).

An existing Holiday Inn® franchisee in Eagan, Minnesota filed suit against Holiday on November 5, 2012 alleging breach of contract, violation of the Minnesota Franchise Act and seeking an injunction to prevent the termination of the license agreement for licensee's failure to complete the property improvement plan in a timely manner. The parties resolved this matter with no payment made by Holiday. The litigation was dismissed without prejudice on November 2, 2015.

Holiday Hospitality Franchising, LLC v. 360 Global Venture Group, LLC, Ajay P. Shingal, and Mira Shingal, State Court of DeKalb County, Georgia, Civil Action No. 13A49466-3 (November 18, 2013).

On November 18, 2013, Holiday filed a lawsuit against the defendants seeking damages related to the termination of a Holiday Inn® hotel license agreement. In response, defendants filed a counterclaim against Holiday alleging breach of contract. The parties resolved this matter with no payment made by Holiday. The litigation was dismissed without prejudice on May 26, 2015.

Holiday Hospitality Franchising, LLC, Six Continents Hotels, Inc., IHG Management (Maryland) LLC, and InterContinental Hotels Group Resources, Inc. v. Flamingo Structures LLC, Halston Mikail, Farrah Mikail, Kevin Bral A/K/A Kaveh Bral, and Jackie Bral, United States District Court, Northern District of Georgia, Atlanta Division, Civil Action No. 1:12-CV-03064-TCB (August 31, 2012).

Holiday Hospitality Franchising, LLC, Six Continents Hotels, Inc., IHG Management (Maryland) LLC, and InterContinental Hotels Group Resources, Inc. (collectively "IHG") filed a lawsuit in the United States District Court for the Northern District of Georgia against a former Holiday Inn® hotel licensee, Flamingo Structures LLC, as well as guarantors, Halston Mikail, Farrah Mikail, Kevin Bral A/K/A Kaveh Bral, and Jackie Bral, claiming an amount in excess of $1,211,126 in damages for trademark infringement, trademark dilution, false designation of origin, unfair competition, breach of contract, and breach of guaranty resulting from default of a management agreement, default of a franchise agreement and indemnity for legal fees incurred defending a third party lawsuit.

In response, the Defendants filed an answer on October 15, 2012, denying the allegations and asserting a counterclaim against Holiday and IHG Management (Maryland) setting forth causes of action for breach of the management agreement, negligence, breach of fiduciary duty, and breach of the license agreement. Defendants claim monetary damages of $7,300,000 plus additional damages to be proven at trial as well as attorneys' fees and court costs. Defendants also asserted a third party claim against the management entity, IHG Management (Maryland), for indemnity for any judgments entered against the Defendants which would constitute a duty, obligation or responsibility of IHG Management (Maryland) under the management agreement. Following discovery, the parties resolved this matter with neither Holiday nor IHG Management (Maryland) LLC making any payments. The case was dismissed with prejudice on June 19, 2014.

Holiday Hospitality Franchising, LLC v. Touch International, Ltd and Azhar Ali Malik, State Court of DeKalb County, Georgia, Civil Action No. 11A39504-5 (October 28, 2011).

On October 28, 2011, Holiday filed suit against the Defendants asserting a claim for breach of a Holiday Inn® hotel license agreement, breach of a guaranty of the license agreement and attorneys' fees. Holiday is seeking damages in the amount of $421,336.39. On May 21, 2012 Defendants filed a counterclaim, which they later amended, asserting claims for breach of contract, tortious interference with contractual relations, tortious interference with business relations, attorneys' fees and punitive damages. The parties resolved this matter with no payment made by Holiday. This case was dismissed with prejudice on April 14, 2014.

Holiday Hospitality Franchising, LLC v. Heritage New London, LLC, Sunil Nayak and Vandana Nayak, State Court of DeKalb County, Georgia, Civil Action No. 13A40515 (November 21, 2013).

On November 13, 2013, Holiday filed suit against the Defendants asserting a claim for breach of a Holiday Inn® hotel license agreement, breach of a guaranty of the license agreement, and attorneys' fees. Holiday is seeking damages in the amount of $421,336.39. On January 23, 2014, Defendants filed a counterclaim asserting claims for breach of contract, breach of the covenant of good faith and fair dealing, setoff and recoupment, punitive damages, and attorneys' fees. The parties resolved this matter with Holiday making no payments. The case was dismissed with prejudice on August 1, 2014.

Stayfield Hotels Corp. v. Holiday Hospitality Franchising, LLC, State Court of DeKalb County, Georgia, Civil Action No. 13A49556-5 (November 26, 2013).

On November 26, 2013, Stayfield Hotels Corp., a current Holiday Inn Express® Hotel & Suites franchisee alleged claims against Holiday for breach of the license agreement and attorneys' fees. The parties resolved this matter with Holiday making no payments. The case was dismissed with prejudice on June 16, 2014.

Holiday Hospitality Franchising, LLC v. Coastal Hotel Properties, LLC, John W. Gandy, Bhupendra Patel, and Pradipkumar Patel, State Court of DeKalb County, Georgia, Civil Action No. 14A-51633-2, removed to United States District Court, Northern District of Georgia, Atlanta Division, Civil Action No. 1:14-cv-02325-ODE (May 29, 2014).

In response to a lawsuit filed by Holiday on May 29, 2014 against the defendants seeking damages related to the termination of a Holiday Inn® hotel license agreement, defendants filed a counterclaim against Holiday alleging breach of contract and breach of the duty of good faith and fair dealing. This case was settled without any payment by Holiday to the Defendants which resulted in a dismissal with prejudice of all claims on March 5, 2015.

Holiday Hospitality Franchising, LLC v. Woodlawn Group, LLC, Sanjay Mundra, Dicky Walia, Harminder Singh, State Court of DeKalb County, Georgia, Civil Action No. 14A-51446-2 (May 15, 2014).

In response to a lawsuit filed by Holiday on May 15, 2014 against the defendants seeking damages related to the termination of a Holiday Inn® license agreement, defendants filed a counterclaim against Holiday alleging breach of contract, breach of the covenant of good faith and fair dealing, set off and recoupment, and seeking punitive damages and attorneys' fees for alleged wilful misconduct, malice, fraud, oppression, and want of care. This case was settled without any payment by Holiday to the Defendants which resulted in a dismissal of all claims on January 27, 2015.

Holiday Hospitality Franchising, LLC v. Warner Robbins Hospitality, LLC, Dhiru L. Patel, Piyush K. Patel, Nishit S. Desai, State Court of DeKalb County, Georgia, Civil Action No. 14A-50454-1 (April 6, 2014).

In response to a lawsuit filed by Holiday on April 6, 2014 against the defendants seeking damages related to the termination of a Holiday Inn® license agreement, defendants filed a counterclaim against Holiday alleging breach of Georgia's Fair Business Practices Act. This case was settled without any payment by Holiday to the Defendants which resulted in dismissal of all claims on March 13, 2015.

Holiday Hospitality Franchising, LLC v. Dreams Hospitality Group, LLC, Aman Patel, Sapna Patel a/k/a Sapna Bindal, Bhasker Patel, Nimish Patel, Devang Shah a/k/a Devang Mukund, Shah, Kirit patel, a/k/a Kiritkimar Madan, Lal Patel, and Varsha Patel a/k/a Varshaben N. Patel, State Court of DeKalb County, Georgia, Civil Action No. 14A51131-6 (April 23, 2014).

In response to a lawsuit filed by Holiday against the defendants seeking damages related to the termination of a Holiday Inn Express® hotel license agreement, defendants filed a counterclaim against Holiday alleging breach of Holiday's obligations under the license agreement. This case was settled without any payment by Holiday to the defendants which resulted in a dismissal with prejudice of all claims on September 23, 2014.

Holiday Hospitality Franchising, Inc. v. Star Hospitality Developers Roseville, LLC, Paul Bains, Mannish Patel, Kamaljit Mann, Pradeep Patel, Minesh Mehta, Surinder Pal Bains, and Rajbinder Bains, State Court of DeKalb County, Georgia, Civil Action No. 11A38393-6 (August 18, 2011).

In response to a lawsuit filed by Holiday on August 18, 2011 against the defendants seeking damages related to the termination of a license agreement for a Holiday Inn hotel, defendants filed a counterclaim against Holiday alleging breach of contract, set off fraud, conversion, and unjust enrichment. The case was settled without any payment by Holiday to defendants which resulted in a dismissal with prejudice of all claims on August 1, 2012.

AMTX Hotel Corporation v. Holiday Hospitality Franchising, Inc., United States District Court, Northern District of Texas, Amarillo Division, Civil Action No. 2:12-cv-00035-J (February 6, 2012).

A franchisee of Holiday Inn in Amarillo, Texas filed suit against Holiday on February 6, 2012, claiming breach of contract, breach of implied covenant of good faith and fair dealing, promissory estoppel and detrimental reliance and fraud. The franchisee sought compensatory and punitive damages and attorney's fees. Holiday filed a motion to dismiss on February 29, 2012, which was partially granted, and filed a counterclaim against AMTX and the individual guarantors of the License Agreement. In the Order ruling on Holiday's Motion to Dismiss, the Court dismissed the Breach of Contract and the Implied Covenant of Good Faith and Fair Dealing, and promissory estoppel claims. The Court ordered the parties to mediation on July 24, 2012. The case was subsequently settled. As part of the settlement, AMTX agreed to pay a portion of past due fees owing to Holiday and Holiday agreed to make a payment in the amount of $112,148 to AMTX in exchange for mutual releases between the parties. The lawsuit was dismissed with prejudice on October 3, 2012.

HI Hotel Limited Partnership v. Holiday Hospitality Franchising, Inc., Court of Queen's Bench of Alberta, Judicial District of Calgary, Action No. 0601-04850 (April 20, 2006).

In April 2006, HI Hotel Limited Partnership, a former franchisee which purported to rescind its License Agreement with Holiday in May 2005 before its license was terminated by Holiday in the summer of 2005, filed a Statement of Claim against Holiday. The plaintiff claims that it was entitled to rescission of the franchise based upon Holiday's failure to provide a form of disclosure document that met the requirements of the Franchise Act and therefore failed to provide proper disclosure to a franchisee. Holiday has filed a Statement of Defense to the Claim and a Counterclaim seeking damages for breach of the Franchise Agreement. In October 2006, Plaintiff and Holiday each brought applications for Summary Judgment, both of which were appealed by both Plaintiff and Holiday to a Justice of the Court of Queen's Bench. On December 21, 2007, the Court of Queen's Bench granted plaintiff's motion for summary judgment, denied Holiday's motion for summary judgment and directed that there be an assessment of plaintiff's monetary claims against Holiday. Holiday filed a Notice of Appeal with the Court of Appeal of Alberta on January 8, 2008, and the court affirmed the summary judgment in franchisee's favor as to liability, which left the amount for franchisee's damages as the only remaining issue for trial. This case was settled with Holiday agreeing to pay the former franchisee $94,000.

Paradise Lodgings, Inc. v. Holiday Hospitality Franchising, Inc.; MBR. InterContinental Hotels Group PLC, Superior Court of Fulton County, Georgia, Civil Action No. CV-123737 (October 4, 2006).

Paradise Lodgings, Inc. ("Paradise") filed suit against Holiday on October 4, 2006 seeking to enjoin Holiday from terminating Paradise's license to operate a Holiday Inn Express hotel located in Union City, Georgia. The lawsuit alleged breaches of the covenant of good faith and fair dealing, violations of the Georgia Deceptive Trade Practices Act, fraud, tortious interference with business relations, detrimental reliance and promissory estoppel. Paradise sought damages in excess of $90,000 and rescission of Holiday's termination of the License Agreement. At an initial hearing, the court denied Paradise's motion for a temporary restraining order. Holiday subsequently filed a counterclaim seeking franchise fees and liquidated damages. Based upon Plaintiff's failure to attend a status conference, the Court struck the Plaintiff's pleadings and granted Holiday a judgment against Paradise in 2014 totaling $534,627.51.

Dal Holdings Ltd. v. Holiday Hospitality Franchising, Inc., Alberta Court of Queen's Bench, Judicial Centre of Calgary, Action No. 0701-07393 (August 13, 2007).

On August 13, 2007, Holiday's former franchisee Dal Holdings, Ltd. ("Dal") served a Statement of Claim against Holiday alleging that Holiday improperly terminated the license agreement between Holiday and Dal without cause. Dal's License was terminated for its failure to comply with Holiday's quality and service requirements. The Statement of Claim asserted causes of action against Holiday for breach of contract and breach of the duty of good faith and fair dealing. Dal sought damages in excess of $700,000. On September 5, 2007, Holiday served a Statement of Defense and a Counterclaim for breach of contract and a declaration that its termination of Dal's License was proper. Holiday was seeking monetary damages in excess of $400,000 against Dal for unpaid fees and liquidated damages due under the License. Dal was seeking approximately $2M in damages for the alleged breach of good faith and fair dealing and breach of contract, as well as punitive damages in the amount of $250K. On August 2, 2011, the parties agreed to dismiss their respective claims. Holiday did not pay any money to Dal in exchange for its agreement to dismiss its claims against Holiday.

Hotel Associates, Inc. v. Holiday Inn Franchising, Inc. now known as Holiday Hospitality Franchising, LLC, Circuit Court of Crittenden County, Arkansas, Case No. CV2005-485 (August 2005).

In August 2005, Hotel Associates, Inc., a former franchisee, filed an action against Holiday for failing to renew its License Agreement at the end of term of the license for a hotel in Wichita Falls, Texas. The plaintiff alleged that it expended significant amounts of money to renovate the hotel property and then a different hotel was licensed as a Holiday Inn when its franchise expired. The lawsuit claims breach of contract, breach of the implied covenant of good faith and fair dealing, violation of the Texas and Arkansas Deceptive Trade Practices Act, and fraud. The case went to trial on July 6, 2009. On July 10, 2009, the jury returned a verdict in favor of the Plaintiff and awarded $13M in compensatory damages and $12M in punitive damages. Pursuant to the filing of post-judgment motions with the trial court, the total judgment was reduced by the trial court to $11,056,000. Holiday filed an appeal of all of the trial court's rulings with the Arkansas Court of Appeals on October 9, 2009, and the Plaintiff filed a cross-appeal on October 14, 2009. On February 23, 2011, the Arkansas Court of Appeals affirmed the compensatory damages award of $11,056,000 and reinstated the $12 million punitive damages award. Holiday paid a portion of the judgment relating to compensatory damages in 2011 and filed a Petition for Writ of Certiorari with the U.S. Supreme Court on February 6, 2012, requesting review of the remaining portion of the judgment. This Petition was denied on March 18, 2012, and Holiday satisfied the remaining portion of the judgment on March 22, 2012.

HI-Life Hotels SRL v. Six Continents Hotels, Inc. ("SCH") and InterContinental Hotels Group Services Company (Italy), Court of Bologna, Italy, Case No. R.G. 2384 / 2010 (March 11, 2011).

On March 11, 2011, Hi-Life, the former franchisee of the hotel formerly known as the Express by Holiday Inn Cesena (the "Hotel"), filed a claim against SCH and one of its affiliates, InterContinental Hotels Group Services Company (Italy) ("IHGSC"), in the Court of Bologna, Italy. The claim was made by Hi-Life after Hi-Life received a demand from SCH seeking liquidated damages of €805,000 following the early unilateral termination of the franchise agreement by Hi-Life. Hi-Life is claiming that its franchise agreement with SCH should be declared void, all amounts previously paid by Hi-Life to SCH and IHGSC should be returned to Hi-Life, and it should not be required to pay liquidated damages to SCH because SCH allegedly failed to comply with the franchise disclosure laws of Italy. Hi-Life sought damages in the amount of the total fees paid to SCH under the franchise agreement – approximately €600,000. SCH also contended that, since the franchise agreement is subject to English Law and disputes under the franchise agreement are subject to Arbitration in the International Chamber of Commerce in London, the Italian courts should not have jurisdiction over the claim and Italian law should not apply to the claim. The Court subsequently rejected Hi-Life's claims against SCH and IHGSC based upon the arbitration clause in the Franchise Agreement – the Judge also awarded costs in favor of SCH and IHGSC.

Holiday Hospitality Franchising, LLC ("Holiday") v. Mahendra K. Patel and Hema K. Patel, United States District Court, Northern District of Georgia, Atlanta Division, Case No. 1:13-cv-02255-WSD (July 15, 2013).

In response to a lawsuit filed by Holiday against the defendants seeking liquidated damages relating to the termination of license agreement for a hotel that was to be operated in California, defendants filed a counterclaim against Holiday on July 15, 2013 alleging breach of contract, breach of the implied covenant of good faith and fair dealing, fraudulent inducement, negligent misrepresentation, promissory estoppel, and unjust enrichment. This case was settled without any payment by Holiday to the Defendants which resulted in a dismissal with prejudice of all claims on September 18, 2013.

Holiday Hospitality Franchising, Inc. v. Thomas Noons et al., District Court of Harris County, Texas, Civil Action No. 2010-03522 (2010).

In 2010, Holiday filed suit against Thomas Noons and other entities ("Noons") in Texas seeking collection of an approximately $1,500,000 judgment Holiday previously obtained against Thomas Noons in Georgia. On October 5, 2010, Thomas Noons filed a counterclaim against Holiday alleging that Holiday, in attempting to collect its judgment against Thomas Noons, has violated the Texas Debt Collection Act; engaged in unreasonable collection practices; defrauded Thomas Noons via its collection efforts; and, tortiously interfered with Thomas Noons' business relations. On February 1, 2013, the Court entered an order granting Holiday's motion for summary judgment on Noons' counterclaims.

Holiday Hospitality Franchising, LLC, f/k/a Holiday Hospitality Franchising, Inc. v. 404980 Alberta, Ltd., Sadnidin S.D. Suleman, Kariama Suleman, and Shahsultan Suleman, U.S. District Court, Northern District of Georgia, Atlanta Division, Civil Action File No. 1:16-CV-01773-CAP (June 1, 2016).

On June 1, 2016, Holiday filed a complaint in Georgia against 404980 Alberta, Ltd., a former Holiday Inn® franchisee and guarantors Sadnidin S. D. Suleman, Karima Suleman and Shahsultan Suleman to recover unpaid system fees and liquidated damages from the former licensee (the "Georgia Matter"). In response to Holiday's suit, defendants filed a separate action in Alberta on December 22, 2016 styled 404980 Alberta Ltd. and Karima Suleman v. Holiday Hospitality Franchising, Inc. and Holiday Hospitality Franchising, LLC, Court of Queen's Bench of Alberta, Calgary, Court File No. 1601-17271 (the "Alberta Matter"). There, the former licensee and guarantors sought a declaratory judgment under the Alberta Limitations Act and Guarantees Acknowledgement Act. Both matters were resolved with no payment by Holiday. The Georgia Matter was dismissed with prejudice on April 20, 2017. The Alberta Matter was discontinued on April 19, 2017.

InterContinental Hotels Group PLC, Hotel Inter-Continental London Limited, Expedia, Inc. and Booking.com B.V.- United Kingdom's Office of Fair Trading ("OFT"), Notice of decision to accept commitments to remove certain discounting restrictions for Online Travel Agents, Case No. CE9320/10 (January 31, 2014).

A Statement of Objections issued by the OFT on July 31, 2012 alleged that Booking.com BV and Expedia, Inc. each entered into separate agreements with InterContinental Hotels Group PLC and Hotel Inter-Continental London Limited (collectively referred to as "IHG") which restrict the ability of Expedia, Inc. and Booking.com BV to discount the rates at which room-only hotel accommodation bookings are offered to consumers. The OFT then announced two periods of consultation on draft commitments proposed by the three businesses as a means of addressing the OFT's competition concerns, and invited comments from third parties such as other businesses and consumers.

Following these consultation periods, on January 31, 2014, the OFT announced its decision to accept the commitments and brought about an end to its investigation without any finding of infringement or fine. On March 31, 2014, Skyscanner Limited (a price comparison website) lodged an appeal against the OFT's decision with the Competition Appeal Tribunal (CAT), and on September 26, 2014, the CAT announced that it upheld the appeal and quashed the OFT's decision to enter into the binding commitments. The Competition and Markets Authority (CMA), as the successor organization to the

OFT, decided not to appeal this decision. On September 16, 2015, the CMA announced that it had considered the strategic significance, impact, risks, and resource implications of continuing the investigation, and decided to close the matter on the grounds that it no longer constituted an administrative priority.

Laura McCabe and Latroya Simpson v. Six Continents Hotels, Inc., United States District Court, Northern District of California, San Francisco Division, Case No. 3:12-cv-04818 (July 3, 2012).

On July 3, 2012, two plaintiffs filed a class action complaint alleging violations of California Penal Code 632.7, based upon the alleged improper recording of cellular phone calls originating from California to customer care centers. Plaintiffs amended the complaint twice, first to include Six Continents Hotels, Inc. as a defendant, and later to allege improper recordings at additional customer care centers. The case was removed to Federal Court and SCH filed motions to dismiss the complaint, which were denied. SCH filed an answer to the original complaint on January 9, 2013 and filed an answer to the amended complaint on February 18, 2014. Following discovery and mediation, the parties reached a preliminary agreement to resolve this matter. On February 4, 2015 the parties filed a Notice of Settlement and Request to Vacate Calendar Dates. Following a hearing on February 3, 2016, the Court issued an Order and Judgment approving the parties' settlement. This matter was dismissed with prejudice on February 8, 2016.

In re: On-Line Travel Company (OTC) Hotel Booking Antitrust Litigation, Consolidated Civil Action No. 3:12-cv-3515-B (N.D. Tex.) (August 20, 2012).

On August 20, 2012, two plaintiffs filed a class action complaint against multiple Online Travel Companies ("OTCs") and hotel companies, including InterContinental Hotels Group Resources, Inc. ("IHGR"). Approximately 30 similar complaints subsequently were filed in federal courts around the country. Plaintiffs in all of the cases allege that the OTCs and hotel defendants conspired to restrain price competition by maintaining and enforcing resale price maintenance agreements and preventing competition by online discount retailers. Plaintiffs allege that Defendants unreasonably restrained trade in violation of 15 U.S.C. § 1, and violated various state laws, including state antitrust laws. On December 11, 2012, the Judicial Panel on Multidistrict Litigation issued an Order consolidating all cases for pre-trial proceedings in the Northern District of Texas. As a result, each individual case, except for the lead case of Smith v. Orbitz Worldwide, Inc., Case No. 3:12-cv-3515-B (N.D. Tex., filed Aug. 27, 2012), has been administratively closed. Defendants filed a motion to dismiss on July 1, 2013. Oral argument on the motion to dismiss took place on December 17, 2013. On February 18, 2014, the Court issued an Order granting Defendants' motion to dismiss without prejudice, and gave plaintiffs thirty days to seek to amend the complaint. On March 20, 2014, plaintiffs filed a motion requesting permission to amend the complaint. The proposed amended complaint does not name any hotel company as a proposed defendant. The OTC defendants opposed the plaintiffs' motion. On October 28, 2014 the Court dismissed the case with prejudice against all defendants. The Plaintiffs did not file a notice of appeal.

Metro Hospitality Partners, Ltd. v. Holiday Hospitality Franchising, LLC, United States District Court, Southern District of Texas, Civil Action No. H 13 2448 (August 21, 2013).

A lawsuit was filed on August 21, 2013 and served upon Holiday on December 18, 2013. Plaintiff is a party to a Crowne Plaza® license agreement with Holiday relating to a hotel located in Houston, Texas. The complaint seeks declaratory judgment for Holiday's alleged breach of contract. Plaintiff also seeks a temporary restraining order and preliminary and permanent injunction preventing Holiday from terminating its Crowne Plaza license agreement with the Plaintiff. This lawsuit was dismissed without prejudice on July 25, 2014.

Allied Hotels Limited v. Holiday Hospitality Franchising, LLC f/k/a Holiday Hospitality Franchising, Inc., and Six Continents Hotels, Inc., United States District Court, Northern District of Georgia, Atlanta Division, Case No. 1:12-cv-03086-rlv (September 4, 2012).

On September 4, 2012, Allied Hotels Limited ("Allied"), a former Crowne Plaza franchisee of Six Continents Hotels, Inc. ("SCH"), filed suit against SCH and Holiday Hospitality Franchising LLC, alleging breach of the License Agreement and breach of the implied covenant of good faith and fair dealing based upon SCH's termination of its License Agreement with Allied. Allied also sought declaratory relief. In November 2012, SCH and Holiday filed an answer and SCH filed a counterclaim against the Plaintiffs alleging several claims relating to breach of contract, improper use of SCH's marks and a demand for attorneys' fees. The parties resolved this matter with SCH and Holiday making a payment of $180,000 payment to Allied. The lawsuit was dismissed with prejudice on February 27, 2014.

Holiday Hospitality Franchising, LLC ("Holiday") v. Rana Foods, Inc. and Tahir Salim, State Court of DeKalb County, Georgia, Civil Action No. 12-A-43277-3 (July 20, 2012).

In response to a lawsuit filed by Holiday on July 20, 2012 against the defendants seeking liquidated damages relating to the termination of a license agreement for a Candlewood Suites® hotel, defendants filed a counterclaim against Holiday alleging breach of contract, fraud, rescission, negligent misrepresentation, violation of a legal duty, promissory estoppel, set off, and attorneys' fees. This case was settled without any payment by Holiday to the defendants which resulted in a dismissal with prejudice of all claims on November 21, 2012.

The Generation Companies, LLC v. Holiday Hospitality Franchising, LLC and InterContinental Hotels Group Resources, Inc., United States District Court, Eastern District of North Carolina, Civil Action No. 5:15-cv-220, transferred to United States District Court, Northern District of Georgia, Civil Action No. 1:15-cv-4052-LMM (April 20, 2015).

On April 20, 2015, a licensee of a Staybridge Suites® hotel filed suit against Holiday and InterContinental Hotels Group Resources, Inc., and alleged that defendants intentionally interfered with contractual relations, committed slander, and violated North Carolina's Unfair and Deceptive Trade Practices Act. Plaintiffs sought compensatory damages and unspecified punitive damages. The parties resolved this matter with no money paid by defendants and the lawsuit was dismissed with prejudice on January 6, 2016.

Jesta Hospitality CT, LLC v. Holiday Hospitality Franchising, LLC, Superior Court of Dekalb County, Georgia, Civil Action File No. 16cv5092-1 (May 26, 2016).

A former licensee of a Crowne Plaza® hotel filed suit against Holiday alleging breach of contract, breach of the implied duty of good faith and fair dealing, promissory estoppel, and seeking a declaratory judgment. Holiday filed a counterclaim seeking damages related to its termination of the license agreement and seeking unpaid fees. This matter was resolved with no payment by Holiday and dismissed with prejudice on December 27, 2016.

Other than these actions, no litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

When you submit an application for a License, whether for a new development, conversion, change of ownership or re-licensing, you must pay Holiday an initial application fee (the "Application Fee") of $500

per guest room, but not less than $75,000, regardless of the length of the License sought. For example, the Application Fee for a 200-room Vignette Collection™ Hotel is $100,000.

See Item 6 for information relating to the requirements and fees for changes of ownership, franchisee name changes, re-alignment of the franchisee's ownership and re-licensing.

REFUNDABILITY:

If Holiday does not approve your application for a License, or if you withdraw the application before Holiday approves or denies it, Holiday will return the Application Fee to you, less its processing fee of $15,000. If Holiday approves the application subject to certain requirements, Holiday may revoke its approval if you fail to meet those requirements. Once Holiday approves the application (even if Holiday subsequently revokes its approval), the Application Fee is nonrefundable.

PIP:

Before you submit an application for a conversion, re-licensing, change of ownership or brand change, you must arrange for Holiday to conduct an inspection of the Hotel so that Holiday can prepare written specifications for the upgrading, construction and furnishing of the Hotel in accordance with the Standards, in the form of a plan called a Property Improvement Plan ("PIP"). There is a nonrefundable $8,500 fee for the inspection of your Hotel and the preparation of the PIP report (see also Item 6). In the case of a conversion Hotel, Holiday will not authorize your Hotel to open until you complete all PIP requirements, including submission of plans before the start of construction in accordance with the dates specified in your License and the attachments to your License (see Item 11). In the event the Hotel fails its opening inspection, Holiday may charge you up to $5,000 for each re-evaluation and re-inspection.

TRAINING, EQUIPMENT AND MATERIALS:

The Openings and Renovations program provides services and training required to open a Hotel in the System including IHG Concerto™ Ramp Up, Key Programs Training, post-opening support and other pre-opening consultations. The Openings and Renovations fee covers up to two participants per Hotel. This fee is $8,000. The fee covers pre-opening support, including select training, materials and post-opening support.

IHG Concerto™ Ramp Up is a training class that provides basic instruction on the Reservation System and revenue management. Your General Manager and other individuals designated as your system experts at your property must attend the IHG Concerto™ workshop virtually or at an SCH designated location. No additional fees will be incurred for the workshop, however, additional attendees will be required to pay a separate registration fee, which will be $250 per additional participant and participants from all Hotels are responsible for their own expenses for travel, meals and lodging if they attend the training in person. Your General Manager and front office staff must have access to IHG Concerto™ and complete necessary web-based training including: Get to know IHG Concerto™, IHG Concerto Home Page Overview, and Digital Check-In Training, all available at no cost on myLearning.

During the Hotel opening process, you may be required to pay additional fees for pre-and post-opening training, consultation and coaching services provided by SCH or designated representatives. These additional fees that are payable to SCH, and are associated with on-site visits rescheduling of those visits or extensions of your Hotel's opening date, will not exceed $5,000 per visit and you must also pay for the expenses of the trainers' travel, living and lodging expenses while conducting the visit.

Your General Manager, Front Office Manager (or equivalent), Director of Sales and F&B Manager must each attend an initial certification training program. The cost for the initial certification training program will range from $1,125 to $1,500 per trainee. For in-person classes, you must pay for any travel or training expenses of your trainees. You must also purchase training materials for the training programs described in Item 11, which Holiday estimates will cost no more than $5,000 per Hotel for all trainees combined.

Your General Manager and Guest Experience Champion must each complete the Leading the Brand Training for New Hotels certification prior to the Hotel opening. The cost for the training event, initial

training materials, and subsequent consulting support ranges from $1,500 to $2,000 for Vignette Collection™ Hotels. You may be required to purchase subsequent training materials to fulfill the ongoing training of new employees.

Holiday requires you to hire qualified, licensed, professional advisors in the form of a project team, which may consist of, depending on complexity and scope of the work, an architect, interior designer, engineer or other related specialist when building or renovating an IHG hotel. If you cannot find such licensed professional help, contact your Openings and Renovations Regional Director. All architects and interior designers must be approved by Holiday prior to the project commencing. Before your architect begins detailed construction plans, you must meet with your Openings and Renovations Regional Director and submit preliminary plans to Holiday for Plan Review comment. You, your architect, interior designer and general contractor must also attend a kick-off meeting in Atlanta, Georgia, or other locations that Holiday may designate. There are no fees for the kick-off meeting; however, you must pay for your travel, lodging and other miscellaneous expenses.

Holiday currently designates Oracle America, Inc. as the Property Management System ("PMS") provider and requires you to operate the Opera or Opera Xpress PMS software (see Items 1, 6, 7, 8 and 11). The estimated costs for the equipment configuration, installation, software and training will vary depending on the number of guest rooms and technology needs at your Hotel. We estimate that the cost for the PMS installation and the purchase of required hardware devices (i.e., workstations and printers) will range from $64,000 to $75,000 for a Hotel with 1-100 rooms; $83,000 to $96,000 for a Hotel with 101-175 rooms; $97,000 to $130,000 for a Hotel with 176-250 rooms; $124,000 to $187,000 for a Hotel with 251-350 rooms; and, $196,000 or greater for a Hotel with 351 rooms or more. For hotels which are managed by an affiliate of Holiday and have fewer than 150 rooms and six PMS workstations, a hosted PMS option is available. This hosted option is priced differently from the premise-based option which is offered to all Holiday hotels. All Hotels will require a custom quote at the time the deployment process begins to better determine estimated costs. You must pay these costs before any goods or services are delivered to the Hotel. These cost estimates include: the basic hardware for the PMS and access to the Reservation System, the basic software, the installation of equipment and software, an initial training for your employees on how to use the PMS with the Reservation System, and the purchase, installation of and training for the SPS, or such successor payments program as may be implemented by SCH, equipment and software. These estimated costs do not include other training, additional equipment, additional software, additional operational manuals, shipping and handling, taxes, insurance, food, travel and lodging expenses of your employees, vendor employees, SCH employees or contractors who install the PMS and Reservation System equipment and software at your Hotel and train your employees to use them or the cost of internal Hotel cabling or infrastructure. SCH requires that you refresh PMS hardware/software every 48 months.

Vignette Collection™ R&B Concept Development:

Developing a unique Restaurant and Bar (R&B) concept is your responsibility and your concept must be approved by Holiday. If you will be managing a full-service restaurant independently (i.e., you do not engage a third-party R&B manager to operate your Hotel's restaurant), you must pay SCH a R&B Concept Development Fee (which may be up to $125,000 (which varies depending on your individual needs and management company capabilities). This fee would typically include the following: overall concept development including a concept description, target demographics, description of look/feel/ambience, cuisine program/spectrum, beverage program/spectrum, tabletop design and selection. Additionally, this fee may include food and beverage menu ideation, food and cocktail recipe development, operations tools and opening and training support as needed.

Vignette Collection™ R&B Brand Identity Services & Market Research Study:

All Vignette Collection™ Hotels must use the R&B Brand Identity Services and receive a Market Research Study. Brand Identity Services typically include naming, logo development and creation of collateral (including menus, coaster, business cards, ephemera development), which is to be professionally created. Additionally, this may include tabletop suggestions and specifications; uniform

suggestions and specifications; and, OS&E suggestions and specifications. A Market Research Study is required to determine the best fit and initial direction for your Hotel's restaurant based on, though not limited to, location, size and local competition. These costs will range from $15,000 to $40,000.

Holiday may consider requests to alter the requirements described in this Item. Holiday will only consider changes under special circumstances and any changes must comply with applicable laws.

ITEM 6

OTHER FEES

(1) TYPE OF FEE	(2) AMOUNT	(3) DUE DATE	(4) REMARKS
Royalty	5% of Gross Rooms Revenue ("GRR").	Monthly, on the 15th of the following month (Payable to Holiday)	Note 1
Services Contribution	3.5% of GRR (combined marketing, reservations & training fee).	Same as Royalty	Note 2
Initial Marketing Contribution to Loyalty Program	$10.00 per approved guest room.	At same time as 1st Royalty Payment (one-time charge) (Payable to SCH)	Note 2
Special Marketing Contribution for the Loyalty Program	$4.75 per enrolling stay with a flat 1,000 points issued. 4.75% of Qualifying Full Folio Revenue from Loyalty Program members. 1.425% of Qualifying Room and Meeting Revenue from Loyalty Program members.	Same date as Royalty (Payable to SCH)	Note 2
Technology Services Fee	$16.08 per room, per month.	Monthly (Payable to SCH)	Note 2
IHG Concerto™, Yield & Price Optimization	Costs of between $30 and $60 per month may apply for competitive rate insight shopping. For Hotels currently subscribing to RevenueStrategy360 or Rate360, these costs may be waived.	Monthly (Payable to SCH)	Note 6 & Item 11
Workshops can include, for example: (a) Front Office Operations Training (b) Sales Workshop(s) (c) Service Workshop(s) (d) Revenue Management for Hire Certification as defined in the Standards	Pricing for workshops range from $375-$5,000 per workshop per participant depending on length, subject, content and delivery.	Upon attending (Payable to SCH)	Item 11

(1) TYPE OF FEE	(2) AMOUNT	(3) DUE DATE	(4) REMARKS
(e) Quality Workshop(s) (f) Food and Beverage Workshop(s) (g) Specialized Workshop(s) *Cancellation/no show penalties may apply.			
General Manager Certification Fee	$1,500 for initial onboarding certification.	Upon completion (Payable to SCH)	Note 2 & Item 11
Director of Sales Certification Fee	$1,125 to $1,500 for initial orientation & solution selling certification.	Upon completion (Payable to SCH)	Note 2 & Item 11
Sales Manager Certification Fee	$375 to $1,125 per workshop per participant, based on length, subject, content and delivery. Fee based on length of program.	Upon completion (Payable to SCH)	Note 2 & Item 11
Guest Service Manager/equivalent Certification Fee	$1125 for initial certification.	Upon completion (Payable to SCH)	Note 2 & Item 11
IHG® Way of Clean 5S Cleaning Program Leadership Certification Fee	$375 for initial certification.	Upon completion (Payable to SCH)	Note 2 & Item 11
Maintenance Supervisor/equivalent Certification Fee	$375 for initial certification.	Upon completion (Payable to SCH)	Note 2 & Item 11
Food and Beverage Director/equivalent Certification Fee	$375 to $1,995 per workshop per participant, based on length, subject, content and delivery. Fee based on length of program.	Upon completion (Payable to SCH)	Note 2 & Item 11
Owner and/or GM Conference	Up to $2,500 per attendee, not including travel, lodging or other expenses.	Invoiced at time of registration (Payable to SCH)	Note 2
Opera PMS Software Maintenance:	The following are estimates for the premise based and hosted options and do not include all items, which may be reflected in your Hotel's Oracle America, Inc. contract: Maintenance and/or hosting fees may be increased up to 5% per year. Costs will vary according to your technology needs.	Annually (Payable to Oracle America, Inc.)	Note 3
Opera – Premise Based	$17.60 per room, per year for Opera V5 Software Support.		Note 3

(1) TYPE OF FEE	(2) AMOUNT	(3) DUE DATE	(4) REMARKS
	$2.86 per room, per year for Oracle Technology Foundation Support. $9.24 per interface, per year, within bundle for IFC8 Interfaces Annual Support. $440.00 per interface, per year, out of bundle for IFC8 Interfaces Annual Support. $0.09 per interface, per year for OXI 2-Way – IHG Concerto™ Support. $0.00 per room, per year for Opera Commission Handling Support. $0.03 each, for Opera Back Office Interface Support. $0.02 each, for Opera Export Files Support. $1.65 per room, per year for Opera Web Services Support (OWS). $110.00 per interface, per year for eSocketPOS Interface Support (SPS). $0.09 per interface, per year for OXI – IHGWS – LARs Functionality Support. An approved PMS Interface (currently Bellinta) is required to support digital guest experience (IHG EDGE).		
Opera Xpress – Premised Based	$11.88 per room, per year for Opera Xpress V5 Software Support. $2.42 per room, per year for Oracle Technology Foundation Support. $9.24 per interface, per year, within bundle for IFC8 Interfaces Annual Support. $220.00 per interface, per year, out of bundle for IFC8 Interfaces Annual Support. $0.09 per interface, per year for OXI 2-Way – IHG Concerto™ Support. $0.00 per room, per year for Opera Commission Handling Support. $0.03 each, for Opera Back		Note 3

(1) TYPE OF FEE	(2) AMOUNT	(3) DUE DATE	(4) REMARKS
	Office Interface Support. $0.02 each, for Opera Export Files Support. $1.65 per room, per year for Opera Web Services Support (OWS). $110.00 per interface, per year for eSocketPOS Interface Support (SPS). $0.09 per interface, per year for OXI – IHGWS – LARs Functionality Support. An approved PMS Interface (currently Bellinta) is required to support digital guest experience (IHG EDGE).		
Opera – Hosted	$2.88 per room, per month for Opera V5 Software Services & Support. $0.36 per room, per month, per interface for IFC8 Interface Services & Support. $72.00 per month, per interface for IFC8 Interface Services & Support (200+ Rooms). $1.00 per room, per month for OXI 2-Way – IHG Concerto™ Services & Support. $200.00 per month, per interface for OXI 2-Way – IHG Concerto™ Services & Support (200+ Rooms). $0.50 per room, per month for Opera Commission Handling Services & Support. $0.50 per room, per month for Opera Back Office Interface Services & Support. $0.50 per room, per month for Opera Export Files Services & Support. $1.25 per room, per month for Opera Web Services & Support (OWS). $0.50 per room, per month for Credit Card Interface Services & Support.		Note 3

(1) TYPE OF FEE	(2) AMOUNT	(3) DUE DATE	(4) REMARKS
	$100.00 per month, per interface for Credit Card Interface Services & Support (200+ Rooms). $1.00 per room, per year for OXI – IHGWS – LARs Functionality Services & Support. $200.00 per month, per interface for OXI – IHGWS – LARs Functionality Services & Support (200+ Rooms). An approved PMS Interface (currently Bellinta) is required to support digital guest experience (IHG EDGE).		
Opera Xpress – Hosted	$2.25 per room, per month for Opera Xpress V5 Software Services & Support. $0.36 per room, per month, per interface for IFC8 Interface Services & Support. $72.00 per month, per interface for IFC8 Interface Services & Support (200+ Rooms). $1.00 per room, per month for OXI 2-Way – IHG Concerto™ Services & Support. $200.00 per month, per interface for OXI 2-Way – IHG Concerto™ Services & Support (200+ Rooms). $0.50 per room, per month for Opera Commission Handling Services & Support. $0.50 per room, per month for Opera Back Office Interface Services & Support. $0.50 per room, per month for Opera Export Files Services & Support. $1.25 per room, per month for Opera Web Services & Support (OWS). $0.50 per room, per month for Credit Card Interface		Note 3

(1) TYPE OF FEE	(2) AMOUNT	(3) DUE DATE	(4) REMARKS
	Services & Support. $100.00 per month, per interface for Credit Card Interface Services & Support (200+ Rooms). $1.00 per room, per year for OXI – IHGWS – LARs Functionality Services & Support. $200.00 per month, per interface for OXI – IHGWS – LARs Functionality Services & Support (200+ Rooms). An approved PMS Interface (currently Bellinta) is required to support digital guest experience (IHG EDGE).		
FastConnect Plus And Access Control Manager	$167.32	Monthly (Payable to AT&T)	Note 3
Secure Payment Solution ("SPS") Maintenance & Support	$140.00 $0.075 transaction fee for each setteled transaction.	Monthly (Payable to SCH).	Note 3
Guest Internet Access – Bandwidth Service Subscription (IHG Connect)	$1,000 to $2,800. Pricing is estimated and varies based on regional service providers.	Monthly (Payable to SCH)	Note 3
Guest Internet Access – Hardware Maintenance & Guest Support (IHG Connect)	$1.50 per guest room. $25.00 per meeting / conference room, plus $20.00 per 2,000 sq. ft. of total meeting space, maximum of $500.00 (meeting room support fees only apply if total meeting space exceeds 2000 sq. ft.).	Monthly (Payable to SCH approved Integrator)	Note 3
Guest In-Room Entertainment– Hardware, Maintenance, Guest Support, & Content (IHG Studio)	$5.00 per room, per month for software, maintenance, and guest support. $7.20 per room, per month for content.	Monthly (Payable to SCH or approved Integrator) Monthly (Payable to SCH or approved Integrator)	Note 3

(1) TYPE OF FEE	(2) AMOUNT	(3) DUE DATE	(4) REMARKS
	$1.25 per room, per month for HBO (where required)	Monthly (Payable to SCH or approved Integrator)	
Employee Safety Devices	Initial fee of $125-$150 per room in the first year of installation plus $20.00 to $25.00 per room, per year for software and maintenance support	Annually (Payable to SCH approved supplier)	Note 3
Security Software for Public Access Computers (Business Center)	$495.00 to $525.00 per workstation, per year for software, maintenance, and guest support $315.00 to $399.00 per printer, per year for the "optional" mobile printing feature	Monthly (Payable to SCH or an approved supplier)	Note 3
Travel Agent Commissions (IHG Commission Services)	10% (minimum) commission on GRR (or other commission that Holiday designates).	Monthly (Payable to SCH)	Note 4
Third Party Distribution Connection Fees	See Note 4	Monthly (Payable to SCH)	Note 4
IHG Ignite Digital Marketing Fees	2.75% commission on all consumed direct digital revenue booked.	Monthly (Payable to SCH or intermediary)	Note 4
TMC (formerly known as BTA) Revenue Program	2.25% override fee (in addition to standard travel agency commission) on non-negotiated corporate contracted rates for consumed room nights, to a maximum of $20,000 per year or $25,000 per year for participating Luxury & Lifestyle program hotels.	Monthly (Payable to SCH)	Note 4
IHG Business Edge Program Booking Fees	4% of consumed transient revenue booked through the IHG Business Edge Program.	Monthly (Payable to SCH)	Note 4
Groups & Meetings Fee	3.5% of consumed or agreed room revenue for leads sent to hotels via IHG MeetingBroker (this fee will increase to 4.0% in 2022). There will be a $25,000 cap on the year-over-year increase in fees and a $30,000 fee limit per booking. New hotels will have the fee cap applied after their first year as an	Monthly (Payable to SCH)	Note 4

(1) TYPE OF FEE	(2) AMOUNT	(3) DUE DATE	(4) REMARKS
	IHG hotel.		
Tax on Sales/Gross Receipts or Similar Taxes	Holiday's actual cost.	Upon notice from Holiday	Note 5
Standard Fee for Room Additions	$500 for each new approved guest room.	With room addition (Payable to Holiday)	Note 6
Re-licensing/Changes of Ownership Fees	$500 per guest room but not less than $75,000.	Due with application to Holiday for re-licensing or change of controlling ownership (Payable to Holiday)	Note 6
Public Offering or Private Placement Processing Fee	$25,000 plus additional costs incurred by Holiday.	When you or any of your owners submit request for approval of private placement or public offering (Payable to Holiday)	Note 8
Audit/Interest	Amount of deficiency, interest and $3,000 audit fee (audit fee may be increased on System-wide basis).	Upon notice from Holiday	Note 9
Indemnification		Upon demand	Note 10
Quality Visits for guest satisfaction compliance or Standards evaluation failure, default or termination status	Up to $10,000 per visit.	Before follow up inspection and/or special inspection (Payable to Holiday)	Note 11
Bi-Monthly "The Operator's View" ("TOV"), Management Action Plan ("MAP"), or Hotels that fall below the "At Risk" guest satisfaction brand threshold.	Up to $10,000.	Upon notice (Payable to Holiday)	Note 11
PIP Inspection/preparation fee	$8,500 (and $5,000 for a re-inspection).	Before application, or upon request for PIP (Payable to Holiday)	Note 11
Plan and/or FF&E Extensions and Defaults	Up to $5,000	Upon request due to extension and/or default (Payable to	See Item 8

(1) TYPE OF FEE	(2) AMOUNT	(3) DUE DATE	(4) REMARKS
		Holiday)	
PIP Extensions and Defaults Travel	Up to $5,000	Upon request due to extension and/or default (Payable to Holiday)	Note 11
Custom Design Review	Up to $25,000	Upon Request (Payable to Holiday)	Note 11
Non-Compliance with Soft Goods and Case Goods Renovation Requirements	Up to $5,000	Upon request due to extension and/or default (Payable to Holiday)	Note 11
Realignment/name change processing fee	$5,000 for franchisee name change or ownership realignment.	Upon realignment or name change, if approved (Payable to Holiday)	
Capital Reserve	Up to 5% of Gross Revenue (see Paragraph 13.N of the License).	Monthly (if required by Holiday)	Note 12
Revenue Management for Hire	$1,549-$3,350 per month depending on total hotel room count, location type and annual occupancy. (These fees will apply until December 31, 2021, after which they may change). Plus, out of pocket travel expenses for SCH personnel. (These fees are modifiable with 90 days written notice).	Monthly (Payable to SCH) Workshop fee payable to SCH upon registration	Note 13
Completion of the appropriate level of IHG® Revenue Management for Hire certification (if hotel is not participating in the Revenue Management for Hire Program	$1,125	Upon attending (Payable to SCH)	Note 13
IHG Voice Reservation Service	$7.65 per net booking, which may be changed once annually. All Hotels must sign up and actively use this service for all rooms reservations calls.	Monthly (Payable to SCH)	Note 14

(1) TYPE OF FEE	(2) AMOUNT	(3) DUE DATE	(4) REMARKS
	A commission of 10% may be applied to Hotels that transfer Hotel-direct calls to public IHG CRO toll-free numbers.		
Guest Relations Fees	Quality and Service contacts from Hotels will be handled by Guest Relations in the 'One Contact Resolution' process. Hotels will be charged a case management fee of $150 per incident, plus the compensation amount of no greater than one night's room fee and tax. Non Service and Quality cases (such as billing or reservations issues) that not resolved within 48 hours by the Hotel will be handled by Guest Relations with a case management fee of $150 per incident.	Upon notice (Payable to Holiday)	Note 15
Promotions Required & Optional Advertising Materials		On request (payable to Holiday)	Note 15
IHG® Reward Measured Standards	Hotels are assessed for non-compliance to the measured loyalty standards as follows, Hotels with 300 rooms or less: • Fail first quarter = Cure (no penalty) • Fail second quarter = Assess $1,000/standard • Fail third quarter = Assess $2,000/standard • Fail fourth quarter = Assess $3,000/standard • Capped at $3,000 per quarter per standard. Hotels with more than 300 rooms: • Fail first quarter = Cure (no penalty) • Fail second quarter = Assess $1,000/standard • Fail third quarter = Assess $2,500/standard • Fail fourth quarter = Assess $5,000/standard • Capped at $5,000 per quarter per standard.	Quarterly Assessment appears on invoice (Payable to SCH)	Note 16
Employee Engagement Survey	$7 to $12 per employee each year	Annually (Payable to	Note 17

(1) TYPE OF FEE	(2) AMOUNT	(3) DUE DATE	(4) REMARKS
		designated third party provider)	
Liquidated Damages Payment on premature termination by Holiday before it authorizes you to use System at Hotel (includes failure to perform the construction, upgrading and renovation work described in the License) (see License, Par. 13.I).	A lump sum equal to the monthly average of all amounts that would have been payable to Holiday under paragraphs 3.B(1), (3) and (4) of the License assuming the Hotel had collected GRR based on the average daily revenue per available room for all Hotels in Holiday's System in the System in the United States for the previous 12 months, multiplied by the greater of (a) 6 or (b) the number of full and partial months from the Term Commencement Date to the termination date of the License.	Promptly upon Termination (Payable to Holiday)	Note 1, Item 17 f., g., h. and Note 2 to Item 17
Liquidated Damages Payment on premature termination after Holiday authorizes you to use System at Hotel (applicable only if License terminates before expiration, in accordance with License, Par.12B and/or Par. 12C; includes termination resulting from failure to perform "The Work") (see License, Par. 13.I).	An amount equal to the total amounts required under License Paragraphs 3.B (1), (3) and (4) during the 60 calendar months of operation preceding the termination or during the preceding number of months equal to the unexpired License Term at the time of termination (if less than 60 months); or if the Hotel has not been in operation in the system for 60 months, an amount equal to the greater of (1) 60 times the monthly average of these amounts for the period during which the Hotel has been in operation in the System, or (2) 60 times these amounts as are due for the one month preceding the termination.	Promptly upon Termination (Payable to Holiday)	Note 1, Item 17f., g., h. and i. and Note 2 to Item 17
Fees for Extensions of Construction Commencement ("CC"):			
New Development or Conversions (Extensions >6 but less than or equal to 12 months from CC date included in original license)	$10,000	With extension request (Payable to Holiday)	Note 7 & Item 11
New Development or Conversions (Extensions resulting in a CC date that is >12 months from the CC date included in original license)	50% of Application Fee	With extension request (Payable to Holiday)	Note 7 & Item 11
Room Additions (6-month extension)	50% of original room addition Application Fee.	With extension	Note 7 & Item 11

(1) TYPE OF FEE	(2) AMOUNT	(3) DUE DATE	(4) REMARKS
		request (Payable to Holiday)	

Note 1: Holiday can require you to make any payments due to Holiday to its parent, affiliates, subsidiaries or other designees. For example, many charges and fees shown on the table above are currently payable to SCH. Unless otherwise stated, all charges and fees on the table above are nonrefundable and the charge or fee or its formula is uniformly imposed on similarly-situated franchisees. The fees set forth in this Item 6 represent Holiday's current fees, but are subject to change as Holiday, its parents, affiliates, subsidiaries and/or other designees may amend from time to time; at all times you are responsible for the then-current fees imposed.

"GRR," or Gross Rooms Revenue, means the gross revenue and receipts of every kind attributable to or payable for rental of guest rooms and suites at the Hotel, including, but not limited to, any mandatory fee or surcharge charged to all or substantially all guests renting a room, such as resort fees or cancellation fees, with no deduction for any item, including, for example, no adjustment for the cost of any food and beverage items, room service, telephone charges, entertainment or any other items provided or made available to a guest as an incident of a guest room rental. The inclusion of any such fees or surcharges in GRR does not constitute approval by Holiday of such fees and surcharges, which may otherwise be limited or prohibited. GRR includes fees or payments you collect if a guest does not stay after making a reservation, which is often called "No-Show Revenue" as well as early departure or late check-out fees and other revenues allocable to rooms revenue under the Uniform System of Accounting for the Lodging Industry, Eleventh Revised Edition, 2014, as published by the American Hotel & Lodging Association Educational Institute, or any later edition, revision, or replacement that may be designated by Holiday. GRR also includes any awards, judgments or settlements representing payment for loss of room sales. The only permitted deductions are those for sales tax, value added tax, or similar room taxes on such revenues and receipts. No deductions shall be allowed for charge backs, credit card service charges, commissions, uncollectible amounts or similar items. GRR excludes sales tax, value added tax, or similar taxes on such revenues and receipts. Holiday may require you to settle all outstanding obligations payable to Holiday by direct account debit, electronic funds transfer, or other similar technology designed to accomplish the same purpose. Holiday may also charge royalties on revenues from any activity that you provide at the Hotel by mutual agreement with Holiday if such activity: (i) is not offered at System Hotels generally (at the time you enter into the License) and is likely to benefit significantly from, or be identified significantly with, the Vignette Collection™ brand name or other aspects of the System; or (ii) is designed by or developed by Holiday. Certain fees paid by franchisees, other than the royalties and related fees, are payable to SCH and either SCH or Holiday may collect those amounts from franchisees.

Note 2: You, all other System franchisees and all Hotels that Holiday's affiliates own or manage must pay a Services Contribution as specified in this Item, in Item 11, and paragraph 3.B of the License. Holiday will use these funds as it determines to develop, support and/or administer marketing, reservations and training programs. The Services Contribution cannot be used to cover the cost of maintenance, repair, modernization, renovation, or upgrading of your Hotel. Holiday and its affiliates are not responsible for any of these costs. Besides being used in developing, supporting and/or administering marketing, reservations and training programs, funds from Services Contributions will typically be invested in activities that strengthen the brand such as awareness advertising, research, and the development of new or improved services, but may also include tactical marketing initiatives more focused on short term revenue enhancement and seasonal marketing programs. The Services Contributions do not include costs which you incur in the acquisition, installation or maintenance of reservations services, equipment or training, or costs associated with seasonal enhancements such as seasonal scents, sounds, tastes or in your own marketing activities. Holiday can change the Services Contribution from time to time. Holiday may, on 30 days advance written notice, at any time during the term of your License, and from time to time, increase the Services Contribution by up to 1% of Gross

Rooms Revenue. If Holiday increases the Services Contribution in this way, then Holiday cannot make another discretionary increase again for 24 months after the start of a prior increase. Holiday may increase the Services Contribution by a maximum of 2% of Gross Rooms Revenue over the term of your License.

Your Hotel must participate in the loyalty program (the "Loyalty Program") for as long as SCH chooses to market a Loyalty Program. As of the date of this disclosure document, the Loyalty Program is marketed to consumers under the names "IHG® Rewards", "InterContinental Ambassador", and "IHG® Business Rewards". You must pay the Initial and Special Marketing Contribution to SCH for the Loyalty Program. The Initial Marketing Contribution is payable when your Hotel first enters Holiday's System. The Loyalty Program is an incentive program which rewards members with awards for frequent qualifying stays at all Vignette Collection™ Hotels (and, as described in Holiday's separate disclosure documents, for Holiday Inn, Holiday Inn Express, Holiday Inn Resort, Crowne Plaza, InterContinental Hotels & Resorts, voco Hotels, EVEN Hotels, avid® hotels, Hotel Indigo, Atwell Suites, Candlewood Suites and Staybridge Suites brand group hotels as well as other hotel brands within the SCH hotel portfolio (including Kimpton® Hotels & Restaurants)).

The Loyalty Program includes alliances with airline frequent flyer programs and other Holiday brands. Through these alliances, Loyalty Program members may choose to collect and convert their Loyalty Program points into airline miles or choose to collect miles automatically with each stay. SCH may add to or delete airlines and alliances within other industries from the Loyalty Program.

SCH's Global Sales & Marketing department has established marketing relationships with airlines, rental car companies, banks and other types of companies, some of which include co-branding with IHG® Rewards. These alliances may produce revenue and income for SCH that do not result from any required purchases that you make.

The Special Marketing Contribution to the Loyalty Program is currently 4.75% of Qualifying Full Folio Revenue and 1.425% of Qualifying Room and Meeting Revenue. SCH can change these percentages in its sole judgment. All enrolling stays will be assessed a flat rate of $4.75 to the enrolling Hotel and a flat 1,000 points will be issued to the member regardless of their qualified stay revenue. Qualifying Full Folio Revenue includes: (a) Qualifying Room Rates (defined below), (b) charges for food and beverage, telephone, laundry and pay-per-view movies, including applicable taxes, when charged to the member's room regardless of whether a Qualifying Room Rate was paid, and (c) at the Hotel's discretion any other items charged to the member's room not defined in the previous items (a) or (b). Property management systems certified as compatible by the SCH Information Technology department provide Full Folio Revenue data to the Loyalty Program through an automated interface.

Qualifying Room Rates include, for example: (1) non-discounted rates; (2) standard corporate rates; (3) leisure rates; (4) government rates; (5) Corporate Gold rates and worldwide sales negotiated rates; (6) conference and meeting rates; and (7) individual Hotel contract rates. If discounts on rates (6) and (7) exceed 30% of the Hotel's published rates, the Hotel may exclude the awarding of IHG® Rewards points for these discounted room rates. All negotiated group rates for business bookings are Qualifying rates. Guest rooms booked as part of a group, meeting or event block where the individual guest pays their own charges (room and incidentals) will qualify for points.

Qualifying Room and Meeting Revenue includes Hotel revenue from accommodation (room only booked on behalf of others via the Booker Loyalty Program) and/or Hotel revenue from rental of guest rooms, meetings, social, or catered events to include revenue from meeting room hire, food and beverage, and/or other revenue associated with the meeting or event at the Hotel's discretion (formerly known as IHG® Meeting Rewards). IHG® Business Rewards points are capped at 60,000 per meeting or event, while the Hotel has sole discretion to award more than 60,000 points for any such meeting or event. At three points per dollar payable at 1.425%, the amount contributed to the Loyalty Program is capped at $285 per event, however the Hotel has discretion to award more than 60,000 points at the same 1.425% assessment rate ($0.00475 per point).

In 2019, the Loyalty Program was extended until December 31, 2022 by a vote of all principal correspondents of Holiday licensed Hotels in good standing. Under this extension, Loyalty Program members can accumulate points through December 31, 2022, and may redeem them through June 30, 2023. If the Loyalty Program is extended beyond December 31, 2022, the foregoing dates will also be extended. Loyalty Program points will expire on a monthly basis for any Loyalty Program accounts which have been inactive during the prior rolling 12-month period.

Votes on changes to the Special Marketing Contribution or other Loyalty Program elements requiring a vote of System franchisees will be counted on a "negative option basis", which means that those Hotels which do not respond by the specified voting deadline will have their votes counted as a vote for approval of the proposed change(s).

Hotels are required to allocate a certain percentage of their rooms inventory for reward night redemption by members of the Loyalty Program. The reimbursement amounts that Hotels will receive when members redeem their points for rewards stays is specified by the Loyalty Program. SCH reserves the right to modify the Loyalty Program at any time, including, without limitation, the costs, the reward night redemption reimbursement amounts and the calculation factors.

You must also participate in all other marketing and sales programs and policies that Holiday requires of its Vignette Collection™ franchisees. To participate in certain marketing programs and to comply with the Standards, you may be required to buy advertising materials, products, services, equipment or supplies or other proprietary materials, and you may have to offer promotions or services to guests that may result in expenses or costs to you. Sometimes, these advertising and proprietary materials will be available for purchase through Holiday or its affiliates.

You may also choose to participate in local and regional marketing programs, advertising cooperatives and related activities, but only at your expense and subject to Holiday's requirements. Holiday may impose reasonable charges for advertising materials you choose to order from it for these programs and activities.

Holiday will use the Technology Services Fee to provide technology services, including IHG Concerto™. Holiday may increase the Technology Services Fee in an amount it judges to be reasonable, but not by more than 10% of the fee in effect at the beginning of the year. Except as specifically stated in the Master Technology Services Agreement, the Technology Services Fee does not include the costs of installation, maintenance or repair of equipment or training at the Hotel. IHG Concerto™ is a technology platform designed to enable many capabilities, including reservations, rate management, inventory management and yielding, guest relations and an interactive homepage. Your General Manager and front office staff must have access to IHG Concerto™ and complete necessary web-based training including; Get to know IHG Concerto™, IHG Concerto Home Page Overview, and Digital Check-In Training, all available at no cost on myLearning.

The fee for the initial onboarding certification for your General Manager is $1,500. The fee for the Guest Service Manager, F&B Manager, Director of Sales and Sales Manager certification programs are between $375 and $1,995. The fee for the IHG® Way of Clean 5-S Process Leadership Certification for the Executive Housekeeper is $375. The fee for the IHG® Way of Clean-Preventative Maintenance Program workshop for the Maintenance Supervisor is $375. Most training programs range between $375 and $5,000. Costs are determined per program based on development costs, instructional method used and location. For in-person classes, you are responsible for any travel or training expenses of your trainees. The cost of training materials for the pre-opening training programs described in Item 11 is included in the registration fee, and the costs of the training materials for any additional training programs which Holiday requires will be included in the registration fee for those programs.

The franchisee (or a representative of the franchisee), General Manager, and/or designated operator, must attend the Owner and/or GM Conference and pay the registration fee, currently ranging up to $2,500 per attendee, but such amount is subject to increase. Travel costs are not included. These conferences are generally held annually but are subject to adjustment.

Note 3: Currently, Vignette Collection™ Hotels must use the Opera or Opera Xpress PMS solution (see Items 1, 8 and 11). You must also obtain ongoing maintenance and support for the required PMS software, including upgrades and new versions (see Items 8 and 11) and other software including operating system upgrades and endpoint protection software. The endpoint protection software is part of the Total Protection for Network (ToPS), which will be administered and managed by AT&T via the FastConnect Plus solution. The PMS Provider will bill you and collect the fee from you for the required PMS software support and the PMS Provider provides the support. You must also obtain ongoing equipment maintenance for the PMS hardware as arranged through either SCH or an approved vendor. The costs will vary according to your technology needs and the costs listed on the table are estimates.

The PMS Provider will provide you with a third-party license and/or hosting agreement for the use of the PMS software. Therefore, you must sign a third party license and/or hosting agreement with Oracle America, Inc., the PMS provider for Opera and Opera Xpress, or with any other PMS provider designated by SCH (see Items 1, 8 and 11), which will be prepared for you after you complete the Oracle New Account Setup Form, the form of which is attached to this disclosure document as Exhibit I-7. This license agreement includes on-going maintenance and support for the PMS software. The PMS Provider will bill you annually for the support fee. The PMS Provider may not increase the maintenance and support fee more than once during any calendar year. You must also pay support fees for the other components of property-level systems, such as PMS equipment maintenance, and for other systems which interface to the Opera or Opera Xpress PMS system; such as the telecommunications system, the electronic door locking and keycard system, and the specialized sales software. Hardware and software maintenance fees may vary based on the number of rooms at the Hotel. he fees for local and long-distance telephone service and line charges are not included in the estimated fees on the chart. The costs will vary according to your technology needs, and the costs listed on the chart are an estimate.

Upon activation of the Secure Payment Solution ("SPS") at your Hotel, SCH will immediately bill you monthly and administer support for the hardware and software. You must also obtain ongoing equipment maintenance for the SPS hardware, as arranged through either SCH or an approved vendor. The $140.00 SPS Maintenance & Support fee paid to SCH may increase according to corresponding rises in PMS credit card support services from Oracle.

For Guest Internet Access ("GIA") Bandwidth (IHG Connect), a Hotel will be required to utilize an approved SCH-certified provider and enter into a participation agreement with an approved provider (see Item 8 and the form of agreement attached as Exhibit I-5 to this disclosure document). Monthly service fees will vary based on regional telecommunication or cable company sources. Hotels with existing contracts with bandwidth providers must allow such contracts to expire or terminate by their own terms and not allow them to renew, by giving appropriate notice as soon as the terms of those contracts permit. If the contract term will extend more than one year after the effective date of the respective Standard, and the Hotel has a right to terminate for convenience (without cause) and without payment of any fees, then the Hotel must exercise that right so that the contract terminates within that year.

For Guest Internet Access ("GIA") Hardware (IHG Connect), a Hotel will be required to install approved Wi-Fi related equipment, use an approved SCH-certified integrator to install the equipment and enter into a participation agreement with an approved integrator (see Item 8 and the form of agreement attached as Exhibit I-6). Monthly service fees will include a base per-suite fee for guest support and a variable fee for meeting room support based on the number of meeting rooms and the amount of meeting space that exceeds 2,000 square feet. Hotels with existing contracts with hardware providers must allow such contracts to expire or terminate by their own terms and not allow them to renew, by giving appropriate notice as soon as the terms of those contracts permit. If the contract term will extend more than one year after the effective date of the respective Standard, and the Hotel has a right to terminate for convenience (without cause) and without payment of any fees, then the Hotel must exercise that right so that the contract terminates within that year.

All Hotels are required to install and maintain In-Room Entertainment Hardware (IHG Studio). Your Hotel will be required to install approved TV sets and/or Set Top Boxes ("STBs") that are compatible with IHG Studio, use an approved SCH-certified integrator to install the equipment, and must enter into an agreement with one of them. Monthly service fees will include a base per-room fee for guest support. Hotels with existing contracts with In-Room Entertainment providers must allow such contracts to expire or terminate by their own terms and not allow them to renew, by giving appropriate notice as soon as the terms of those contracts permit. If the contract term will extend more than one year after the effective date of the IHG Studio Standard, and the Hotel has a right to terminate for convenience (without cause) and without payment of any fees, then the Hotel must exercise that right so that the contract terminates within that year.

Hotels are responsible for installing an alert system that enables employees to notify Hotel management of an emergency with the push of a button ("Employee Safety Devices"). The Employee Safety Devices must be available to all employees that work in guest rooms, must instantly signal guest room and guest floor location when activated, must continuously update guest room and guest floor location, and must be tested every six months. In addition, all new employees, including contract and temporary, must receive training on the Employee Safety Devices, within the first 14 days of employment. Employee Safety Devices must be procured and installed by an approved supplier and meet defined requirements set forth in the Standards. You may be required to sign a participation agreement with an approved vendor for these services.

Hotels are required to install designated workstations and a multi-function printer, providing complementary internet access to Hotel guests, in the Business Center ("Public Access Computers"). The Public Access Computers must be available 24 hours a day, must utilize SCH-approved security protection software and must include enrollment in a 24x7 support program offered by an SCH-approved vendor. In addition, all Public Access Computers are required to be refreshed every four years, a minimum of one computer must have Microsoft Office, and all must operate at the same or greater bandwidth port speed as other internet enabled devices on the Guest Internet Access network. You may be required to sign a participation agreement with an approved vendor for these services.

Note 4: <u>Third Party Distribution Connection Fees</u>: Holiday requires that all Vignette Collection™ Hotels participate in the IHG Commission Services ("ICS") program and the Global Distribution System ("GDS"). ICS was the first centralized commission payment program in the industry, and currently has over 165,000 participating travel agencies in 52 countries. SCH will provide you with a monthly invoice detailing all commissions and Distribution Connection fees that SCH pays for you. As a participant in ICS, you must pay the customary minimum of 10% of the GRR (or another percentage that Holiday designates) for the travel agent or other referral source booking. In some cases, Holiday is able to negotiate this percentage and it is subject to increase from time to time. As a participant in ICS, you are automatically enrolled in GDS, which provides reservation linkage with four major airline reservation systems. You must pay a GDS fee for any reservation through the GDS that is not cancelled. In some cases, Holiday is able to negotiate the GDS fee but the fee is set by third parties and is subject to change upon 30 days' notice to you. GDS Fees are currently set at $6.40 per reservation and are subject to change. Additionally, alternative connections may be developed between SCH and vendors which may be subject to transaction fees. Alternative connection transaction fees (such as the Direct Connect Fee and the Travel Management Company ("TMC") Direct Connect Fee) are determined by the cost of operating the connection or by the cost of the third parties who provide the connections. Direct Connect fees are currently set at $1.75 per reservation and are subject to change. TMC Direct Connect fees are currently set at $5.00 per reservation and are subject to change. The GDS fee and TMC Direct Connect fee are mutually exclusive. This means that a Hotel can be charged one or the other, but not both. You may pay your commissions and transaction fees by direct debit through Onyx Commission Processing. If you decline this option, you must pay SCH $2.00 per commissionable transaction billed in addition to the commission. Onyx rebates SCH 3.05% of commissions collected for their members and 3.50% of the total commission paid for non-members. Additionally, ICS may be used as a mechanism to bill for other SCH programs such as IHG Voice Reservation Service cross-sell fees. The programs in which SCH uses ICS for billing may change from

time to time. For reservations made through a travel agent or other referral source and processed for SCH or its subsidiaries by Onyx Commission Processing, SCH will receive a minimum of 2% of the commissions paid to Onyx Member agents to cover the costs of running the ICS program. These amounts are subject to change without notice.

IHG Ignite Program: All Hotels are automatically enrolled in the IHG Ignite Program ("IHG Ignite"). However, Hotels can opt-out if they do not want to participate in IHG Ignite. If they opt out, they will not be included in any of IHG Ignite's marketing programs. IHG Ignite is designed to be a performance-based and self-funded Internet Marketing program that generates increased revenue potential for Hotels. IHG Ignite markets the System through SCH direct digital channels (SCH branded web sites and the SCH Mobile App). Internet users can click on advertising placed by SCH and be linked to SCH's Internet reservations page or the SCH Mobile App to make reservations. Participating Hotels must pay SCH a commission equal to 2.75% of the revenue from consumed direct digital bookings, excluding employee rates, IHG Rewards nights and rooms booked under certain other rate codes. No GDS fee will be charged for these IHG Ignite transactions. A portion of the commissions paid by Hotels will be used by SCH to satisfy financial obligations to associated media companies and publishers which provided the advertising placements to SCH. Specific commission payment levels for each associated media company and publisher vary based on size, strategic value, and actual or potential revenue contribution.

TMC Revenue Program: Travel Management Company ("TMC", formally known as Business Travel Agency ("BTA")) refers to a subset of agencies that account for a significant portion of all travel delivered to SCH Hotels via travel agencies. TMC Revenue Programs are pay-for-performance marketing programs designed by SCH to drive incremental revenue and improve market share with SCH travel agency partners. The key focus of these programs is to reward agencies for increasing market share by driving non-negotiated rate and/or corporate contracted business to Hotels. Hotels pay a 2.25% override fee (in addition to standard travel agency commission) for non-negotiated corporate contracted rates on consumed room nights over the base amount, up to a maximum of $25,000 per year). Commissions are paid through the ICS. SCH negotiates and executes a centralized global contract on behalf of all Hotels in the system. All Hotels are automatically enrolled in TMC; however, Hotels can opt-out if they do not want to participate in TMC prior to the start of the new program year.

IHG Business Edge Program: All Hotels are automatically enrolled in the IHG Business Edge Program (IHGBE); however, Hotels can opt-out if they do not want to participate in IHGBE. If they opt out, they will receive no bookings from IHGBE. The IHG Business Edge Program is designed to generate incremental revenue from mid-market and local accounts to IHG hotels by developing new accounts. Hotels agree to honor the discount percentage that is attached to the account. Discounts are based on the room revenue spend of the IHGBE client and calculated off the Best Flexible Rate (BFR). Discounts range from 4.0% to 14.5% off BFR. Hotels agree to pay a booking fee equal to 4% of the consumed transient room revenue for all IHGBE accounts booked at the IHGBE program rate. Hotels agree to pay any GDS or Third Party fees associated with IHGBE clients.

Groups & Meetings (G&M) Fee: The fee applies to definite room revenue sourced through MeetingBroker, even if the MeetingBroker status is not listed as "definite". If the "definite" consumed revenue is not updated in MeetingBroker at the time of billing, the fee will apply to the contracted or "agreed" room revenue. The fee percentage will be 3.5% in 2021 and will then increase to 4.0% in 2022 and beyond. The funds collected through the Groups & Meetings Fee will be reinvested into improving G&M tools and technologies. New Hotels entering Holiday's system will pay the full G&M fee without the cap in their first year. After year one, the annual caps will apply. Hotels agree to pay commissions due to third parties sourcing through MeetingBroker.

Note 5: You must pay Holiday an amount equal to any sales, gross receipts or similar tax that may be imposed on Holiday and calculated solely on payments required under the License, unless the tax is an optional alternative to an income tax otherwise payable by Holiday.

Note 6: The IHG Concerto™, Yield & Price Optimization uses Hotel historical data and future bookings to create a detailed forecast of future business for your Hotel over the next 50 weeks. IHG Concerto™, Yield & Price Optimization also produces inventory controls which are used in the sales process of your PMS and all direct (CRO, Brand Website) and indirect channels (such as GDS or online travel agencies (OTA)).

There are four types of IHG Concerto™, Yield & Price Optimization database builds: Standard (12 months of 2-way data), Proxy (90 days of 2-way data), NHOP (day of opening) and Early (during pre-sale, inventory defined). A Standard build needs a minimum of one year of consecutive 2-way data before activation. A Proxy build needs a minimum of 3 months of consecutive 2-way data and 9 months of data from a comparable hotel. A NHOP or Early build is available 1-60 days from the time the Hotel's inventory is fully activated and defined in the Reservation System.

IHG Concerto™, Yield & Price Optimization helps Holiday's hotels determine the best daily price. The system integrates local market demand forecasting, publicly available competitive data analysis, and price sensitivity modeling to make optimal pricing recommendations for its hotels.

Costs of between $30 and $60 per month may apply for competitive rate insight shopping. For Hotels currently subscribed to RevenueStrategy360 or Rate360, these costs may be waived.

See Item 11 for a more detailed discussion of IHG Concerto™, Yield & Price Optimization.

Holiday charges a standard Additional Room Application Fee for applications for approval of any guest rooms to be added to the Hotel (presently, $500 per additional guest suite). If you withdraw the room addition application before Holiday approves it, or if Holiday denies the application, then Holiday will refund the Additional Room Application Fee, less direct expenses it incurred.

If you apply for re-licensing or change of ownership, you must pay Holiday a Re-licensing Application Fee or Change of Ownership Fee, as the case may be. If Holiday denies the re-licensing or change of ownership application, Holiday will retain $15,000 and refund the balance of the Re-licensing Application Fee or Change of Ownership Fee to you.

Note 7: Your License will require you to commence and complete construction by certain deadlines. You may apply for an extension of the deadlines, but if your request is approved by Holiday, you must pay an extension fee in connection with same. Holiday must approve your extension in writing and such approval is not automatic. You must pay any expenses Holiday incurs in processing the extension request.

Note 8: If you propose a securities offering requiring registration under any federal or state securities law, you must apply to Holiday for approval of the offering and pay Holiday a nonrefundable securities offering fee of $25,000 when you apply, plus additional costs incurred by Holiday.

Note 9: If an audit by Holiday discloses a deficiency in any payment and the deficiency is not offset by overpayment, you must immediately pay Holiday the deficiency and an audit fee of $3,000. If the audit does not result in a deficiency being assessed, then you will not pay an audit fee. Amounts not paid when due will accrue interest, beginning on the first day of the following month, at 1.5% per month or the maximum interest permitted by law.

Note 10: You must indemnify Holiday, its parents and its subsidiaries and affiliates (including SCH) and their officers, directors, employees, agents, successors and assigns against, hold them harmless from, and promptly reimburse them for all payments of money (including fines, damages, legal fees and expenses) by reason of any claim, demand, tax, penalty, or judicial or administrative investigation or proceeding whenever asserted or filed (even where negligence of Holiday and/or its parents, subsidiaries and affiliates is alleged) arising from any claimed occurrence at the Hotel or any act, omission or obligation of yours or anyone associated or affiliated with you or the Hotel. At the election of Holiday, you will also defend Holiday and/or its parent, subsidiaries and affiliates and their officers, directors, employees, agents, successors and assigns against same. In any event, Holiday will have the right, through counsel of its choice, to control any matter to the extent it could directly or indirectly

affect Holiday and/or its parents, subsidiaries or affiliates or their officers, directors, employees, agents, successors or assigns. You agree to pay Holiday all expenses including attorneys' fees and court costs, incurred by Holiday, its parent, subsidiaries or affiliates, and their successors and assigns as a result of any claimed occurrence or to remedy any defaults of or enforce any rights under the License, to effect termination of the License or to collect any amounts due under the License.

Note 11: Holiday may charge you for all quality visits, re-evaluations and re-inspections at your Hotel that occur as a result of your Hotel's failure of any previous Standards Evaluation, your Hotel's failure under the quality system or under the guest satisfaction measurement system, your failure to complete PIP requirements by the specified interim or final milestone dates, your failure to complete the Bi-Monthly "The Operator's View" ("TOV") requirement, or your failure to complete the Management Action Plan. You must pay an escalating assessment of up to $10,000 for each quality re-evaluation and re-inspection and you must pay an escalating assessment of up to $10,000 for each subsequent visit due to consecutive failures. In addition, you must pay the room and board of Holiday's inspector(s) on all Standards Evaluations, action plan visits and revisits, as well as room and board and travel for all PIP or Plan reviews.

You must complete the mandatory Bi-Monthly TOV requirement. Failure to do so in any given month will result in an escalating assessment of up to $10,000 for each occurrence and may result in a visit from a Quality Department Representative. You must complete all items in the Management Action Plan ("MAP") that is created during the Standards evaluation, action plan visits, re-evaluations and re-inspection at your Hotel. Failure to do so in the timeline defined within the MAP will result in an escalating assessment of up to $10,000 and may result in a visit from a Quality Department Representative. In addition, you must pay the room and board of the Quality Department Representative(s) on all quality-related visits.

All Hotels that fall into any guest satisfaction measurement (currently known as "Guest Love") that is below the "At Risk" brand threshold must pay up to $10,000 for each required re-inspection or default visit, and may be assigned two of Holiday's training workshops to attend at the Hotel's expense.

Holiday may charge a fee of up to $25,000 for any Custom Design Review, which consists of $10,000 for guest room design review, $10,000 for public area review and $5,000 for exterior reviews.

If your Hotel is subject to a PIP, it will be inspected after the required completion date to verify satisfactory completion of the PIP. You must pay an inspection fee of $8,500. If the PIP is not completed to our satisfaction at the time of the inspection, you will be assessed a fee up to $5,000 for the first re-inspection and any subsequent re-inspections we perform until the PIP work is completed to our satisfaction. You must also provide complimentary lodging at the Hotel for the inspector performing a re-inspection.

Your Hotel will receive communications about the scope of required Soft Goods and Case Goods renovation requirements and their due dates. If you fail to timely complete a required Soft Goods or Case Goods renovation, we may charge a renovation non-compliance fee up to $5,000. Your Hotel will be inspected during and after the completion of the required renovation to verify satisfactory progress and completion. If your required renovation is not completed to our satisfaction at the time of inspection, the foregoing non-compliance fee will also be assessed for any extensions granted and any subsequent re-inspections we perform until the renovation work is completed to our satisfaction. You must also provide complimentary lodging at the Hotel for the inspector performing an inspection or re-inspection of your renovation work.

Note 12: Holiday may impose or change the capital reserve requirements for your Hotel from time to time. If Holiday requires a capital reserve (the "Capital Reserve"), you must establish a Capital Reserve account of up to 5% of Gross Revenue annually for capital expenditures and upgrading of the Hotel including renovation of public areas, guest rooms, guest room corridors and replacement of FF&E. The capital reserve, if required, must be funded monthly. Since the Capital Reserve may not be sufficient to maintain the Hotel as a first-class facility in accordance with the Standards, you must promptly provide any necessary additional funds to meet Holiday's product quality and consumer quality requirements.

Holiday will give you at least ninety days' notice of any establishment or change in Capital Reserve requirements (see also paragraph 13.N of the License).

Note 13: Each Hotel must have an SCH Certified Revenue Manager to oversee certain revenue generating practices for the Hotel. This service can be contracted through SCH for a monthly cost of $1,549-$3,350.

If your Hotel chooses not to participate in the Revenue Management for Hire program, your Hotel must have a dedicated revenue manager on site, be a part of a management company with an above property revenue management structure that has completed the appropriate level of IHG Revenue Management Certification, or use a certified third party revenue service. If a Hotel is operated by a first time Holiday owner-operator, the hotel will be required to join the Revenue Management for Hire (RMH) program at a minimum for the first two years of operation.

Note 14: Participation in the IHG Voice Reservation Service program is required. The IHG Voice Reservation Service program is a service whereby reservation calls to your Hotel will be referred to an offsite call center. Participation is defined as sending all rooms reservations calls to the IHG call center. Participation will be monitored for compliance to target benchmarks as available in IHG Voice Dashboard reports in the IHG Reporting platform. The offered services may include reservation services for all calls transferred from the Hotel including new reservations and modifications or cancellations of existing reservations; telephone connections between the Hotel and the reservation office; equipment, management and staffing for the reservation office; and monthly performance reports for the Hotel. These services will require you to pay additional fees (see Item 6 table) and you must sign the IHG Voice Reservation Service Agreement, attached as Exhibit I-1 to this disclosure document.

Note 15: One Contact Resolution is a Guest Relations process that allows for increased guest satisfaction by empowering Case Managers to handle calls quickly. Your Hotel is expected to resolve any guest relations issues of a service or quality nature during the guest's stay. Post stay contacts of a service or quality nature will be resolved by Guest Relations Case Managers who will resolve contacts of this nature on behalf of the Hotel, compensating the guest with up to one night's room fee and tax. You must pay a $150 Case Management Fee per incident as well as any applicable compensation to the guest. Hotels can earn a quarterly fee waiver on service and quality cases by achieving a GR Index in the top 1/3 of the system. Any non-service or quality issues are referred to the Hotel for resolution.

To participate in certain other marketing programs and to comply with the Standards, you may be required to buy advertising materials, products, services, equipment or supplies or other proprietary materials, and you may have to offer promotions or services to guests that may result in expenses or costs to you. Sometimes, these advertising and proprietary materials are available for purchase through Holiday or its affiliates.

Note 16: IHG® Rewards Measured Standards are measured and enforced by the Loyalty Program to ensure consistency in the delivery of the program to its members. Standards are based on calendar quarter thresholds. Hotels are measured at the end of each calendar quarter for compliance. If a Hotel fails to meet the threshold for a quarter, it will have one quarter to cure. If a Hotel that has 300 rooms or less fails to cure within that first quarter, it will move to assessment and will be assessed a fee of $1,000 for each standard failed beginning in the second failed quarter. If a Hotel fails in consecutive quarters, the penalty will escalate to $2,000 for a failed third quarter and $3,000 for a failed fourth quarter. The assessment is capped at $3,000 per quarter per standard. If a Hotel that has more than 300 rooms fails to cure, it will move to assessment and will be assessed a fee of $1,000 for each standard failed. If a Hotel fails in consecutive quarters, the penalty will escalate to $2,500 for a failed third quarter and $5,000 for a failed fourth quarter. The assessment is capped at $5,000 per quarter per standard.

Note 17: Holiday may require your Hotel to participate in the brand's annual employee engagement survey and if so, you will be responsible for all charges associated with administering the program through the brand's designated third-party provider.

General: Holiday can require you to settle all outstanding obligations by electronic funds transfer, direct debit or other similar technology designed to accomplish the same purpose. Except as described above, all monthly payments must be made to Holiday by the 15th day of the following month, in Atlanta, Georgia, in U.S. currency, unless otherwise specified by Holiday.

Holiday may consider requests to alter the requirements described in this Item. Holiday will only consider changes under special circumstances and any changes must comply with applicable laws.

ITEM 7

ESTIMATED INITIAL INVESTMENT

The following table provides an estimate of the initial investment for a 200-room Vignette Collection™ Hotel.

YOUR ESTIMATED INITIAL INVESTMENT FOR A 200-ROOM VIGNETTE COLLECTION™ HOTEL:

(1) Type of Expenditure	(2) Amount	(3) Method of Payment and When Due	(4) To Whom Payment Is to be Made
Application Fee (Note 1)	$100,000	With application	Holiday
Property Improvement Plan ("PIP") fee (Note 1)	$0 - $8,500	Before you submit your application	Holiday
Land (2.5 to 5 acres) (Note 2)		As required	Third parties
Building Construction (Note 2) (Note 3)	$22,000,000 – $50,000,000 Or $110,000 - $250,000 per key	As required	Third parties
Furniture, Fixtures & Equipment (Note 2)	$4,200,000 - $8,500,000 Or $21,000 - $42,500 per key	As required	Suppliers
Operating Supplies & Equipment (Note 4)	$600,000 - $1,300,000	As required	Suppliers
PMS Equipment: Software; Installation & Training; IHG Concerto™ Access & Training; SPS/Payments Equipment; Software; Installation & Training (Note 5)	$97,000 - $130,000	Cash or commitment letter from SCH approved leasing or financing company before installation	SCH affiliates or 3rd parties

(1) Type of Expenditure	(2) Amount	(3) Method of Payment and When Due	(4) To Whom Payment Is to be Made
Guest Internet Access – Hardware (IHG Connect) (Note 5)	$22,500 - $49,000	Cash or commitment letter from SCH approved leasing or financing company before installation	3rd parties
Key Card System (Note 5)	$10,000 to $25,000	As required by suppliers	Suppliers
In Room Entertainment (IHG Studio) (Note 5)	$15,000 to $20,000	As required by suppliers	Suppliers
Employee Safety Devices (Note 5)	$15,000 to $25,000	As required by suppliers	Suppliers
Public Access Computers (Business Center) (Note 5)	$3,000 to $5,000	As required by suppliers or cash or commitment letter from SCH approved leasing or financing company before installation	Suppliers
Primary Identification Sign (including installation, freight, foundation and wiring)	$50,000 - $250,000	As required	Suppliers
Openings and Renovations services and training (consultation materials & shipping) to be invoiced within 60 days of license execution by Holiday (Note 6)	$8,000 plus expenses (one-time charge)	Lump sum within 30 days of invoice	SCH
Initial Certification Training Program (Note 6)	$9,500 - $15,000 plus travel expenses	After opening	Holiday
Leading the Brand Training for New Hotels (Note 6)	$1,500 - $2,000	Before opening	SCH
Opening Date Extension Fee (Note 7)	Up to $5,000 plus expenses	Lump sum within 30 days of invoice	SCH
Market Feasibility Study	$15,000 - $30,000	As required by Service Provider	Service Provider
Vignette Collection™ R&B Concept Development (Note 8)	$0-$125,000	At time of opening or major renovation	SCH or Service Provider
Vignette Collection™ R&B Brand Identity Services & Market Research Study (Note 8)	$15,000-$40,000	At time of opening or major renovation	SCH or Service Provider

(1) Type of Expenditure	(2) Amount	(3) Method of Payment and When Due	(4) To Whom Payment Is to be Made
License and Permits (Note 9)		As incurred	Local & State Authorities
Professional Fees (Note 10)	$500,000 - $2,000,000	As incurred	Third parties
Security Deposits (Note 11)	$5,000 - $35,000	As incurred	Third parties
Insurance (Note 12)	$43,750 - $187,500	Before opening	Carrier
Hotel Photography (Note 13)	$15,000 - $25,000	At time of opening and post renovation or structural change	Suppliers
Additional Funds and Prepaid Expenses during the initial phase (first 3 months after opening) (Note 14)	$1,000,000 - $2,000,000	As incurred	Employees Suppliers, Utilities
TOTAL	$28,725,250 - $64,876,500 (exclusive of land, inestimable items and contingency funds) (Note 15)		

The above chart does not reflect all of your expenses in opening the Hotel, such as interest on construction loans, financing fees, appraisal fees, taxes or other similar costs. There may be other items which Holiday is unable to estimate. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. In Holiday's experience, Hotels built in suburban locations have costs towards the lower half of these ranges while Hotels built in urban locations have costs towards the high end of these ranges.

To Holiday's knowledge, none of the expenditures described above are refundable, unless otherwise indicated.

The initial investment varies depending on, among other things, size, land cost, construction costs, delays, contingencies, amenities and economic conditions.

Holiday does not offer any formal program for direct or indirect financing. Holiday, SCH or its affiliate, General Innkeeping Acceptance Corporation ("GIAC") may furnish loans or guaranties to franchisees (See Item 10).

These estimates do not include the cost of land, and contingency funds or other items that Holiday cannot estimate.

NOTES:

Note 1: Certain fees paid by franchisees are payable to Holiday and either SCH or Holiday may collect those amounts from franchisees.

Note 2: Since land values vary so dramatically, it is not possible for Holiday to estimate the amount required to purchase or lease the land necessary to operate the Hotel. You can develop your own estimate by applying the acreage requirements to the local land sale or lease costs in the geographic area in which the Hotel will be situated. The cost estimates listed above for construction of the building and for furniture, fixtures and equipment are for newly developed Hotels rather than conversions. Holiday requires that qualified design professionals prepare specifications and décor schemes for all furniture, fixtures, and equipment for your specific site. You must commission and pay your designers

directly. Your land acquisition costs will vary depending upon a multitude of factors including whether the property is purchased or leased, the size and location of the property, and the availability of financing on commercially reasonable terms.

Note 3: Building construction costs vary greatly from state to state and region to region depending upon material, labor costs, and other variables. Construction costs may also vary depending upon soil and environmental conditions, availability of utilities to the site, and the topography of the site. The estimate does not take into account special local requirements such as earthquake requirements or impact fees, or specific local aesthetic requirements or remedial work that may be required to bring a building into regulatory compliance or within the Standards. An architect approved by Holiday must prepare plans for a specific site and construction type. You must commission and pay your architect directly. Holiday may in the future require use of prototype plans, however Holiday does not currently provide or mandate them. If Holiday requires you to use prototype plans, an architect approved by Holiday must adapt these plans for your specific site and construction type. Before commencing your architectural plans and specifications, you must attend a kick-off meeting for consultation and coordination with Holiday. Your plans and specifications must conform to the Standards, and must be approved by Holiday before you begin construction. You must provide Holiday with periodic milestone updates of your development progress as required by Holiday.

Note 4: The estimates for this category include the base supply and stock of equipment and supplies necessary to begin operations of the Hotel. Examples of these items would include: hardware, tools, linens, employee uniforms, housekeeping supplies, office and guestroom equipment, paper goods, office and cleaning supplies, shelving and storage, glass and china ware, utensils, banquet equipment, amenities, among others.

Note 5: The estimated cost of the Opera or Opera Xpress PMS assumes you purchase the equipment from or through SCH and includes the cost of the basic equipment installation and configuration; training in the use of the PMS; and IHG Concerto™ revenue functionality; and expenses for travel, meals and lodging related to the IHG Concerto™ training. It does not include additional IHG Concerto™ training, additional hardware or software, the cost of additional Manuals (approximately $50 each), shipping and handling, insurance premiums or taxes. Hardware warranties are purchased at the initial time of procurement. Food, lodging and transportation expenses of your employees and/or Holiday employees and contractors are also not included and can range from $500 to $2,500 per person.

The estimated cost of the SPS solution assumes you purchase the equipment from or through SCH and includes the cost of the basic equipment, installation and configuration; training in the use of the payment program devices and software, and expenses for travel, meals and lodging. Hardware warranties are purchased at the initial time of procurement.

The Guest Internet Access ("GIA") Hardware (IHG Connect) estimates for infrastructure needs can vary greatly by location and building type. Actual costs can only be obtained once Integrator site surveys are completed, due to the unique building and construction circumstances of a given property. The site survey will help determine the sizing, number of switches, number of access points, etc. through a WiFi heat map coverage diagram. You must purchase or lease all equipment from Integrators whose products and services meet Holiday's specifications.

Vignette Collection™ Hotels must utilize an approved Keycard System that meets brand requirements. The estimated initial cost for the Keycard System solution purchase and installation will range from $10,000 to $25,000. This includes the server, key encoders, installation, and support. It does not include the cost of the locks for the doors themselves. You must obtain ongoing maintenance and support for the required Keycard System software, including upgrades and new versions. You must also obtain ongoing equipment maintenance for the Keycard System hardware. The Keycard System provider will bill and collect the fee from you for the required Keycard System hardware / software support. The costs will vary depending on the Hotel's specific technology needs, including the number of key encoders and servers at the Hotel. The Keycard System must interface with the Property Management System (PMS).

The estimated costs for IHG Studio are driven by the number of guest rooms, servers, Chromecast devices, set top boxes, installation costs, etc.

The estimated costs for Employee Safety Devices will vary based on the number of Hotel rooms. Employee Safety Devices must be procured and installed by a SCH-approved vendor and meet defined requirements.

The estimated costs for Public Access Computers will vary based on the number of workstations and multi-function printers installed, as well as the vendor chosen. Public Access Computers must utilize SCH-approved protection software and include enrollment in a 24x7 support program offered by a SCH-approved vendor. You may be required to pay the costs associated with the Public Access Computers to SCH as a pass through, whereby SCH will collect the amount due from franchisees on behalf of, and remit same to, the suppliers.

Note 6: The Openings and Renovations program provides services and training required to open a Hotel in the System including IHG Concerto™ Ramp Up, Key Programs Training, post-opening support and other pre-opening consultations. The Openings and Renovations fee covers up to two participants per Hotel. This fee is $8,000. The fee covers pre-opening support, including select training, materials and post-opening support. Additional attendees will be required to pay a separate registration fee, which will be $250 per additional participant for the IHG Concerto™ Ramp Up program if they attend the training in person. Participants from all Hotels are responsible for their own airfare, lodging, meals and other miscellaneous expenses for the program or workshop for their brand group.

Your General Manager, Front Office Manager, Director of Sales and F&B Manager must each attend an initial certification training program. The cost for the training program will range from $1,125 to $1,995 per trainee. For in-person classes, you must pay for any travel or training expenses of your trainees. In addition, your General Manager and Guest Experience Champion must each complete the Leading the Brand Training for New Hotels certification prior to the Hotel opening. The cost for the training event, initial training materials, and subsequent consulting support ranges from $1,500 to $2,000 for Vignette Collection™ Hotels. You may be required to purchase subsequent training materials to fulfill the ongoing training of new employees.

Note 7: These fees will only apply if it is necessary to reschedule your Hotel's opening date. In the event that you need to reschedule your opening, you may be charged a fee of up to $5,000 per extension. Holiday must approve your extension request in writing and you must pay any expenses Holiday incurs in processing the extension request.

Note 8: The Restaurant and Beverage (R&B) Concept Development Fee only applies if you will be managing a full-service restaurant independently and would not apply if you engage a third party R&B manager to operate your Hotel's restaurant. The R&B Concept Development Fee is determined by your individual needs and management company capabilities. Developing a unique R&B concept is your responsibility and your concept must be approved by Holiday. This fee would typically include the following: overall concept development including a concept description, target demographics, description of look/feel/ambience, cuisine program/spectrum, beverage program/spectrum, tabletop design and selection. Additionally, this fee may include food and beverage menu ideation, food and cocktail recipe development, operations tools and opening and training support as needed.

All Vignette Collection™ Hotels must use the R&B Brand Identity Services and receive a Market Research Study. Brand Identity Services typically include naming, logo development and creation of collateral (including menus, coaster, business cards, ephemera development), which is to be professionally created. Additionally, this may include tabletop suggestions and specifications; uniform suggestions and specifications; and, OS&E suggestions and specifications. A Market Research Study is required to determine the best fit and initial direction for your Hotel's restaurant based on, though not limited to, location, size and local competition.

Note 9: The licenses and permits you must obtain to operate the Hotel vary depending upon the state, county or other political subdivision in which the Hotel is situated.

Note 10: The estimates for this category include charges imposed by your insurance carriers, attorneys, accountants, architects, engineers, interior designers and various technical services expenses. You are required to hire a professional interior designer and architect. Your selection of a professional interior designer must be approved by Holiday before you commence construction of your Hotel. The actual amount will depend solely upon arrangements you make, including whether your Hotel is newly constructed or being converted. Fees are tied to scope of work (size and complexity).

Note 11: The security deposits you must pay to utilities, lessors, and vendors or suppliers of other products or services will depend on the location of the Hotel.

Note 12: Holiday's specifications for the amount and type of insurance coverage required are in paragraph 9.B of the License. If you fail to procure or maintain the insurance coverages and limits set forth in paragraph 9.B, Holiday will have the right and authority (but not the obligation) to procure such insurance at your cost, including any costs incurred by Holiday for procurement and maintenance of such insurance. Holiday currently requires that you obtain a commercial general liability insurance policy (including coverage for product liability, completed operations, contractual liability, host liquor liability and fire legal liability) and business automobile liability insurance policy (including hired and non-owned liability) with single limit coverage for personal and bodily injury and property damage of at least $15,000,000 per occurrence naming Holiday, its parent, subsidiaries and affiliates as additional insureds. In connection with all construction at the Hotel, you must require your general contractor to maintain commercial general liability insurance (including coverage for product liability, completed operations and contractual liability) and business automobile liability insurance (including hired and non-owned liability) with limits of at least $15,000,000 per occurrence for personal and bodily injury and property damage naming Holiday, its parents, subsidiaries and affiliates as additional insureds. Holiday also requires you to maintain employment practices liability insurance (including coverage for harassment, discrimination and wrongful termination and covering defense and indemnity costs) naming Holiday, SCH and their parents, subsidiaries and affiliates as additional insureds with a minimum limit in the aggregate of $1,000,000. The holder of the liquor license must maintain liquor liability insurance with single limit coverage for personal and bodily injury and property damage of at least $15,000,000 for each occurrence naming Holiday and its parent, subsidiaries and affiliates, (and the Licensee if applicable) as additional insureds. You must also obtain: (i) employer's liability with minimum limits of $1,000,000 per occurrence; (ii) worker's compensation insurance; (iii) business interruption insurance to ensure the royalties, Service Contributions and any other sums payable to us (the policy should insure against 'all risks' of physical loss or damage, and be endorsed to provide for payments to be made directly to Holiday). Currently, liability insurance premiums for required coverages can range from $43,750 - $187,500 or higher depending on such factors as jurisdiction, exposures, type of hotels, loss history, location and size of hotels, payroll size and other factors.

Note 13: You will be responsible for contracting with a brand identified and approved Hotel photography supplier to produce a minimum of thirty-four brand specified Hotel photographs for use in the brand and SCH sales and marketing materials. Additional photos may be required depending on room types, if rooms are sold with an attribute and for new room inventory types. Photographs must be completed in accordance with IHG photography guidelines within 45 days of opening as a Vignette Collection™ Hotel, as well as within 45 days after significant Hotel renovations.

Note 14: This estimates your initial operating expenses for three months after opening. These figures include opening advertising programs, payroll costs, royalties, Services Contribution payments, hardware/software support, utility charges, and other supply costs. These figures are estimates and Holiday cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how closely you follow Holiday's methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for Vignette Collection™ Hotel services; the prevailing wage rate; competition; and sales level reached during the initial period.

Note 15: This total estimated initial investment does not include any real estate costs, contingency, finance charges, interest or debt service obligations. You should review these figures carefully with a business advisor before purchasing the license.

In compiling these estimates, Holiday has relied upon over 50 years of experience in the hotel franchise industry. The above chart may not reflect all of your expenses in opening the Hotel. There may be other items which Holiday is unable to estimate. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as described below, you are not required to purchase or lease products or services from Holiday or its affiliates, or from suppliers approved by Holiday, or under Holiday's specifications.

Standards and Specifications:

You must build, design, furnish, equip, decorate and supply the Hotel subject to Holiday's approval of your plans. You must equip the Hotel with products which meet the Standards and specifications, including those described in the License and the Standards (see also Item 11). All modernization, renovation and upgrading of your Hotel must also meet the Standards and specifications. Holiday issues specifications by brand of product and in many instances by brand "or equivalent," by physical characteristics and by other methods, depending on the product or service involved. Holiday can make changes to the Standards. These changes will become binding on you as if originally set forth in the Standards. Holiday will provide you with explanation of any change, in writing, at least 30 days before it goes into effect.

Holiday estimates that the Standards and specifications will apply to 90% to 95% of your purchases and leases in establishing your Hotel and its continued operation during the Term of the License Agrement. If you purchase or lease any equipment or supplies not previously approved by Holiday, it may require you or the manufacturer to submit a written request for Holiday's approval. Holiday reserves the right to require removal of any non-approved product installed at the Hotel. While Holiday has no obligation to respond within a certain time frame, it expects to do so within 45 to 60 days from receipt of your request. Holiday may require certain information, tests and inspections, at no expense to Holiday, as a condition of approval.

Holiday requires you to hire qualified, licensed, professional advisors in the form of a project team, which may consist of, depending on complexity and scope of the work, an architect, interior designer, engineer or other related specialist when building or renovating an IHG hotel. If you cannot find such licensed professional help, contact your Openings and Renovations Regional Director. All architects and interior designers must be approved by Holiday prior to the project commencing. Any design work submitted by unqualified individuals hired by you will be rejected and your Hotel can be subject to Plan default, resulting in an assessment of fees under the terms of your License. The fee for such Plan default will be up to $5,000. At our sole discretion, you may be required to remove any non-approved product installed in your Hotel that has not been approved by IHG Plan Review explicitly in writing before installation.

At the time Holiday and you sign a License and before your Hotel opens, SCH may determine to fund your purchases from approved suppliers and then invoice you. You must reimburse SCH for these purchases. If Holiday funds your purchase before your Hotel opens, Holiday will not receive fees from approved suppliers.

Suppliers:

If Holiday requires you to purchase equipment, furnishings, supplies or other products for the Hotel from a designated or approved supplier or service provider in the License, the Standards, or other communication to you, then you must purchase the mandated product unless you receive prior approval from Holiday to purchase such products from another source whose products meet such specifications.

Holiday can designate the designers, architects, contractors and suppliers who will perform Renewal Work and brand refresh work at your Hotel and who will provide brand specified products, such as fixtures or furniture, and services. You may otherwise purchase your equipment, furnishings and supplies for the Hotel from any source, provided that the products meet the specifications in the Standards, except for suppliers of certain components of the property-based technology and telecommunications systems and as may be noted elsewhere in this disclosure document. Holiday may provide you with information and recommendations concerning firms which offer products and services (which the License and/or the Standards require you to use) which are necessary and useful to the operation of a Hotel, or which meet the Standards and specifications. However, Holiday has no ongoing obligation to provide purchasing information to you, and Holiday's practice and approach to this activity may change at any time. Your License does not require Holiday to engage in or continue these voluntary activities.

In furnishing supplier or service provider information and making recommendations, Holiday uses its business judgment regarding the long-term interests of the System as a whole, based on its information at that time concerning quality, performance, competitive pricing and similar factors. However, by identifying or recommending a supplier or service provider, Holiday makes no warranty to you of these or any other factors. Your use of an identified or recommended supplier or service provider, selling products or services meeting the Standards and specifications may make it easier for you to comply with the Standards and specifications, but it is not a substitute for compliance.

While Holiday may, from time to time, communicate with you or your suppliers/service providers regarding supply/service provider issues and take steps to improve performance or resolve complaints, Holiday has no responsibility for the financial condition or performance of any supplier or service provider.

Suppliers may offer Holiday the opportunity to take advantage of funds to support co-op marketing, training and other services that support the System at national and Hotel levels. When these options are available and selected, Holiday uses these funds as designated, and to the extent possible to benefit the System, and the systems of Holiday's other brands which purchase from suppliers. SCH and its affiliates may enter agreements with suppliers and receive revenue attributable to purchases by franchisees and by SCH and its affiliates.

Nothing in your License prevents Holiday from having an ownership interest in any other business, including firms providing products or services to you or providing procurement services to you. If Holiday has, or later acquires, an ownership interest in a product or service provider, Holiday has no obligation to maintain that interest or to refrain from disposing of it as Holiday sees fit.

No officer of Holiday currently owns any interest in an approved supplier or service provider.

SCH currently utilizes a mixed resource model for the supply chain management functions. In the future, the procurement program may be comprised solely of SCH employees. The procurement program develops and supports purchasing programs and provides System franchisees with several valuable services. You can contact the procurement program by mail c/o IHG Procurement Program, Three Ravinia Drive, Suite 100, Atlanta, Georgia 30346 or by telephone during normal business hours of Monday – Friday 8:30AM – 5:00PM at its toll free support line 855-466-7877. Purchasing professionals will be available to assist you with any questions you may have regarding sourcing of products or services through the IHG Procurement Program.

IHG runs a procurement program, named the "IHG Procurement Program", with the endorsement of the IHG Owners Association. The IHG Procurement Program seeks to deliver value and lower cost purchasing opportunities and options to its customers ("Programs"), including Holiday's franchisees, as explained below. You are, however, under no obligation to use the IHG Procurement Program.

If you become an IHG Procurement Program participant, you will purchase goods and services directly from suppliers at the IHG Procurement Program's negotiated prices. The relationship between franchisee and supplier is that of buyer and seller. You are not required to purchase from the IHG

Procurement Program's suppliers or participate in the IHG Procurement Program in any way and you are free to purchase goods and services from any supplier, so long as the supplier fully complies with Holiday's and SCH's specifications and the Standards, unless Holiday requires you to purchase a product from a designated or approved supplier in the License, the Standards or other communication to you.

The IHG Procurement Program operates on a cost recovery basis with fees for both procurement and technical ordering transaction services included in the supplier invoiced price. Prices paid by franchisees for goods and services as a participant of IHG Marketplace and/or under a Brand Standard/Specification Program will include up to a 3% cost recovery fee. These fees cover the resource, travel, technology and Program related costs for the IHG Procurement Program. Occasionally, the prices will include allowances and rebates paid to the IHG Procurement Program or franchisees directly by suppliers on your purchases. Allowances and rebates received by the IHG Procurement Program or properties directly from suppliers will generally range from approximately 1% to 5% of the amount of the invoice price for the goods and services purchased by you from suppliers participating in the Programs. All supplier allowances and rebates will be fully transparent to the franchise buyers and distributed to the Hotels either directly from suppliers or through the IHG Procurement Program administrative group.

Signage:

Your Hotel must display a primary sign that meets Holiday's specifications. The total signage package, including all additional signage, must also meet Holiday's specifications and it must be purchased from a Holiday approved sign vendor. A post-installation inspection fee will be included in the price from the Holiday approved sign vendor. Only Holiday approved sign suppliers are authorized to manufacture and install exterior signage.

Reservation System and Computerized Enhancements:

You must purchase equipment, software and services for property-level technology and telecommunications systems from third-party vendors whom Holiday designates or who meet Holiday's specifications. See Item 11.

Long-Distance Telecommunications, Program Management Commissions and Miscellaneous Services:

SCH has negotiated rates which are on file with the Federal Communications Commission with certain providers of long-distance telecommunication services to System franchisees, such as AT&T and Verizon, in consideration for assistance, program support or other services SCH renders to the providers in connection with their sales to franchisees. You do not have to use these providers.

Insurance:

Holiday's specifications for the amounts and types of required insurance coverage are specifically described in paragraph 9.B of the License. If you fail to procure or maintain the insurance coverages and limits set forth in paragraph 9.B, Holiday will have the right and authority (but not the obligation) to procure such insurance at your cost, including any costs incurred by Holiday for procurement and maintenance of such insurance. Holiday currently requires that you obtain a general liability insurance policy (including coverage for product liability, completed operations, contractual liability, host liquor liability and fire legal liability) and business automobile liability insurance policy (including hired and non-owned liability) with single limit coverage for personal and bodily injury and property damage of at least $15,000,000 per occurrence naming Holiday, SCH and their parents, subsidiaries and affiliates as additional insureds. In connection with all construction at the Hotel, you must require your general contractor to maintain commercial general liability insurance (including coverage for product liability, completed operations and contractual liability) and business automobile liability insurance (including hired and non-owned liability) with limits of at least $15,000,000 per occurrence for personal and bodily injury and property damage naming Holiday, its parents, subsidiaries and affiliates as additional insureds. Holiday also requires that you obtain employment practices liability insurance (including coverage for harassment, discrimination and wrongful termination and covering defense and indemnity

costs) with a limit of $1,000,000 per occurrence and in the aggregate. The holder of the liquor license must maintain liquor liability insurance with single limit coverage for personal and bodily injury and property damage of at least $15,000,000 per occurrence naming Holiday and its parent, subsidiaries and affiliates, (and the Licensee if applicable) as additional insureds. You must also obtain: (i) employer's liability with minimum limits of $1,000,000 per occurrence; (ii) worker's compensation insurance; (iii) business interruption insurance to ensure the royalties, Service Contributions and any other sums payable to us (the policy should insure against 'all risks' of physical loss or damage, and be endorsed to provide for payments to be made directly to Holiday). Currently, liability insurance premiums for required coverages can range from $43,750 - $187,500 or higher depending on such factors as jurisdiction, exposures, type of hotel, loss history, location and size of hotel, payroll size and other factors.

"Private Network" Connecting Services:

You must purchase "private network" connecting services, or another solution Holiday specifies, for use in communicating with the Reservation System from Holiday's designated vendor. Your Hotel's private network will be connected to a fully managed router service with a certified interface to SCH's proprietary systems.

Property Management System:

You must install the certified equipment specified for the PMS as required by SCH. You must request a waiver to use an alternative source. The PMS equipment is also used for accessing the Reservation System. PMS equipment software and maintenance are described in the Master Technology Services Agreement (Exhibit C). You must purchase PMS training, implementation, and hardware and software support services (see Item 6). You must also enter into a Joinder Agreement (can be found within Exhibit C) with Hewlett-Packard Inc. ("HP") in order to obtain the PMS system, hardware, software and deployment services at your Hotel and for the procurement and installation of hardware, software, and installation services of a credit card solution at your Hotel.

Hotels will operate a computerized property management system ("PMS") that has been certified by SCH and must maintain the PMS in conformance with the Standards of SCH. The PMS must have a database schema and shell which is approved by SCH, in order for the interface from the PMS to the Reservation System to work correctly. Hotels will be responsible for establishing and maintaining proper application access control to align with Payment Card Industry Data Security Standards (PCI-DSS). Operating systems, database, and other programs must be maintained with current approved security patches that are fully supported by the software vendors. The PMS must be periodically updated and maintained to conform to SCH approved software versions, technology advancements and security requirements. This may require certain hardware and/or software components to be replaced or upgraded. At a minimum, the PMS hardware and software must be replaced at least every 48 months. PMS hardware includes server(s), workstations, printers, monitors, ups, back-up device, and associated network components.

In the twelve months ending December 31, 2020, SCH and its subsidiaries' net revenue from franchise purchases of PMS and Reservation System equipment, software, training and support services ("information technology program purchases") was $588,444, as indicated in the year-end financial statement of the Deployment Profit and Loss Statement for the Global Technology division. SCH retains a portion of the project management charges from franchisee information technology program purchases. Holiday estimates that more than 95% of the gross revenues from franchisee information technology program purchases are therefore paid over directly to information technology program vendors and are not retained by SCH or Holiday. (The financial information provided in the Profit and Loss Statement for the Global Technology division is not generally available to franchisees).

SCH has selected Opera or Opera Xpress PMS solution as the required property management system to interface with and access the Reservation System for Vignette Collection™ Hotels. You must enter into a license agreement with the supplier for this PMS option. You must also obtain from the supplier of the PMS, for a fee, ongoing maintenance and support for all other PMS components, including

software, PMS software upgrades and required brand standard system interfaces to the PMS (see Item 11). Oracle America, Inc. is the PMS Provider for the Opera property management system.

You must also pay support fees for the other components of property-level systems, such as PMS equipment maintenance, and for other systems which interface to the Opera or Opera Xpress PMS system; such as the telecommunications system, the electronic door locking and keycard system, and the specialized sales software. Hardware and software maintenance fees may vary based on the number of rooms at the Hotel.

SCH's criteria and procedures for approval of this required supplier of the PMS software and its ongoing maintenance and support are not readily available to System franchisees, but SCH will provide them at your request. SCH will notify you of any discontinuation of these services.

Secure Payment Solution:

SCH administers a computerized payment card processing program, Secure Payment Solution ("SPS"). SPS is a data security process designed to remove certain credit card information from IHG systems. Using PCI certified payment terminals, credit card data will be encrypted and converted to tokens before entering the PMS. SCH had previously contracted with ACI Worldwide Corp. ("ACI") to provide the tokenization application services. This contract is in the process of winding down. Following a review of the program and after engaging with several potential vendors, SCH contracted with FreedomPay to be the new service provider for the SPS. Implementation of FreedomPay's technology solution started in 2021 and will continue until the second half of 2023. During this phased rollout, the number of hotels being serviced by ACI will gradually diminish. All hotels are required to use SPS or such successor payments program as may be implemented by SCH. Hardware and software systems required to connect must be fully operational when the hotel opens, with appropriate management and staff trained and competent to operate SPS at all times. Each franchisee will be required to enter into a merchant processing application and agreement with FDS Holdings, Inc. (aka 'First Data', as successor in interest to Banc of America Merchant Services, LLC and First Data Services, LLC), the SCH-approved merchant service provider, and a participation agreement with SCH (see Exhibit I-4). The fees paid to FreedomPay include a $0.075 per settled transaction fee, of which $0.070 is paid to SCH as the IHG Security Fee.

Guest Internet Access – Bandwidth (IHG Connect):

For Guest Internet Access ("GIA") Bandwidth, a Hotel will be required to use an approved SCH-certified provider and to sign an IHG Direct Hotel Participation Agreement with AT&T, Beyond Reach A CCR Company, Century Link, Circle Computer Resources, Comcast, Cox, GTT, Shaw Telecom, Spectrum, Verizon or such other provider as may be approved by SCH from time to time, the form of which is attached as Exhibit I-5 to this disclosure document. Estimates for infrastructure needs can vary greatly by location. Actual costs can only be obtained once vendor site surveys are completed, due to the unique building and construction circumstances of a given property.

Guest Internet Access – Hardware (IHG Connect):

For Guest Internet Access ("GIA") Hardware, a Hotel will be required to install SCH-approved Wi-Fi equipment and use an SCH-approved integrator (an "Integrator") for the installation of Wi-Fi equipment. Hotels are required to enter into an agreement with one of the following Integrators (or such other Integrators as may be approved by SCH from time to time): Hospitality Wi-Fi, Ovation Networks, NCR, Parity Technology Solutions, Single Digits and Sonifi Solutions. Estimates for infrastructure needs can vary greatly by location and building type. Due to unique building and construction of any given property, actual costs can only be obtained once Integrator site surveys are completed. The site survey will help determine the number and types of Wi-Fi equipment through a Wi-Fi heat map coverage diagram (see Item 6, Note 3).

Keycard System:

Vignette Collection™ Hotels must utilize an approved Keycard System that meets brand requirements. The estimated initial cost for the Keycard System solution purchase and installation will range from $10,000 to $25,000. This includes the server, key encoders, installation, and support. It does not include the cost of the locks for the doors themselves. You must obtain ongoing maintenance and support for the required Keycard System software, including upgrades and new versions. You must also obtain ongoing equipment maintenance for the Keycard System hardware. The Keycard System provider will bill and collect the fee from you for the required Keycard System hardware / software support. The costs will vary depending on the Hotel's specific technology needs, including the number of key encoders and servers at the Hotel. The Keycard System must interface with the Property Management System (PMS).

Televisions:

Hotels are required to provide televisions that meet the technical specification requirements and minimal diagonal screen size for in-room and public spaces.

In-Room Entertainment (IHG Studio):

Hotels are required to install and maintain approved TV sets and/or STBs that are compatible with IHG Studio, use an approved SCH-certified integrator to install the equipment, and must enter into an agreement with one of them. Monthly service fees will include a base per-room fee for guest support.

Employee Safety Devices:

Hotels are responsible for installing an alert system that enables employees to notify hotel management of an emergency with the push of a button ("Employee Safety Devices"). The Employee Safety Devices must be available to all employees that work in guest rooms, must instantly signal guest room and guest floor location when activated, must continuously update guest room and guest floor location, and must be tested every six months. In addition, all new employees, including contract and temporary, must receive training on the Employee Safety Devices within the first 14 days of employment. Employee Safety Devices must be procured and installed by an approved supplier and meet defined requirements set forth in the Standards. You may be required to sign a participation agreement with an approved vendor for these services.

Public Access Computers:

Hotels are required to install designated workstations and a multi-function printer, providing complementary internet access to Hotel guests in the Business Center ("Public Access Computers"). The Public Access Computers must be available 24 hours a day, must utilize SCH-approved security protection software and must include enrollment in a 24x7 support program offered by an SCH-approved vendor. In addition, all Public Access Computers are required to be refreshed every four years, a minimum of one computer must have Microsoft Office, and all must operate at the same or greater bandwidth port speed as other internet enabled devices on the Guest Internet Access network. You may be required to sign a participation agreement with an approved vendor for these services.

IHG Merlin System:

SCH has designed a communication service, (http://ihgmerlin.com) known as "IHG Merlin", and its messaging tool, currently known as "Hotel Bulletin", which are the primary means of sending information from Holiday and SCH to franchisees and in some cases, this may be the only manner in which Holiday and SCH communicate with Hotels and franchisees. IHG Merlin and Hotel Bulletin will require you to access the Internet via third-party computer network communications service ("Internet Service Provider" or "ISP").

IHG Merlin is an electronic information library providing up-to-the-minute information and documentation from SCH at your fingertips. IHG Merlin was created solely for Holiday's various brand groups of hotels and their employees. In some cases, information may be distributed to System Hotels only through IHG

Merlin. Information may include: the Standards, PMS Manual, newsletters and informational memos from Holiday or SCH, Marketing Solicitations, etc.

To access IHG Merlin, you must select and pay a monthly fee for an ISP which meets the minimum specifications established by SCH. The monthly fee will include Internet access and support. This access will provide you with an e-mail account and access to sites on the Internet and World Wide Web. You may select an ISP from any source as long as it meets SCH's exact specifications.

IHG Merlin requires a Microsoft Windows based (Windows 10 Professional or newer OS) PC and printer configured to SCH's specifications. You may purchase the equipment from any source as long as it meets SCH's exact specifications. SCH requires ongoing maintenance and support services of equipment that you may purchase from a third party.

IHG Merlin houses proprietary information to Holiday and its brands. Information you receive from IHG Merlin may be used exclusively in performance of your rights and obligations under your License with Holiday regarding an IHG-branded hotel only. All such information must otherwise be treated as proprietary to Holiday and SCH and confidential. Your use and access will be limited in accordance with Holiday's or SCH's express terms and conditions.

Other than as described above, neither Holiday nor SCH derives any other income from your purchase or use of the above described computer systems.

Coca-Cola® Agreement:

Pursuant to the Standards, you are required to serve and/or provide Coca-Cola carbonated beverage brands exclusively. All Hotels must serve Simply Orange Juice unless an alternative, freshly squeezed orange juice is provided.

You must sign an Participation Agreement with an authorized bottler of The Coca-Cola Company ("TCCC"), a copy of which is attached as Exhibit I-3. With respect to bottled/canned beverages, this only applies to Hotels that are located in the geographic territory in which a given bottler is authorized to distribute, promote, market, and sell Bottler bottled/canned beverages.

You may not serve or sell carbonated or juice beverages that are in competition with Coca-Cola beverages. Vending machine offerings must be Coca-Cola bottled/canned beverages. At meetings and events, carbonated and juice beverages must be Coca-Cola brands unless an individual client insists otherwise. When minibars are provided, they must include Coca-Cola bottled/canned beverages. Non-leased restaurant and retail shops must include Coca-Cola branded beverages. You must participate in Coca-Cola promotional programs as directed by Holiday. Hotels with IHG approved leased and/or franchised outlets are not required to comply with the Coca-Cola requirements in those establishments, but may do so at their discretion.

Fountain beverages, bottled/canned beverages, juices, teas, and smoothies manufactured by PepsiCo are not permitted. There are certain permitted exceptions that may be granted by Holiday pursuant to a waiver application process.

TCCC provides certain funding that is based on the volume of Coca-Cola products sold in System Hotels. Most of such funding is administered by a cross-functional Business Partnership Team with representatives from TCCC and Holiday, who work together to identify and execute opportunities to create value for TCCC and for the System. Some funding is received by SCH on behalf of the System and utilized by SCH for the benefit of the System and/or to promote the sale of Coca-Cola Beverages and Bottler bottled/canned beverages throughout the System.

OTHER PURCHASES:

Holiday or its affiliates may also offer you, on a non-exclusive basis, additional advertising materials, products, services, equipment or supplies. Holiday may earn a profit from these sales, but you have no obligation to purchase any of these products, services, equipment or supplies from Holiday or its

affiliates. Holiday does not currently provide any material benefits (i.e., re-licensing or granting additional licenses) to a franchisee based on its use of a designated or approved supply source.

ITEM 9

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the License and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section In Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	License: 1.A, Attachment A	Items 7 & 11
b. Pre-opening purchases/leases	License: 3.A & 8.B MTSA: 4.3, 4.4 & Attachment 4-3 to Schedule 4	Items 5, 6 & 7
c. Site development and other pre-opening requirements	License: 13.I & Attachment B MTSA: 4.3, 4.4 & Attachment 4-3 to Schedule 4	Items 7& 11
d. Initial and ongoing training	License: 3.A & 4.A MTSA: Attachments 4-1 and 4-3 to Schedule 4	Items 5, 6, 7, 8 & 11
e. Opening	License: 13.I & Attachments A & B	Items 5 & 11
f. Fees	License: 3.B MTSA: 5.0 & Attachment 4-3 to Schedule 4	Items 5, 6 & 7
g. Compliance with the Standards and policies/Operating Standards	License: 3.A, 4.E & F& 5	Item 11
h. Trademarks and proprietary information	License; 3.A, 6 & 12.B MTSA: 6.0	Items 13 & 14
i. Restrictions on products/services offered	License; 3.A MTSA: 3, 4, Schedules 2 and 3 & Attachments 4-1 and 4-3 to Schedule 4	Items 8 & 16
j. Warranty and customer service requirements	License; 3.A MTSA: 9.2.1	Item 11
k. Territorial development and sales quotas	None	
l. Ongoing product/service purchases	License: 3.A & 8.B MTSA: , 4.3 & Attachment 4-1 to Schedule 4	Item 8
m. Maintenance, appearance and remodeling requirements	License: 3.A, 3.D, 4.E, 10, 13.I and 13.N MTSA: 4 & Attachments 4-1 and 4-2 to Schedule 4	Items 5, 6 & 11
n. Insurance	License: 8.B & 8.C MTSA: 2.1	Item 7
o. Advertising	License: 3.A & 3.B	Items 5, 6& 11
p. Indemnification	License: 8.A MTSA: 2.1 & 8.1.5	Item 6
q. Owner's participation/ management/staffing	License: 9.J & 9.K	Items 6, 11& 15
r. Records/reports	License: 7	Item 6
s. Inspections/audits	License: 3.A, 7.C & 13.I MTSA: 12 & 13.1	Items 6 & 11
t. Transfer	License: 9 & 13.O	Item 17

Obligation	Section In Agreement	Item in Disclosure Document
u. Renewal	None	Item 17
v. Post-termination obligations	License: 11.D & E MTSA: 8.1.3(iii), 8.1.3(iv), 13.1 & Attachment 4-1 to Schedule 4	Item 17
w. Non-competition covenants	License: 3.A (13)	Items 16 & 17
x. Dispute resolution	License: 13.A-H, J & K MTSA: 2.1	Item 17
y. Other: Capital Reserve[1]	License: 13.N and 3.A(7)(i)	Item 6
z. Other: Guaranty	Attached to the License	Item 17

ITEM 10

FINANCING

Holiday does not offer any formal program for direct or indirect financing. Holiday, SCH or its affiliate, General Innkeeping Acceptance Corporation ("GIAC") may furnish loans or guaranties to franchisees. Holiday, SCH and GIAC consider making loans or guaranties under terms and conditions that would be negotiated on a case by case basis with the prospective franchisee and any decision to make a loan or provide a guaranty would be made in the judgment of Holiday, SCH or GIAC alone, and conditioned upon approval of the Executive Committee and Board of Directors. It is your responsibility alone to obtain adequate financing for all expenses related to the development, opening and operation of the Hotel.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, Holiday is not required to provide you with any assistance. Holiday can perform any or all of its obligations to you directly, or through its parents, affiliates, subsidiaries or other designees. For example, SCH performs many of the activities described in this disclosure document.

Assistance Before the Hotel Opens:

Holiday is not responsible for acquiring the site for the location of your Hotel (paragraph 1.A of the License). Holiday's representative may make a personal inspection of the site and the surrounding area. Although Holiday does not grant site approval, it may deny site approval for a Hotel. Conforming the site to federal, state and local laws, ordinances, and building codes and obtaining required permits (i.e. health, sanitation, building, driveway, utility and sign permits, etc.) is your responsibility.

[1] In addition to your obligation to repair and maintain the Hotel on an ongoing basis, and regardless whether Holiday has required you to establish a Capital Reserve, you must complete significant renovations of the Hotel, including, but not limited to, the public areas, guest rooms and guest room corridors. The mandatory renovations include replacement of Soft Goods at least every five (5) to six (6) years after such Soft Goods were installed and replacement of Case Goods at least every ten (10) to twelve (12) years after such Case Goods were installed, although earlier or more frequent renovations or replacements may be required to maintain compliance with the Standards, quality and guest satisfaction programs or to remove risk of injury to persons or property and to comply with legal requirements.

If the Hotel experiences a change of ownership, the dates of these obligations may be adjusted at the time a change of ownership License is signed. You must submit your plans for such upgrading and remodeling to Holiday for its review and approval before you start upgrading or remodeling and upon completion of the upgrading or remodeling, you must provide to Holiday a written opinion from your architect, licensed professional engineer, or other third-party expert on the Americans with Disabilities Act ("ADA") certifying that the Hotel as renovated complies with the ADA and with any other applicable laws, codes, ordinances, or regulations governing accessibility to persons with disabilities.

Within 3 months after the date of the License, you must submit preliminary plans. Holiday will approve your construction plans for conversion or new development if they meet the requirements of the Standards. You may not start construction until you obtain Holiday's approval. Construction or remodeling costs and arrangements are your responsibility alone. Holiday may in the future require use of prototype plans, but Holiday does not currently provide or mandate them. You must commission and pay your architect directly.

You will have 6 months from the date of the License to submit final plans, specifications and drawings for the Hotel, including its proposed equipment, furnishings, facilities and signs, with the detail and containing the information that Holiday requests, and to commence construction. Unless Holiday grants your request for an extension to your construction completion deadline, you must complete construction and furnishing and obtain Holiday's authorization to open a new development Hotel for business within 12 months from the date of commencement of construction and within 18 months from the date of the License.

You may apply for an extension of the construction commencement or completion deadlines. Holiday will consider various factors which may influence your extension request, including the ability to obtain financing or building permits, zoning and local ordinances, weather conditions, shortages or delayed installation of equipment, fixtures and signs. Holiday's approval of extension requests is not automatic. You will be responsible for any expenses incurred by Holiday in processing the extension request. As Note 7 to Item 6 describes, there is a fee for extending these deadlines.

Vignette Collection™ Standards:

Before you purchase a franchise, you will have the opportunity to review a copy of the Standards. Thereafter Holiday may make the Standards available to you in hard copy, or, at Holiday's option, in digital, electronic or other computerized form. The Standards contain mandatory and suggested specifications, standards, and procedures. All Hotels in the System are subject to the Standards. Holiday will notify you of each change in the Standards at least 30 days before it goes into effect. These notifications can be by digital, electronic, computerized or other means. The Standards are confidential and remain Holiday's property and are protected by applicable copyright laws (see Paragraphs 3, 5 and 13 of the License).

Specifications:

Before detailed construction documents are started by your architect, representatives of your Hotel must attend a kick-off meeting for consultation and coordination with Holiday. Various members of the Vignette Collection™ team will be present to review all related business plans, target markets for operation, and building plans as well as scheduled timelines for the completion of these plans. Members of the Vignette Collection™ team may include senior operations management and representatives from other areas, including, for example, sales and marketing, purchasing, information technology, and other franchise support systems. Holiday requires the following representatives of your Hotel to attend the kick-off meeting: Principal Contact (franchisee), General Manager (if appointed), Designer, Architectural Representative, General Contractor, and all other principals involved in the construction, development and marketing of the property. There is no charge for the kick-off meeting. However, you must pay your representatives' travel, lodging and living expenses.

Holiday will review your construction working drawings to check for compliance with the Standards of the Vignette Collection™ System. Holiday does not review the drawings for compliance with any local, state and federal law, including any obligations imposed by the Americans with Disabilities Act since this legal compliance is your responsibility.

Holiday provides written specifications for products and materials for you to use in the upgrading, construction and furnishing of the Hotel, in the form of a Product Improvement Plan or "PIP", which will be Attachment "B" to your License. The PIP provides: (i) specific renovations and alterations required to meet the requirements of the Standards and Holiday's quality requirements; (ii) specific dates by

which you must submit plans and drawings; and (iii) beginning dates and interim milestone and completion dates for constructing the Hotel and for opening the Hotel for business. Any design work submitted by unqualified individuals hired by you will be rejected and your Hotel can be subject to Plan default, resulting in an assessment of fees under the terms of your License. The fee for such Plan default will be up to $5,000. You may be required to remove any non-approved product installed in your Hotel that has not been approved by IHG Plan Review before installation.

Holiday's Inspection Before Opening:

Holiday inspects and approves your Hotel before Holiday authorizes it to open, to confirm that you have completed all of the requirements under paragraph 13.I and/or Attachment "B" (the PIP) of the License. If Holiday uses a Standards Evaluation method that reports results numerically, all Hotels must reach a minimum Standards Evaluation score of 95% or its equivalent. If Holiday uses a Standards Evaluation method that does not report results numerically, the Hotel must pass all areas of the evaluation. In the event the hotel fails its opening inspection, Holiday may charge you up to $5,000 for each re-evaluation and re-inspection. In the event that you need to reschedule your opening date or any visits that have not yet been made by Holiday, you may be charged a fee of up to $5,000. Holiday must approve your extension request in writing and you must pay any expenses Holiday incurs in processing the extension request.

Holiday may authorize you to use the System at the Hotel before completion of the construction, upgrading and renovation work (paragraph 13.I and Attachment "B" of the License), if you are in full compliance with the requirements of Attachment B of the License.

You may acquire the signage, furnishings, fixtures, opening inventory and supplies from any source that meets Holiday's specifications. Holiday does not deliver or install any of these items. For your convenience, Holiday has approved certain suppliers meeting its specifications, but you do not have to use those suppliers except for suppliers of certain components of the property-based technology and telecommunications systems and as may be noted elsewhere in this disclosure document (see Item 8).

Holiday estimates that the length of time between signing of the License and the opening of your new development Hotel will be 18 to 24 months under normal circumstances. For conversion Hotels, the length of time between the signing of the License and the completion of construction or upgrading typically ranges from 12 to 15 months. However, each license is subject to the agreed upon construction commencement and completion (otherwise known as opening) dates contained in that specific license.

Other than the computerized property management and reservation system equipment (see below in this Item 11), Holiday and its affiliates do not deliver or install any of the construction items and/or furnishings. The factors that will affect the actual time needed include obtaining the financing, preparing final construction and site plans, securing necessary governmental approvals, constructing and furnishing the Hotel and participating in the necessary initial training program.

Access to IHG Merlin:

Through the IHG Merlin site, Holiday's parent, SCH, will provide documents, information and other materials including the Standards documentation; sales and marketing tools; information about operations; quality and brand initiatives; news and announcements that are pertinent to your brand, IHG and the hospitality industry; training tools and resources, and technology support information to you through a web portal that you will access on IHG Merlin (www.ihgmerlin.com). Through this web portal, you will be able to access the forms and information that will assist you with opening and operating your Hotel. Your team will be able to access IHG Merlin regularly to use the sales tools and information resources that support your Hotel. You will be able to view and copy materials relating to the brand, the hotel System and other industry information. The terms and conditions of using IHG Merlin are disclosed on Exhibit H of this disclosure document. You must agree to keep all materials you receive from this program confidential.

TRAINING:

Holiday does not assist in the hiring of your employees, but it offers training, guidelines and resources on interviewing skills for certain of your management and supervisory employees either at your Hotel, at Holiday's headquarters in Atlanta, Georgia, or at various other locations which Holiday designates including, for example, other Vignette Collection™ properties. You must pay any travel and living expenses of your trainees.

TRAINING PROGRAM

Program	Time of Training	Location	Instructional Materials	Hours of Training	Method
Technical Support Training	Before and at Opening (with New Hotel Opening below)	Virtual, Atlanta or other designated regional location	Technology implementation materials	Class length will vary	E-learning, on property, and classroom instruction by implementation team
IHG Concerto™ Ramp Up (Note 5)	30-60 days before opening	Virtual or Atlanta	Workshop participant guide training materials	Up to 9 hours	Location and number as determined by Holiday
Property Management System Training	Before and at opening	Your Hotel	Computer based pre-install e-learning and on-site classroom training just prior to opening day	Opera 12-28 man days	SCHPMS Vendor, or training contractor
Guest Internet Access (GIA) Hardware (IHG Connect)	Before and at Opening	Your Hotel, virtual option, videos	Functionality, Usage & Support Procedures	Up to 4 hours	Lead Technician
In-Room Entertainment (IHG Studio)	Before and at opening	Your Hotel or virtual/video options	Function-ality Usage & Support Procedure	Up to 4 hours	Lead Technician
Employee Safety Devices	Before and at opening	Your Hotel or virtual/video options	Functionality Usage & Support Procedure	Up to 2 hours	Lead Technician
Public Access Computers	Before and at opening	Your Hotel or virtual/video options	Functionality Usage & Support Procedure	Up to 2 hours	Lead Technician
General Manager Program (Note 1)	Attend learning event 3-6 months after opening. For turnover - within 180 days after hire date	Virtual, Atlanta or other designated regional location	Online Onboarding Learning Plans, GM Training Materials	5 days	Senior Trainer
Director of Sales and/or Sales Account	IHG Sales Professional Onboarding within 30	Virtual, Atlanta or other designated regional location	DOS Training Materials	Class length will vary	Senior Trainer

Program	Time of Training	Location	Instructional Materials	Hours of Training	Method
Manager Training (Note 2)	days of hire or assuming the position. IHG® Way of Sales – Solution Selling within 90 days of hire or assuming the position. Director of Sales Orientation for Lifestyle Brands within 120 days of hire assuming the position.				
Guest Service Manager Training (Note 3)	Front Office Operations Training within 180 days of hire or assuming the position.	Virtual, Atlanta or other designated regional location	Guest Service Manager Program	4 days	Senior Trainer
On-site property consultations (Note 6)	Varies	Your Hotel	Varies with consulting & training visits	1-3 days	Varies
Field support Consulting and Training/ Workshops (Note 4)	Varies	Your Hotel	Varies with consulting and training visits	Class length will vary	Varies with consulting and training visits
Chief Engineer/ Maintenance Supervisor/ Equivalent	Role specific certification within 180 days	Virtual, Atlanta or other designated regional location	Operations Strategies and Action Plans	Class length will vary	Location and provider as determined by Holiday
IHG® Way of Clean 5S Cleaning Program Leadership Certification for Executive Housekeeper	Within 90 days after hire date And Role specific certification within 120 days	Virtual, Atlanta or other designated regional location	Operations Strategies and Action Plans	Class length will vary	Location and provider as determined by Holiday
Leading the Brand Training for	Within 30 days of opening	Your Hotel	Leading the Brand Training Materials	2 days	Senior Trainer

Program	Time of Training	Location	Instructional Materials	Hours of Training	Method
new Hotels (Note 2)					

NOTES:

Note 1: Every General Manager must satisfactorily complete the initial onboarding certification training program for General Managers within the dates required per the Standards. Holiday conducts the General Manager training virtually, in Atlanta or at other designated regional locations. General Manager training focuses on areas of operation unique to the System and to management functions. Holiday will certify satisfactory completion by the General Manager. The fee for the initial onboarding certification training of the first and any subsequent General Manager is $1,500 (see Items 5 and 7). Every General Manager must complete annual retraining requirements designated by Holiday. For in-person classes, you must pay any travel or training expenses of your trainees. Within 180 days after you employ a replacement General Manager for your Vignette Collection™ Hotel, that General Manager must successfully complete the General Manager initial certification training program described above. Management personnel will also be required to attend other educational "General Manager" programs and conferences.

Note 2: Directors of Sales/Sales Manager/equivalent must also satisfactorily complete the appropriate sales initial certification training program for Vignette Collection™ hotels within the dates required per the Standards. Holiday will conduct the initial certification training program at a location determined by Holiday. The training program focuses on areas of sales that are unique to the System and to sales functions. The fee for the initial certification training program for the first and any subsequent Director of Sales/Sales Manager/equivalent ranges between $1,125 and $1,500 (see Items 5 and 7). For in-person classes, you must pay any travel, living and training expenses of your trainees. Also, each replacement Director of Sales or Sales Manager must complete the Sales initial certification training program described above within the dates required per the Standards. In addition, your Director of Sales, Sales Manager or equivalent must complete annual retraining requirements as Holiday may designate. Further, your Director of Sales must complete the Director of Sales Orientation for Lifestyle Brands within 120 days of hire.

General Managers and designated Guest Experience Champion or equivalent must also attend the Leading the Brand Training for new Hotels to be held prior to Hotel opening. The cost of this on-site training is between $1,500 to $2,000 per Hotel.

Note 3: Guest Service Managers/equivalent must satisfactorily complete the Front Office Training Program within 180 days of assuming the position. Holiday will conduct Front Office Training Programs virtually, in Atlanta or other designated regional locations. Training costs for your initial and all subsequent Guest Service Managers or equivalent is $1,125. For in-person classes, you must pay any travel, living and training expenses of your trainees.

The PMS provides a computerized front desk operation, and is designed to increase speed and productivity of front desk operational tasks (i.e. Check-In, Check-Out, Night-Audit, Housekeeping, Management Reports, etc.).

The IHG Concerto™ software and Revenue Management System (RMS) functionality with Price Optimization are proprietary to SCH, and must be used only in conjunction with the operation of the Reservation System and PMS in your Hotel. SCH will install, maintain and provide training and implementation support for IHG Concerto™. The RMS performs a task called "forecasting." Using data related to your Hotel from past years and a snapshot of your future bookings, RMS creates a detailed forecast of future business for your Hotel for the upcoming year. The RMS also produces inventory controls which are used in the sell process of your PMS and Reservation System. The forecast and inventory controls are updated a minimum of once a day and sometimes more often depending on reservation activity. The Hotel has access to RMS data via a User Interface, and therefore may view or change data as necessary.

There are four types of IHG Concerto™, Yield & Price Optimization database builds: Standard (12 months of 2-way data), Proxy (90 days of 2-way data), NHOP (day of opening) and Early (during pre-sale, inventory defined). A Standard build needs a minimum of one year of consecutive 2-way data before activation. A Proxy build needs a minimum of 3 months of consecutive 2-way data and 9 months of data from a comparable hotel. A NHOP or Early build is available 1-60 days from the time the Hotel's inventory is fully activated and defined in the reservation system.

IHG Concerto™ RMS functionality with Price Optimization creates pricing recommendations based on competitive pricing, Hotel demand forecasting, and Hotel booking activities. The integration of Competitive Data into the RMS with Price Optimization may require a subscription fee to such competitive data.

Costs of between $30 and $60 may apply for competitive rate insight shopping. For Hotels currently subscribing to RevenueStrategy360 or Rate360, these costs may be waived.

No rights of ownership in or to the IHG Concerto™ or any component of the PMS, including all component software and design features (including any software or equipment owned by third parties) are transferred to you or a Hotel upon joining the System. You will not acquire any rights to the IHG Concerto™ or any PMS component except a limited right to their access and use in accordance with the Master Technology Services Agreement and any third party software licenses, and the License during your term as a franchisee in good standing.

You may install only approved system components and software, and no other computer hardware or software.

Holiday and SCH have the right, at any time, to require immediate upgrade, supplement or replacement of computers and/or peripheral equipment or software that they determine has become obsolete. Currently there are no contractual limitations on the frequency or cost of this upgrading, supplementing or replacement or of equipment or software.

Holiday and SCH have independent access to the information and data collected by the PMS and Reservation System. There are currently no contractual limitations, other than confidentiality of guest history information, on Holiday's or SCH's right to access the information and data.

Note 4: Food and Beverage Directors/equivalent must attend the Brand Orientation within 30 days of hire. Holiday will conduct these trainings at a designated location. Training costs for your initial and all subsequent Food and Beverage programs will range between $375 and $5,000 based on length, subject, content and delivery. You must pay any travel, living and training-related expenses of your trainees.

The minimum experience of the instructors that is relevant to the subjects taught and Holiday's operations is from 5 to over 25 years. Holiday personnel or consultants will provide on-site consulting and/or training visits to your Hotel as needed. Topics for review and discussion may include the Reservation System, Revenue Management, Service Management, Marketing and Training Programs/Promotions, brand service delivery and other operational and customer service areas. The General Manager, department heads and designated staff will develop Market Analysis, Revenue Planning, Sales Planning, Service Planning strategies and action plans during visits. You will receive these for review and follow-up with your General Manager. Your Hotel must participate in the on-site consulting and/or training visits or workshops. The General Manager, designated department heads and designated staff must attend and participate. You must provide food, lodging, meeting accommodations, and equipment expenses for Holiday's designated trainers. Holiday develops operations and customer support training programs for staff at Hotels. The training is likely to include classroom, on-property and on the job training and will be mandatory.

The Guest Services manager or team members in other positions may participate in a 1-3 day hands-on learning program at a designated Vignette Collection™ Hotel. Travel and living expenses are the responsibility of the attendee.

Holiday conducts training at periodic intervals depending upon the need and availability of trainees. Holiday's instructors are experienced within the industry and are trained to be effective instructors. You must pay all costs for attendance by your personnel in Holiday's courses. These costs include tuition, materials, travel and living expenses, whenever applicable.

Note 5: The Openings and Renovations program provides services and training required to open a Hotel in the System including IHG Concerto™ Ramp Up, Key Programs Training and other pre-opening consultations. The Openings and Renovations fee covers up to two participants per Hotel. This fee is $8,000. The fee covers pre-opening support, including select training, materials and post-opening support. Your General Manager and other individuals designated as the system experts for your Hotel must attend the IHG Concerto™ Ramp Up Program virtually or at an SCH designated location. No additional fees will be incurred for the workshop, however, additional attendees will be required to pay a separate registration fee, which will be $250 per additional participant and participants from all Hotels are responsible for their own expenses for travel, meals and lodging if they attend the training in person. In addition, your General Manager and front office staff must have access to IHG Concerto™ and complete necessary web-based training including: Get to know IHG Concerto™, IHG Concerto Home Page Overview, and Digital Check-In Training, all available at no cost on myLearning.

Note 6: Holiday's employees will provide on-site consulting and/or training visit(s) to your Hotel each year. During the visit(s), Holiday's employee will engage in the Focus consulting process. Topics will include, for example: the Reservations and channel Systems, Revenue Management, Service Management, Marketing Programs/Promotions, IHG Concerto™ system and other operational and customer service areas. The General Manager, department heads and designated staff will develop Market Analysis, Revenue Planning, Sales Planning, Service Planning strategies and action plans during the on-site visit; you will receive these for review and follow-up with the General Manager after each on-site visit. Your Hotel must participate in the on-site consulting, with mandatory attendance and participation by the General Manager, designated department heads and designated staff and suggested attendance by representative of Licensee and/or owner. You must provide food, lodging, meeting room, and equipment expenses for Holiday's employees.

Other Assistance During the Operation of the Hotel:

After the opening of the Hotel (see Paragraph 4 of the License), Holiday will:

(a) seek to maintain high standards of quality, cleanliness, appearance and service at all Hotels using the System, to promote, protect and enhance the public image and reputation of the Vignette Collection™ name, and to increase the demand for services offered by the System. Holiday's judgment in these matters will be controlling in all respects, and it will have wide latitude in making these judgments;

(b) provide required and optional training programs at various locations, including Holiday's principal place of business;

(c) provide access to reservation services, if you are in compliance with your material obligations under the License;

(d) use the "Services Contribution" (see Item 6) for costs associated with advertising, promotion, publicity, market research, sales and marketing support, payroll and other sales and marketing programs and related activities, reservations and training programs, and disseminating marketing funds to the national media (including radio, television and/or printed materials) through any of its independent national or regional advertising agencies;

(e) if Holiday determines to do so, communicate to you improvements and developments in the System, including developments in reservation services, marketing operations, and administrative technical and support functions, facilities and programs. Holiday may enter into arrangements with any other entity for developments to the System and may use any of these facilities, programs, services or personnel in connection with the System or in connection with any business activities of its parents, subsidiaries, divisions or affiliates; and

(f) make available to you consultation and advice pertaining to problems you encounter in operations, facilities and marketing.

Services Contribution; Advertising, Marketing and Promotion:

Hotels that SCH or its affiliates own and manage and all System franchisees must pay the Services Contributions specified in Paragraph 3.B of the License and summarized in Item 6 of this disclosure document. Holiday will use these funds as it determines to develop, support and/or administer marketing, reservation and training programs. The Services Contribution cannot be used to cover the cost of maintenance, repair, modernization, renovation, or upgrading of your Hotel. Holiday and its affiliates are not responsible for any of these costs. Funds from Services Contributions will typically be invested in activities that strengthen the brand such as awareness advertising, research, and the development of new or improved services, but may include tactical marketing initiatives more focused on short term revenue enhancement and seasonal marketing programs. The Services Contributions do not include costs which you incur in the acquisition, installation or maintenance of reservations services, equipment or training, or in your own marketing activities. Holiday can change the Services Contribution from time to time. Holiday may, on 30 days advance written notice, at any time during the term of your License, and from time to time, increase the Services Contribution by up to 1% of Gross Rooms Revenue. If Holiday increases the Services Contribution in this way, then Holiday cannot make another discretionary increase again for 24 months after the start of a prior increase. Holiday may increase the Services Contribution by a maximum of 2% of Gross Rooms Revenue over the term of your License.

Funds used for marketing programs will be used for developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, promotional, and public relations materials, programs and campaigns, publishing a directory of Hotels and conducting market research. Advertising conducted under Holiday's marketing programs may be national, regional or local in scope. Holiday will use all types of media that it determines are appropriate, including print, radio, television and outdoor billboards. Any advertising Holiday creates will be created either by its in-house advertising department or outside advertising agency.

Holiday will maintain all Services Contribution sums paid by you, other System franchisees and company owned Hotels, plus any interest or other income earned from these contributions, in a separate account from other funds. Holiday will not use these monies to defray any of its general operating expenses, except for the reasonable administrative costs and overhead expenses Holiday incurs in directing and administering the Reservation System, and Holiday's sales, marketing and training programs.

The Loyalty Program and your required contributions to the Loyalty Program are described in Item 6. Holiday's Senior Vice President, Global Loyalty and Partnerships administers the Loyalty Program. The financial information of the Loyalty Program is included within an audited Statement of Revenues and Expenses that is made available for review to the appropriate IHG Owners Association's brand marketing committee under a confidentiality agreement, and is not generally available for distribution. In the most recently concluded twelve-month period ended December 31, 2020, the Loyalty Program contributions were used as follows: 55% on award costs, 29% on member communication/promotions, 11% on administrative expenses, and 5% on services from corporate allocations such as Information Technology Data Warehouse, and the Service Center.

The audited Statement of Revenues and Expenses will be prepared each year; however, it is not generally available for review by franchisees, and Holiday does not provide periodic accounting reports.

Holiday pools Services Contributions from Vignette Collection™ Hotels together with the Services Contributions from hotels operating under one or more of Holiday's and its affiliates' current and/or future portfolio of brands (see Item 1) ("IHG Portfolio Brands"). The Services Contributions will be distributed for marketing, reservations, and other related activities which, in Holiday's and its affiliates' sole business judgment, support marketing, reservations and other related functions and/or purposes on a local, regional, national, continental or international basis for all, or a group of, IHG Portfolio Brands. Holiday has no obligation to spend any amounts on advertising in the vicinity of your Hotel nor does it have any obligation to expend any amounts for marketing or reservation services greater than the amounts it

receives from franchisees using the System and the funds it contributes. Services Contributions are not intended to benefit any specific market or Hotel. Holiday and its affiliates have no obligation to spend from Services Contributions, or otherwise, any amount fixed or proportionate to the amount of Services Contributions you pay, nor does Holiday or any of its affiliates have any obligation to ensure that you, your Hotel, the Vignette Collection™ brand or any other particular IHG Portfolio Brand or group of IHG Portfolio Brands benefit directly or proportionately from Services Contributions paid or expenditures made from collected Services Contributions. Holiday anticipates that all Services Contributions will be expended during the taxable year within which the contributions are made. Any year-end surplus or deficit sums are carried over to the following year. Holiday does not use any Services Contribution monies to promote the sale of franchises.

Because as of the issuance date of this disclosure document, we did not yet have any Vignette Collection™ Hotels open for business, we have not collected nor expended any Services Contributions specific to the Vignette Collection™ brand as of December 31, 2020.

Unless you participate in any optional marketing programs that Holiday may offer, neither Holiday nor its affiliates will receive payment from additional marketing contributions other than those mentioned in Paragraph 3 of the License and Item 6 of this disclosure document.

You may conduct local and regional marketing programs and related activities, but only at your expense and subject to Holiday's requirements, such as proper usage of its trademarks, etc. Holiday may make reasonable charges for optional advertising materials that you order or use for these programs and activities. Your participation in a Hotel Marketing Association ("HMA") or Co-op Program is voluntary. HMAs and co-ops are marketing arrangements which franchisees form to achieve greater marketing power through their combined resources within a common geographic area. Holiday does not currently intend to establish an advertising council composed of franchisees or to establish local or regional advertising cooperatives. Consequently, Holiday will not, nor does it intend to, have any controlling voting power in any cooperatives, although it reserves the right to do so.

Reservation System, Revenue Management, Telecommunications Systems and Property Management Technology:

The property management system and telecommunications system include the following components, which you must purchase from designated third-party vendors or third-party vendors whose equipment and software meet Holiday's specifications:

- Access to Holiday's Reservation System, IHG Concerto™, and the GDS
- Access to Revenue Management System (RMS) functionality through IHG Concerto™ platform
- Property Management System (PMS) hardware, software training and support from PMS Provider
- PMS interface to SCH systems
- All required workstations and printers
- Local area network and wide area network connectivity
- HSIA for Hotels operations (front operations network)
- Access to IHG Merlin, the internet-based information delivery service for Holiday's various brand group Hotels
- Presence on the Hotel brand internet sites.
- Approved IHG Admin Program for personal computers and servers on the IHG Network.
- A computerized payment card processing program, Secure Payment Solution ("SPS") or such successor payments program as may be administered by SCH (see Item 8).

In connection with the PMS and IHG Concerto™ equipment and software, you must enter into the Master Technology Services Agreement with IHG Technology Solutions LLC (see Exhibit C). You must also purchase all private network connecting services equipment needed to communicate with the Reservation System from any vendor designated by Holiday.

At the same time you sign the MTSA (Exhibit C), you must also enter into certain third party license agreements under which you receive a license to use certain software, including the PMS software from the PMS Provider. You must also enter into support agreements with certain technology support vendors or their designated agents and pay the fees described in Item 6 for maintenance and support services. You must also enter into a Joinder Agreement (can be found within Exhibit C) with Hewlett-Packard Inc. for the use of the PMS system for your Hotel.

Currently, Vignette Collection™ Hotels must use the Opera or Opera Xpress property management system. Oracle America, Inc. ("Oracle") of 7301 Columbia Gateway Drive, Columbia, Maryland 21046-2289 (whose phone number is 443-285-8000) is the only supplier of Opera software licenses and support services. As you will use the Opera property management system, before it is installed and activated, certain members of your staff may participate in e-learning prior to trainer's arrival on-site at the hotel. Once trainers arrive, the staff will receive on-site training and certification from Oracle America, Inc. in the use of the PMS. The staff that must be trained and certified varies with the size or your Hotel. The cost for this training and certification is included in the projected license fee and installation cost estimates – see the estimated costs for the equipment, installation, software and training for the PMS and Reservation System in Item 5 of this disclosure document.

Through one of more "Private network" connecting services, or another solution as specified, the PMS enables you to receive reservations from the Central Reservation Centers, or any other Holiday brand group Hotel, travel agencies and your own Hotel. The Reservation System software is proprietary to SCH. You may install only computers, components or peripheral devices and equipment meeting SCH's specifications for the PMS and Reservation System. You may obtain the hardware from SCH or any third-party vendor that meets SCH's specifications. You must periodically upgrade the equipment to accommodate enhanced versions of PMS, as provided in the Master Technology Services Agreement. SCH will provide or arrange for training and implementation support, as described in the Master Technology Services Agreement, and has entered into agreements with service providers for maintenance for the PMS (see Item 6 under "PMS Hardware" for fees). SCH or the provider will bill you for these services. See Item 7 for expenses relating to travel and on-site support.

The PMS provides a computerized front desk operation, and is designed to increase speed and productivity of front desk operational tasks (i.e. Check-In, Check-Out, Nigh-Audit, Housekeeping, Management Reports, etc.).

IHG Communication to System:

IHG's online system (http://www.ihgmerlin.com) and its messaging tool, currently known as Hotel Bulletin, is the primary means of sending information from Holiday and IHG to franchisees, and in some cases, this may be the only manner in which Holiday and IHG communicate to Hotels and franchisees.

Secondary means of communication may include, for example, correspondence through either expedited or standard mail delivery, multimedia platforms such as Video, CD and DVD, fax service, regional meetings and conferences, and personal meetings.

Web Sites:

You may operate an independent website at your expense but it must follow the guidelines contained in the Standards for Independent Hotel Web Sites. If you choose to operate an independent website, you or your agent, must follow the Standards when marketing an independent website (e.g. the Standards for Search Engine Marketing and the Standards for Email). Further, if Holiday is already marketing your Hotel via its global Performance Marketing programs, and if you choose to do additional online marketing for your independent website, you may be driving up your performance marketing costs and lowering your ROI because there may be two competing websites. You may not register any

of the Marks (defined in Item 13), as part of any domain name or Uniform Resource Locator ("URL"), and/or display or use any of the marks or other intellectual property rights related to the System or to any of the other brands franchised by Holiday in connection with any web site, without Holiday's advance written approval. You must comply with all of Holiday's web site requirements in connection with any web sites you develop and maintain relating to your Hotel.

Other than as described in this disclosure document, Holiday is not bound by the License or related agreements to provide supervision, assistance or services to you before opening or during operation of your Hotel.

ITEM 12

TERRITORY

Holiday does not typically grant franchises for exclusive areas or territories. The License will be for a specific site only and for the licensing of one Hotel. The License applies to the location specified in it and to no other location. You will not receive an exclusive territory. You may face competition from other franchisees, from Hotels that Holiday or its affiliates own, or from other channels of distribution or competitive brands that Holiday or its affiliates control.

You may not promote, implement or be responsible for any web site relating to your Hotel without Holiday's advance written approval. You may not register any of the Marks (defined in Item 13), as part of any domain name or Uniform Resource Locator (URL), and/or display or use any of the marks or other intellectual property rights related to the System or to any of the other brands franchised by Holiday in connection with any web site, without Holiday's advance written approval. You must comply with all of Holiday's web site requirements in connection with any web sites you develop and maintain relating to your Hotel. The License does not otherwise limit the channels through which you may solicit customers for your Hotel.

The License does not limit Holiday's right or the rights of its parents, or any subsidiary or affiliate, to use or license the System or any part of the System, to engage in or license any business activity (including business activities referenced in Item 1 which sell similar products and services) or to license any other Hotels (or any other hotel brands). These rights include, for example, the licensing, franchising, ownership, operation and/or management of lodging facilities and related activities under the names and marks associated with the System and/or any other names and marks. There is no restriction in the License on Holiday's using any channel of distribution to solicit customers for Holiday's and its affiliates' Hotels, whether operating under the marks licensed to you or other marks. Holiday and its affiliates are not restricted from establishing other franchises or company-owned outlets or other channels of distribution through which services or franchises under different trademarks might be offered. The License creates no rights of any kind for you in these other hotel brands and/or businesses at any other location. The License grants you no options, rights of first refusal or other rights to acquire additional franchises.

In special circumstances, when, in Holiday's judgment, special considerations warrant, Holiday may grant exclusive or protected areas within which it will not license another Vignette Collection™ Hotel; however in such cases the License would still be for a specific site only and for the Licensing of one Hotel only.

Holiday licenses numerous hotel brands – see Item 1. Holiday may license other hotel brands in the future. There may currently be franchised, company-owned hotels or company-managed hotels operating under Holiday's brands situated in or near your area. Holiday and its affiliates may establish new franchised, company-owned or company-managed hotels operating under Holiday's brands in or near your area. You may compete with any other hotels operating under Holiday's brands in or near your area. Hotels operating under Holiday's brands (including the same brand as your Hotel) may solicit reservations from customers in your area for which you will receive no compensation.

Holiday uses the same principal business address for its operation of all its hotel brands and Holiday does not maintain physically separate offices for its various brands. Holiday does offer some physically separate training facilities for some hotel brands. There is no mechanism for resolving any conflicts that may arise between your Hotel and other franchised, company-owned hotels or company-managed hotels operating under Holiday's brands. Any resolution of conflicts regarding location, customers, support or services will be entirely within the business judgment of Holiday and its affiliates.

ITEM 13

TRADEMARKS

Holiday grants you the right to operate a Hotel under the trade names, trademarks, service marks and logos used to identify your Hotel. In accordance with the Master License (see Item 1), Holiday has obtained from SCH, for a constantly renewing 25-year term, the right to use and license the use of marks associated with the System. If either Holiday or SCH elect not to renew the Master License, expiration will take place 25 years from the date of the non-renewal notice.

The following trademarks, service marks, trade names, logotypes, and other commercial symbols ("Marks") are currently registered on the Principal Register of the United States Patent and Trademark Office:

Trademark	Reg. No.	Reg. Date
*IHG® Rewards	3,544,074	December 9, 2008
IHG CONCERTO	6,048,065	May 5, 2020

*Incontestable Registrations

There are currently applications pending on the Principal Register of the United States Patent and Trademark Office for the following Marks (the "Pending Marks"):

Trademark	App. No.	App. Date
VIGNETTE (Class 35)	90893357	August 20, 2021
VIGNETTE (logo)	97019749	September 9, 2021
VIGNETTE (Class 43)	90893365	August 20, 2021

We do not have a federal registration for our principal trademark. Therefore, our principal trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the principal trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no agreements currently in effect which may significantly limit Holiday's rights to use or license the use of its principal trademark, and it believes that there are no infringements of its principal trademark that could materially affect your use in this state or in the state where your Hotel is located.

In addition, except with respect to the pending applications set forth above, there are presently no effective determinations of the U.S. Patent and Trademark Office, any trademark trial and appeal board, any state trademark administrator or any court, any pending interference, opposition, or cancellation proceeding, or any pending material litigation involving any of the above-referenced Marks which is relevant to your use. There is no pending material federal or state court litigation regarding our use or ownership rights in the Marks.

The "Marks" consist of the name and mark "VIGNETTE" and the other service marks, trademarks, trade names, slogans, commercial symbols, logos, trade dress, copyrighted material and intellectual property

associated with the System, including those which Holiday may designate in the future and those which Holiday does not designate as withdrawn from use.

Other than the Master License (see Item 1) and the SCL License Agreements (see Item 1), there are no agreements currently in effect which may significantly limit Holiday's rights to use or license the use of its principal trademark, and it believes that there are no infringements of its principal trademark that could materially affect your use in this state or in the state where your Hotel is located.

There are presently no effective determinations of the U.S. Patent and Trademark Office, any trademark trial and appeal board, any state trademark administrator or any court, any pending interference, opposition, or cancellation proceeding, or any pending material litigation involving any of the above-referenced Marks which is relevant to your use. There is no pending material federal or state court litigation regarding our use or ownership rights in any Mark.

The License restricts your use of the Marks, and you must use the Marks and all forms of identification that are seen by members of the consuming public or used to identify the Hotel to actual or prospective consumers only in compliance with Holiday's requirements. The restrictions and requirements that limit your use of the Marks and identifications apply to all formats (including print, electronic and other media) and include domain names, Uniform Resource Locator ("URL"), and other identifications or elements used in electronic commerce. You may not register any of the Marks as part of any internet domain name or URL, and/or display or use any of the Marks or other intellectual property rights related to the System in connection with any web site (see Item 11).

You may use the Marks only in connection with the operation of the Hotel during the License Term, following opening of the Hotel in the System or at any earlier time that Holiday authorizes. You may use the Marks only in the manner that Holiday authorizes, and in no way that would tend to allow the Marks to become generic, lose their distinctiveness, become liable to mislead the public or be detrimental to or inconsistent with the good name, good will or favorable reputation and image of the Marks or Holiday. Under the License, any unauthorized or unpermitted use of the Marks will be considered infringement of Holiday's rights.

You must notify Holiday immediately when you learn of an infringement, or a challenge to your use of the Marks. You must also notify Holiday promptly of any objections, demands, controversies, allegations or actions asserted or taken by third parties involving any of the Marks or any part of the System of which you become aware and of any potentially infringing or unauthorized uses of any of the Marks or any part of the System of which you become aware. You must sign any documents Holiday or its counsel consider necessary to protect the Marks or any part of the System and obtain or maintain their continued validity and enforceability. However, the License does not require Holiday to take action against infringers or to indemnify or defend you if you are a party to a proceeding involving the Marks.

SCH, Holiday and their affiliates have the right to control any administrative proceedings or litigation involving a trademark licensed by Holiday to you. SCH, Holiday and their affiliates have the right and responsibility to handle disputes concerning use of all or any part of the System, at their expense. You must cooperate fully with SCH, Holiday and their affiliates in these matters. Any sums SCH, Holiday or their affiliates recover as a result of disputes with third parties regarding use of the System is theirs. You may not initiate litigation against infringers to enforce or protect the System.

If Holiday modifies or discontinues use of any of the Marks licensed to you as a result of any proceeding or settlement, then you must comply with Holiday's instructions in order to implement the modification or discontinuation. You will have no right to any compensation or other remedies from Holiday or any of its subsidiaries, affiliates or parents due to any modification or discontinuation of any of the Marks.

The naming of the Hotel is Holiday's sole decision. Unless Holiday otherwise agrees in writing, the name of the Hotel will be the name set forth at the beginning of the License. The name of the Hotel may not be changed except at Holiday's sole decision.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Holiday and/or its affiliates claim copyrights on the proprietary information in the Standards and certain computer software, forms, advertisements, promotional materials, printed materials, slogans, displays and other written materials. If you learn of any unauthorized disclosure or use of Holiday's proprietary information, you must inform Holiday immediately. Holiday and you must comply with each other's reasonable requirements concerning confidentiality of information.

On September 19, 2019 the USPTO issued SCH a utility patent for a "Universal Redemption Vehicle" (which vehicle supports the "Redeem Anywhere" concept) under Patent No. 10,417,645. This patent is valid until April 20, 2026.

On June 24, 2014, the USPTO issued SCH a utility patent for "Promoting Green Initiatives in Hotels" under Patent No. 8,761,951. This patent is valid until December 27, 2032.

On September 16, 2016, the USPTO issued SCH utility patent for the "BOSS" system and method for searching for hotel rooms, entitled "Bottom-Up Optimized Search System and Method" relating to Global Technology, under Patent No. 9,443,208. This patent is valid until September 13, 2030. Coverage for this invention has been filed in the United Arab Emirates, China, Brazil and India. The patent protection is valid in Canada and Singapore.

There are no currently effective determinations or proceedings pending in the USPTO or any court with respect to any copyright.

The obligations of Holiday and you under the License to protect their respective rights to use the above-referenced copyrights parallel those described in Item 13 of this disclosure document pertaining to the Marks.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Whether you are an individual, corporation, partnership or other entity, Holiday requires you to retain and exercise direct management control over the Hotel's business at all times unless otherwise approved by Holiday. However, Holiday does not require that you participate personally in the direct operation of the Hotel. Holiday may include conditions in your License requiring you to hire a duly qualified and experienced (i) management company acceptable to Holiday or (ii) General Manager, Director of Sales or Food and Beverage Director with at least two years prior experience in such position at a hotel operated under any of Holiday's upscale brands or at a hotel in a similar brand segment as the Hotel, as defined by Smith travel Research, Inc. Regardless of whether you or a third party management company operate your Hotel, a General Manager, Director of Sales, Food and Beverage Director, Guest Services Manager, Chief Engineer, Executive Housekeeper and Sales Manager employed by you or your management company must each work exclusively for your Vignette Collection™ Hotel at all times, and if you own more than one Vignette Collection™ Hotel or other hotels, you must have a separate, qualified General Manager and Director of Sales for each Hotel including all hotels that are dual branded. You must obtain Holiday's written consent before entering into any lease, management agreement or other similar arrangement for the operation of the Hotel or any part of the Hotel with any entity. Holiday may require that any management company you hire have experience in managing hotels similar to Vignette Collection™ Hotels.

If Holiday requires that you hire a management company, General Manager, Director of Sales, or Food & Beverage Director to operate your Hotel, it may require that you hire this company or person within a specific period of time either after signing your License or before the date your Hotel opens in the System. You must notify Holiday in the designated timeframe before hiring or changing your

management company for any reason. These conditions would be determined by Holiday and contained in your License. Holiday may reject a proposed management company if Holiday determines that it is inexperienced in the hospitality business, generally unqualified to operate the Hotel or unwilling or unable to: (1) comply with all requirements of Holiday under the License and the Standards, (2) cease operating the Hotel as a Holiday licensed Hotel once the License terminates or (3) treat the terms of the License as superior over any conflicting terms in the agreement between you and your management company.

Holiday may determine that you are not qualified to operate the Hotel, and if so, Holiday will require you to retain a management company to operate the Hotel. Normally, Holiday does not require that you engage it or one of its affiliates as the management company in order to obtain a License. Occasionally, because of the distribution of company managed hotels in a particular geographic area, or other factors, Holiday may determine that the development or conversion of a Hotel is appropriate only if one of its affiliates manages the Hotel. In that case, Holiday may condition the granting of a License on one of its affiliates managing the Hotel.

You may hire a General Manager and all staff members and/or employees of your own choice without Holiday's advance approval. The General Manager and other department heads and staff, including Directors of Sales, must attend Holiday's training programs (see Item 11 of this disclosure document).

Holiday does not impose restrictions, nor does it require you to impose restrictions, on any of your employees. However, Holiday and you agree to comply with each other's reasonable requirements concerning confidentiality of information, and in particular, you may not disclose without Holiday's written permission information pertaining to Holiday's marketing and reservation programs that has not yet been disclosed to the public.

Holiday requires that any management agreement between you and a management company be in writing, and that the agreement contain certain provisions including, for example the following: the management company accepts, agrees to abide by, and is subject to all rules, regulations, inspections and requirements of Holiday; you and the management company will cease operating the Hotel as a Vignette Collection™ Hotel if the License terminates; you and the management company must agree that the License prevails over the terms of the management agreement if there is any conflict in terms; you and the management company must agree that Holiday's consent to the management agreement or approval of the management company does not relieve you or any guarantor of any obligations under the License; and, you and the management company must keep the confidentiality of trade secrets described in Item 14, and follow the covenants not to compete described in Item 17. Holiday may request at any time a copy of your management agreement for review to determine compliance with requirements of the License.

Holiday will require that you enter into a IHG Voice Reservation Service or Revenue Management for Hire service contract with Holiday's parent, SCH, if Holiday's Franchise Approval Committee determines that its approval of your application should be conditioned upon one or more of those services being obtained (see Item 6, Notes 15 and 16 and Exhibit I-1).

If you hire a management company, General Manager or Director of Sales to operate the Hotel for you, whether or not Holiday required you to hire these positions, you and any of your guarantors remain liable to Holiday and IHG Technology Solutions LLC under the terms of the License, the Master Technology Services Agreement and any Guaranty.

Even though any management company must be acceptable to Holiday, you remain solely responsible for the selection, conduct and performance of any required management company, General Manager and all staff members and employees and Holiday has no responsibilities or liability in connection with your selection and its, his or her conduct or performance.

Holiday does not require the on premises management company or General Manager to have an equity interest in the franchised business.

You or your management company, whichever may be applicable, will be the sole employer of the employees working at the Hotel. Holiday does not direct or control employment policies, discipline, recruitment or termination. You or your management company will be solely responsible for all employment decisions, regardless whether you have received guidance with respect to such matters from Holiday.

If you are an entity, then, based on Holiday's examination of your financial reports and the financial reports of any proposed guarantor, Holiday may require your shareholders, partners, members or affiliates to sign a "Guaranty" of the License, a copy of which appears as part of the License in Exhibit B to this disclosure document. This document guarantees immediate payment and performance of each of your obligations under the License if you default.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must provide the hotel services described in Attachment "A" to your License and must ensure that no part of the Hotel or the System is used to facilitate or promote a competing business. There are no restrictions as to the customers to whom you may sell guest rooms or other goods or services that are related to your Hotel business.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the License and related agreements. You should read these provisions in the agreements attached to this disclosure document. See Exhibit B and Exhibit C.

THE FRANCHISE RELATIONSHIP

Provision	Section In Agreement	Summary
a. Length of the franchise Term	License: 11.A MTSA: 2.1	The term begins on the Term Commencement Date and expires 20 years from date Hotel opens in the System for a new development; 10 years from date Hotel opens in the System for a conversion; and 10 years from Term Commencement Date for a change of ownership or re-licensing.
b. Renewal or extension of term	N/A	The License does not provide for renewal or term extensions.
c. Requirements for you to Renew or Extend	N/A	The License does not provide for renewal or term extensions. If we agree to Re-license, you may be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by you	N/A	
e. Termination by Holiday without Cause	License: N/A MTSA: 10.1	
f. Termination by Holiday with Cause (Notes 1 and 2)	License: 11.B, 11.C, 13.I & Attachment B MTSA: 10.2	Holiday may terminate with cause. You pay liquidated damages if Holiday terminates under Paragraphs 12.B, 12.C or 13.I.

Provision	Section In Agreement	Summary
g. "Cause" defined – defaults which can be cured (Note 2)	License: 11.B MTSA: 10.2	Any default other than those listed in h.
h. "Cause" defined – non-curable defaults	License: 10, 11.C, 13.I & Attachment B MTSA: 10.2	Non-curable defaults: bankruptcy; non-dismissed judgments exceeding $50,000; trademark misuse, or if you contest Holiday's ownership of trademarks; loss of possession of the property; dissolution of the franchisee entity; failure to identify or operate the Hotel as a Holiday brand hotel; violation of Licensor's proprietary rights; unapproved transfers; conviction of felony; false books and records; failure to comply with safety, security or privacy of your guests or reputation standards; condemnation or casualty occurs and Hotel does not reopen when required; unauthorized use of Marks; and, refusal to allow inspection or audit.
i. Your obligations upon termination/non-renewal	License: 11.D, 11.E, 13.I, & Attachment B MTSA: 8.1.3(iii), 8.1.3(iv), 13.1 & Attachment 4-1 to Schedule 4	Obligations include de-identification and payment of amounts due.
j. Assignment of License by Holiday	License: 9.A MTSA: 13.10	Holiday has rights of assignment to any person or legal entity.
k. "Transfer" by you-definition	License: 9.B & 9.I MTSA: 13.10	Includes transfer of contract or assets (including real estate) or ownership changes.
l. Holiday's approval of transfer by you	License: 9 MTSA: 13.10	Holiday has the right to approve all transfers.
m. Conditions for Holiday's approval of transfers	License: 9.G and 9.H	The prospective new owner of the Hotel or Licensee must submit an application and all fees to keep the Hotel in the System. Holiday will evaluate the application using then-current procedures and criteria such as credit, operational abilities, market feasibility, previous business dealings and other factors it considers relevant. If Holiday approves the new owner, Holiday will require upgrading, signing of a License using the then-current form of License and the signing of a Guaranty. You must pay Holiday a non-refundable $25,000 processing fee at least 60 days before public offering, private placement or other sale of securities.
n. Holiday's right of first refusal to acquire your business	License: 13.O	If you receive an offer to purchase the Hotel, then, if Holiday requires it, you must give Holiday written notice within 10 days of your receipt of the offer, and you must offer to sell the Hotel to Holiday on the same terms and conditions as the offer. Holiday will notify you within 30 days if it intends to accept the offer.

Provision	Section In Agreement	Summary
o. Holiday's option to purchase your business	N/A	See "n" above.
p. Your death or disability	License: 9.F	If adequate provision acceptable to Holiday is made for the management of the Hotel, and Holiday gives written consent, decedent's interest in the License may be transferred to decedent's spouse, parent, siblings, nieces, nephews, descendants or spouse's descendants and heirs or legatees if they promptly advise Holiday and sign a new License, and Guaranty, if any, and decedent's executor or estate administrator signs a termination agreement of the License on Holiday's then current form.
q. Non-competition covenants during the term of the franchise	License: 3.A(13)	No part of the Hotel may be used to promote a competing business.
r. Non-competition covenants after the License is terminated or expired	N/A	
s. Modification of License	License: 4.E, 5 & 13.D MTSA: 13.12	No modifications generally but the Standards are subject to change.
t. Integration/Merger Clause	License: 13.D MTSA: 13.11	The integration/merger clause does not disclaim the representations in this Disclosure Document.
u. Dispute resolution by arbitration or Mediation	N/A	
v. Choice of forum	License: 13.B	Association with Holiday in Georgia permits, but does not require, all suits to be filed in Georgia, subject to state law.
w. Choice of law	License: 13.B MTSA: 13.8	Georgia law applies, subject to state law.

NOTES:

Note 1: The Master Technology Services Agreement attached as Exhibit C may be terminated by IHG Technology Solutions LLC when the License is terminated, as well as for other reasons.

Note 2: Termination of License by Holiday for Breach of Obligations Before Holiday Authorizes You to Use System at your Hotel: If Holiday terminates your License due to your breach of any of your obligations under the License before Holiday authorizes you to use the System at the Hotel (for example, due to your failure to perform the construction, upgrading and renovation work described in Attachment "B" of the License), then you must pay Holiday a lump sum equal to the monthly average of all amounts that would have been payable to Holiday under paragraphs 3.B(1), (3) and (4) of the License assuming the Hotel had collected Gross Rooms Revenue based on the average daily revenue per available room for all "mature hotels" in the System in the United States for the previous 12 months, as determined by Holiday, multiplied by the greater of (a) 6 or (b) the number of full and partial months from the Term Commencement Date to the termination date of the License. For purposes of this paragraph, "mature hotels" means Hotels which were open for two full years or longer; were franchised or, alternatively, owned and/or managed by Holiday or one of its affiliates; and, were not in financial or quality default of their applicable franchise or management agreement obligations as of the applicable date.

Termination of License by Holiday for Breach of Obligations After Holiday Authorizes You to Use System at your Hotel: If Holiday terminates the License under paragraph 11.B or 11.C (see table, sections g and h), you must promptly pay Holiday (as liquidated damages for the premature termination only, and not as a penalty nor as damages for breaching the License or in lieu of any other payment) a lump sum equal to the total amounts required under paragraphs 3.B(1), (3) and (4) of the License during the 60 calendar months of operation preceding the termination or during the preceding number of months equal to the unexpired License Term at the time of termination (if less than 60 months); or if the Hotel has not been in operation in the system for 60 months, an amount equal to the greater of (1) 60 times the monthly average of these amounts for the period during which the Hotel has been in operation in the System, or (2) 60 times these amounts as are due for the one month preceding the termination.

ITEM 18

PUBLIC FIGURES

Holiday does not use any public figures to promote the sale of franchises. Public figures may appear in consumer marketing for the System.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Holiday does not make any representations about a Vignette Collection™ franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. Holiday also does not authorize its employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet from Holiday, however, Holiday may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting, Holiday Hospitality Franchising, LLC, Attn: Financial Performance Representation Administrator, c/o Vice President, Franchise Operations, Suite 100, Three Ravinia Drive, Atlanta, Georgia 30346 (404) 770-2000, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION
FRANCHISED STORE STATUS SUMMARY

Table No. 1
Systemwide Outlet Summary
For Years 2018 to 2020

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2018	0	0	0
	2019	0	0	0
	2020	0	0	0
Company-Owned	2018	0	0	0
	2019	0	0	0
	2020	0	0	0
Total Outlets	2018	0	0	0
	2019	0	0	0
	2020	0	0	0

Table No. 2
Transfers of Franchised Outlets to New Owners (Other than the Franchisor)
For Years 2018 to 2020

Column 1 State	Column 2 Year	Column 3 Number of Transfers
All States	2018	0
	2019	0
	2020	0
Total	2018	0
	2019	0
	2020	0

Table No. 3
Status of Franchised Outlets
For Years 2018 to 2020

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
All States	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Total	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0

Table No. 4
Status of Company-Owned Outlets
For Years 2018 to 2020

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
All States	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Total	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0

Table No. 5
Projected Openings as of December 31, 2020

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlet in the Next Fiscal Year
All Other States	0	0	0
Total	0	0	0

As of the date of this disclosure document and as further reflected in Exhibit F, there are no current Vignette Collection™ licensees. As such, there are no licensees that have had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the License as of December 31, 2020, or that has not communicated with Holiday within 10 weeks of the issuance date.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

The IHG Owners Association was created by Holiday's predecessor in interest in 1956.The IHG Owners Association is endorsed by Holiday and SCH and receives some sponsorship from SCH. Under the terms of the License, you, other System licensees, and Holiday are eligible for membership in the IHG Owners Association and are entitled to vote at its meetings on the basis of one Hotel, one vote. The IHG Owners Association represents the franchisee community of Holiday's various franchise systems and, through a series of committees, give advice and counsel to Holiday regarding the expenditures for the marketing, reservations and IHG® Rewards funds. Holiday and SCH personnel administer the system funds and report system funds activities to the IHG Owners Association. The IHG Owners Association also provides educational opportunities to its members, organizes regular meetings and provides additional membership benefits. The address, telephone number, and web address of the IHG Owners Association are Three Ravinia Drive, Suite 100, Atlanta, Georgia 30346, (770) 604-5555 (or toll free 1-866-826-5808), and www.owners.org.

ITEM 21

FINANCIAL STATEMENTS

Exhibit G1 to this disclosure document includes Holiday's audited Financial Statements for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018, as well as Holiday's unaudited Financial Statements for the period ending June 30, 2021.

Our parent, SCH, commits to perform certain post-sale obligations for us. Exhibit G2 includes SCH's audited Financial Statements for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018, as well as SCH's unaudited Financial Statements for the period ending June 30, 2021.

ITEM 22

CONTRACTS

The following copies of all proposed agreements regarding the franchise offering are attached and made a part of this disclosure document:

Exhibit A	Application Letter Form
Exhibit B	Vignette Collection™ License Agreement and State Addenda
Exhibit C	Master Technology Services Agreement & Joinder Agreements
Exhibit H	IHG Merlin Terms and Conditions
Exhibit	Ancillary Agreements
I-1	IHG Voice Reservation Service Agreement
I-2	Revenue Management for Hire Agreement
I-3	Coca-Cola Participation Agreement
I-4	SPS Participation Agreements
I-5	Form IHG Direct Hotel Participation Agreement
I-6	Form IHG Wi-Fi Connect Agreement
I-7	Oracle New Account Setup Form

ITEM 23

RECEIPTS

Exhibit L contains two copies of a detachable receipt.

EXHIBIT A

IHG Hotels & Resorts Franchise Application

IHG
HOTELS & RESORTS

LUXURY & LIFESTYLE

SIX SENSES
REGENT
INTERCONTINENTAL HOTELS & RESORTS
KIMPTON HOTELS & RESTAURANTS
HOTEL INDIGO

PREMIUM

VOCO
HUALUXE 華邑酒店及度假村
CROWNE PLAZA
EVEN HOTELS

ESSENTIALS

Holiday Inn Express
Holiday Inn
avid

SUITES

ATWELL SUITES
STAYBRIDGE SUITES
Holiday Inn Club Vacations
CANDLEWOOD SUITES

IHG REWARDS

Holiday Hospitality Franchising, LLC | Three Ravinia Drive, Suite 100 | Atlanta, Georgia 30346 | Telephone (770) 604-2166 | Facsimile (770) 604-2107

Instructions For Submitting Franchise Application

- ☐ Sign and date the "Receipt" page at the end of the current Franchise Disclosure Document for the applicable brand and return it immediately to your IHG (InterContinental Hotels Group) development representative. The Receipt should be signed and dated upon receipt by an authorized signer for the Applicant (see below).
- ☐ Complete the Application (please type or print) and have the authorized signer(s) for the Applicant sign and date the Application Letter.
- ☐ Attach the supporting documents and information requested in the Application and summarized on the attached checklist, and submit the entire package along with the Application Fee described below.

NOTE: The Applicant should not sign or submit the Application or payment of the Application fee until at least the fourteenth (14th) day after the date the receipt of the Franchise Disclosure Document was signed and dated.

Authorized Signers

Authorized signers for the Receipt and Application Letter include the following:

Applicant Signer(s)

Individual(s):	Each individual
Corporation:	President, Vice President, or other Authorized Officer
General Partnership:	Each General Partner or Authorized General Partner
Limited Partnership:	Each General Partner or Authorized General Partner
Limited Liability Company:	Managing Member(s), Authorized Member(s), or Manager(s)
Trust:	Trustee(s)
Estate:	Executor/Executrix, Administrator/Administratrix

Application Fee

Payment of the Application Fee must be made when you submit your Application. The Application Fee becomes non-refundable upon IHG approval of your Application.

For a **New Development, Conversion, Re-licensing, and Change of Ownership Application**, please calculate your Application Fee as follows (all fees are in US Dollars):

avid hotels:	$500 per guest room/suite but not less than $50,000
Holiday Inn:	$500 per guest room/suite but not less than $50,000
Holiday Inn Express:	$500 per guest room/suite but not less than $50,000
Holiday Inn Resort:	$500 per guest room/suite but not less than $50,000
Staybridge Suites:	$500 per guest room/suite but not less than $50,000
Atwell Suites:	$500 per guest room/suite but not less than $50,000
Candlewood Suites:	$500 per guest room/suite but not less than $50,000
EVEN Hotels:	$500 per guest room/suite but not less than $75,000
voco:	$500 per guest room/suite but not less than $75,000
Vignette Collection:	$500 per guest room/suite but not less than $75,000
Hotel Indigo:	$500 per guest room/suite but not less than $75,000
Crowne Plaza:	$500 per guest room/suite but not less than $75,000
InterContinental:	$500 per guest room/suite but not less than $75,000

Application Checklist - Required Items

A complete Franchise Application package will expedite the Application Process. To ensure that your Franchise Application Package is complete, please use the following checklist:

- ☐ Franchise Disclosure Document Receipt signed and dated by an authorized signer for the Applicant on the day on which it was received.
- ☐ Application Letter signed and dated no earlier than the day after the 14th day following the date that the Applicant signs the Receipt contained in the Franchise Disclosure Document.
- ☐ A check or wire transfer for the Application Fee payable to Holiday Hospitality Franchising, LLC.
- ☐ Certified Personal Financial Statement for each sole proprietor, general partner, managing tenant in common, and/or major owner/shareholder (owners/shareholders owning beneficially 25% or more of the equity interest/stock) of the proposed licensee and any individual/entity who will serve as an additional guarantor of the proposed license.
- ☐ A copy of the deed, lease, sales contract, option agreement, or other instrument evidencing the proposed licensee's control of the proposed hotel site or property.
- ☐ A copy of a current resume for the primary the Applicant, the person who is in charge of the conversion/new hotel development process, and the person or management entity who will manage the day-to-day operations of the hotel.
- ☐ A copy of the proposed management agreement, if applicable, and information concerning the proposed management company.
- ☐ Description of all interests each individual and entity named herein has in other hotels/motels.
- ☐ Site plan, aerial, and location map with proposed hotel site identified. (not required for change of ownership or relicensing for an existing hotel.)
- ☐ Please enclose renderings or photographs of the hotel/site and a city area map with the site and competitive hotel facilities marked.
- ☐ Copies of Organizational Documents (including all amendments) for the Applicant entity and each of its principal entities, including general partner(s), managing member(s), controlling shareholders, or similar direct and indirect controlling interests, as follows:

Private Corporation:	Articles of Incorporation (with filing stamp or certification from the jurisdiction of incorporation)
Limited Liability Company:	Articles of Organization (with filing stamp or certification from the jurisdiction of formation) and signed Operating Agreement
Limited Partnership:	Certificate of Limited Partnership (with filing stamp from the jurisdiction of formation) and signed Partnership Agreement
General Partnership:	Signed Partnership Agreement
Trust:	Signed Trust Agreement
Estate:	Letters Testamentary/of Administration (where applicable)

- ☐ Completed Ownership Structure Form (see page 5) for the Applicant, its underlying ownership entities, and the fee title holder or lessor/sublessor of the Hotel/Hotel Site if related to the Applicant.
- ☐ A copy of the last two (2) Quality Assurance reports for all hotels not licensed by InterContinental Hotels Group but owned/managed by the Applicant within the last 12 months.
- ☐ Other pertinent project details (please attach as needed).

If proposed hotel is a conversion, please add:

- ☐ Conversion Indemnity Letter (if applicable)
- ☐ 3 Years' Hotel Operating Statistics (use table on page 11 if possible)

Note: This Application is to request a license to operate all brands licensed by Holiday Hospitality Franchising, LLC or Six Continents Hotels, Inc. Any reference to the InterContinental Hotels Group is considered to mean Holiday Hospitality Franchising, LLC and/or Six Continents Hotels, Inc., as appropriate. This Application is intended to obtain certain pre-qualifying information. Any offer to sell and any solicitation of an offer to buy a license (franchise) for all brands is made only by means of the Franchise Disclosure Document and only in states or jurisdictions where such offers and solicitations are permitted by law.

Application Letter

Brand (check one):

- ☐ InterContinental Hotels & Resorts
- ☐ Crowne Plaza Hotels & Resorts
- ☐ voco
- ☐ EVEN Hotels
- ☐ Holiday Inn
- ☐ Hotel Indigo
- ☐ Holiday Inn Express
- ☐ Holiday Inn Express & Suites
- ☐ Holiday Inn Hotel & Suites
- ☐ avid hotels
- ☐ Staybridge Suites
- ☐ Holiday Inn Resort
- ☐ Vignette Collection
- ☐ Atwell Suites
- ☐ Candlewood Suites

Holiday Hospitality Franchising, LLC. ("HHFL"):
The undersigned hereby applies for a license to operate a hotel licensed by the InterContinental Hotels Group to be located at:

_____
(Street)

_____ _____ _____ _____
(City) (State) (Zip) (Country)

The undersigned understand(s) that "HFFL" relies on the information provided in the Application and all documents submitted by the undersigned and co-owners in connection with or in support thereof, including, but not limited to, all financial statements and this Application letter (all hereinafter referred to as the "Application").

1. All information contained in this Application is true, correct and complete as of this date. The Application does not fail to include any fact which would be necessary in order to make the information furnished therein not misleading.The undersigned will inform HFFL promptly of any material change in any of the information furnished in the Application.
2. The undersigned has/have the authority to make the Application and to enter into the other documents contemplated thereby, including, without limitation, a license agreement. Neither the making of the Application nor the execution of such other documents will conflict with the terms of any agreement to which the undersigned is/are a part or by which the undersigned is/are bound. The undersigned has/have not been induced by HFFL to terminate or breach any agreement with respect to the above mentioned location.
3. Information concerning the system of the hotel brand being licensed, including, without limitation, the appropriate license agreement (the "License Agreement"), has been made available to the undersigned. The undersigned is/are familiar with the system of the hotel brand being licensed and its requirements. If the Application is approved the undersigned will execute and comply with the terms of the License Agreement.
4. The undersigned understand(s) and acknowledge(s) that:
   - **(a)** HFFL does not enter into oral agreements or understandings with respect to licenses or matters pertaining to the granting of a license.
   - **(b)** A contract or agreement with respect to a proposed license shall come into effect only upon the execution of the License Agreement.
   - **(c)** As of this date, there are no oral agreements or understandings whatsoever between the undersigned and HFFL with respect to any proposed license.
   - **(d)** The Applicant authorizes HFFL and Six Continents Hotels, Inc. to check, at any time the credit history, references and other financial and background data of the Applicant, the proposed licensee, the undersigned and co-owners, including background checks for US OFAC compliance, and to answer questions about their credit history with HFFL.
   - **(e)** An Application fee has been paid to HFFL. Such Application fee may be invested, commingled with other funds of HFFL, or otherwise used by HFFL as it deems appropriate in its discretion.
   - **(f)** If the Application is not approved by HFFL, or if the Application is withdrawn by the Applicant, the Application fee will be returned less the Application Processing Fee for expenses incurred by HFFL, as solely determined by HFFL, in the processing the Application. If the Application is approved, the Application fee will not be returned.
   - **(g)** HFFL reserves the sole right to approve or disapprove the Application for any reason it may determine. In the event HFFL disapproves the Application, it will have no liability to the undersigned other than to return the Application fee, less its expenses in processing the Application as hereinbefore provided.

The undersigned, jointly and severally (if applicable), agree(s) to indemnify HFFL and its affiliates, directors and employees, agents, representatives, and assignees and to hold them harmless from all losses, consequently, directly or indirectly incurred (including legal and accounting fees and expenses) and arising from, as a result of or in connection with the breach of any representation or warranty contained in the Application or arising from, as a result of or in connection with HFFL's reliance on such representation or warranties. HFFL shall have the right independently to take any action it may deem necessary in its sole discretion, to protect and defend itself against any threatened action subject to the undersigned's indemnification, without regard to the expense, forum or other parties that may be involved. HFFL shall have sole and exclusive control over the defense of any such action (including the right to be represented by counsel of its choosing) and over the settlement, compromise or other disposition thereof.

For Individual:

Signature: _____

Print Name: _____

Date (required): _____

For Business Entity:

Signature: _____

Print Name & Title: _____

Date (required): _____

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Applicant

Name of the Applicant: First: _____ Middle: _____

Last: _____

Name of Entity: _____

The Proposed Licensee: ☐ Existing Entity ☐ To be formed as an entity after submitting this Application

☐ Other (explain) _____

Entity Address:

Address: _____ City: _____

State/Province: _____ Zip/Postal Code: _____ Country: _____

Type:

☐ Corporation ☐ Limited Partnership ☐ General Partnership

☐ Limited Liability Company ☐ Sole Proprietor ☐ Trust

☐ Other (specify) _____

Corporation / Entity Formation Information:

Month/Day/Year: _____ State/Province: _____ Country: _____

Principal Correspondent

For Legal Notice

Name: _____

Street Address: _____

City: _____

State/Province: _____ Zip/Postal Code: _____ Country: _____

Business Phone: _____ Mobile Phone: _____

Fax: _____

Email: _____

Management Information

The proposed hotel will be managed by:

☐ A General Manager to be employed by the Applicant

The General manager (if known) will be: _____

☐ A Management Company under a Management Agreement with the Applicant

Company Name: _____

Contact: _____

Title: _____

Address: _____ City: _____

State/Province: _____ Zip/Postal Code: _____ Country: _____

Telephone: _____ Fax: _____ Email: _____

Attachments:

1. List of Hotels owned or managed by the Management Company.

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Hotel Experience

(attach additional pages if needed)

Please complete the information below describing facilities operated, number of rooms, age of hotel, status, position held, dates purchased/sold if applicable, and level of involvement. Please attach additional pages if necessary.

1. Current and prior InterContinental Hotels Group branded hotels owned/managed

	Hotel Name	Loc# or HOLIDEX Code	# Rooms	Age of Hotel	Status (open or under construction)	Position	Other (include dates purchased/ sold if applicable)	Percentage of Ownership
1.								
2.								
3.								
4.								
5.								
6.								
7.								
8.								

2. Most recent non-IHG branded hotels owned/managed

	Hotel Name	Hotel City	STR ID#	Age of Hotel	Status (open or under construction)	Position	Other (inc. dates purch/sold if applicable)	Percentage of Ownership
1.								
2.								
3.								
4.								
5.								
6.								
7.								
8.								

Attachments:

1. *A copy of the last two (2) Quality Assurance reports for all hotels not licensed by IHG but owned/managed by the Applicant within the last 12 months.*

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Personal Information

The following questionnaire is intended to provide IHG with the information needed to evaluate your new business venture as a potential franchisee for the brand you selected. IHG is recognized as a global leader and offers one of the best franchise opportunities available in the lodging industry. Our successful heritage of quality and service is carried on around the globe by a unique group of entrepreneurial spirited people - our franchise owners and operators.

We welcome the opportunity to review your request to join the IHG portfolio of brands.

1. Do you now or have you ever owned, co-owned, or managed a hotel that was part of any IHG franchise system?

☐ Yes ☐ No

If yes, please provide details: _____

2. Have you ever applied for a franchise with IHG in the past?

☐ Yes ☐ No

If yes, please provide details: _____

3. What is your background in the hotel business? (attach resume)

_____

4. Please list all franchise/hotel licensing or affiliation agreements that you have ever entered.

_____

5. Who will be in charge of the conversion/new development process (development, construction, renovation)? (attach resume)

_____

6. If someone other than you or your General Manager has responsibility relative to the development, construction, conversion into any IHG System, or operations of your hotel, please specify that person and describe their background: (attach resume)

_____

7. Is or was the proposed licensee or any direct or indirect owner of the proposed license the subject of a voluntary or involuntary bankruptcy, receivership, foreclosure, or other insolvency proceeding either currently pending or filed within the three-year period immediately preceding this Application?

☐ Yes If yes, please explain on a separate sheet. ☐ No

8. Is or was the proposed hotel site or the current owner of the proposed hotel site the subject of any bankruptcy, receivership, foreclosure, or other insolvency proceeding either currently pending or filed with the three-year period immediately preceding this Application?

☐ Yes If yes, please explain on a separate sheet. ☐ No

9. Please list all pending or concluded litigation with a franchiser over the past five (5) years in which the Applicant, the proposed licensee or their respective principals, owners, affiliates, or guarantors have been a party.

_____

10. Will any employee, officer or director, or one of their relatives, of any IHG company participate in management or ownership of the entity to be licensed or one of its affiliates? If yes, please explain, while providing detailed information.

☐ Yes ☐ No

If yes, please provide details: _____

Attachments:

1. *Applicant's resume.*
2. *If applicable, resume of person in charge of development process and resume of person in charge of your hotel if other than General Manager.*
3. *If applicable, please provide details of voluntary or involuntary bankruptcy, receivership, foreclosure, or other insolvency proceeding.*

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Ownership Structure Information

Each sole proprietor, general manager, managing tenant in common, and major owner/shareholder (owners/shareholders owning beneficially 25% or more of the stock) of the proposed licensee and any individual/entity who will serve as an additional guarantor of the proposed license is required to submit a Personal Financial Statement with this Application including a list of all hotels/ motels in which the individual has an interest. Facility name, location, and the nature and percentage of the individual's interest must be indicated.

Please follow any of the examples provided below to help you complete your ownership structure on the following page.

Example #1: Corporation
Licensee Name: CAPITAL HOSPITALITY, INC

Entity/Person's Name	Description of Interest	% Interest	Business Address & Telephone
Ideal Hospitality Inc. - Jane Smith, member 100%	Shareholder	35%	123 Brook Lane, Atlanta GA 30039 Tel: (123) 456-7890
George Williams, LLC - Paul Doe, member 50% - Lucy Doe, member 50%	Shareholder	28%	333 Cricket Drive, Atlanta GA 30346 Tel: (123) 456-7890
A. Moore	Shareholder	37%	50-51 Tree Street, Atlanta GA 30346 Tel: (123) 456-7890
	Total	100%	

Items Needed for Execution
- Proof of Current State Filing

Example #2: Limited Partnership (LP)
Licensee Name: WEBSTER HOLDINGS, LP

Entity/Person's Name	Description of Interest	% Interest	Business Address & Telephone
Prestige Hotels, LLC - Mohammed Singh, member 100%	General Partner	1%	111 Court Ave, Atlanta GA 30039 Tel: (123) 456-7890
Capital Investments, Inc. - Jim Thomas, member 50% - Susan White, member 50%	Limited Partner	30%	23 Bird Street, Atlanta GA 30346 Tel: (123) 456-7890
Stanley Watson	Limited Partner	69%	345 Willow Road, Atlanta GA 30014 Tel: (123) 456-7890
	Total	100%	

Items Needed for Execution
- Executed Partnership Agreement
- Proof of Current State Filing

Example #3: General Partnership
Licensee Name: GROUND HIGH HOLDINGS, GP

Entity/Person's Name	Description of Interest	% Interest	Business Address & Telephone
Wendy Jones	General Partner	32%	8241 Tree Lane Road, Atlanta, GA 30346 Tel: (123) 456-7890
Greg Finn	General Partner	38%	745 Auburn Court, Atlanta, GA 30313 Tel: (123) 456-7890
Kelly Price	General Partner	30%	2011 Lake Hearn Court, Atlanta, GA 30014 Tel: (123) 456-7890
	Total	100%	

Items Needed for Execution
- Executed Partnership Agreement
- Proof of Current State Filing

Example #4: Limited Liability Corporation (LLC)
Licensee Name: TFB HOTELS, LLC

Entity/Person's Name	Description of Interest	% Interest	Business Address & Telephone
General Hospitality, LLC - Bruce Johnson, member 100%	Member	35%	1122 Big Road, Atlanta GA 30039 Tel: (123) 456-7890
Paul Moore, LLC - Pat Davis, member 50% - Ben Brown, member 50%	Member	28%	500 Brook Crossing, Atlanta, GA Tel: (123) 456-7890
Andrew Patel	Member	37%	56-78 Causeway Avenue Atlanta, GA Tel: (123) 456-7890
	Total	100%	

Items Needed for Execution
- Executing Operating Agreement
- Proof of Current State Filing

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ATWELL SUITES
STAYBRIDGE SUITES
CANDLEWOOD SUITES

Ownership Structure Information *continued*

Entity Name: _____

Ownership Structure
(please provide additional pages if needed)

Entity/Person's Name	Description of Interest	% Interest	$ Net Worth	Business Address	Telephone

Attachments:
1. *Copies of recorded formation and governing documents of the Applicant and its controlling entities (e.g., Articles of Incorporation, Partnership Agreement, Operating Agreement, etc.)*
2. *Upon request, completed Individual or Business Entity Participant Information Forms*

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Loan & Financing Information

Do you have a loan or loan commitment for this project? ☐ Yes ☐ No

Name of proposed/existing lender(s): _____

	Debt	Equity
Source		
Amount		
% of Total Development Cost		

Do you have, or do you anticipate seeking Small Business Administration (SBA) backed financing?

☐ Yes. Describe: _____ ☐ No

Is the loan (or will the loan be) cross-collateralized by other hotels/real estate assets or cross-defaulted to any other loan(s)?

☐ Yes. Describe: _____ ☐ No

Please describe the existing or anticipated financing of this project:

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Proposed Hotel Summary

Street Address*: _____

**If no street address, provide coordinates or other location description*

City: _____ **State/Province:** _____ **Country:** _____ **Zip/Postal Code:** _____

Telephone: _____

Brand (check one):

- ☐ InterContinental Hotels & Resorts
- ☐ EVEN Hotels
- ☐ Holiday Inn Express
- ☐ avid hotels
- ☐ Vignette Collection
- ☐ Crowne Plaza Hotels & Resorts
- ☐ Holiday Inn
- ☐ Holiday Inn Express & Suites
- ☐ Staybridge Suites
- ☐ Atwell Suites
- ☐ voco
- ☐ Hotel Indigo
- ☐ Holiday Inn Hotel & Suites
- ☐ Holiday Inn Resort
- ☐ Candlewood Suites

Development Type:

- ☐ New Development (new build/adaptive reuse)
- ☐ Change of Ownership
- ☐ Conversion
- ☐ Relicensing
- ☐ Room Adjustments

Estimated Open Date

Projected Construction/Reno Start Date: _____

Projected Construction/Reno Completion Date: _____

Hotel Facilities, Building, Site Information

Total Guest Units: 0

Guest rooms: _____ # Guest suites: _____

Floors: _____

Year Built: _____

Meeting Space: ☐ Yes _____ total sq. ft. Total # Rooms: _____ ☐ No

Ballroom/Largest Room: ☐ Yes _____ sq. ft. ☐ No

Condominium Residences: ☐ Yes # _____ ☐ No

Pool: ☐ Yes _____ Indoor _____ Outdoor ☐ No

Gym: ☐ Yes ☐ No

Other Amenities (please explain or attach): _____

Total square footage of site: _____

Zoned for hotel development? ☐ Yes ☐ No (if No, please provide details): _____

Maximum height allowed by zoning code: Feet: _____ Floors: _____

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Food & Beverage Facilities

Restaurants

Name: _____ Capacity: _____

Name: _____ Capacity: _____

Name: _____ Capacity: _____

Bars / Lounges

Name: _____ Capacity: _____

Name: _____ Capacity: _____

Name: _____ Capacity: _____

Hotel Affiliation

Has there ever been a franchise, branded management, affiliation, or similar agreement pertaining to this hotel or site?

Explain: _____

If the hotel is currently affiliated with a hotel chain, what chain? _____

Hotel's current name: _____

Original open date: _____

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- ☐ Owned by the Applicant
- ☐ Leased to the Applicant — Lease Holder: _____
- ☐ Optioned to the Applicant — Beneficial Holder: _____
  Option expires: _____
- ☐ Under purchase agreement by the Applicant — Beneficial Holder: _____
  Option expires: _____
- ☐ Other. Explain: _____

Operating Projections

Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5
% Occupancy					
ADR*					
RevPAR*					

* *US Dollars*

Hotel Performance (If Existing Facility) Last 5 Years

Please enter corresponding year.

Historical	20_____	20_____	20_____	20_____	20_____
% Occupancy					
ADR*					
Total Rooms Revenue*					

* *US Dollars*

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Competitive Information

Identify all hotels/motels in your market area that are/would be considered competitive to the proposed hotel/site. Specifically include those within a five-mile radius of the hotel/site area.

	STR ID#	Hotel Name	Distance from proposed site (miles)	Age of Property	Room Count	Rate Range
1.						
2.						
3.						
4.						
5.						

If proposed hotel or hotel site is currently owned by anyone other than the Applicant or the proposed entity, please indicate:

Fee owner name: _____

Address: _____ City: _____

State/Province: _____ Zip/Postal Code: _____

Country: _____

Telephone: _____

Related to the Applicant? ☐ Yes. Describe: _____ ☐ No

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Estimated Hotel Project Costs

New Construction *(approximately)*

Land: $US _____

Construction: $US _____

FF&E: $US _____

Other: $US _____

TOTAL: $US _____

Conversion

Purchase price/current mkt. value (est.)*: $US _____

Renovation/upgrade*: $US _____

Other*: $US _____

TOTAL: $US _____

Please use this section to provide any additional details about your project.

Thank you for completing your Franchise Application with IHG. We look forward to the opportunity to review your information.

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EXHIBIT B

EXHIBIT B

LOCATION: «HotelAddress1»
«HotelAddress2»

LOCATION #: «LocNum»

DATE:

HOLIDAY HOSPITALITY FRANCHISING, LLC

VIGNETTE COLLECTION™

LICENSE AGREEMENT

WITH

«EntityAllCaps»

LICENSEE

HOLIDAY HOSPITALITY FRANCHISING, LLC

VIGNETTE COLLECTION™

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Holiday Hospitality Franchising, LLC
Three Ravinia Drive, Atlanta, Georgia 30346
Vignette Collection™
License Agreement

This License Agreement ("License") dated _____, 20___(the "Term Commencement Date") is between HOLIDAY HOSPITALITY FRANCHISING, LLC, a Delaware limited liability company ("IHG"), and a ____{state}_____ (resident/corporation/LLC/partnership}("Licensee"), whose address is _____.

The Parties Agree As Follows:

1. The License:

IHG operates and licenses a system (the "System" as defined in paragraph 1.B. below) designed to provide a distinctive, high quality hotel service to the public under the name "Vignette Collection™". High standards established by IHG are the essence of the System. Future investments may be required of Licensee under this License. Licensee has independently investigated the risks of the business to be operated hereunder, including current and potential market conditions, competitive factors and risks; has read IHG's Franchise Disclosure Document for prospective Vignette Collection™ franchisees; and has made an independent evaluation of all such facts. Neither IHG nor any other person on IHG's behalf has made any representation to Licensee concerning this License not fully set forth herein. Aware of the relevant facts, Licensee desires to enter into this License in order to obtain a license to use the System in the operation of a Vignette Collection™ hotel located at _____ (the "Hotel").

A. The Hotel.

The Hotel comprises all structures, facilities, appurtenances, furniture, fixtures, equipment, and entry, exit, parking and other areas from time to time located on the land identified by Licensee to IHG in anticipation of this License, or located on any land from time to time approved by IHG for additions, signs or other facilities. The Hotel now includes the facilities listed on Attachment "A" hereto. No change in the number of approved guest rooms and no other significant change in the Hotel or in the manner in which the Hotel rooms and services are offered to the public (including timesharing and condominium hotel projects and other projects not involving short term stays by transient guests) may be made without IHG's written approval. Licensee represents that it is entitled to possession of the Hotel during the entire License Term without restrictions that would interfere with anything contemplated in this License.

B. The System.

The System includes all elements which are designed to identify "Vignette Collection™" hotels to the consuming public or are designed to be associated with those hotels or to contribute to such identification or association and all elements which identify or reflect the quality standards and business practices of such hotels, all as specified in this License or as designated from time to time by IHG. The System at present includes, but is not limited to, the principal trade and/or service mark "Vignette Collection™", the service mark "IHG Concerto™" and the other Marks (as defined in paragraph 6.B. below) and intellectual property rights made available to licensees of the System by reason of a license; all rights to domain names and other identifications or elements used in electronic commerce as may be designated from time to time by IHG in accordance with IHG's specifications to be part of the System; access to a reservation service operated in accordance with specifications established by IHG from time to time; preparation and distribution of advertising, publicity and other marketing programs and materials; the furnishing of training programs and materials; architectural drawings and architectural works; confidential or proprietary information, standards, specifications and policies for construction, furnishings, operation, appearance and service of the Hotel, standards and specifications for interior and

exterior design and decor and other requirements as stated or referred to in this License and from time to time in IHG's brand standards for System hotels (the "Standards") or in other communications to Licensee; and programs for inspecting the Hotel, measuring and assessing service, quality and consumer opinion, and consulting with Licensee. The Standards and all changes to the Standards may be presented in any format, including but not limited to print, electronic or other media. IHG may add elements to the System or modify, alter or delete elements of the System in its sole judgment from time to time.

2. <u>Grant of License</u>:

IHG hereby grants to Licensee a non-exclusive license to use the System only at the Hotel, but only in accordance with this License and only during the "License Term" beginning with the Term Commencement Date and terminating as provided under paragraph 11 hereof. The License applies to the location of the Hotel specified in paragraph 1 herein (the "Location") and to no other location. Licensee acknowledges that IHG, its divisions, subsidiaries, affiliates and parents are and may in the future be engaged in other business activities, including activities involving transient lodging and related activities and that Licensee is acquiring no rights hereunder other than the right to use the System as specifically defined herein in accordance with the terms of this License.

This License does not limit IHG's right, or the rights of any parent, subsidiary or affiliate of IHG, to use or license the System or any part thereof, or to engage in or license any business activity at any other location, including, without limitation, the licensing, franchising, ownership, operation and/or management of lodging facilities and related activities under the names and Marks associated with the System and/or any other names and marks. Licensee acknowledges that IHG's rights to use and/or license the System, referenced immediately above, pre-date this License and are not limited or changed by the terms of this License. Licensee agrees that by acknowledging those rights, the parties do not intend to make IHG's exercise of such rights subject to rules applicable to contractual performance or the exercise of contractual discretion under this License.

3. <u>Licensee's Responsibilities</u>:

A. <u>Operational and Other Requirements</u>.

Throughout the entire License Term, Licensee will at its sole cost and expense:

(1) maintain a high moral and ethical standard and atmosphere at the Hotel;
(2) maintain the Hotel in a clean, safe and orderly manner and in first class condition;
(3) provide efficient, courteous and high-quality service to the public including, without limitation, maintaining minimum product and service quality standards and scores for quality assurance programs established and maintained by IHG, as such programs may be modified by IHG from time to time;
(4) operate the Hotel 24 hours a day every day except as otherwise permitted by IHG based on special circumstances;
(5) strictly comply in all respects with the Standards (as they may from time to time be modified or revised by IHG) and with all other policies, procedures and requirements of IHG which may be from time to time communicated to Licensee (which communication, at IHG's option, may be in hard paper copy or digital, electronic or computerized form, and Licensee must pay any costs to retrieve, review, use or access such digital, electronic or computerized communication);
(6) strictly comply with all of IHG's standards and specifications for goods and services used in the operation of the Hotel and other reasonable requirements to protect the System and the Hotel from unreliable sources of supply;
(7) strictly comply with IHG's requirements as to the:
    (a) type of services and products that may be used, promoted or offered at the Hotel;
    (b) type and quality of services and products that, to supplement services listed on Attachment "A", must be used, promoted or offered at the Hotel;

(c) use, display, style and type of signage and of all other forms of identification at or pertaining to the Hotel, including but not limited to any use of the Vignette Collection™ name or any other of IHG's service marks, trademarks or copyrights (in all formats, including but not limited to print, electronic or other media) which are seen by members of the consuming public or used to identify the Hotel to actual or prospective consumers;

(d) directory and reservation service listings of the Hotel;

(e) training of persons to be involved in the operation of the Hotel;

(f) participation in all marketing, reservation service, advertising, training and operating programs designated by IHG as System-wide (or area-wide) programs in the best interests of hotels using the System including, without limitation, all guest frequency or loyalty programs related to the System;

(g) maintenance, repair, appearance, interior and exterior design, interior decor and condition of, and customer service at the Hotel, including, without limitation, participation in all guest complaint programs and quality assurance programs established and maintained by IHG, as such programs may be modified by IHG from time to time;

(h) quality and types of services offered to customers at the Hotel; and

(i) maintenance of a capital reserve and adherence to capital reinvestment and renovation cycles (as further specified in paragraph 13.N. hereof and as IHG may supplement from time to time by the Standards);

(8) use all technology services required by IHG;

(9) adopt all improvements or changes to the System as may be designated by IHG from time to time;

(10) with respect to all aspects of this License and the Hotel and its ownership, development and operation, strictly comply with all applicable laws, rules, regulations, requirements, codes, orders, ordinances and standards of all governmental jurisdictions in which the Hotel is located or that are otherwise applicable to Licensee or the Hotel, pay timely all taxes and other governmental fees, assessments and impositions, and timely obtain and maintain throughout the License Term all governmental licenses, authorizations and permits necessary to own (or lease, as may be applicable) and operate the Hotel in accordance with the System;

(11) permit inspection of the Hotel by IHG's representatives at any time and give them free lodging for such time as may be reasonably necessary to complete their inspections;

(12) promote the Hotel on a local or regional basis subject to IHG's requirements as to form, content and prior approvals;

(13) ensure that no part of the Hotel or the System is used to further, promote, or divert business to a competing business or other lodging facility (including, without limitation, hotels, vacation or timeshare facilities or any similar product sold on a periodic basis), except as IHG may approve for businesses or lodging facilities owned, licensed, operated or otherwise approved by IHG or its parents, divisions, subsidiaries, and affiliates;

(14) use every reasonable means to encourage use of Vignette Collection™ facilities everywhere by the public;

(15) in all respects use Licensee's best efforts to reflect credit upon and create favorable public response to the name "Vignette Collection™";

(16) promptly pay to IHG all amounts due IHG, its parents, subsidiaries and affiliates as royalties, or charges, whether or not arising out of this License, or for goods or services purchased by Licensee for use at the Hotel; and

(17) strictly comply with IHG's requirements concerning confidentiality of information; and, in particular, Licensee shall not disclose, without IHG's written permission, (i) information pertaining to IHG's marketing, reservations, quality assurance, guest loyalty and satisfaction, technology or other systems or programs that has not been intentionally disclosed to the public by IHG, (ii) any of the Standards or (iii) any of the commercial terms or provisions of this License.

B. <u>Fees</u>.

(1) For each month (or part of a month) during the License Term, Licensee will pay to IHG by the 15th of the following month, except in the case of the Technology Services Fee in paragraph 3.B(1)(c) below, which is payable monthly in advance:

(a) a royalty of 5% of Gross Rooms Revenue. "Gross Rooms Revenue" means the gross revenue and receipts of every kind attributable to or payable for rental of guest rooms at the Hotel including, but not limited to, no-show revenue, early departure or late check-out fees, attrition or cancellation fees, any mandatory fee or surcharge charged to all or substantially all guests renting a room (including, but not limited to, resort fees, although inclusion of such fees or surcharges does not constitute approval by IHG of such fees and surcharges, which may be limited or prohibited), any awards, judgments or settlements representing payment for loss of room sales and any other revenues allocable to rooms revenue under the Uniform System of Accounting for the Lodging Industry, Eleventh Revised Edition, 2014, as published by the American Hotel & Lodging Association Educational Institute, or any later edition, revision, or replacement that may be designated by IHG (the "Uniform System"). No deductions shall be allowed for charge backs, credit card service charges, commissions, uncollectible amounts or similar items. Charges for any item, including, but not limited to, telephone charges, entertainment, the cost of any food and beverage items, room service or other items provided or made available to a guest as an incident of a guest room rental shall not be considered a deduction from Gross Rooms Revenue. Gross Rooms Revenue excludes sales tax, value added tax, or similar taxes on such revenues and receipts;

(b) a "Services Contribution", equal to 3.5% of Gross Rooms Revenue which, in IHG's sole business judgment as to the long-term interests of the System, will be used by IHG for marketing, reservations, training programs, and related services. The Service Contribution cannot be used to cover the cost of maintenance, repair, modernization, renovation, or upgrading of the Hotel. IHG and its affiliates are not responsible for any of these costs. Funds from Services Contributions will typically be invested in activities that strengthen the brand such as awareness advertising, reservations, training programs, research, and the development of new or improved services, but may also include tactical marketing initiatives more focused on short term revenue enhancement and seasonal marketing programs. The Services Contributions do not include costs which Licensee incurs in the acquisition, installation or maintenance of reservations services, equipment or training, or in Licensee's own marketing activities. IHG can change the Services Contribution from time to time. IHG may, on 30 days advance notice, at any time during the term of this License, and from time to time, increase the Services Contribution by up to 1% of Gross Rooms Revenue. If IHG increases the Services Contribution in this way, then IHG cannot make another discretionary increase again for 24 months after the start of a prior increase. IHG may increase the Services Contribution by a maximum of 2% of Gross Rooms Revenue over the term of this License;

(c) a monthly Technology Services Fee of $16.08 for each guest room at the Hotel to be used by IHG for provision of technology services, such as, but not limited to satellite communications services to the Hotel, plus such increases as IHG may judge reasonable, but in no case exceeding in any calendar year 10% of the fee in effect at the beginning of that year (the Technology Services Fee does not include the cost, installation, maintenance or repair of any equipment at the Hotel);

(d) all fees due for travel agent commission programs, including Electronic Commission Services and any Field Marketing Co-op programs attributable to the Hotel; and all fees due in connection with mandatory marketing, technology, guest loyalty and frequency, guest satisfaction, quality assurance, training, new hotel opening and other systems and programs established by IHG, its parents, its subsidiaries or its affiliated entities relating to the System; and

(e) an amount equal to any sales, gross receipts or similar tax imposed on IHG and calculated solely on payments required hereunder, unless the tax is an optional alternative to an income tax otherwise payable by IHG.

IHG may, at its election at any time during the License Term, require Licensee to pay all outstanding fees by electronic funds transfer, direct account debit or other similar technology designed to accomplish the same purpose as may be designated by IHG.

Licensee will operate the Hotel so as to maximize Gross Rooms Revenue of the Hotel consistent with sound marketing and industry practice and will not engage in any conduct that reduces Gross Rooms Revenue of the Hotel in order to further other business activities.

(2) A standard application fee for additional guest rooms as set forth in IHG's then current Vignette Collection™ disclosure document will be charged upon application for any guest rooms to be added to the Hotel.

(3) Additional royalties may be charged on revenues (or upon any other basis, if so determined by IHG) from any activity if it is added at the Hotel by mutual agreement, and:

(a) such activity is not now offered at System hotels generally and is likely to benefit significantly from or be identified significantly with the Vignette Collection™ name or other aspects of the System; or

(b) such activity is designed or developed by or for IHG.

(4) Charges may be made for optional products or services accepted by Licensee from IHG, either in accordance with current practice or as developed in the future.

(5) Each payment under this paragraph 3.B., except the standard additional rooms application fee or other fee not determined from Gross Rooms Revenue, shall be accompanied by the monthly statement referred to in paragraph 7.A. IHG may apply any amounts received under this License to any amounts due under this License. If any amounts under this License are not paid when due, such non-payment shall constitute a breach of this License and, in addition, such unpaid amounts will accrue interest beginning on the first day of the month following the due date at 1½% per month or the maximum interest permitted by applicable law, whichever is less.

(6) Local and regional marketing programs and related activities may be conducted by Licensee, but only at Licensee's expense and subject to IHG's requirements. Reasonable charges may be made for optional advertising materials ordered or supplied by IHG to Licensee for such programs and activities.

(7) IHG has the right, in its sole judgment, to require Licensee to tender all or any part of the payments due to IHG under this License to IHG, one or more of IHG's parents, subsidiaries, affiliated entities or other designees.

4. IHG's Responsibilities:

A. <u>Training</u>.

During the License Term, IHG will continue to specify and provide required and optional training services and programs at various locations. A fee may be charged for certain required and optional training services. Travel, lodging and other expenses of Licensee and its employees will be borne by Licensee. Reasonable charges may also be assessed for training materials.

B. <u>Reservation Services</u>.

During the License Term, so long as Licensee is in full compliance with its obligations hereunder, IHG will afford Licensee access to reservation service for the Hotel on terms consistent with this License. However, IHG has no obligation to afford Licensee access to reservation service for the Hotel regarding reservations for any date after the expiration date of this License or for any date after the termination date established by IHG, following any applicable notice period or any applicable opportunity to cure.

C. Consultation on Operations, Facilities and Marketing.

During the License Term, IHG will, from time to time at IHG's election, make available to Licensee consultation and advice in connection with operations, facilities and marketing. IHG may from time to time furnish to Licensee names of suppliers or recommend to Licensee suppliers of goods and services required or useful in the operation of the Hotel; however, IHG is not obligated to furnish any such names or to continue doing so, and Licensee is under no obligation to use any such supplier, unless expressly required to do so by the terms of this License, the Standards or otherwise. In identifying or recommending suppliers, IHG exercises its business judgment based on its information as of that date and its sense of the long-term interests of the System. IHG's identification or recommendation of a supplier is not a warranty of the financial condition or performance of any supplier or of any other factor, and Licensee's use of an identified or recommended supplier that sells products or services meeting IHG's standards and specifications may facilitate compliance with those standards and specifications, but it is not a substitute for such compliance.

D. Maintenance of Standards.

IHG will conscientiously seek to maintain high standards of quality, cleanliness, appearance, design and service at all hotels using the System so as to promote, protect and enhance the public image and reputation of the Vignette Collection™ name and to increase the demand for services offered by the System. IHG's judgment in such matters shall be controlling in all respects, and it shall have wide latitude in making such judgments.

E. Application of Standards.

The Hotel and all other hotels operated under the System will be subject to the Standards, as they may from time to time be modified or revised by IHG, including limited exceptions from compliance which may be made based on local conditions, type of hotel or special circumstances. The Standards and any modification to them can be delivered by IHG to Licensee in hard paper copy or, at IHG's option, be made available to Licensee in digital, electronic or other computerized form. If communicated in digital, electronic or other computerized form, Licensee must pay any costs to retrieve, review, use or access the Standards. The Standards are confidential and remain the property of IHG.

F. Other Arrangements for Marketing, Etc.

IHG may enter into arrangements for development, reservation services, marketing, operations, administrative, training, technical and support functions, facilities, programs, services and/or personnel with any other entity, and may use any facilities, programs, services or personnel used in connection with the System, in connection with any business activities of its parents, subsidiaries, divisions or affiliates.

G. Use of Services Contribution:

IHG will make available and use Services Contribution funds for various activities as may be computed on the basis generally applicable to licensees of the System. IHG is not obligated to expend funds for marketing, reservations or related services in excess of the amounts received from licensees using the System and those funds made available by IHG as set forth above. Services Contribution funds are not intended to benefit any specific market or hotel. IHG and its affiliates have no obligations to spend from Services Contribution funds, or otherwise, any amount fixed or proportionate to the amount of Services Contributions Licensee pays, nor do IHG or its affiliates have any obligation to ensure that Licensee benefits directly or proportionately from Services Contributions paid or expenditures made from collected Services Contributions. Local and regional marketing programs and related activities may be conducted by Licensee, but only at Licensee's expense and subject to IHG's requirements. Reasonable charges may be made for optional advertising materials ordered or used by Licensee for such programs and activities.

H. Performance of IHG's Obligations.

Licensee understands and agrees that IHG, in its sole discretion, may perform any or all of its obligations under this License directly or through IHG's parents, affiliates, subsidiaries or other designees.

5. Changes In The Standards:

Each change in the Standards shall be communicated in writing to Licensee at least 30 days before it goes into effect (which communication may be in hard paper copy or, at IHG's option, in digital, electronic or other computerized form, and if such communication is in digital, electronic or other computerized form, Licensee must pay any costs to retrieve, review, use or access same). IHG's designated internal franchise committee or subcommittee, must approve any such change and must determine, in the exercise of its business judgment, that the change was adopted in good faith and is consistent with the long-term overall interests of the System.

6. Proprietary Rights:

A. Ownership of System.

Licensee acknowledges and will not contest, either directly or indirectly, IHG's and its subsidiaries', affiliates'and parents'unrestricted and exclusive ownership of and right to use the System and any element(s) or component(s) thereof, or that IHG or any of its parents, subsidiaries or affiliated entities has the sole and exclusive right to grant licenses to use all or any element(s) or component(s) of the System and will not take any other action in derogation of such ownership and rights of IHG and any of its parents, subsidiaries or affiliated entities. Licensee specifically agrees and acknowledges that IHG owns or is licensed to use the names and mark "Vignette Collection™" and all other Marks (as defined in paragraph 6.B. below) and other elements associated with the System as defined in paragraph 1.B. above, or derived therefrom (including but not limited to domain names or other identifications or elements used in electronic commerce), together with the goodwill symbolized thereby, and that Licensee will not contest directly or indirectly the validity or ownership of the Marks or take any other action in derogation of such validity or ownership either during the term of this License or after its termination. All improvements, modifications and additions whenever made to or associated with the System by the parties hereto or anyone else, and all service marks, trademarks, copyrights, and service mark, trademark, domain name or similar registrations at any time used, applied for or granted in connection with the System, and all goodwill arising from Licensee's use of IHG's Marks and other intellectual property, including (without limitation) local goodwill, shall inure to the benefit of and become the property of IHG. Upon expiration or termination of this License, no monetary amount shall be assigned as attributable to any goodwill associated with Licensee's use of the System or any element(s) or component(s) of the System including any trademarks or service marks licensed hereunder.

B. Disputes Concerning the Marks or System.

The "Marks" means the name and mark "Vignette Collection™" and its distinguishing characteristics and the other service marks, trademarks, trade names, slogans, commercial symbols, logos, trade dress, copyrighted material and intellectual property associated with the System, including (without limitation) those which IHG may designate in the future for use and those which IHG does not designate as withdrawn from use (the "Marks"). Licensee shall notify IHG immediately of (i) an infringement, or a challenge to Licensee's use of any of the Marks; (ii) any objections, demands, controversies, allegations or actions asserted or taken by third parties involving any of the Marks or any part of the System of which Licensee becomes aware; and, (iii) any potentially infringing or unauthorized uses of any of the Marks or any part of the System of which Licensee becomes aware. IHG, its parent or one of its affiliated entities, will have the sole and exclusive right to handle disputes with third parties concerning use of all or any part of the

Marks or System, and Licensee will, at its reasonable expense, extend its full cooperation to IHG in all such matters. All recoveries made as a result of disputes with third parties regarding use of the Marks or System or any part thereof shall be for the account of IHG. IHG need not initiate suit against alleged imitators or infringers, and may settle any dispute by grant of a license or otherwise. Licensee will not initiate any suit or proceeding against alleged imitators or infringers, or any other suit or proceeding to enforce or protect the Marks or System.

C. Protection and Use of Name and the Marks.

Both parties will make every effort consistent with the foregoing to protect and maintain the Marks. Licensee agrees to execute any documents deemed necessary by IHG or its counsel to obtain or maintain protection for the Marks or any part of the System or to maintain their continued validity and enforceability. Licensee agrees to use the Marks associated with the System (i) only in connection with the operation of the Hotel during the License Term following opening of the Hotel in the System or at such earlier time as is expressly and specifically authorized by IHG, (ii) only in the manner expressly authorized by IHG and (iii) in no way that would tend to allow the Marks to become generic, lose their distinctiveness, become liable to mislead the public or be detrimental to or inconsistent with the good name, goodwill or favorable reputation and image of the Marks or IHG. Licensee acknowledges that any unauthorized, unpermitted or prohibited use of any of the Marks shall constitute infringement of IHG's rights. The restrictions and requirements that limit Licensee's use of the Marks and identifications apply to all formats (including print, electronic and other media) and include domain names, URL, and other identifications or elements used in electronic commerce.

D. Modification or Discontinuation of the Marks.

If IHG modifies or discontinues use of any of the Marks licensed under this License as a result of any proceeding or settlement or for any other reason, then Licensee agrees to comply with IHG's instructions in order to implement such modification or discontinuation. Licensee further agrees that it will have no right to any compensation or other remedies from IHG or any of its parents, subsidiaries or affiliated entities as a consequence of any such modification or discontinuation.

E. Architectural Modifications:

If Licensee engages a third party, in compliance with the terms of this License and the franchise disclosure document, to prepare modifications, additions, and/or improvements to any architectural drawings or architectural works licensed to Licensee as part of the System ("Architectural Modifications"), Licensee shall cause such third party to assign all copyrights in such Architectural Modifications to IHG in such form as IHG may specify from time to time.

7. Records And Audits:

A. Monthly Statements and Data.

At least monthly, Licensee shall prepare a statement which will include all information concerning the Hotel's Gross Rooms Revenue, other revenues generated at the Hotel, room occupancy rates, reservation data and other information required by IHG that may be useful (in IHG's sole business judgment) in connection with marketing, reservations, guest loyalty and satisfaction and other functions, purposes or requirements of IHG, its parents, subsidiaries or affiliated entities (collectively the "Data"). Subject to applicable law, the Data shall be the property of IHG although Licensee shall have the non-exclusive right to use the Data so long as its use is lawful and in connection with owning or operating the Hotel during the License Term. The Data will be permanently recorded and retained by Licensee as may be reasonably required by IHG. By the third of each month, Licensee will submit to IHG a statement setting forth the Data and reflecting the computation of the amounts then due under paragraph 3.B. The statement and Data will be in such form (including but not limited to electronic transmission or automatic capture) and detail as IHG may reasonably request from time to time, and may be used by IHG for its reasonable

purposes, including without limitation for company and industry reporting purposes. Licensee agrees that any Data provided by it pursuant to this paragraph 7.A. as well as any other reports, data, information or material provided to IHG pursuant to or in connection with this License shall be true and correct and not misleading and shall comply with all standards, policies and requirements of IHG with respect to privacy and security of Data related to guests and other customers of the Hotel.

B. Preparation and Maintenance of Records.

Licensee will, in a manner and form satisfactory to IHG and utilizing accounting and reporting standards as reasonably required by IHG, prepare on a current basis (and preserve for no less than four (4) years or IHG's record retention requirements, whichever is longer), complete and accurate records concerning Gross Rooms Revenue and all financial, operating, marketing and other aspects of the Hotel, and maintain an accounting system which fully and accurately reflects all financial aspects of the Hotel and its business. Such records shall include but not be limited to books of account, tax returns, governmental reports, register tapes, daily reports, and complete quarterly and annual financial statements (profit and loss statements, balance sheets and cash flow statements). The requirement to preserve records as set forth herein shall continue beyond the expiration or sooner termination of the License Term.

C. Audit.

IHG may require Licensee to have the Hotel's Gross Rooms Revenue and/or monies due hereunder computed and certified as accurate. During the License Term and for two years afterward, IHG and its authorized agents will have the right to verify information required under this License by requesting, receiving, inspecting and auditing, at all reasonable times, any and all records referred to above wherever they may be located (or elsewhere if reasonably requested by IHG). If any such inspection or audit discloses a deficiency in any payments due hereunder, and the deficiency in any payment is not offset by overpayment, Licensee shall immediately pay to IHG the deficiency and interest thereon as provided in paragraph 3.B.(5) along with an audit fee of $3,000, as such amount may be increased on a System-wide basis. No acceptance by IHG of any audit fee or deficiency payment shall be deemed to waive any right of IHG to pursue a default under the License by reason of such underpayment. If the audit does not result in a deficiency being assessed, then no audit fee will be assessed. If the audit discloses an overpayment, IHG will credit this overpayment, without interest, against future payments due from Licensee under this License or if this License has terminated, promptly refund it, without interest, to Licensee.

D. Annual Financial Statements.

Licensee will submit to IHG as soon as available but not later than 90 days after the end of Licensee's fiscal year, and in a format as reasonably required by IHG, complete financial statements for such year. Licensee will certify them to be true and correct and to have been prepared in accordance with generally accepted accounting principles and the Uniform System, consistently applied, and any false certification will be a breach of this License.

8. Indemnity and Insurance:

A. Indemnity.

Licensee will indemnify IHG, its parents, subsidiaries and affiliated entities and each of their respective officers, directors, employees, agents, successors and assigns (collectively, the "Indemnitees") against, hold them harmless from, and promptly reimburse them for all payments of money (fines, damages, legal fees, expenses, settlement amounts, judgments, etc.) by reason of any claim, demand, tax, penalty, or judicial or administrative investigation or proceeding whenever asserted or filed (even where negligence of any of the Indemnitees is alleged), regardless of whether any of the foregoing is reduced to judgment, arising from any claimed occurrence at or related to the Hotel or any act, error, neglect, omission or obligation of Licensee

or anyone associated or affiliated with Licensee or the Hotel. Licensee agrees to give IHG written notice of any such judicial or administrative investigation or proceeding or any other event that could be the basis for a claim for indemnification by any Indemnitee within three days of Licensee's knowledge of it. At the election of IHG, Licensee will also defend IHG and/or the other Indemnitees against the indemnified matters. In any event, IHG will have the right, through counsel of its choice, to control any matter to the extent it could directly or indirectly affect IHG and/or any of the other Indemnitees. IHG will have the right, at any time it considers appropriate, to offer, order, consent or agree to settlements or take any other remedial or corrective actions it considers expedient with respect to any action, suit, proceeding, claim, demand, inquiry or investigation, if, in IHG's sole judgment, there are reasonable grounds to do so. Under no circumstance will IHG or any of the other Indemnitees be required to seek recovery from third parties or otherwise mitigate its or their losses to maintain a claim against Licensee. Licensee agrees that any failure to pursue recovery from third parties or mitigate loss will in no way reduce the amounts recoverable by IHG or any of the other Indemnitees from Licensee. Licensee agrees to pay IHG all expenses including attorneys' fees and court costs, incurred by IHG or any of the other Indemnitees, and their successors and assigns, to remedy any defaults of or enforce or defend itself or any rights under this License(including without limitation any claim, cross claim or counter-claim brought by Licensee), to effect termination of this License or collect any amounts due under this License.

B. <u>Insurance</u>.

During the License Term, Licensee will comply with all insurance requirements of any lease or mortgage covering the Hotel, and IHG's specifications for insurance as to the amount and type of coverage as may be reasonably specified by IHG from time to time in writing, and will in any event maintain on the Hotel as a minimum, the following insurance underwritten by a reputable insurer approved by IHG:

(1) employer's liability with minimum limits of $1,000,000 per occurrence;
(2) worker's compensation insurance;
(3) employment practices liability insurance (including coverage for harassment, discrimination and wrongful termination and covering defense and indemnity costs) with a limit of $1,000,000 in the aggregate;
(4) the holder of the liquor license will maintain liquor liability insurance with single limit coverage for personal and bodily injury and property damage of at least $15,000,000 per occurrence naming IHG and its parents, subsidiaries and affiliates (and Licensee if applicable) as additional insureds; and
(5) commercial general liability insurance (including coverage for product liability, completed operations, contractual liability, host liquor liability and fire legal liability) and business automobile liability insurance (including hired and non-owned liability) with single-limit coverage for personal and bodily injury and property damage of at least $15,000,000 for each occurrence, naming IHG and its parents, subsidiaries and affiliates as additional insureds. In connection with all construction at the Hotel during the License Term, Licensee will cause the general contractor to maintain commercial general liability insurance (including coverage for product liability, completed operations and contractual liability) and business automobile liability insurance (including hired and non-owned liability) with limits of at least $15,000,000 per occurrence for personal and bodily injury and property damage underwritten with insurers approved by IHG. IHG and its parents, subsidiaries and affiliates will be named as additional insureds.
(6) If multiple locations are insured on policies containing an aggregate limit, then the aggregate limit must apply on a per location aggregate basis.
(7) Licensee will ensure the royalties, Services Contributions and any other sums payable to IHG are insured within the Licensee's business interruption insurance policy. The policy should insure against 'all risks' of physical loss or damage, and be endorsed to provide for payments to be made directly to IHG.
(8) All policies must be written on a fully insured basis. Deductibles or self-insured retentions are subject to IHG's approval on an individual basis.

C. Evidence of Insurance.

At all times during the License Term, Licensee will furnish to IHG certificates of insurance evidencing the term and limits of coverage in force, names of applicable insurers and persons insured. Revised certificates of insurance shall be forwarded to IHG each time a change in coverage or insurance carrier is made by Licensee, and/or upon renewal of expired coverages. At IHG's option, Licensee may be required to provide certified insurance policy copies. If Licensee fails to procure or maintain the insurance coverages and limits set forth in paragraph 8.B., IHG will have the right and authority (but not the obligation) to procure such insurance at Licensee's cost, including any costs incurred by IHG for procurement and maintenance of such insurance.

9. Transfer:

A. Transfer by IHG.

IHG shall have the right to transfer or assign this License or any of IHG's rights, duties or obligations hereunder, in whole or in part, to any person or legal entity without requirement of prior notice to, or consent of, Licensee.

B. Transfer by Licensee.

Licensee understands and acknowledges that the rights and duties set forth in this License are personal to Licensee, and that IHG has granted this License in reliance on the business skill, financial capacity, and personal character of Licensee (if Licensee is a natural person), and upon the owners, members, partners or stockholders of Licensee (if Licensee is a partnership, limited liability company, corporation or other legal entity (an "Entity")). Accordingly, neither Licensee nor any immediate or remote successor to any part of Licensee's interest in this License, nor any natural person or Entity which directly or indirectly owns an Equity Interest (as that term is defined below) in Licensee or this License, may sell, assign, transfer, convey, pledge, mortgage, encumber, or give away, any direct or indirect interest in this License or Equity Interest in Licensee, except as expressly provided in this License. Any purported sale, assignment, transfer, conveyance, pledge, mortgage, or encumbrance by operation of law or otherwise, of any interest, collaterally or otherwise, in this License or any Equity Interest in Licensee not in accordance with the provisions of this License, shall be null and void and shall constitute a material breach of this License, for which IHG may terminate this License without opportunity to cure pursuant to paragraph 11.C. of this License.

(1) For the purposes of this paragraph 9, the term "Equity Interests" shall mean any stock ownership, membership or partnership interests in Licensee and the interests of any partner, whether general or limited, in any partnership, with respect to such partnership, and of any stockholder, member or owner of any corporation or company with respect to such corporation or company, which partnership, corporation or company is Licensee hereunder or which partnership, corporation or company owns a direct or indirect beneficial interest in Licensee. References in this License to "publicly traded Equity Interests" shall mean any Equity Interests which are traded on any securities exchange or are quoted in any publication or electronic reporting service maintained by the National Association of Securities Dealers, Inc. or any of its successors.

(2) If Licensee is an Entity, Licensee represents that the Equity Interests in Licensee are directly and (if applicable) indirectly owned, as shown in Attachment "A".

(3) In computing changes of Equity Interests pursuant to this paragraph 9, limited partners will not be distinguished from general partners, and IHG's judgment will be final if there is any question as to the definition of Equity Interests or as to the computation of relative Equity Interests, including transfers of Equity Interests, the principal considerations being:

(a) direct and indirect power to exercise control over the affairs of Licensee;

(b) direct and indirect right to share in Licensee's profits; and

(c) amounts directly or indirectly exposed at risk in Licensee's business.

C. <u>Transfer of Equity Interests That Are Not Publicly Traded</u>.

Except where otherwise provided in this License, Equity Interests in Licensee that are not publicly traded may be transferred, issued, or eliminated with IHG's prior written consent, which will not be unreasonably withheld; provided that after the transaction:

(a) Less than 50% of all Equity Interests in Licensee will have changed hands since Licensee first became a party to this License, or

(b) Less than 80% of all Equity Interests in Licensee will have changed hands since Licensee first became a party to this License, and no Equity Interest(s) will be held by any natural person or Entity other than those who held them when Licensee first became a party to this License.

D. <u>Transfers of PubliclyTraded Equity Interests</u>.

(1) Except as otherwise provided in this License, publicly traded Equity Interests in Licensee may be transferred without IHG's consent but only if:

(a) immediately before the proposed transfer, the transferor owns less than 25% of the Equity Interests in Licensee;

(b) immediately after the transfer, the transferee will own less than 25% of the Equity Interests in Licensee; and

(c) the transfer is exempt from registration under federal securities law.

(2) Publicly traded Equity Interests may be transferred with IHG's written consent, which may not be unreasonably withheld, if the transfer is exempt from registration under federal securities law.

(3) The chief financial officer of Licensee shall certify annually to IHG that Licensee is in compliance with the provisions of this paragraph 9.D. Such certification shall be delivered to IHG with the annual financial statements referred to in paragraph 7.D.

E. <u>Transfer of the Hotel by Natural Person</u>.

(1) Licensee, if a natural person, may, with IHG's consent, which will not be unreasonably withheld, transfer the Hotel to Licensee's spouse, parent, sibling, son, daughter, niece or nephew, provided that:

(a) adequate provision acceptable to IHG is made for the management of the Hotel;

(b) the transferee executes a new license agreement for the unexpired term of this License, on the standard form then being used to license new hotels under the System, except the fees charged thereunder shall be the same as those contained herein including any adjustments to such fees as may have been implemented from time to time in accordance with the terms of this License, and Licensee executes a termination agreement of this License on IHG's then current form; and

(c) Licensee guarantees, on IHG's then current form, the performance of the new licensee's obligations under the newly executed license agreement.

(2) Licensee, if a natural person, may, without the consent of IHG, upon 30 days' prior written notice to IHG, transfer the Hotel to a corporation entirely owned and controlled by Licensee, provided that prior to such transfer:

(a) adequate provision acceptable to IHG is made for the management of the Hotel;

(b) the transferee executes a new license agreement for the unexpired term of this License, on the standard form then being used to license new hotels under the System, except the fees charged then shall be the same as those contained herein including any adjustments to such fees as may have been implemented from time to time in accordance with the terms of this License; and Licensee executes a termination agreement of this License on IHG's then current form; and

(c) Licensee guarantees, on IHG's then current form, the performance of the new licensee's obligations under the newly executed license agreement.

(3) If Licensee is a natural person, upon Licensee's death, Licensee's interest in the License may pass in accordance with Licensee's will, or, if Licensee dies intestate, in accordance with the laws of intestacy governing the distribution of Licensee's estate, provided that:

(a) adequate provision acceptable to IHG has been made for management of the Hotel;

(b) IHG gives written consent, which consent will not be unreasonably withheld;

(c) the transferee(s) of Licensee's interest in the License is one or more of the decedent's spouse, parents, siblings, sons, daughters, nieces or nephews; and,

(d) Licensee's heirs or legatees promptly advise IHG and the transferee promptly executes a new license agreement for the unexpired term of this License, on the standard form then being used to license new hotels under the System, except the fees charged thereunder shall be the same as contained herein including any adjustments to such fees as may have been implemented from time to time in accordance with the terms of this License, and Licensee's executor or estate administrator executes a termination agreement of this License on IHG's then current form.

F. <u>Transfers of Equity Interests in the Licensee Upon Death To Family Members</u>.

(1) If an Equity Interest in an Entity is owned by a natural person, the Equity Interest may pass upon such person's death, in accordance with such person's will, or, if such person dies intestate, in accordance with the laws of intestacy governing the distribution of such person's estate, provided that:

(a) adequate provision acceptable to IHG is made for management of the Hotel;

(b) IHG gives written consent, which consent will not be unreasonably withheld;

(c) the transferee(s) of such Equity Interest is one or more of the decedent's spouse, parents, siblings, sons, daughters, nieces or nephews; and,

(d) the transferee(s), or such other natural person or Entity as IHG may approve, assumes, in writing, on a continuing basis, the decedent's guarantee, if any, of Licensee's obligations under this License.

G. <u>Registration of a Proposed Transfer of Equity Interests</u>.

(1) Any public offering, private placement or other sale of securities in or by Licensee or the Hotel ("Securities") requires IHG's consent. All materials for the offer or sale of those Securities disseminated to any prospective purchaser thereof, filed with any governmental or quasigovernmental entity or intended for distribution to any form of media must be submitted to IHG for its review at least sixty (60) days before the date Licensee disseminates or distributes those materials or files them with any governmental agency, including any materials to be used in any offering exempt from registration under any securities laws. Licensee must submit to IHG a non-refundable Twenty-Five Thousand Dollar ($25,000) processing fee with the offering materials and pay any additional costs IHG may incur in reviewing such materials, including reasonable attorneys' fees. Except as legally required to describe the Hotel in the offering materials, Licensee may not use any of the Marks or otherwise imply IHG's participation or that of its affiliates, officers, directors, members, managers and employees in such offering or its/their endorsement of any Securities or any Securities offering. IHG will have the right to approve any description of this License or Licensee's relationship with IHG, or any use of the Marks, contained in any prospectus, offering memorandum or other communications or materials used by Licensee in the sale or offer of any Securities. IHG's review of these documents will not in any way be

considered IHG's agreement with any statements contained in those documents, including any projections, or IHG's acknowledgment or agreement that the documents comply with any applicable laws.

(2) Licensee may not offer and/or sell any Securities unless Licensee clearly discloses to all purchasers and offerees in any and all Securities offer and/or sale materials that: (i) neither IHG, nor any of its affiliates, nor any of their respective officers, directors, managers, agents or employees, will in any way be deemed an issuer or underwriter of the Securities, as those terms are defined in applicable securities laws; (ii) neither IHG, its affiliates nor any of their respective officers, directors, managers, agents and employees will have any liability or responsibility for any financial statements, projections or other financial information contained in any prospectus, offering and solicitation material or similar written or oral communication; plays (or will play) any role in the offer or sale of Licensee's securities; has any responsibility for the creation or contents of any offering and/or solicitation materials (including any prospectus); in no fashion controls (or will control) Licensee's day-to-day business operations or any element or instrumentality thereof; that any individual or entity purchasing Securities must understand that its sole recourse for any alleged or actual impropriety relating to the offer and sale of such Securities and/or Licensee's operation of its business will be against Licensee (and/or, as may be applicable, the seller of such Securities); and, that in no event may such purchaser seek to impose liability arising from or related to such activity, directly or indirectly, upon any of IHG, its affiliates or any of their respective officers, directors, managers, agents or employees.

(3) Licensee expressly agrees that its obligations to indemnify and hold harmless IHG and the other indemnitees under paragraphs 8.A. and 13.I. of this License extends to and embraces liabilities arising from or relating to, directly or indirectly, any and every element of Licensee's offer and/or sale of Securities which Licensee may propose to or does engage in, including (without limitation) any statements, representations or warranties that Licensee and/or its affiliates may give to or receive from any proposed or actual purchaser of such Securities and/or any claim that Licensee, its affiliates and/or the officers, directors, managers, members, agents and employees of each of the foregoing, or Licensee's assignee, engaged in fraud, deceit, violation of securities laws or other illegality in connection with Licensee's proposed or actual offer and/or sale of Securities. As with all other indemnification obligations set forth in this License, this specific indemnification obligation will survive the termination or expiration of this License.

H. <u>Change of Ownership</u>.

(1) Notwithstanding any other term or provision of this License to the contrary, neither this License nor any right or interest herein is assignable or transferable by Licensee.

(2) If Licensee (i) receives an offer to purchase or lease the Hotel or any portion thereof, (ii) desires to sell or lease the Hotel or any portion thereof, or (iii) wishes to convey the Hotel, Hotel site, or any interest in the Hotel or Licensee, Licensee shall give prompt written notice thereof to IHG, stating the identity of the prospective transferee, purchaser or lessee and the terms and conditions of the conveyance, including a copy of any proposed agreement and all other information with respect thereto, that IHG may reasonably require.

(3) Any (i) transfer of Equity Interests in an Entity (other than a transfer expressly permitted hereunder) or (ii) transfer of all or a material part of the Hotel or Hotel site (if the Hotel or Hotel site is owned directly or indirectly by Licensee or by a natural person or Entity that owns any Equity Interest in Licensee), to a new owner shall constitute a change of ownership requiring submittal of an application for a new license.

(4) IHG shall process such change of ownership application in accordance with IHG's then current procedures, criteria and requirements regarding fees, upgrading of the Hotel, financial capacity and guaranty requirements, curing of outstanding defaults, operational abilities and capabilities, prior business dealings, market feasibility and other factors deemed relevant by IHG. If such change of ownership application is approved by IHG, the new owner and IHG shall, upon termination of this License by

IHG, enter into a new license agreement on IHG's then current form. The new license agreement shall contain IHG's then current terms (except for duration, which shall not be less than the remaining License Term but may be longer to reflect the new term agreed by IHG as part of the approval of the change in ownership of the Hotel), and if required by IHG, shall contain specified upgrading of the Hotel and other requirements.

(5) If a change of ownership application for the proposed new owner is not approved by IHG and the conveyance of the Hotel, Hotel site, or any Equity Interest in the Hotel or Equity Interest in Licensee to the proposed new owner occurs, then IHG shall have the right to terminate this License pursuant to paragraph 11.C. hereof and IHG shall be entitled to all of its remedies.

I. <u>Transfer of Real Estate</u>.

If (i) the real property used in the operation of the Hotel is owned directly or indirectly by Licensee or by a natural person or an Entity that owns any Equity Interest in Licensee and (ii) Licensee, or that natural person or Entity proposes to transfer all or a substantial part of such property to a third party, such transfer shall constitute a transfer under the provisions of this License requiring an application for a new license agreement, unless Licensee receives IHG's prior written consent for the transaction. Licensee may however, without IHG's consent, mortgage or otherwise grant a security interest in the real estate or other tangible assets of the Hotel (but specifically excluding this License or any right or interest herein) in connection with commercially reasonable financing for the Hotel with a third party bank or other commercial lending institution which is not a competitor of IHG or any of its parents, subsidiaries or affiliated entities. The selling, offering for sale, or establishment or registration of any condominium, cooperative, flat, timeshare, fractional interest, or interval ownership or regime or any similar type of ownership or regime relating to all or any part of the Hotel is prohibited.

J. <u>Management and Name of the Hotel</u>.

Licensee must at all times retain and exercise direct management control over the Hotel's business. Licensee shall not enter into any lease, management agreement, or other similar arrangement for the operation of the Hotel or any part thereof (including, without limitation, retail or, food and/or beverage service facilities) with any natural person or Entity, without the prior written consent of IHG in each instance. The approval by IHG of any such lease, management agreement or other similar arrangement for operation of the Hotel or any part thereof shall in no way relieve, reduce, mitigate or waive any of the responsibilities of Licensee under this License, it being understood that all such responsibilities shall at all times remain the obligation of Licensee. Licensee must provide IHG with all information requested by IHG from time to time regarding ownership, control and management of the Hotel and of Licensee.

IHG has the exclusive right to name the Hotel. The name of the Hotel may not be changed unless IHG determines, at its election, to do so.

Licensee must provide food and beverage service in the Hotel as required by the Standards. If Licensee, one of its affiliated entities or persons or a third party, operates a branded restaurant adjacent to or inside the Hotel to serve as the restaurant for the Hotel, in addition to all other requirements of this License, Licensee must ensure, regardless of any conflict between this License and the restaurant's brand standards or other obligations, that such affiliated entity or person or third party: (i) will operate the restaurant, with respect to guest life and safety standards, in compliance with the restaurant's brands standards and with all life and safety standards required by law or, if higher, by this License, (ii) will keep the restaurant open for meals during the hours required by IHG, (iii) will provide to Hotel guests all programs required by IHG, (iv) will allow Hotel guests eating in the restaurant or receiving room service from the restaurant to charge restaurant bills to their Hotel guest folio, (v) will not use or advertise any of the restaurant names, brands or trademarks together with the Marks unless specifically approved by IHG in writing, (vi) will honor at the restaurant all credit cards specified in the Standards and (vii) will include the restaurant in all guest satisfaction surveys and quality inspections and will allow IHG's inspection of the restaurant in accordance with this License and the Standards.

K. Employees of the Hotel:

None of Licensee's employees will be considered to be IHG's employees. Licensee acknowledges and agrees that Licensee, or its management company engaged to operate the Hotel, as may be applicable, is the sole employer of the employees working at the Hotel and that IHG does not directly or indirectly control employment policies, discipline, recruitment or termination and that Licensee is solely responsible for all employment decisions, regardless of whether Licensee has received guidance with respect to such matters from IHG. Neither Licensee nor any of Licensee's employees whose compensation Licensee pays may in any way, directly or indirectly, expressly or by implication, be construed to be IHG's employee for any purpose, including but not limited to with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. IHG will not have the power to hire or fire Licensee's employees. Licensee expressly agrees, and will never contend otherwise, that IHG's authority under this License to approve certain of Licensee's employees for qualification to perform certain functions for the Hotel does not directly or indirectly vest in IHG the power to hire, fire or control any such employee. Licensee further agrees that any such minimum requirements established by IHG are solely for the purpose of ensuring that the Hotel is at all times operated in accordance with the Standards and with the attributes of the Brand known to, and desired by, the consuming public and associated with the Marks. Moreover, Licensee agrees that any training provided by IHG for Licensee's employees is intended to impart to those employees, under Licensee's ultimate authority, the various procedures, protocols, systems and operations of the Hotel and in no fashion reflects any employment relationship between IHG and such employees. Finally, should it ever be asserted that IHG is the employer, joint employer or co-employer of any of Licensee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Licensee irrevocably agrees to assist IHG in defending said allegation, including, if necessary, appearing at any venue requested by IHG to testify on IHG's behalf and, as may be necessary, submitting itself to depositions, other appearances and/or preparing affidavits dismissive of any allegation that IHG is the employer, joint employer or co-employer of any of Licensee's employees.

10. Condemnation And Casualty:

A. Condemnation.

Licensee shall, at the earliest possible time, give IHG full notice of any proposed taking of all or any part of the Hotel by eminent domain. If IHG acknowledges that the Hotel or a substantial part thereof is to be taken, IHG will give due and prompt consideration, without any obligation, to changing the site of the Hotel to a nearby location selected by Licensee and approved by IHG as promptly as reasonably possible and in any event within four months of the taking, provided that Licensee has promptly filed an application to change the Location of the Hotel. Such application would not require payment to IHG of any additional franchise application fee. If the condemnation of all or any material part of the Hotel building occurs in the last two years of the License Term, the License shall automatically terminate effective upon the date of the taking. If the new location and Licensee's application are approved by IHG Licensee shall promptly execute an addendum to this License substituting the new location, and Licensee shall open a new hotel at the new location in accordance with IHG's specifications within two years of the closing of the Hotel if the new hotel is a new development or within one year of the closing of the Hotel if the new hotel is a conversion of an existing building and the new hotel will thenceforth be deemed to be the Hotel licensed under this License. If a condemnation takes place and a new hotel is not, for whatever reason, approved by IHG to become the Hotel under this License (or if it is reasonably evident to IHG that such will be the case), the License will terminate forthwith upon notice thereof by IHG to Licensee and Licensee shall have no liability for the liquidated damages set forth in paragraph 11.E. of this License.

B. Casualty.

If the Hotel is damaged by fire or other casualty, Licensee will immediately notify IHG and expeditiously repair the damage; provided, however, if all or virtually all of the Hotel is destroyed by such fire or other casualty, either IHG or (unless caused by the intentional act of Licensee or its agent) Licensee may terminate this License by fifteen days prior notice to the other delivered within sixty days of the date of the fire or other casualty. If Licensee terminates this License in accordance with this provision, Licensee shall have no liability for the liquidated damages set forth in paragraph 11.E. of this License so long as neither Licensee nor any of its affiliates, principals, shareholders, members, partners or other owners, either directly or through another person or entity, develops, leases or operates the site as a hotel or other lodging or residential facility of any kind or sort for at least five years following the date of termination (or the originally scheduled termination date of this License, if earlier) other than pursuant to another license with IHG.

Unless the License is terminated properly pursuant to the foregoing provision, Licensee will close the Hotel if required by the extent of the damage or if otherwise required by IHG; will repair or rebuild the Hotel in accordance with IHG's Standards; will commence reconstruction within three months after the fire or other casualty; will expeditiously continue on an uninterrupted basis with such reconstruction; and will, if the Hotel was closed, reopen the Hotel for continuous business operations as soon as practicable (but in any event within eighteen months after the fire or other casualty), giving IHG at least forty-five days advance notice of the date of reopening if the Hotel was closed. If the Hotel was closed, Licensee may not reopen the Hotel or promote or otherwise hold the Hotel out as a hotel in the System unless and until IHG determines that the reconstruction is completed in accordance with IHG's then current Standards. If the Hotel is not required to be closed, all work to repair damage shall be conducted so as to minimize interference with the Hotel's operation and guests. If the damage is not repaired in accordance with this paragraph, the License will forthwith terminate upon notice thereof by IHG to Licensee and Licensee shall be responsible for full liquidated damages under paragraph 11.E. of this License. Notwithstanding anything else herein to the contrary, during the time the Hotel is closed, Licensee shall pay IHG a monthly royalty of 2% of Gross Rooms Revenue based on the average monthly Gross Rooms Revenue for the preceding twelve months prior to the date of the fire or other casualty or, if the Hotel has not been in the System for twelve months, based on the average monthly Gross Rooms Revenue for the period during which the Hotel has been in operation in the System. Said payment shall be in lieu of all other System fees under paragraph 3.B. of this License.

C. No Extensions of Term.

Nothing in this paragraph 10 will or is intended to extend the License Term.

11. Termination:

A. Expiration of Term.

This License will expire without notice [twenty years from the date of opening of the Hotel in the System for a new development], [ten years from the date of opening of the Hotel in the System for a conversion], [ten years from the Term Commencement Date for a change of ownership or a re-licensing] subject to earlier termination as set forth herein. This License is not renewable, and Licensee acknowledges and agrees that this License confers upon Licensee absolutely no rights of license renewal following the expiration of the License Term. The parties recognize the difficulty of ascertaining damages to IHG resulting from premature termination of the License, and have provided for liquidated damages which represent their best estimate as to the damages arising from the circumstances in which they are provided.

B. <u>Termination by IHG on Advance Notice</u>.

(1) In accordance with notice from IHG to Licensee, this License will terminate (without any further notice unless required by law), provided that:
   (a) the notice is mailed at least 30 days (or longer, if required by law) in advance of the termination date;
   (b) the notice reasonably identifies one or more breaches of Licensee's obligations;
   (c) the breach(es) are not fully remedied within the time period specified in the notice.

(2) If Licensee shall have engaged in a violation of this License, for which a notice of termination was given and termination failed to take effect because the default was remedied during the then preceding 12 months, the period given to remedy defaults will, if and to the extent permitted by applicable law, thereafter be 10 days instead of 30 (provided, however, if there have been two or more violations of the License in the preceding twelve months for which notices of termination were given, upon the next violation, if and to the extent permitted by applicable law, the License may be terminated by IHG immediately upon notice).

(3) In any judicial proceeding in which the validity of termination is at issue, IHG will not be limited to the reasons set forth in any notice sent under this paragraph.

(4) IHG's notice of termination or suspension of services shall not relieve Licensee of its obligations under this License.

C. <u>Immediate Termination by IHG</u>.

This License may be terminated by IHG immediately (or at the earliest time permitted by applicable law) if:

(1) (a) Licensee or any guarantor of Licensee's obligations hereunder shall generally not pay its debts as they become due, or shall admit in writing its inability to pay its debts, or shall make a general assignment for the benefit of creditors;
   (b) Licensee or any such guarantor shall commence any case, proceeding or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property;
   (c) Licensee or any such guarantor shall take any corporate or other action to authorize any of the actions set forth above in paragraphs (a) or (b);
   (d) any case, proceeding or other action against Licensee or any such guarantor shall be commenced seeking to have an order for relief entered against it as debtor, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, and such case, proceeding or other action: (i) results in the entry of any order for relief against it which is not fully stayed within seven business days after the entry thereof or (ii) remains undismissed for a period of 45 days;
   (e) an attachment remains on all or a substantial part of the Hotel or of Licensee's or any such guarantor's assets for 30 days;
   (f) Licensee or any such guarantor fails, within 60 days of the date of entry of a final judgment or tax lien against Licensee or guarantor of this License in any amount exceeding $50,000, to discharge, vacate or reverse the judgment or tax lien, or, to stay execution of it, or if appealed, to discharge the judgment within 30 days after a final decision in the appeal is rendered;

(2) Licensee voluntarily or involuntarily loses possession or the right to possession of all or a significant part of the Hotel, except as otherwise provided in paragraph 10;

(3) Licensee, or any entity or individual having a direct or indirect ownership interest in it, contests in any court or proceeding IHG's ownership of the System or any part of it, or the validity of any of the Marks or other service marks or trademarks or other intellectual property associated with IHG's businesses;
(4) A breach of paragraph 8 or paragraph 9 occurs;
(5) Licensee fails to continue to identify the Hotel to the public as a System hotel, engages in any action that violates IHG's proprietary rights under paragraph 6 or ceases to operate the Hotel as a System hotel;
(6) Any action is taken toward dissolving or liquidating Licensee or any guarantor hereunder, if it is an Entity, except for any such actions resulting from the death of a partner;
(7) Licensee (or any principal stockholder, owner, member or partner of Licensee as the case may be) is, or is discovered to have been, convicted of a felony (or any other offense if it is likely to adversely reflect upon or affect the Hotel, the System or IHG in any way);
(8) Licensee maintains false books and records of account or submits false reports or information to IHG;
(9) Licensee knowingly fails to comply with the requirements of the License and/or the Standards on safety, security, or privacy for its guests at the Hotel or on the reputation of the management, employees or operation of the Hotel, and such failure may significantly adversely reflect upon or affect the Hotel, the System or IHG, its parents, subsidiaries and/or affiliates in any way;
(10) A breach of paragraph 13.M. occurs;
(11) Licensee uses any of the Marks before being authorized to do so by IHG;
(12) Licensee uses any of the Marks in any manner prohibited, or not expressly authorized or permitted by this License; or
(13) Licensee refuses to allow, or to cooperate with, IHG's inspection or audit of the Hotel following a reasonable attempt by IHG to schedule during normal business hours.

D. <u>De-Identification of Hotel Upon Termination</u>.

Licensee will take whatever action is necessary to assure that no use is made of any part of the System at or in connection with the Hotel after the License Term ends. This will involve, among other things, returning to IHG the Standards and all other materials proprietary to IHG, ceasing the use of any of the Marks, physical changes of distinctive System features of the Hotel, including, but not limited to, removal of the primary freestanding sign down to the structural steel, as well as removal of artwork, signage, graphics, and paint schemes, whether on walls, ceilings or floors, and all other actions required to preclude any possibility of confusion on the part of the public and to ensure that the Hotel is no longer using all or any part of the System or otherwise holding itself out to the public as a Vignette Collection™ hotel. Anything not done by Licensee in this regard within 30 days after termination may be done at Licensee's expense by IHG or its agents who may enter upon the premises of the Hotel for that purpose.

E. <u>Payment of Liquidated Damages</u>.

The parties recognize the difficulty of ascertaining damages to IHG resulting from premature termination of this License, and have provided for liquidated damages, which liquidated damages represent the parties'best estimate as to the damages arising from the circumstances in which they are provided and which are only damages for the premature termination of this License, and not as a penalty or as damages for breaching this License or in lieu of any other payment. If the License is terminated pursuant to paragraphs 11.B. or 11.C. above, Licensee will promptly pay to IHG as liquidated damages a lump sum equal to the total amounts required under paragraphs 3.B.(1), (3) and (4) during the 60 calendar months of operation preceding the termination; or such shorter period as equals the unexpired License Term at the time of termination or if the Hotel has not been in operation in the System for 60 months, the greater of:

(1) 60 times the monthly average of such amounts for the period during which the Hotel has been in operation in the System, or

(2) 60 times such amounts as are due for the one month preceding such termination.

IHG and Licensee acknowledge and agree that it would be difficult to determine the injury caused to IHG by termination of this License. IHG and Licensee therefore intend and agree the above liquidated damages calculation to be a reasonable estimate of IHG's probable loss and not a penalty or in lieu of any other payment.

12. Relationship Of Parties:

A. No Agency Relationship.

Licensee is an independent contractor. Neither party is the legal representative nor agent of, or has the power to obligate (or has the right to direct or supervise the daily affairs of) the other for any purpose whatsoever. IHG and Licensee expressly acknowledge that the relationship intended by them is a business relationship based entirely on and circumscribed by the express provisions of this License and that no partnership, joint venture, agency, fiduciary or employment relationship is intended or created by reason of this License. Licensee acknowledges and agrees, and will never contend otherwise, that Licensee alone will exercise day-to-day control over all operations, activities and elements of Licensee and the Hotel and that under no circumstance shall IHG do so or be deemed to do so. Licensee further acknowledges and agrees, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which Licensee is required to comply with under this License, whether set forth in the Standards or otherwise, do not directly or indirectly constitute, suggest, infer or imply that IHG controls any aspect or element of the day-to-day operations of Licensee or the Hotel, which Licensee alone controls, but only constitute standards Licensee must adhere to when exercising its control of the day-to-day operations of Licensee and the Hotel.

B. Licensee's Notices to Public Concerning Independent Status.

Licensee will take such steps as are necessary and such steps as IHG may from time to time reasonably request to minimize the chance of a claim being made against IHG for anything that occurs at the Hotel or for acts, omissions or obligations of Licensee or anyone associated or affiliated with Licensee or the Hotel. Such steps may, for example, include giving notice in guest rooms, public rooms and advertisements and on business forms and stationery, etc., making clear to the public that IHG is not the owner or operator of the Hotel and is not accountable for what happens at the Hotel. Unless required by law, Licensee will not use IHG's name, the Marks or any other trademarks, service marks or other intellectual property owned or licensed by IHG or any of its affiliates or any similar words in its corporate, partnership, entity or trade name, nor authorize or permit such use by anyone else. Licensee will not use IHG's name, the Marks or any other trademarks, service marks or other intellectual property owned or licensed by IHG or any of its affiliates to incur any obligation or indebtedness on behalf of IHG.

Licensee shall not register IHG's name, the Marks or any other trademarks, service marks or other intellectual property owned or licensed by IHG or any of its affiliates as part of any internet domain name or Uniform Resource Locator (URL), and may not display or use any of the Marks or other intellectual property rights related to the System in connection with any web site. Licensee shall not promote, maintain, implement or be responsible for any web site in connection with the licensed Hotel without the prior written approval of IHG, and if approved by IHG, any such web site shall comply with all of IHG's web site requirements as set forth in the Standards or otherwise.

13. Miscellaneous:

A. Severability and Interpretation.

The remedies provided in this License are not exclusive. In the event any provision of this License is held to be unenforceable, void or voidable as being contrary to the law or public policy

of the United States or any other jurisdiction entitled to exercise authority hereunder, all remaining provisions shall nevertheless continue in full force and effect, unless deletion of the provision(s) is deemed unenforceable, void or voidable, impairs the consideration for this License in a manner which frustrates the purpose of the parties or makes performance commercially impracticable. In the event any provision of this License requires interpretation, such interpretation shall be based on the reasonable intention of the parties in the context of this transaction without interpreting any provision in favor of, or against, any party hereto by reason of the draftsmanship of the party or its position relative to the other party.

B. <u>Binding Effect, Choice of Law, No Jury Trials, No Punitive Damages and IHG's Right to Injunctive Relief</u>.

(i) This License shall become valid when executed and accepted by IHG in Atlanta, Georgia. It shall be deemed made and entered into in the State of Georgia. This License, all relations between the parties and, any and all disputes between the parties, whether sounding in contract, tort or otherwise, shall be governed and construed under, and in accordance with, the laws and decisions (except any conflicts of law provisions) of the State of Georgia. In entering into this License, Licensee acknowledges that it has sought, voluntarily accepted and become associated with, IHG, who is headquartered in Atlanta, Georgia. Licensee hereby expressly and irrevocably submits itself to the non-exclusive jurisdiction of the U.S. District Court for the Northern District of Georgia, Atlanta Division and the State and Superior Courts of DeKalb County, Georgia for the purpose of any and all disputes. However, IHG remains entitled to seek injunctive relief in the federal or state courts either of Georgia or of the state of the Hotel's Location or of IHG's principal place of business. Should Licensee initiate litigation against IHG or its parents, subsidiaries or one of its affiliated entities, Licensee must bring such action in the courts identified above; provided, however, the foregoing will not constitute a waiver of any of Licensee's rights under any applicable franchise law of the state in which the Hotel is located.

(ii) To the extent either IHG or Licensee initiates litigation relating to this License or any matter relating to their relationship, IHG and Licensee irrevocably and unconditionally waive their rights to a trial by jury. This waiver will apply to all causes of action that are or might be included in such action, including claims related to the enforcement or interpretation of this License, allegations of state or federal statutory violations, fraud, misrepresentation, or similar causes of action, and in connection with any legal action initiated for the recovery of damages by either of us.

(iii) IHG and Licensee hereby irrevocably and unconditionally waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, consequential or other similar damages in any litigation, action, claim, suit, arbitration, mediation or proceeding, at law or equity, arising out of, pertaining to or in any way associated with this License, or any other documents entered into in connection with this License, and the parties covenant never to advance or pursue any such claim for punitive damages and agree that, in the event of a dispute, only actual damages shall be sought as relief to the exclusion of all others.

(iv) Licensee explicitly affirms and recognizes the unique value and secondary meaning attached to the System and the Marks. Accordingly, Licensee agrees that any noncompliance by it with the terms of this License, or any unauthorized or improper use of the System or the Marks by Licensee, will cause irreparable damage to IHG. Licensee therefore agrees that if Licensee engages in this non-compliance, or unauthorized and/or improper use of the System or Marks, during or after the period of this License, IHG will be entitled to both temporary and permanent injunctive relief against Licensee from any court of competent jurisdiction, in addition to all other remedies which IHG may have at law. Licensee consents to the entry of these temporary and permanent injunctions, without IHG being required to prove the inadequacy of money damages as a remedy, without being required to post a bond and without waiving any other rights or remedies at law or in equity.

C. Exclusive Benefit.

This License is exclusively for the benefit of the parties hereto, and it may not give rise to liability to a third party. No agreement between IHG and anyone else is for the benefit of Licensee.

D. Entire Agreement.

This is the entire agreement between the parties pertaining to the licensing of the Hotel and supersedes all previous negotiations and agreements between the parties pertaining to the licensing of the Hotel as a Vignette Collection™ hotel. Nothing in the preceding sentence is intended, however, to disclaim any representations IHG made in the franchise disclosure document that IHG provided to Licensee. No change in this License will be valid unless in writing signed by both parties. No failure to require strict performance or to exercise any right or remedy hereunder will preclude requiring strict performance or exercising any right or remedy in the future.

E. IHG Withholding Consent.

(1) In no event may Licensee make any claim for money damages based on any claim or assertion that IHG has unreasonably withheld, delayed and/or denied any consent or approval under this License. Licensee waives any such claim for damages. Licensee may not claim any such damages by way of setoff, counterclaim or defense. Licensee's sole remedy for such a claim will be an action or proceeding to enforce the subject License provision(s) for specific performance or for declaratory judgment.

(2) IHG's consent, whenever required, may be withheld if any breach by Licensee exists under this License. Approvals and consents by IHG will not be effective unless evidenced by a writing duly executed on behalf of IHG.

F. Notices.

Notices will be effective hereunder when and only when they are reduced to writing and delivered personally or mailed by Federal Express or comparable overnight or express delivery service or by certified mail to the appropriate party at its address, hereinafter set forth, or to such person and at such address as may subsequently be designated by one party to the other.

IHG: Holiday Hospitality Franchising, LLC.
Three Ravinia Drive, Suite 100
Atlanta, Georgia 30346
Attn: Vice President, Franchise Licensing and Compliance

Licensee: _____
_____
_____
_____

G. Authority.

Licensee represents and warrants to IHG that the entities and persons signing this License on behalf of Licensee are duly authorized to do so and to bind Licensee to enter into and perform this License. Licensee further represents and warrants to IHG that Licensee and the entities and persons signing this License on behalf of Licensee have obtained all necessary approvals and that their execution, delivery and performance of this License will not violate, create a default under or breach any charter, bylaws, agreement or other contract, license, permit, order or decree to which they are a party or to which they are subject or to which the Hotel is subject. If Licensee has not already done so prior to the execution of this License, Licensee agrees to submit to IHG by the date specified by IHG all of the documents and information that IHG required or requested in the license application and in connection with the licensing process.

Licensee acknowledges that its breach of the representations and warranties in this paragraph; its failure to comply with IHG's requirements for the submission of information and documents; or any omission or misrepresentation of any material fact in the information or documents submitted to IHG in connection with the license application and/or the licensing process will constitute a material breach of Licensee's obligations under this License.

H. General Release and Covenant Not to Sue.

Licensee and its respective heirs, representatives, successors and assigns, hereby release, remise and forever discharge IHG and its parents, subsidiaries and affiliates and their directors, employees, agents, successors and assigns from any and all claims, whether known or unknown, of any kind or nature, absolute or contingent, if any there be, at law or in equity, from the beginning of time to, and including, the date of IHG's execution of this License, and Licensee and its respective heirs, representatives, successors and assigns do hereby covenant and agree that they will not institute any suit or action at law or otherwise against IHG, directly or indirectly relating to any claim released hereby by Licensee; provided, however, that nothing contained in this release is intended to disclaim or require Licensee to waive reliance on any representation that IHG made in the Franchise Disclosure Document that it provided to Licensee. This release and covenant not to sue shall survive the termination of this License. Licensee shall take whatever steps are necessary or appropriate to carry out the terms of this release and covenant not to sue upon IHG's request.

I. Performance of the Work.

Licensee agrees to perform the construction, upgrading and renovation work, including, without limitation, the purchase of furniture, fixtures and equipment set forth on Attachment "B" attached hereto and incorporated herein by reference (the "Work"). Licensee acknowledges that its agreement to perform the Work is an essential element of the consideration relied upon by IHG in entering into the License and agrees that Licensee may be authorized, in IHG's sole judgment, to use the System at the Hotel prior to completion of the Work, but only during such time as Licensee is actively meeting its performance obligations in full compliance with the requirements of Attachment "B" of this License. Licensee shall not commence its operation of the System, or any part thereof, at the Hotel unless and until it receives IHG's written authorization to do so. Licensee's failure to perform the Work in accordance with IHG's requirements and specifications (including the progress, milestone, completion and other dates specified in Attachment "B" of this License) shall constitute a material breach of Licensee's obligations under this License.

In the event IHG terminates this License due to Licensee's breach of any of its obligations under the License prior to the time that Licensee is authorized to use the System at the Hotel, Licensee shall pay to IHG, as liquidated damages, a lump sum equal to the monthly average of all amounts that would have been payable to IHG under paragraphs 3.B.(1), (3) and (4) of this License assuming the Hotel had collected Gross Rooms Revenue based on the average daily revenue per available room for all "mature hotels" operating under "IHG's and its affiliates' Luxury and Upper Upscale Brands" (as hereinafter defined) in the United States for the previous twelve (12) months, as determined by IHG, multiplied by the greater of (a) six (6) or (b) the number of full and partial months from the Term Commencement Date to the termination date of the License. For purposes of this paragraph, "mature hotels" means hotels which were open for two full years or longer; were franchised or, alternatively, owned and/or managed by IHG or one of its affiliates; and, were not in financial or quality default of their applicable franchise or management agreement obligations as of the applicable date and "IHG's and its affilates' Luxury and Upper Upscale Brands" means InterContinental Hotels & Resorts and Kimpton Hotels and Restaurants.

IHG and Licensee acknowledge and agree that it would be difficult to determine the injury caused to IHG by termination of this License. IHG and Licensee therefore intend and agree the above liquidated damages calculations to be a reasonable pre-estimate of IHG's probable loss and not as a penalty or in lieu of any other payment.

J. Reimbursement of Expenses.

Licensee agrees to pay IHG all expenses, including reasonable attorneys' fees and court costs, incurred by IHG, its parents, subsidiaries, affiliated entities, and their successors and assigns to remedy any defaults of or enforce or defend itself or any rights under this License, (including without limitation any claim, cross claim or counter-claim brought by Licensee), effect termination of this License or collect any amounts due under this License,

K. Business Judgment.

IHG and Licensee recognize and agree, and any mediator or judge is affirmatively advised, that certain provisions of this License describe the right of IHG to take (or refrain from taking) certain actions in the exercise of its business judgment as to the long-term overall interests of the System, and/or upon its determination that the change was adopted in good faith and is consistent with the long-term overall interests of the System. Where such judgment has been exercised by IHG, neither a mediator, nor a judge, nor any trier of fact, shall substitute his, her or their judgment for the judgment so exercised by IHG.

L. Descriptive Headings.

The descriptive headings in this License are for convenience only and shall not control or affect the meaning or construction of any provision in this License.

M. Anti-Terrorism, Anti-Bribery and Trade Sanctions Compliance.

(1) Licensee represents, warrants and covenants that neither it nor any entity or individual having a direct or indirect ownership interest in it, any guarantor of Licensee's obligations under this License ("**Guarantor**") nor any of Licensee's affiliates nor any officer, director, employee, member, partner or shareholder of any of the foregoing, has been or is now:
   (a) directly or indirectly owned or controlled by the government of any nation subject to trade sanctions or embargoes imposed by any of the Sanctioning Bodies (as defined below in sub-paragraph (4));
   (b) acting on behalf of any government of any nation subject to the trade sanctions or embargoes imposed by any of the Sanctioning Bodies,
   (c) identified by any of the Sanctioning Bodies as a Prohibited Person;
   (d) in violation of any applicable law relating to anti-money laundering, anti-terrorism, anti-bribery, trade sanctions or embargoes, including without limitation, the UK Bribery Act 2010, the US Foreign Corrupt Practices Act, the US Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (US Patriot Act) and related regulations and executive orders related to the foregoing laws (the **"Relevant Laws**").

(2) Licensee further warrants and represents and covenants that:
   (a) Licensee, any Guarantor and any Person having a direct or indirect ownership in Licensee will comply with the Relevant Laws; and
   (b) all individuals authorized to represent Licensee in carrying out its obligations under this License are eligible under applicable United States immigration laws to travel to the United States for training or any other purpose in carrying out Licensee's obligations under this License.

(3) For the purposes of this paragraph 13.M., "**Person**" means any individual, corporation, partnership, joint venture, limited liability company, estate, trust, unincorporated association, any national, provincial, state, county or municipal government or any bureau, office, department or agency thereof and any fiduciary acting in an agency capacity on behalf of any of the foregoing. "**Prohibited Person**" means any person identified by Her Majesty's Treasury of the United Kingdom ("**UK**"), the Office of Foreign Assets Control of the Department of the Treasury of the United States ("**US**"), the European Union ("**EU**") or the United Nations ("**UN**"),

(collectively, "**Sanctioning Bodies**") or any other Person with whom IHG, or any of its affiliated companies, is otherwise prohibited from transacting business.

N. <u>Capital Reserve; Renovations of the Hotel</u>.

(1) IHG may require Licensee to establish a capital reserve (the "Capital Reserve") in an amount not in excess of 5% of Gross Revenue annually to be used for capital expenditures and the upgrading of the Hotel, including the renovation of public areas, guest rooms, and guest room corridors and the replacement of FF&E. IHG shall give Licensee no less than ninety (90) days' notice of imposing such requirement to establish a Capital Reserve as the same may be established or changed by IHG from time to time. In such event, Licensee must establish a Capital Reserve account funded monthly in a bank selected by Licensee. Licensee shall make expenditures from such account for the purposes hereinbefore specified in accordance with IHG's requirements. Licensee acknowledges that the Capital Reserve may not be sufficient to maintain the Hotel as a first-class facility in accordance with IHG's Standards and Licensee shall promptly provide any necessary additional funds to meet IHG's product quality and consumer quality requirements, as well as Licensee's renovation obligations specified herein.

(2) Throughout the License Term, regardless of whether IHG has required Licensee to establish a Capital Reserve, Licensee must complete significant renovations of the Hotel, including, but not limited to, the public areas, guestrooms, and guest room corridors in order to maintain the Hotel as a first class facility. These mandatory renovations include: (a) replacing Soft Goods at least every five (5) to six (6) years after such Soft Goods were installed and (b) replacing Case Goods at least every (10) to twelve (12) years after such Case Goods were installed; and, if necessary replacing such Soft Goods and Case Goods more frequently in order to (i) maintain compliance with the Standards and IHG's quality and guest satisfaction programs; (ii) remove risk of injury to persons or property; or (iii) ensure compliance with all applicable laws.

(3) Licensee must fund all ordinary and extraordinary maintenance and repair, capital improvements and renovations of the Hotel.

(4) For purposes of this paragraph 13.N. the following definitions apply:

(a) "**Gross Revenue**" means all revenues and income of any nature derived directly or indirectly from the Hotel or from the use or operation thereof, including without limitation room sales; food and beverage sales; telephone, fax and internet revenues; rental or other payments from lessees, subleases, concessionaires and others occupying or using space or rendering services at the Hotel (but not the gross receipts of such lessees, subleases or concessionaires); and the actual cash proceeds of business interruption, use, occupancy or similar insurance.

(b) "**Soft Goods**" means textile, fabric, vinyl and similar products used in finishing and decorating the Hotel, its public areas, guest rooms, and guest room corridors, such as wall and floor coverings, window treatments, cornice or valance coverings, carpeting, bedspreads, lamps, lamp shades, artwork, decorative items, pictures, wall decorations, upholstery and all other unspecified items of the same class.

(c) "**Case Goods**" means furniture and fixtures used in the Hotel, its public areas, guest rooms, and guest room corridors such as chests, armoires, chairs, beds, headboards, desks, tables, television sets, mirrors, lighting fixtures and all other unspecified items of the same class.

(d) "**FF&E**" means Case Goods, Soft Goods, signage, including exterior signage, as well as other improvements and personal property used in the operation of the Hotel except for those supplies and equipment which are generally classified as "operating supplies" or "operating equipment".

(5) Licensee shall inform IHG of the dates of installation of Soft Goods and Case Goods, which dates IHG shall be entitled to verify.

(6) Licensee must submit its renovation plans for the Hotel to IHG for IHG's review and approval prior to starting any renovations and Licensee shall not start any

renovations until IHG has approved the scope of the plans and the plans' compliance with the Standards.

(7) IHG shall have the right to require Licensee to make renovations to the Hotel to conform the Hotel's FF&E to then-current Standards and Vignette Collection™ design criteria.

O. <u>Right of First Refusal</u>.

Notwithstanding anything else to the contrary in this License, if Licensee receives an offer for, and wishes to sell the Hotel (including all or a portion of the Hotel, or the right, in any form other than a bona fide debt instrument, to receive income from the Hotel), Licensee shall give IHG written notice along with a complete copy of the offer ("ROFR Notice") within ten (10) days of its receipt and shall offer to sell the Hotel to IHG on the same terms and conditions as the offer; provided however, that if any portion of the consideration contemplated by the offer is in a form other than cash, Licensee shall agree to accept a cash payment of equivalent value, based on the market value of the non-cash consideration in Licensee's hands, in lieu of any non-cash consideration. IHG shall notify Licensee, within 30 days of its actual receipt of such notice, if it intends to accept Licensee's offer. Any acceptance of the offer by IHG shall be subject to compliance with any applicable laws and regulations which are a pre-condition to consummation of the transaction. IHG's acceptance may provide for preparation of a definitive agreement consistent with the offer and acceptance; however, such definitive agreement shall not be a condition precedent to an effective agreement between IHG and Licensee. If IHG has not given notice to Licensee that it intends to accept the offer, Licensee may proceed to sell the Hotel on the same terms and conditions contained in the offer notified to IHG without regard to this Right of First Refusal, but only if such sale is consummated within 150 days from the date of Licensee's notice to IHG. If such sale is not consummated within such 150 day period or if the terms of such sale differ materially from the terms and conditions presented in the ROFR Notice, then Licensee shall be required to deliver another ROFR Notice and again follow the process set forth above. In the event that IHG waives this Right of First Refusal in accordance with the terms set forth herein, then the sale of the Hotel to a purchaser other than IHG shall be subject to paragraph 9.H.

P. <u>Counterparts</u>.

This License may be executed in any number of counterparts, each of which will be deemed an original and all of which constitute one and the same instrument. IHG and Licensee hereby acknowledge and agree that electronic signatures, facsimile signatures or signatures transmitted by electronic mail in "pdf" format shall be legal and binding and shall have the same full force and effect as delivery of an original signed counterpart.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this License, as of the date first stated above.

LICENSEE:

«EntityAllCaps»

By:_____
«AuthorizedSignee»
«Signee'sTitle»

IHG:

HOLIDAY HOSPITALITY FRANCHISING, LLC

By: Six Continents Hotels, Inc.,
its sole managing member

By:_____
Jenny Tidwell
Vice President
Franchise Licensing and Compliance

Electronic Signature Acknowledgement:

This License may, at IHG's option, be executed via electronic signature. In such event, Licensee acknowledges that conducting this transaction using electronic means is optional and is not a condition to executing this License. By electronically signing this paragraph, Licensee agrees to conduct this transaction using electronic means, which includes the transmittal of electronic communications and the execution of the agreement using an electronic signature. Licensee further agrees that the parties' electronic signatures are valid and create a binding and enforceable agreement. If Licensee does not agree to conduct the transaction electronically and does not agree to execute the agreement using an electronic signature, Licensee must promptly notify IHG and IHG will provide Licensee with a non-electronic License.

Licensee Signature (or Initials): _____

ATTACHMENT "A"

Facilities and Services (paragraph 1):

Site-Area and general description:

Fee owners (names and addresses):

Leases (parties, terms, etc.) if any:

Separate parcels for signs:

Number of approved guest rooms:

Restaurants and lounges (number, seating capacity, names and description):

Gift shop or other concessions or shops:

Parking facilities (number of spaces, description):

Swimming pool:

Other facilities and services:

Ownership of Licensee (paragraph 10):

ATTACHMENT "B"

FOR NEW DEVELOPMENT HOTELS ONLY

THE WORK

A. BEFORE CONSTRUCTION BEGINS.

Before starting construction of the Hotel, Licensee must (at Licensee's sole expense):

1. Submit to IHG evidence of insurance as required under this License.

2. Submit to IHG evidence that Licensee is entitled to possession of the premises on which the Hotel will be located, which documents shall be subject to IHG's approval.

3. Obtain any and all approvals, permits or licenses required for construction to begin. Submit a copy of the general building permit to IHG when acquired.

4. Submit to IHG the proposed construction schedule. The schedule should include critical path milestones and trade subdivisions in standard industry format.

5. Submit "Preliminary Plans" to IHG, for IHG's review and approval, at least two hundred and seventy (270) days before "Ground Break", starting construction or such other date as IHG may agree with Licensee in writing. "Ground Break" means the completion of the Hotel building foundation through ground-level or the completion of the finished ground floor slab. "Preliminary Plans" means site plans, building floor plans (all floor levels), enlarged guest room plans for all room types and exterior elevations with a color rendering as prepared by a qualified, licensed architect with knowledge of commercial building design and construction, including spatial relationships, and general quality of building systems, elements, products and materials, as is necessary to describe adequately the design of the Hotel.

6. Submit Final Plans to IHG, for IHG's review and approval, at least one hundred and eighty (180) days before Ground Break and before final submittal to Licensee's local building authority or such other date as IHG may agree with Licensee in writing. "Final Plans" means the final set of construction documents used for permitting, including all architectural drawings, site plans with parking, all floorplans, exterior and interior elevations, enlarged plans, building sections, millwork detail and such additional details and information as IHG may request. The Final Plans as submitted to IHG shall conform to then-prevailing System Standards, including the construction standards set forth in the Standards and address all revisions required by IHG's review and approval of the Preliminary Plans.

7. Submit to IHG a pre-construction disability compliance certification signed by an architect with professional experience applying the requirements of the Americans with Disabilities Act ("ADA") and the ADA Standards, in the form of Attachment "C" (the "ADA Certificate"). Such certification must confirm the qualifications of the architect and that the Final Plans, as designed, comply with Title III of the ADA and any other applicable accessibility laws, ordinances or requirements.

8. Submit Preliminary Plans and Final Plans to IHG in Adobe Acrobat PDF format, per electronic submittal guidelines as outlined on www.ihgdesignconnect.com.

B. CONSTRUCTION.

1. Construction shall not begin unless and until IHG has approved the Final Plans and IHG has received the properly executed pre-construction ADA Certificate from Licensee. Thereafter, no change shall be made to the Final Plans without the prior written consent of IHG. Notwithstanding the foregoing, after the Final Plans have been approved, if in the course of actual construction any change in the Final Plans occurs, Licensee shall notify IHG promptly,

and in no event later than ten (10) days after Licensee becomes aware of or should have been aware of any such change.

2. Licensee must notify IHG when their contractor has mobilized on site and proceeded with site work.

3. Licensee must complete Ground Break of the Hotel by ***{insert agreed date}.*** Licensee must provide photo documentation of Ground Break to IHG within one day thereafter.

4. Licensee must submit for IHG's review and approval any and all guest room FF&E and Public Area FF&E plans and associated specifications as outlined in the submittal guidelines ("FF&E Specs") to IHG, as designed and prepared by a licensed or accredited design professional with commercial building design background, no later than thirty (30) days after Ground Break. Thereafter, no change shall be made to the FF&E Specs without the prior written consent of IHG. Notwithstanding the foregoing, after the FF&E Specs have been approved, if in the course of actual construction any change in the FF&E Specs occurs, Licensee shall notify IHG and submit changes, within ten (10) days of any such change, for IHG's review and approval.

5. Licensee must submit for IHG's review and approval any and all Life Safety Shop drawings as outlined in the submittal guidelines (Fire Alarm and Sprinkler plans), as designed and prepared by a professional sub-contractor with AHJ approval, no later than thirty (30) days after Ground Break. Thereafter, no change shall be made to the fire alarm and sprinkler systems without the prior written consent of IHG. Notwithstanding the forgoing, after the Life Safety system drawings have been approved by IHG, if in the course of actual construction any change in the system design that occurs, Licensee shall, within ten (10) days of any such change, submit such changes for IHG's review and approval.

6. Licensee shall submit the FF&E Specs to IHG, per the electronic submittal guidelines as outlined on www.ihgdesignconnect.com.

7. Licensee must notify IHG if it elects to use any product, design, or FF&E package which has not been pre-approved by IHG. Use of such non-preapproved products, design or FF&E package may require additional time and fees incurred by Licensee.

8. Once the construction has commenced, it shall continue without interruption (except for interruption by reason of events constituting force majeure) until construction is completed. Licensee must provide IHG monthly reports of construction progress in an approved format.

9. Notwithstanding the occurrence of any events constituting force majeure, or any other cause, construction shall be completed and the Hotel shall be furnished, equipped and shall otherwise be made ready to open for business in accordance with the License not later than the date eighteen (18) months (five hundred and forty-eight (548) days) after Ground Break (or such other date as IHG and Licensee may agree in writing).

10. Licensee shall cause the Hotel to be constructed according to the Final Plans and the FF&E Specs approved by IHG, and IHG shall determine at its election whether construction has been completed in accordance with the Final Plans and the FF&E Specs. Licensee must correct or replace any changes from the approved design as noted during construction.

11. Extension requests to the starting date of construction of a new development may be considered on a basis of monthly increments of at least a six (6) month period for any one extension. Requests for extensions greater than six (6) months, but less than or equal to twelve (12) months must be accompanied by an extension fee equal to $10,000. Requests for more than a twelve (12) month extension must be accompanied by a sum equal to one half (1/2) of the then current standard minimum application fee for the proposed number of rooms for the Hotel. IHG's approval of extension requests must be delivered in writing and such approval is not automatic. Licensee will be responsible for any and all expenses that

may be incurred by IHG in the processing of an extension request. Extensions beyond 12 months may require resubmittal of final plans, per IHG request.

C. OPENING OF THE HOTEL.

1. The Hotel shall not be opened for business under the System unless and until:

   (a) IHG has approved and accepted, in advance, in writing:

   (i) the construction of the Hotel in accordance with the Final Plans, Life Safety systems, the FF&E Specs and IHG's requirements;
   (ii) the installation of all items of equipment, furniture, signs, computer terminals and related supplies and other items;
   (iii) the staffing and training of such staff necessary to operate the Hotel in accordance with IHG's requirements;

   (b) no accounts of Licensee are past due to IHG, its parents, subsidiaries or affiliated companies;

   (c) Licensee is in full compliance with all of the terms of this License;

   (d) Licensee has submitted to IHG all certificates of insurance (and copies of insurance policies if requested by IHG) as required under the License;

   (e) Licensee has obtained all necessary governmental approvals, licenses and permits to possess, occupy and operate all areas of the Hotel, according to IHG's requirements, including specifically without limitation, a permanent certificate of occupancy; and

   (f) Licensee has submitted to IHG a post–construction disability compliance certification signed by Licensee and an architect with professional experience applying the requirements of the ADA and the ADA Standards, in the form of **Attachment "C"**– ADA Certificate. Such certification must confirm the qualifications of the architect, the architect has inspected the as-built conditions of the Hotel and building site and that the Hotel and building site have been built in compliance with Title III of the ADA and any other applicable accessibility laws, ordinances or requirements.

2. Notwithstanding anything else herein to the contrary, IHG may, in its sole judgment, authorize Licensee to open and operate the Hotel as a part of the Vignette Collection™ even though Licensee has not fully complied with the terms of this License, provided that Licensee agrees to fulfill all remaining terms of this License on or before the dates established by IHG as a condition to allowing opening of the Hotel when less than all of the required work has been completed.

3. Licensee acknowledges and agrees that: (a) IHG's review of Preliminary Plans, Final Plans, FF&E Specs, Life Safety systems or other materials, documents or items submitted to IHG for review and approval pursuant to this License (collectively "Licensee's Plans") is exclusively for determination of compliance with the Standards, the requirements of the System and the terms of this License and not for compliance with all applicable law or adequacy or suitability for the purpose intended, (b) no approval of Licensee's Plans by IHG shall constitute, be deemed or construed in any way as, IHG's consent, approval, acknowledgment or recognition that Licensee's Plans comply with applicable law or are adequate or suitable for the purpose intended, (c) Licensee shall have the sole responsibility for compliance with applicable law and for the adequacy and suitability for the purpose intended and (d) nothing in this License, and no review and approval (or opportunity for review) by IHG of Licensee's Plans shall be deemed to create a duty on the part of IHG that could give rise to any cause of action by Licensee or any of its affiliated entities or persons,

or any other person or entity against IHG or any of its parents, subsidiaries or affiliated entities nor their respective officers, directors or employees, based on any alleged deficiency in the adequacy, suitability or legality of Licensee's Plans.

<u>ATTACHMENT "B"</u>

THE WORK
(Conversion Licenses)

[Description of Specific Work, whether Property Improvement Plan ("PIP") or Deficiency List, for the Hotel to be attached]

IHG may authorize Licensee, in IHG's sole discretion, to open and operate the Hotel as a part of the Vignette Collection™ even though Licensee has not fully complied with the terms of the License, provided Licensee fulfills all remaining terms of this License on or before the date designated by IHG. Licensee may not commence operation of the Hotel under the Vignette Collection™ brand without IHG's written authorization to do so. Notwithstanding any consent by IHG to the authorized conditional opening of the Hotel as part of the Vignette Collection™, the construction, upgrading and renovation work more particularly described in paragraph 13.I. and in this Attachment "B" must be completed by Licensee on or before the dates set forth in this Attachment "B" and the Hotel must otherwise be in compliance with the License and must open as part of the Vignette Collection™, as specified in paragraph 1, on or before **[*insert date*]**.

ATTACHMENT "C"

InterContinental Hotels Group

ACCESSIBILITY CERTIFICATION

Hotel Location Code: _____

Location #: _____

Hotel Name (as it appears in the IHG Website): _____

Hotel Address: _____

Licensee: _____

This certification is intended to comply with the accessibility standards and/or the Travelers with Disabilities Section of the relevant brand standards as well as the InterContinental Hotels Group Design & Construction standards, all of which require compliance with Title III of the Americans with Disabilities Act (ADA), including the 1991 and/or 2010 ADA Standards for Accessible Design (ADA Standards), and all other applicable accessibility requirements. These standards require as follows:

a. For newly constructed hotels: (1) a pre-construction certification of the final plans for the building and building site submitted prior to the commencement of construction by an architect with professional experience applying the requirements of the ADA and the ADA Standards; and (2) a post-construction certification submitted after an inspection of as-built conditions signed by Licensee.

b. For renovations required for relicensing, conversions, brand changes or changes of ownership: a post-renovation certification submitted after an inspection of as-built conditions signed by Licensee.

c. For voluntary renovations: a post-renovation certification submitted after an inspection of as-built conditions signed by Licensee.

Please select the option for which this Certification is submitted:

- ☐ **Newly Constructed Hotel** (Must submit Certification Options A & B below)
- ☐ **Renovation Required for Relicensing, Conversion, Brand Change or Change of Ownership** (Must submit Certification Option B below)
- ☐ **Voluntary Renovation** (Must submit Certification Option B below)

CERTIFICATION

Please select the Option(s) for which Licensee is submitting this Certification.

☐ **Option A: Newly Constructed Hotel - Pre-Construction Certification**

The undersigned certifies that (1) he/she is an architect with professional experience applying the requirements of the ADA and the ADA Standards; and (2) the final plans for construction of this building and building site are in compliance with Title III of the ADA and any other applicable accessibility laws, ordinances or requirements, to the best of his/her knowledge, information, and belief.

Name of Architect: _____

Name of Firm: _____

Signature: _____

Title: _____ Date: _____

☐ **Option B: Licensee Post-Construction or Post-Renovation Certification**

The undersigned Licensee, to the best of his/her knowledge, information, and belief, certifies that this building and building site have been built, renovated or altered in compliance with Title III of the ADA and any other applicable accessibility laws, ordinances or requirements, including, but not limited to, any accessibility laws or requirements regarding the following:

- The appropriate number and distribution of accessible guest rooms
- Features in accessible guest rooms
- Parking and exterior accessible routes
- Public entrances and interior accessible routes
- Service counters
- Public and common restrooms
- Meeting rooms
- Food and beverage establishments
- Swimming pools, spas, and fitness centers

Name of Licensee Principal Correspondent: _____

Signature: _____

Date: _____

By receiving or accepting this Certification, IHG is not confirming that Licensee and/or Licensee's property are in compliance with all applicable federal, state, and local accessibility requirements. Per the relevant license agreement, Licensee is solely responsible for compliance with all applicable accessibility requirements, including the ADA and the 1991 and/or 2010 ADA Standards for Accessible Design.

GUARANTY

As an inducement to Holiday Hospitality Franchising, LLC ("IHG") to execute the License Agreement dated {_____insert date_____} between IHG and {___insert name____}, ("Licensee"), for the Vignette Collection™ hotel located at {__insert location address__}, ("License"), the undersigned (sometimes referred to as the "guarantor(s)"), jointly and severally, hereby unconditionally warrant to IHG and its successors and assigns that all of Licensee's representations in the License and the application submitted by Licensee to obtain the License are true, and guarantee that all of Licensee's obligations under the License, including any amendments thereto whenever made (all hereafter collectively referred to as the "License"), will be punctually paid and performed.

Upon default by the Licensee and notice from IHG, the undersigned will immediately make each payment and perform each obligation required of Licensee under the License. Without affecting the obligations of the undersigned under this Guaranty, IHG may, without notice to the undersigned, extend, modify or release any indebtedness or obligation of Licensee, or any of the guarantor(s), or settle, adjust or compromise any claims against Licensee or any of the guarantor(s). The undersigned waive notice of amendment of the License and notice of demand for payment or performance by Licensee.

Upon the death of an individual guarantor, the estate of such guarantor will be bound by this Guaranty but only for defaults and obligations hereunder existing at the time of death, and the obligations of the other guarantors will continue in full force and effect.

The Guaranty constitutes a guaranty of payment and performance and not of collection, and each of the guarantors specifically waives any obligation of IHG to proceed against Licensee or any money or property held by Licensee or by any other person or entity as collateral security, by way of set off or otherwise. The undersigned further agree that (i) this Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time payment of any of the guaranteed obligations is rescinded or must otherwise be restored or returned by IHG upon the insolvency, bankruptcy or reorganization of Licensee or any of the undersigned, all as though such payment had not been made and (ii) the guaranteed obligations shall not be reduced, limited, terminated, discharged or otherwise affected by any such insolvency, bankruptcy, reorganization or similar proceedings affecting Licensee or its assets or the release or discharge of Licensee from any of its obligations under the License.

This Guaranty shall become valid as of the Term Commencement Date of the License, which is {insert date}_____. It shall be deemed made and entered into in the State of Georgia, and the undersigned agree that this Guaranty and the obligations provided for hereunder shall be governed and construed in all respects by the internal laws and decisions (except any conflicts of law provisions) of the State of Georgia, including all matters of construction, validity, enforceability and performance.

To the extent permitted by law, the undersigned (i) consent and submit, at IHG's election and without limiting IHG's rights to commence an action in any other jurisdiction, to the personal jurisdiction and venue of any courts (federal, superior or state) situated in the County of DeKalb, State of Georgia; (ii) waive any claim, defense or objection in any such proceeding based on lack of personal jurisdiction, improper venue, forum non conveniens or any similar basis; and (iii) expressly waive personal service of process and consent to service by certified mail, postage prepaid, directed to the last known address of the undersigned, which service shall be deemed completed within ten (10) days after the date of mailing thereof.

The undersigned agree to pay IHG all expenses, including reasonable attorneys' fees and court costs, incurred by IHG, its parents, subsidiaries, affiliates, and their successors and assigns, to remedy any defaults of or enforce any rights under this Guaranty or the License, effect termination of this Guaranty or the License, or collect any amounts due under this Guaranty or the License.

IN WITNESS WHEREOF, each of the undersigned has signed this Guaranty under Seal, as of this _____ date of _____, 20___.

Guarantors:

_____
«Guarantor1»
Name: _____
Address: _____

_____
«Guarantor2»

Name: _____
Address: _____

(Affix Corporate Seal if Guarantor is a corporation or insert the letters "L.S." after your signature if Guarantor is an individual.)

Electronic Signature Acknowledgement:

This Guaranty may, at IHG's option, be executed via electronic signature. In such event, Guarantor acknowledges that conducting this transaction using electronic means is optional and is not a condition to executing this Guaranty. By electronically signing this paragraph, Guarantor agrees to conduct this transaction using electronic means, which includes the transmittal of electronic communications and the execution of the agreement using an electronic signature. Guarantor further agrees that the parties' electronic signatures are valid and create a binding and enforceable agreement. If Guarantor does not agree to conduct the transaction electronically and does not agree to execute the agreement using an electronic signature, Guarantor must promptly notify IHG and IHG will provide Guarantor with a non-electronic Guaranty.

Guarantor Signature (or Initials): _____

Addendum To
The Holiday Hospitality Franchising, LLC
Vignette Collection™ Hotels License Agreement Pursuant To
The California Franchise Investment Law

Notwithstanding anything to the contrary set forth in the above License Agreement ("License"), the following provisions shall supersede and apply to each License for a Vignette Collection™ Hotel issued in the State of California:

1. In accordance with the provisions under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.), paragraphs 11.C(1)(b) and (d) of the License shall be amended to include the following language: "Enforceability of this provision is a matter governed by Federal Bankruptcy Law and enforceability or nonenforceability is subject to that law and rulings of a court of competent jurisdiction."

2. California Business and Professions Code Sections 20000 through 20043 provide rights to the Licensee concerning termination or non-renewal of a License. If the License contains a provision that is inconsistent with the law, the law will control.

3. The License contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable,

4. The License and Guaranty require application of the laws of Georgia. In accordance with 5050.23 Sec. 310.114.1(c)(5)(B)(v), this provision may not be enforceable under California law.

Date: _____

Licensee:

«EntityAllCaps»

By: _____
«AuthorizedSignee»
«SigneesTitle»

IHG:

HOLIDAY HOSPITALITY FRANCHISING, LLC

By: Six Continents Hotels, Inc.,
its sole managing member

By:_____
Jenny Tidwell
Vice President
Franchise Licensing and Compliance

California Addendum

Addendum To
The Holiday Hospitality Franchising, LLC
Vignette Collection™ Hotels License Agreement Pursuant To
The Connecticut Business Opportunity Investment Act

Notwithstanding anything to the contrary set forth in the above License Agreement ("License"), the following provisions shall supersede and apply to each License for an Atwell Suites hotel issued in the State of Connecticut:

1. The second sentence in Section 1.B is deleted in its entirety and replaced by the following language: The System at present includes, but is not limited to, the principal trade and/or service mark "Vignette Collection™", the service mark "IHG Concerto™", the service mark "Great Hotels Guests Love®" and the other Marks (as defined in paragraph 6.B. below) and intellectual property rights made available to licensees of the System by reason of a license; all rights to domain names and other identifications or elements used in electronic commerce as may be designated from time to time by IHG in accordance with IHG's specifications to be part of the System; access to a reservation service operated in accordance with specifications established by IHG from time to time; preparation and distribution of advertising, publicity and other marketing programs and materials; architectural drawings and architectural works; the furnishing of training programs and materials; confidential or proprietary information, standards, specifications and policies for construction, furnishings, operation, appearance and service of the Hotel, standards and specifications for interior and exterior design and decor and other requirements as stated or referred to in this License and from time to time in IHG's brand standards for System hotels (the "Standards") or in other communications to Licensee; and programs for inspecting the Hotel, measuring and assessing service, quality and consumer opinion, and consulting with Licensee."

2. The first sentence in Section 6.B is deleted in its entirety and replaced by the following language: "The "Marks" means the name and mark "Vignette Collection™", "Great Hotels Guests Love®" and their respective distinguishing characteristics and the other service marks, trademarks, trade names, slogans, commercial symbols, logos, trade dress, copyrighted material and intellectual property associated with the System, including (without limitation) those which IHG may designate in the future for use and those which IHG does not designate as withdrawn from use (the "Marks").

Date: _____

Licensee:

«EntityAllCaps»

By: _____
«AuthorizedSignee»
«SigneesTitle»

IHG:

HOLIDAY HOSPITALITY FRANCHISING, LLC

By: Six Continents Hotels, Inc.,
its sole managing member

By:_____
Jenny Tidwell
Vice President
Franchise Licensing and Compliance

Connecticut Addendum

Addendum To
The Holiday Hospitality Franchising, LLC
Vignette Collection™ Hotels License Agreement Pursuant To
Section 482E-3 Of The Hawaii Revised Statutes

Notwithstanding anything to the contrary set forth in the above License Agreement ("License"), the following provision shall supersede and apply to each License for a Vignette Collection™ Hotel issued in the State of Hawaii:

1. Section 13.H of the License is amended to include the following: "The general release language contained in the License shall not relieve IHG or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Hawaii."

2. In accordance with the provision under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.), paragraphs 11.C(1)(b) and (d) of the License shall be amended to include the following language: "Enforceability of this provision is a matter governed by Federal Bankruptcy Law and enforceability or nonenforceability is subject to that law and rulings of a court of competent jurisdiction."

3. Hawaii Revised Statutes Section 482E-1 provides rights to the Licensee concerning termination or non-renewal of a License. If the License contains a provision that is inconsistent with the law, the law will control.

Date: _____

Licensee:

«EntityAllCaps»

By: _____
«AuthorizedSignee»
«SigneesTitle»

IHG:

HOLIDAY HOSPITALITY FRANCHISING, LLC

By: Six Continents Hotels, Inc.,
its sole managing member

By:_____
Jenny Tidwell
Vice President
Franchise Licensing and Compliance

Hawaii Addendum

Addendum To The
Holiday Hospitality Franchising, LLC
Vignette Collection™ Hotels License Agreement
Pursuant To the Illinois Franchise Disclosure Act

Notwithstanding anything to the contrary set forth in the above License Agreement ("License"), the following provisions shall supersede and apply to this License (and, have generally been made applicable by execution of a similar Addendum to each license for a Vignette Collection™ Hotel issued in, or for properties in, the State of Illinois):

1. Notice Required By Law: The terms and conditions under which your License can be terminated and your rights upon non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

2. Under this License, there is no requirement that litigation between the parties take place in Georgia. You may institute litigation against us in Illinois or in any other court having jurisdiction over the parties and the dispute. The provisions of the License concerning jurisdiction and the application of Georgia law do not deprive you of any rights and/or causes of action established by the Illinois Franchise Disclosure Act, 815 ILCS 705/4 and 41, which, for reference, are reproduced at the bottom of this page.[1] In addition, if any of the provisions of this License are inconsistent with any other applicable Illinois statutes, then such Illinois statutes shall apply to the extent such application is constitutional and valid as applied.

3. In accordance with the provision under federal bankruptcy law (11 U.S.C.A. sec. 101, et seq.), paragraphs 11.C(1)(b) and (d) of the License shall be amended to include the following language: "Enforceability of this provision is a matter governed by Federal Bankruptcy Law and enforceability or nonenforceability is subject to that law and rulings of a court of competent jurisdiction."

4. Licensee must pay additional IHG Rewards Club Marketing Contributions equal to a monthly charge of 4.75% of Qualifying Full Folio Revenue and 1.425% of Qualifying Room and Meeting Revenue from IHG Rewards Club members. IHG can change these percentages. All enrolling stays will be assessed a flat rate of $4.75 to the enrolling hotel and a flat 1,000 points will be issued to the member regardless of their qualified stay revenue. There is also a one-time charge of $10.00 per room with the first Royalty payment.

(Signatures on following page)

[1] 705/4 JURISDICTION AND VENUE. §4. Any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of this State is void, provided that a franchise agreement may provide for arbitration in a forum outside of this State.

705/41 WAIVERS VOID. §41. Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

Date:_____

Licensee:

«EntityAllCaps»

By: _____
«AuthorizedSignee»
«SigneesTitle»

IHG:

HOLIDAY HOSPITALITY FRANCHISING, LLC

By: Six Continents Hotels, Inc.,
its sole managing member

By:_____
Jenny Tidwell
Vice President
Franchise Licensing and Compliance

Addendum To
The Holiday Hospitality Franchising, LLC
Vignette Collection™ Hotels License Agreement Pursuant To
The Maryland Franchise Registration And Disclosure Law

Notwithstanding anything to the contrary set forth in the above License Agreement ("License"), the following provisions shall supersede and apply to each License for a Vignette Collection™ Hotel issued in the State of Maryland:

1. In accordance with the provision under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.), paragraphs 11.C(1)(b) and (d) of the License shall be amended to include the following language: "Enforceability of this provision is a matter governed by Federal Bankruptcy Law and enforceability or nonenforceability is subject to that law and rulings of a court of competent jurisdiction."

2. The provisions of the License which permits all suits to be filed in Georgia is hereby deleted for residents of the State of Maryland and/or franchises to be operated in the State of Maryland.

Date:_____

Licensee:

«EntityAllCaps»

By: _____
«AuthorizedSignee»
«SigneesTitle»

IHG:

HOLIDAY HOSPITALITY FRANCHISING, LLC

By: Six Continents Hotels, Inc.,
its sole managing member

By:_____
Jenny Tidwell
Vice President
Franchise Licensing and Compliance

Addendum To
The Holiday Hospitality Franchising, LLC
Vignette Collection™ Hotels License Agreement Pursuant To
The Michigan Franchise Investment Law

Notwithstanding anything to the contrary set forth in the above License Agreement ("License"), the following provisions shall supersede and apply to each License for a Vignette Collection™ Hotel issued in the State of Michigan:

1. In accordance with the provision under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.), paragraphs 11.C(1)(b) and (d) of the License shall be amended to include the following language: "Enforceability of this provision is a matter governed by Federal Bankruptcy Law and enforceability or nonenforceability is subject to that law and rulings of a court of competent jurisdiction."

2. There is a prohibition by Michigan Compiled Laws Section 445.1527, against unilateral termination of the License without good cause, good cause being defined therein as a failure of the Licensee to comply with any lawful provision of the License and to cure such failure after being given written notice thereof and reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

3. THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

(a) A prohibition on the right of a Licensee to join an association of licensees.

(b) A requirement that a Licensee assent to a release, assignment, novation, waiver or estoppel which deprives a Licensee of rights and protection provided in this act. This shall not preclude a Licensee, after entering into a License, from settling any and all claims.

(c) A provision that permits a Licensor to terminate a License prior to the expiration of its term except for good cause. Good cause shall include the failure of the Licensee to comply with any lawful provision of the License and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a Licensor to refuse to renew a License without fairly compensating the Licensee by repurchase or other means for the fair market value at the time of expiration of the Licensee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the Licensor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the License is less than 5 years and (ii) the Licensee is prohibited by the License or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the License or the Licensee does not receive at least 6 months' advance notice of Licensor's intent not to renew the License.

(e) A provision that permits the Licensor to refuse to renew a License on terms generally available to other Licensees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the Licensee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a Licensor to refuse to permit a transfer of ownership of a License, except for good cause. This subdivision does not prevent a Licensor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the Licensor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the Licensor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the Licensee or proposed transferee to pay any sums owing to the IHG or to cure any default in the License existing at the time of the proposed transfer.

(h) A provision that requires the Licensee to resell to the Licensor items that are not uniquely identified with the Licensor. This subdivision does not prohibit a provision that grants to a Licensor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the Licensor the right to acquire the assets of a franchise for the market or appraised value of such assets if the Licensee has breached the lawful provisions of the License and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the Licensor to directly or indirectly convey, assign or otherwise transfer its obligations to fulfill contractual obligations to the Licensee unless provision has been made for providing the required contractual services.

Date: _____

Licensee:

«EntityAllCaps»

By: _____
«AuthorizedSignee»
«SigneesTitle»

IHG:

HOLIDAY HOSPITALITY FRANCHISING, LLC

By: Six Continents Hotels, Inc.,
its sole managing member

By:_____
Jenny Tidwell
Vice President
Franchise Licensing and Compliance

Michigan Addendum

Addendum To
The Holiday Hospitality Franchising, LLC
Vignette Collection™ Hotels License Agreement Pursuant To
The Minnesota Franchise Act

Notwithstanding anything to the contrary set forth in the above License Agreement ("License") the following provisions shall supersede and apply to each License for a Vignette Collection™ Hotel issued in the State of Minnesota:

1. The following language will appear at the end of paragraph 13.B of the License:

"Pursuant to Minn. State. Sec. 80C.21, this paragraph shall not in any way abrogate or reduce any rights of the Licensee as provided for in the Minnesota Statutes 1987, Chapter 80C, including, but not limited to, the right to submit matters to the jurisdiction of the courts of Minnesota.

Minnesota law provides licensees with certain termination and non-renewal rights. Minnesota Statutes, Section 80C.14 subdivisions 3, 4, and 5 require, except in certain specified cases, that a licensee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the License."

2. Paragraph 6 of the License is amended by adding the following language:

"The Minnesota Department of Commerce requires that IHG indemnify Minnesota licensees against liability to third parties resulting from claims by third parties that the Licensee's use of IHG's trademark infringes trademark rights of the third party. IHG does not indemnify against the consequences of Licensee's use of IHG's trademark except in accordance with the requirements of the License, and, as a condition to indemnification, Licensee must provide notice to IHG of any such claim within ten (10) days and tender the defense of the claim to IHG. If IHG accepts the tender of defense, IHG has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim."

3. Liquidated damages and termination penalty provisions are deleted from Licenses issued in the State of Minnesota.

4. In accordance with the provision under Federal Bankruptcy Law (11.U.S.C.A. Sec. 101 et seq.), paragraphs 11.C(1)(b) and (d) of the License shall be amended to include the following language: "Enforceability of this provision is a matter governed by Federal Bankruptcy Law and enforceability or nonenforceability is subject to that law and rulings of a court of competent jurisdiction."

5. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

6. No release language set forth in Section 13.H. of the License or anywhere else in the License Agreement will relieve IHG or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota.

Date: _____

Licensee:

«EntityAllCaps»

By: _____
«AuthorizedSignee»
«SigneesTitle»

IHG:

HOLIDAY HOSPITALITY FRANCHISING, LLC

By: Six Continents Hotels, Inc.,
its sole managing member

By:_____
Jenny Tidwell
Vice President
Franchise Licensing and Compliance

Addendum To
The Holiday Hospitality Franchising, LLC
Vignette Collection™ Hotels License Agreement Pursuant To
The North Dakota Investment Franchise Law

Notwithstanding anything to the contrary set forth in the above License Agreement ("License"), the following provisions shall supersede and apply to each License for a Vignette Collection™ Hotel issued in the State of North Dakota:

1. The laws of the State of North Dakota supersede any provisions of the License, or Georgia law, if such provisions are in conflict with such North Dakota laws.

2. Liquidated damages and termination penalty provisions are deleted from Licenses issued in the State of North Dakota.

3. Section 13.H of the License is amended to include the following: "The general release language contained in the License shall not relieve IHG or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of North Dakota."

4. In accordance with the provision under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.), paragraphs 11.C(1)(b) and (d) of the License shall be amended to include the following language: "Enforceability of this provision is a matter governed by Federal Bankruptcy Law and enforceability or nonenforceability is subject to that law and rulings of a court of competent jurisdiction."

5. Any provision in the License which designates jurisdiction or venue or requires the Licensee to agree to jurisdiction or venue, in a forum outside of North Dakota, is deleted from Licenses issued in the State of North Dakota. The site of any arbitration will be agreeable to all parties.

Date:_____

Licensee:

«EntityAllCaps»

By: _____
«AuthorizedSignee»
«SigneesTitle»

IHG:

HOLIDAY HOSPITALITY FRANCHISING, LLC

By: Six Continents Hotels, Inc.,
its sole managing member

By:_____
Jenny Tidwell
Vice President
Franchise Licensing and Compliance

Addendum To
The Holiday Hospitality Franchising, LLC
Vignette Collection™ Hotels License Agreement Pursuant To
The Rhode Island Franchise And Distributorship Act

Notwithstanding anything to the contrary set forth in the above License Agreement ("License"), the following provisions shall supersede and apply to each License fora Vignette Collection™ Hotel issued in the State of Rhode Island:

1. In accordance with the provision under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.), paragraphs 11.C(1)(b) and (d) of the License shall be amended to include the following language: "Enforceability of this provision is a matter governed by Federal Bankruptcy Law and enforceability or nonenforceability is subject to that law and rulings of a court of competent jurisdiction."

2. Section 19-28.14 of the Rhode Island Franchise Investment Act provides that: "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." This provision will also apply to the Guaranty.

3. Any provision in the License which designates the governing law as that of any state other than the State of Rhode Island is deleted from Licenses issued in the State of Rhode Island.

Date:_____

Licensee:

«EntityAllCaps»

By: _____
«AuthorizedSignee»
«SigneesTitle»

IHG:

HOLIDAY HOSPITALITY FRANCHISING, LLC

By: Six Continents Hotels, Inc.,
its sole managing member

By:_____
Jenny Tidwell
Vice President
Franchise Licensing and Compliance

Rhode Island Addendum

Addendum To
The Holiday Hospitality Franchising, LLC
Vignette Collection™ Hotels License Agreement Pursuant To
The Virginia Retail Franchising Act

Notwithstanding anything to the contrary set forth in the above License Agreement ("License"), the following provisions shall supersede and apply to each License for a Vignette Collection™ Hotel issued in the State of Virginia:

1. In accordance with the provision under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.), paragraphs 11.C(1)(b) and (d) of the License Agreement shall be amended to include the following language: "Enforceability of this provision is a matter governed by Federal Bankruptcy Law and enforceability or nonenforceability is subject to that law and rulings of a court of competent jurisdiction."

2. The Virginia Code Sections 13.1-557-574-13.1-564 provide: "It shall be unlawful for a franchisor to cancel a franchise without reasonable cause or to use undue influence to induce a franchisee to surrender any right given to it by any provision contained in the franchise." If any ground for default or termination stated in the License does not constitute "reasonable cause," as that term may be defined in the Virginia Code, that provision may not be enforceable.

Date:_____

Licensee:

«EntityAllCaps»

By: _____
«AuthorizedSignee»
«SigneesTitle»

IHG:

HOLIDAY HOSPITALITY FRANCHISING, LLC

By: Six Continents Hotels, Inc.,
its sole managing member

By:_____
Jenny Tidwell
Vice President
Franchise Licensing and Compliance

Addendum To
The Holiday Hospitality Franchising, LLC
Vignette Collection™ Hotels License Agreement Pursuant To
The Washington Franchise Investment Protection Act

Notwithstanding anything to the contrary set forth in the above License Agreement ("License"), the following provisions shall supersede and apply to each License for a Vignette Collection™ Hotel issued in the State of Washington:

1. If any of the provisions in the franchise disclosure document or franchise agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the franchise disclosure document and franchise agreement with regard to any franchise sold in Washington.

2. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

3. A release or waiver of rights executed by a Franchisee will not include rights under the Washington Franchise Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, and rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

4. The state of Washington has a statute, RCW 19.100.180 which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.

5. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

6. Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

7. The Licensor will have no obligation upon the termination of the License Agreement to offer the Franchisee a continued right to operate its Vignette Collection™ Business, and the Franchisee may be required at that time to stop operating its hotel as a Vignette Collection™ Hotel and to comply with all post-termination obligations.

8. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

9. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii)

soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The undersigned does hereby acknowledge receipt of this addendum.

Date:

Licensee:

«EntityAllCaps»

By: _____
«AuthorizedSignee»
«SigneesTitle»

IHG:

HOLIDAY HOSPITALITY FRANCHISING, LLC

By: Six Continents Hotels, Inc.,
its sole managing member

By:_____
Jenny Tidwell
Vice President
Franchise Licensing and Compliance

Addendum To
The Holiday Hospitality Franchising, LLC
Vignette Collection™ Hotels License Agreement Pursuant To
The Wisconsin Franchise Investment Law

Notwithstanding anything to the contrary set forth in the above License Agreement ("License"), the following provisions shall supersede and apply to each License for a Vignette Collection™ Hotel issued in the State of Wisconsin:

1. The Wisconsin Fair Dealership Act, Wisconsin Statutes, Chapter 135 shall apply to and govern the provisions of the License.

2. Section 135.04 of that Act's requirement includes the requirements that, in certain circumstances, a licensee receives ninety (90) days' notice of termination, cancellation, non-renewal or substantial change in competitive circumstances. The notice shall state all the reasons for termination, cancellation, nonrenewal or substantial change in competitive circumstances and shall provide that the Licensee has 60 days in which to rectify any claimed deficiency and shall supersede the requirements of paragraphs 11.B and C of the License to the extent they may be inconsistent with the Act's requirements. If the deficiency is rectified within 60 days, the notice shall be void. The above notice provisions shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the License, the Licensee shall be entitled to written notice of such default and shall have 10 days in which to remedy such default from the date of delivery or posting of such notice.

3. In accordance with the provision under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.), paragraphs 11.C(1)(b) and (d) of the License shall be amended to include the following language: "Enforceability of this provision is a matter governed by Federal Bankruptcy Law and enforceability or nonenforceability is subject to that law and rulings of a court of competent jurisdiction."

Date:_____

Licensee:

«EntityAllCaps»

By: _____
«AuthorizedSignee»
«SigneesTitle»

IHG:

HOLIDAY HOSPITALITY FRANCHISING, LLC

By: Six Continents Hotels, Inc.,
its sole managing member

By:_____
Jenny Tidwell
Vice President
Franchise Licensing and Compliance

EXHIBIT C

MASTER TECHNOLOGY SERVICES AGREEMENT

This Master Technology Services Agreement (this "**Agreement**") is effective upon execution by and between IHG Technology Solutions LLC, a limited liability company formed under the laws of Delaware, located at Three Ravinia Drive, Suite 100, Atlanta, Georgia 30346 ("**IHG Tech**"), and [Franchisee], a [**entity type**], located at [**address**] ("**Franchisee**") (each, a "**Party**" and collectively, the "**Parties**").

WHEREAS, IHG Tech is an Affiliate of Holiday Hospitality Franchising, LLC and Six Continents Hotels, Inc., which are companies that operate and license systems designed to provide distinctive, high quality hotel service as part of the InterContinental Hotels Group (IHG);

WHEREAS, an IHG Tech Affiliate and Franchisee are parties to that certain franchise license agreement dated [_____] (the "**Franchise Agreement**"), under which Franchisee operates the Hotel (as defined in the Franchise Agreement) as part of one of the IHG Portfolio Brands;

WHEREAS, an IHG Tech Affiliate has entered into agreements with certain external service providers not Affiliated with IHG Tech (each, a "**Service Provider**") for the provision of Hardware, Software, and Services (each, an "**Enabling Agreement**");

WHEREAS, IHG Tech will facilitate Franchisee's access to Service Providers' Hardware, Software, and Services, and Franchisee will pay for, receive, and use such Hardware, Software, and Services in accordance with the terms of this Agreement, the Enabling Agreements, the Franchise Agreement, and any applicable Participation Agreement or Order Form; and

NOW, THEREFORE, in consideration of the premises, mutual promises contained herein and other consideration, the receipt and sufficiency of which are hereby acknowledged, IHG Tech and Franchisee agree as follows:

1.0 DEFINITIONS.

1.1 Definitions. Capitalized terms used in this Agreement without definition shall have the meanings ascribed to them in **Schedule 1 (Definitions)**.

2.0 LEGAL STRUCTURE.

2.1 Relation to Franchise Agreement. The provisions of this Agreement will be deemed to incorporate (a) the exhibits, schedules, and attachments to this Agreement, and (b) all of the terms, covenants, and conditions contained in the Franchise Agreement, as specified in the following sentence with such modifications as are necessary to make them applicable to this Agreement and the Parties as if fully set out in this Agreement. Such incorporated provisions include the Franchise Agreement's provisions regarding term; proprietary intellectual property rights; notices; indemnification; insurance; compliance with laws; and dispute resolution.

2.2 Order of Priority. In the event of a conflict between:

(a) a provision in this Agreement and a provision in an Order Form, the provision in the Order Form shall prevail;

(b) a provision in this Agreement and a provision in the Participation Agreement, the provision in this Agreement shall control; or

(c) a provision in this Agreement and a provision in the Franchise Agreement, the provision in this Agreement shall control for purposes of this Agreement only.

The foregoing order of priority shall be applied only after construing the applicable provisions to avoid any such conflict and/or to minimize the extent of such conflict.

3.0 SERVICE FRAMEWORK.

3.1 Core Services. IHG Tech or an IHG Tech Affiliate has entered into Enabling Agreements with Service Providers to provide certain Hardware, Software, and Services. IHG Tech will make available to Franchisee the Hardware, Software, and Services for the core technology solutions set forth on **Schedule 2 (Core Services)** (the "**Core Services**"). These Core Services are provided by IHG Tech, an IHG Tech Affiliate, or Service Providers and are required to operate a Hotel under an IHG Portfolio Brand. IHG Tech and/or its Service Provider may modify or cause to be modified the features and functionality of the Core Services in the ordinary course of technology development, and IHG Tech will notify Franchisee of any such material modification. In addition, IHG Tech reserves the right to add or remove Core Services or to replace any of the Core Services.

3.2 Additional Required Services. IHG Tech or an IHG Tech Affiliate has entered into Enabling Agreements with Service Providers approved by IHG Tech to provide certain Hardware, Software, and Services that are mandatory components of Franchisee's technology configuration required for Hotel operations ("**Additional Required Services**"). IHG Tech will make available to Franchisee the Additional Required Services as set forth on **Schedule 3 (Additional Required Services)**, pursuant to an Order Form and/or a Participation Agreement. Franchisee is obligated to purchase each of the Additional Required Services. IHG Tech and/or its Service Provider may modify or cause to be modified the features and functionality of the Additional Required Services in the ordinary course of technology development, and IHG Tech will notify Franchisee of any such material modification. IHG Tech reserves the right (i) to change the Service Provider for any Additional Required Service, and (ii) to add or remove Core Services or to replace any of the Additional Required Services.

3.3 Optional Services. From time to time, IHG Tech or an IHG Tech Affiliate may enter into an Enabling Agreement with a Service Provider to provide optional Hardware, Software, and Services that are not included in the Core Services or the Additional Required Services ("**Optional Services**"). As determined by IHG Tech, Franchisee may receive the benefits of the negotiated terms, conditions, and pricing for the Optional Services obtained by IHG Tech in the Enabling Agreements with Service Providers, and may obtain the Optional Services, by entering into an Order Form and/or a Participation Agreement.

3.4 Supplemental Terms. The Core Services, Additional Required Services, and any Optional Services are provided subject to and in accordance with the supplemental terms set forth on **Schedule 4 (Supplemental Terms)** (the "**Supplemental Terms**"). IHG Tech may unilaterally modify or add any component to **Schedule 4 (Supplemental Terms)** upon ten (10) days written notice to Franchisee. Franchisee acknowledges that the Supplemental Terms are based in part upon the terms and conditions contained in the Enabling Agreements.

3.5 Curated Solutions. The Core Services, Additional Required Services, and such Optional Services as Franchisee may contract to receive, as such services may be in effect from time to time, are together referred to as the "**Curated Solutions**".

3.6 New Technologies. From time to time by mutual agreement, IHG Tech will enable Franchisee's access to new or enhanced technologies for use at the Hotel under a test, evaluation, pilot,

proof of concept, or other temporary use arrangement ("**Proof of Concept Projects**"). Franchisee acknowledges that such Proof of Concept Projects will entail the deployment of new technologies still under development, that such technologies are expected to contain bugs, imperfectly functioning features, and other defects inherent in the early stage of Software development, and that tolerating such defects is the cost of adopting and testing new and unproven technologies. Franchisee will provide feedback to IHG Tech on such Proof of Concept Projects so that the technologies may be further developed, refined, and enhanced to better serve Franchisee and the IHG Portfolio Brands. IHG Tech may terminate any such Proof of Concept Projects upon reasonable notice to Franchisee. IHG TECH HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESSED OR IMPLIED, FOR THE PROOF OF CONCEPT PROJECTS OR FOR MERCHANTABILITY, SATISFACTORY QUALITY, AND FITNESS FOR A PARTICULAR PURPOSE. THE PROOF OF CONCEPT PROJECTS ARE PROVIDED "AS IS" AND "WHERE IS".

4.0 SERVICE TERMS.

4.1 Right to Use. Franchisee will have the non-exclusive right to access and use the Curated Solutions in accordance with and subject to this Agreement, the Supplemental Terms, and the Participation Agreements or Order Forms (as applicable).

4.2 Restrictions on Use of Curated Solutions. Franchisee will use the Curated Solutions solely for Franchisee's internal business purposes at the Hotel and only as permitted by this Agreement. Franchisee will not:

(a) transmit Curated Solutions to any third party or third party network, or permit any third party to access or use the Curated Solutions;

(b) use the Curated Solutions, or any data derived from the Curated Solutions, in a service bureau, time-sharing, multiple CPU, or multiple user arrangement;

(c) copy, reproduce, store, sell, assign, pledge, sublicense, convey, transfer, redistribute, transmit, grant other rights in, or permit any unauthorized use of the Curated Solutions;

(d) prepare derivative works or incorporate the Curated Solutions, in whole or part, into any other system or work;

(e) reverse engineer, disassemble, decompile, decode, adapt or otherwise attempt to derive or gain access to the source code of the Curated Solutions, in whole or in part;

(f) bypass or breach any security device or protection used by the Curated Solutions or access or use the Curated Solutions other than by an authorized user through the use of his or her own then valid access credentials;

(g) input, upload, transmit, or otherwise provide to or through the Curated Solutions, any information or materials that are unlawful or injurious, or contain, transmit, or activate any harmful code;

(h) remove, delete, alter, or obscure any trademarks warranties or disclaimers, or any copyright, trademark, patent, or other intellectual property or proprietary rights notices from any Curated Solution, including any copy thereof;

(i) access or use the Curated Solutions in any manner or for any purpose that infringes,

misappropriates, or otherwise violates any intellectual property right or other right of any third party, or that violates any applicable Law; or

(j) otherwise access or use the Curated Solutions beyond the scope of the authorization granted under this Agreement, the Supplemental Terms, and the Participation Agreements or Order Forms (as applicable).

Each of the terms and conditions of this Section will apply to the Curated Solutions jointly as well as to each Curated Solution individually.

4.3 Minimum Configuration. IHG Tech will provide Franchisee with a list of Hardware, Software, and network connectivity and configurations required for Franchisee's use of the Curated Solutions ("**Minimum Configuration**"). IHG Tech will update the Minimum Configuration upon notice to Franchisee from time to time as required by evolving technology and security needs. Franchisee is solely responsible for ensuring its Hardware, Software, and network environment meet the requirements of the Minimum Configuration at Franchisee's cost.

4.4 Noncompliance with Minimum Configuration. Franchisee will be solely responsible for any installation and support of any Hardware and/or Software not listed as approved on the Minimum Configuration. All such Hardware and/or Software cannot be installed on the IHG Tech network and must be installed only on the Hotel's operations network. If IHG Tech determines that such Hardware and/or Software is adversely affecting the performance of the IHG Tech infrastructure, IHG Tech in its discretion may require such Hardware and/or Software to be removed or disconnected. IHG Tech will have no liability related to lost or damaged data of any kind arising from Franchisee's installation and use of such Hardware and/or Software or with respect to any removal or disconnection required by IHG Tech.

5.0 FEES, INVOICING, AND PAYMENTS.

5.1 For Core Services. Each month, IHG Tech or an IHG Tech Affiliate will invoice Franchisee for the fees associated with the Core Services provided to Franchisee in the preceding month in accordance with the Franchise Agreement. Franchisee will pay the fees for the Core Services in accordance with the payment terms set forth in the Franchise Agreement.

5.2 For Additional Required Services. The Service Provider will invoice Franchisee for the fees associated with the Additional Required Services in accordance with the Participation Agreement, or if the Additional Required Service has been contracted through an Order Form, IHG Tech or an IHG Tech Affiliate will invoice Franchisee for the fees associated with such Additional Required Service in accordance with the Order Form. Franchisee will timely pay the fees due to Service Providers and IHG Tech (or its Affiliates) for the Additional Required Services in accordance with the payment terms set forth in the applicable Participation Agreement or the Order Form.

5.3 For Optional Services. The Service Provider, IHG Tech, or an IHG Tech Affiliate (as applicable) will invoice Franchisee for the fees associated with the Optional Services provided to Franchisee in accordance with the Order Form or Participation Agreement. Franchisee will timely pay the fees due to Service Providers and IHG Tech (or its Affiliates) for Optional Services as provided in the applicable Order Form or Participation Agreement.

5.4 Optional Fees and Fee Increases. Franchisee acknowledges that the pricing for Curated Solutions is based on license, maintenance, and other fees and charges for the Curated Solutions, and that fees may change (including increase) based on factors, including: (a) the amount of use or number of users of the Curated Solutions; (b) changes to the fees charged by a Service Provider; and (c) restrictions

or other limitations set forth in an Enabling Agreement. Notwithstanding anything to the contrary in this Agreement or the Franchise Agreement, the fees paid to IHG Tech or an IHG Tech Affiliate for Additional Required Services and Optional Services are subject to revision by IHG Tech upon thirty (30) days' notice to Franchisee.

5.5 Taxes. All Taxes resulting from the provision of the Curated Solutions under this Agreement (except for taxes based solely on the net income of IHG Tech and its Affiliates) shall be the responsibility of Franchisee. If IHG Tech is required to pay any such Taxes or penalties or interest relating thereto, IHG Tech will provide an invoice for such amounts and Franchisee will pay such amounts within thirty (30) days of the date of the invoice.

5.6 Withholding Taxes. If any of the Curated Solutions, or any component thereof, is subject to withholding Tax, Franchisee will withhold and deduct from payments due to IHG Tech under the Agreement as required under any local Tax jurisdiction and/or applicable double Tax treaty, and Franchisee shall remit such withholding to the appropriate Tax authority and provide IHG Tech with an appropriate Tax certificate/invoice evidencing payment within thirty (30) days of payment. IHG Tech and Franchisee shall reasonably cooperate to claim withholding benefits or exemptions available under any applicable double Tax treaty.

6.0 CONFIDENTIAL INFORMATION.

6.1 Confidential Information.

6.1.1 Confidentiality Obligations. From time to time, IHG Tech or an IHG Tech Affiliate may disclose or make available to Franchisee, whether orally, electronically or in physical form, confidential or proprietary information of or in the possession of IHG Tech or the IHG Tech Affiliate (including confidential or proprietary information of a third party that is in IHG Tech's or the IHG Tech Affiliate's possession) in connection with the Curated Solutions or this Agreement. The term "**Confidential Information**" shall include all information and data which at the time of disclosure either:

(a) is marked as "Confidential" or "Proprietary";

(b) is otherwise reasonably identifiable as the confidential or proprietary information of IHG Tech or its Affiliate; or

(c) should reasonably be understood to be confidential or proprietary information of IHG Tech or its Affiliate given the nature of the information and the circumstances surrounding its disclosure.

Franchisee shall not disclose any such Confidential Information to any third party without the prior written consent of IHG Tech and shall only access and use the Confidential Information as required to and for the limited purpose of performing its obligations under this Agreement; *provided that* Franchisee may disclose Confidential Information to its employees, contractors and professional advisors who need to know such information in order to perform their obligations related to this Agreement and who are contractually bound by confidentiality obligations that are at least as protective as those in this Agreement. Franchisee shall use commercially reasonable care and discretion to avoid unauthorized use, disclosure, publication, or dissemination of Confidential Information (which shall be no less than the standard of care used by Franchisee to protect its Confidential Information of a similar nature). For Confidential Information that does not constitute a "trade secret" under applicable Law, these confidentiality obligations will expire three (3) years after the termination or expiration of this Agreement. For Confidential Information that constitutes a "trade secret" under applicable Law, these confidentiality obligations will continue until such

information ceases to constitute a "trade secret" under such applicable Law. Franchisee will be responsible for any breach of this Section by Franchisee Agents and Franchisee's Affiliates and any third party to whom it or they disclose Confidential Information in accordance with this Section ("**Recipients**"). Upon the request of IHG Tech, Franchisee shall deliver to IHG Tech or destroy all copies of Confidential Information. Franchisee agrees to certify in writing to IHG Tech that it and each of its Affiliates, Franchisee Agents, and Recipients have performed the foregoing.

6.1.2 Exclusions. Excluding Personal Data, which shall always be deemed to be Confidential Information, the term Confidential Information will not include any information that Franchisee can establish by convincing written evidence:

(a) was independently and lawfully developed by Franchisee without use of or reference to any Confidential Information belonging to or received from IHG Tech or an IHG Tech Affiliate;

(b) was lawfully acquired by Franchisee from a third party having the legal, unconditional right to furnish same to Franchisee; or

(c) was at the time in question (whether at disclosure or thereafter) generally known by or available to the public (through no fault of Franchisee).

6.1.3 Required Disclosures. These confidentiality obligations will not restrict any disclosure required by Law, *provided that* Franchisee gives prompt notice to IHG Tech of any such legal requirement and reasonably cooperates with IHG Tech at IHG Tech's request and expense to resist such legal requirement or to obtain a protective order.

7.0 SECURITY PRACTICES.

7.1 Franchisee understands that IHG Tech and its Affiliates will have access to certain reports and information relating to the Hotel and generated through the use of the Curated Solutions, including information relating to revenues, room occupancy, and availability, as well as Personal Data. Franchisee and the Hotel shall, and Franchisee shall cause Franchisee Agents to, comply with:

(a) all applicable Laws, including Laws related to data security, breach notification, and data privacy and contractual obligations, and any requirements of the credit card processing industry, including PCI DSS and any successor standard,

(b) all Brand Standards, and

(c) all IHG Tech policies, requirements, and requests concerning access to any Curated Solution, network connectivity, and transmission of data and reports to IHG Tech and its Affiliates.

Franchisee shall be responsible for ensuring adequate security and backup procedures to avoid unauthorized access to, use of, or inadvertent loss of data and shall, in its discretion, determine appropriate security, which shall be no less than the standard of care in the industry. Without limiting Franchisee's obligations set forth in subparts (a)-(c) above, Franchisee will comply with any additional security and data protection practice requirements that IHG Tech will provide to Franchisee in writing, which may be updated from time to time (the "**Security Practices**"). IHG Tech may, in its sole discretion, amend the Security Practices at any time without prior notice (each, a "**Security Practices Update**"). A Security Practices Update may include additional terms and conditions, including the additional obligations of Franchisee. Franchisee will

comply with any Security Practices Update within thirty (30) days following the date of the Security Practices Update and will comply with any changes to applicable Laws, contractual obligations, and industry requirements (including PCI DSS and any successor standard) within the time period provided by such Law or industry requirement.

8.0 PRIVACY AND DATA PROTECTION.

8.1 Core Services and Optional Services. Unless otherwise stated in the Supplemental Terms, Participation Agreement, or Order Form, the following privacy and data protection terms will apply to the Core Services and the Optional Services.

8.1.1 IHG Tech Personal Data. Subject to the provisions of applicable Law, including Privacy Laws, as between Franchisee and IHG Tech, all IHG Tech Personal Data is the property of IHG Tech, and IHG Tech shall have the right to use and transfer such data on a worldwide basis during and after the effectiveness of this Agreement.

8.1.2 Franchisee Personal Data. To the extent Franchisee transfers Franchisee Personal Data or Guest Data to IHG Tech, its Affiliates, or the IHG guest reservations system, such data forms part of the IHG Tech Personal Data, and IHG Tech may use such data as permitted by applicable law. To the extent that Franchisee provides data to IHG Tech other than Personal Data or Guest Data, Franchisee hereby grants to IHG Tech and its Affiliates a non-exclusive, worldwide, perpetual and royalty-free license to use (including the right to sublicense) such data free of charge, including the right to transfer such data across national borders and to transfer it to third parties. Franchisee represents, warrants, and covenants that any Franchisee Personal Data transferred to IHG Tech or its Affiliates for the purposes of this Agreement has been collected, retained, used, and transmitted in compliance with applicable Privacy Laws.

8.1.3 Transfer of IHG Tech Personal Data. To the extent IHG Tech (and/or its Affiliates) transfers IHG Tech Personal Data to Franchisee:

(i) IHG Tech Personal Data (excluding IHG Tech Marketing Data) that is transferred to Franchisee for inclusion in the Hotel's property management system and for the purpose of fulfilling the guest's reservation request forms part of the Franchisee Personal Data and may be used by Franchisee during and after the term of this Agreement for the purposes of operating the Hotel and in accordance with the restrictions and other terms of this Agreement;

(ii) Franchisee shall have no right to use the IHG Tech Marketing Data except for the purpose of participating in and providing services to the Loyalty Program during the effectiveness of this Agreement;

(iii) Franchisee must remove, or IHG Tech and its Affiliates shall have the right, at Franchisee's cost, to remove all IHG Tech Marketing Data from the Hotel's property management system and other Hotel records upon expiration or termination of this Agreement;

(iv) Franchisee shall retain, use, and transmit (and procure that any agent or representative of Franchisee that manages the Hotel after the termination of this Agreement retain, use, and transmit) such IHG Tech Personal Data only (a) in accordance with all Privacy Laws, and (b) to the extent permitted pursuant to any consents obtained from the relevant

guests, employees, or other individuals (the parties acknowledging that IHG Tech provides no warranty or guaranty regarding any such consents);

(v) Franchisee shall not sell or transfer the IHG Tech Personal Data including to any Affiliate or other hotel of Franchisee and will not combine IHG Tech Personal Data with the Personal Data of any other hotel brand, company, or operator; and

(vi) Franchisee may not use IHG Tech Personal Data for any marketing purpose.

8.1.4 Operating Data and Guest Data. If Guest Data is not also IHG Tech Personal Data, then Operating Data and Guest Data may be used by IHG Tech for its business purposes, including for company and industry reporting purposes. Franchisee agrees that any Operating Data and any Guest Data provided by it pursuant to this Agreement, as well as any other reports, data, information, or material provided to IHG Tech pursuant to or in connection with this Agreement, shall be true and correct and not misleading and shall comply with all standards, policies, and requirements of IHG Tech with respect to privacy and security of Operating Data and Guest Data of the Hotel. Franchisee acknowledges and agrees that IHG Tech and IHG Tech Affiliates will retrieve Operating Data, Guest Data, and Franchisee Personal Data through the IHG reservation system and other relevant systems.

8.1.5 Privacy Laws. Franchisee will:

(i) comply with all applicable Privacy Laws;

(ii) comply with all of requirements regarding data protection as IHG Tech or an IHG Tech Affiliate may communicate to Franchisee from time to time;

(iii) refrain from any action or inaction that could cause IHG Tech or its Affiliates to breach any of the Privacy Laws;

(iv) do and execute, or arrange to be done and executed, each act, document, and thing necessary or desirable to keep IHG Tech and its Affiliates in compliance with any of the Privacy Laws;

(v) in addition to Franchisee's indemnity and reimbursement obligations arising under the Franchise Agreement or otherwise, indemnify and reimburse IHG Tech for any and all costs and liabilities incurred in connection with the breach by Franchisee of such Privacy Laws;

(vi) immediately report to IHG Tech the theft or loss of Guest Data or any analogous term defined by Privacy Laws; and

(vii) permit IHG Tech and its Affiliates to use any data or other information concerning Franchisee, its Affiliates and/or the Hotel in connection with the establishment and operation of IHG Portfolio Brand system hotels by IHG Tech and its Affiliates.

8.1.6 Use of IHG Tech Personal Data. If IHG Tech provides IHG Tech Personal Data to Franchisee (i) for the purpose of performing a service on behalf of IHG Tech, or (ii) at the direction of the consumer, then the following restrictions shall apply to Franchisee's use of IHG Tech Personal Data. Franchisee shall not:

(i) sell, rent, release, disclose, disseminate, make available, transfer, or otherwise communicate orally, in writing, or by electronic or other means, IHG Tech Personal Data;

(ii) retain, use, and disclose IHG Tech Personal Data for any purpose other than fulfilling the purpose for which it was provided; or

(iii) retain, use, or disclose IHG Tech Personal Data outside of the direct business relationship between IHG Tech and Franchisee.

If IHG Tech provides IHG Tech Personal Data to Franchisee, Franchisee certifies that it understands and will comply with the restrictions and obligations under any applicable Laws on such IHG Tech Personal Data. If IHG Tech has provided IHG Tech Personal Data to Franchisee for the purpose of Franchisee providing a service on behalf of IHG Tech, upon IHG Tech's request, Franchisee shall, with respect to such data, (i) provide reasonable assistance to IHG Tech in complying with any request from a person to exercise rights under any applicable Privacy Law, and (ii) where instructed by IHG Tech and as required by applicable Privacy Law, Franchisee shall delete IHG Tech Personal Data that it maintains.

8.2 Additional Required Services. Privacy and data protection terms for Additional Required Services are stated in the applicable Participation Agreement, Order Form, or Supplemental Terms.

9.0 REPRESENTATIONS, WARRANTIES AND COVENANTS.

9.1 By Franchisee.

9.1.1 Access and Use of Curated Solutions. Franchisee will access and use each Curated Solution only in accordance with this Agreement, the Supplemental Terms, and if applicable, the Participation Agreement or Order Form.

9.1.2 Compliance with Laws. Franchisee will comply with (i) all Laws applicable to Franchisee and the Curated Solutions, and (ii) the policies, requirements, and procedures of IHG Tech that are made available to Franchisee from time to time.

9.1.3 Franchisee Responsibilities. Franchisee will, and will cause the Franchisee Agents to:

(a) test the Curated Solutions in Franchisee's environment before use;

(b) ensure that Franchisee's personnel are using the Curated Solutions correctly;

(c) enter information into the Curated Solutions accurately and completely;

(d) present information displayed by the Curated Solutions accurately; and

(e) report any actual or suspected Software errors or Service failures discovered in the course of using any Curated Solution to IHG Tech and the applicable Service Provider.

9.2 By IHG Tech.

9.2.1 Disclaimer. IHG Tech is not the licensor or provider of any of the Curated Solutions made available to Franchisee hereunder and offers no warranties on any Services. In agreeing to the Supplemental Terms or Participation Agreement (as applicable), Franchisee is relying solely on the

Service Provider's warranties, if any, expressly passed through to Franchisee under such Supplemental Terms or Participation Agreement. IHG TECH HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING, WITHOUT LIMITATION, FOR THE SERVICES, NETWORK CONNECTIVITY, AVAILABILITY, SOFTWARE, HARDWARE, OR SYSTEMS OR FOR MERCHANTABILITY, SATISFACTORY QUALITY AND FITNESS FOR A PARTICULAR PURPOSE. EXCEPT FOR ANY PASS-THROUGH WARRANTY MADE BY A SERVICE PROVIDER OF SERVICES, ALL SERVICES, AND ALL SUPPORT MATERIALS AND OTHER DATA, SOFTWARE OR OTHER ITEMS MADE AVAILABLE BY A SERVICE PROVIDER OF SERVICES, ARE PROVIDED "AS IS" AND "WHERE IS".

10.0 TERMINATION.

10.1 Termination for Convenience. IHG Tech may terminate this Agreement, in whole or part, upon ninety (90) days' prior written notice to Franchisee, without any liability to Franchisee.

10.2 Termination for Cause.

10.2.1 If Franchisee defaults in the performance of any of its obligations under this Agreement and, if a non-monetary breach and such breach is capable of cure, does not cure such default within sixty (60) days after receipt of a written notice of default from IHG Tech, then IHG Tech may terminate this Agreement, in whole or in part, as of the termination date specified in such written notice.

10.2.2 If Franchisee breaches **Section 6 (Confidential Information)** or **Section 7 (Security Practices)** or defaults in the performance of any non-monetary obligation under this Agreement that is incapable of being cured within sixty (60) days, then IHG Tech may terminate this Agreement, in whole or in part, immediately upon written notice to Franchisee as of the termination date specified in the notice, without any cure period.

10.2.3 If Franchisee breaches the Franchise Agreement, and fails to cure such default within ten (10) days after receipt of a notice of default from IHG Tech or an IHG Tech Affiliate, then IHG Tech may terminate this Agreement, in whole or in part, immediately upon written notice to Franchisee as of the termination date specified in the notice, without any cure period.

10.2.4 If Franchisee voluntarily or involuntarily discontinues the operation of its Hotel under the Franchise Agreement, then IHG Tech may terminate this Agreement, in whole or in part, immediately upon written notice to Franchisee as of the termination date specified in the notice, without any cure period.

10.2.5 If Franchisee is in default of any of its obligations to IHG Tech with respect to any Curated Solution, then IHG Tech may terminate this Agreement, in whole or in part, immediately upon written notice to Franchisee as of the termination date specified in the notice, without any cure period.

10.2.6 If Franchisee fails to pay an invoice or other amount owed under this Agreement when due and does not cure such failure within ten (10) days after receipt of a notice of overdue payment from IHG Tech, then IHG Tech may terminate this Agreement upon written notice to Franchisee as of the termination date specified in the notice.

10.3 Termination for Expiration of the Franchise Agreement. In the event that the Franchise Agreement terminates or expires, then this Agreement shall automatically terminate.

10.4 Termination of a Participation Agreement. The termination of any Participation Agreement pursuant to its terms will not alone cause, or be interpreted as causing, termination of this Agreement.

10.5 Termination for Franchisee Bankruptcy Event. IHG Tech may terminate this Agreement, in whole or in part, immediately upon written notice to Franchisee in the event of a Franchisee Bankruptcy Event.

10.6 Other Remedies. If any of the above events set forth in **Section 10.1** through **Section 10.5** shall occur, IHG Tech may, in addition to or in lieu of exercising its termination or other, legal, equitable, or contractual rights, limit, reduce, suspend, or terminate Franchisee's use of or access to any or all of the Curated Solutions.

11.0 DAMAGES.

11.1 IN NO EVENT SHALL IHG TECH BE LIABLE FOR THE FOLLOWING, REGARDLESS OF CAUSATION: INDIRECT, SPECIAL, CONSEQUENTIAL OR EXEMPLARY DAMAGES, INCLUDING LOST BUSINESS, LOST PROFITS, INTEREST, PENALTIES OR ASSESSMENTS IMPOSED UNDER APPLICABLE LAWS OR OTHERWISE, THIRD PARTY CLAIMS BY AFFILIATES, PARTNERS OR CUSTOMERS OF FRANCHISEE OR OTHERWISE, OR DAMAGES WITH RESPECT TO WHICH FRANCHISEE CONTRIBUTED OR ACTED AS AN INTERVENING CAUSE, WHETHER FORESEEABLE OR NOT, EVEN IF IHG TECH HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

11.2 IHG Tech shall not be liable for any loss, cost, expense (including attorney fees), liability, damage, or claim (including strict liability in tort) (a) related to or arising from the Curated Solutions; or (b) for the selection, quality, condition, merchantability, suitability, fitness, operation, installation, repair, adjustment, or performance of the Curated Solutions or the adequacy, quality, delay or suitability of the maintenance or support services provided by a third party pursuant to this Agreement or for any interruption or loss of service or use of network connectivity or the Software. Such liability, if and to the extent it may exist, rests solely with the applicable Service Provider of the Curated Solution to IHG Tech and the Hotel.

12.0 AUDITS.

12.1 Audit. During the effectiveness of this Agreement and for a period of two years following any expiration or termination of this Agreement, IHG Tech or its designated representative may enter upon the premises of the Hotel during regular business hours upon no less than twenty-four (24) hours' notice to audit and review Franchisee's (i) use of the Curated Solutions; (ii) verify compliance with this Agreement and the Enabling Agreements; and (iii) ensure compliance with Law and Security Practices. Franchisee will cooperate with any such audit at Franchisee's expense. Any fees or amounts determined to be due, or any remedial action to be undertaken, as a result of Franchisee's audited use of the Curated Solutions or Security Practices not in compliance with this Agreement shall be the sole responsibility of Franchisee. Nothing in this Section shall be deemed to limit IHG Tech's rights to perform monitoring of the Curated Solutions at any time.

13.0 MISCELLANEOUS PROVISIONS.

13.1 Survival. **Sections 8 (Privacy and Data Protection), 9 (Confidential Information), 11 (Damages), 12 (Audits),** and **13 (Miscellaneous)** and, to the extent necessary, **Schedule 1 (Definitions)** shall survive the expiration or termination of this Agreement.

13.2 Schedules, Attachments. All schedules, attachments or addenda hereto are incorporated herein by this reference. Any reference to this Agreement or the Franchise Agreement includes any schedules, attachments, exhibits, or addenda thereto, and any amendments thereof.

13.3 Headings. The headings and titles of the articles and sections hereof are inserted for convenience only and shall not affect the construction or interpretation of any provision.

13.4 Non-Exclusive Listings. Each occurrence of the words "include," "includes", and "including" in this Agreement shall be deemed to be followed by the phrase "without limitation".

13.5 Severability. Should any part of this Agreement be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable, that portion shall be deemed null and void and severed for all purposes and the remainder of this Agreement shall remain in full force and effect.

13.6 Franchisee Agents. Franchisee will cause all Franchisee Agents to comply with the terms and conditions of this Agreement. Franchisee will be responsible for the acts and omissions of the Franchisee Agents, including any failure by a Franchisee Agent to comply with this Agreement.

13.7 Third Party Beneficiaries. This Agreement does not create any duties to or in persons or entities other than the Parties to this Agreement. No third party beneficiaries are intended or implied, and no parties other than IHG Tech, its Affiliates, or Franchisee may file suit or otherwise recover damages for breach of any of the provisions of this Agreement.

13.8 Governing Law. This Agreement and the rights and obligations of the Parties under this Agreement shall be governed by and construed in accordance with the governing Law specified in the Franchise Agreement, without giving effect to the principles thereof relating to the conflicts of Laws.

13.9 No Waiver. No delay or omission by either Party to exercise any right or power it has under this Agreement shall impair or be construed as a waiver of such right or power. A waiver by any Party of any breach or covenant shall not be construed to be a waiver of any succeeding breach or any other covenant. All waivers must be signed by the Party waiving its rights.

13.10 Assignment. Neither this Agreement nor any right or interest herein is assignable or transferable by Franchisee. IHG Tech and its assignees shall have the right to assign or transfer this Agreement or any of IHG Tech's rights, duties, or obligations hereunder, in whole or in part, to any person or legal entity without requirement of prior notice to, or consent of, Franchisee. This Agreement shall be binding on the Parties and their respective successors and permitted assigns.

13.11 Force Majeure. IHG Tech is not liable for failing to fulfill any of its obligations under this Agreement due to acts of God, acts of war, epidemic, failure of utility or communications infrastructure beyond that which would be avoided by reasonable use of back-up electricity supplies, or other causes beyond IHG Tech's reasonable control.

13.12 Entire Agreement. In conjunction with the Franchise Agreement, this Agreement represents the entire agreement between the Parties with respect to its subject matter and supersedes all prior discussions and agreements between the Parties with respect to such subject matter.

13.13 Amendments. No amendment to, or change, waiver or discharge of, any provision of this Agreement shall be valid unless in writing and signed by both Parties.

13.14 Counterparts. This Agreement may be executed in one or more counterparts, which taken together shall form one legal instrument.

* * * *

IN WITNESS WHEREOF, IHG Tech and Franchisee, each through its duly authorized representative, hereby agree to the terms and conditions of this Agreement.

IHG TECH:	**FRANCHISEE:**
IHG TECHNOLOGY SOLUTIONS LLC	**[FRANCHISEE]**
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Electronic Signature Acknowledgement

This Agreement may, at IHG Tech's option, be executed via electronic signature. In such event, Franchisee acknowledges that conducting this transaction using electronic means is optional and not a condition to executing this Agreement. By electronically signing this paragraph, Franchisee agrees to conduct this transaction using electronic means, which includes electronic communications and the execution of the Agreement using an electronic signature. Franchisee further agrees that the Parties' electronic signatures are valid and create a binding and enforceable agreement. If Franchisee does not agree to conduct the transaction electronically and does not agree to execute the Agreement using an electronic signature, Franchisee must promptly notify IHG Tech and IHG Tech will provide Franchisee with a non-electronic Agreement.

Franchisee Signature (or Initials): _____

Schedule 1
Definitions

The following capitalized terms used in this Agreement shall have the respective meanings specified below:

(1) "**Additional Required Services**" has the meaning set forth in **Section 3.2**.

(2) "**Affiliate**" means, as to any entity, any other entity that, directly or indirectly, Controls, is Controlled by or is under common Control with such entity.

(3) "**Agreement**" has the meaning set forth in the Preamble.

(4) "**Brand Standards**" means all standards and specifications now or in the future identified by IHG Tech or its Affiliates in accordance with the Franchise Agreement concerning the design, construction, and operations of Hotels.

(5) "**Confidential Information**" has the meaning set forth in **Section 6.1.1**.

(6) "**Control**" means, with respect to any entity, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of voting securities (or other ownership interest), by contract or otherwise.

(7) "**Core Services**" has the meaning set forth in **Section 3.1**.

(8) "**Curated Solutions**" has the meaning set forth in **Section 3.5.**

(9) "**Enabling Agreement**" has the meaning set forth in the Preamble.

(10) "**Franchise Agreement**" has the meaning set forth in the Preamble.

(11) "**Franchisee"** has the meaning set forth in the Preamble.

(12) "**Franchisee Agents**" means the employees, contractors, suppliers, subcontractors, and representatives of Franchisee.

(13) "**Franchisee Bankruptcy Event**" means that Franchisee: (a) files a petition in bankruptcy for liquidation, (b) has an involuntary petition in bankruptcy filed against it which is not challenged within ten (10) days and dismissed within thirty (30) days, (c) becomes insolvent, (d) makes a general assignment for the benefit of creditors, (e) is unable to pay its debts as they mature, (f) has a receiver appointed for its assets, (g) has any significant portion of its assets attached, (h) receives a "going concern" explanation or qualification from its external auditor, or (i) experiences a material negative change in its net assets (*i.e.*, total assets minus total liabilities).

(14) "**Franchisee Personal Data**" means any Personal Data (excluding any IHG Tech Marketing Data) that is held and processed locally at the Hotel, including (i) data contained in the Hotel's property management system, and (ii) Personal Data relating to Hotel employees.

(15) "**Guest Data**" means Personal Data of Hotel guests and other Hotel customers, including their preferences and related information. Guest Data may be IHG Tech Personal Data, Franchisee Personal Data, or both.

(16) "**Hardware**" means computers, input and output devices, expansion cards, storage devices (including hard drives and installed and removable flash memory), portable computer and communications devices, other telecommunications devices, cables, wireless interfaces, and other computer peripherals.

(17) "**Hotel**" has the meaning set forth in the Preamble.

(18) "**IHG Portfolio Brand**" means any brand owned, controlled, or under the direction of IHG Tech or any of its Affiliates, as they may be added to, deleted from, or changed from time to time.

(19) "**Law**" means any declaration, decree, directive, legislative enactment, order, ordinance, regulation, rule or other binding restriction of or by any legislature, administrative agency, court, or other governmental authority.

(20) "**Loyalty Program**" means all loyalty, recognition, affinity, frequency, and other programs designed to promote stays at, or usage of, the Hotel, other IHG Portfolio Brand system hotels, and such other hotels designated by IHG Tech or its Affiliates, or any similar, complementary, or successor

programs. As of the effectiveness of this Agreement, such programs include the "IHG Rewards Club" and various programs sponsored by airlines, credit card, and other companies.

(21) "**Minimum Configuration**" has the meaning set forth in **Section 4.3**.

(22) "**IHG Tech**" has the meaning set forth in the Preamble.

(23) "**IHG Tech Marketing Data**" means Personal Data in respect of any member of the Loyalty Program.

(24) "**IHG Tech Personal Data**" means any Personal Data collected prior to or during the effectiveness of this Agreement by IHG Tech or its Affiliates in relation to the Hotel, including (i) IHG Tech Marketing Data, (ii) any Personal Data collected through any reservation channels operated by or at the direction of IHG Tech or its Affiliates, and (iii) any data that Franchisee transfers to IHG's guest reservations system or other centrally managed IHG systems. For the avoidance of doubt, certain data may be both IHG Tech Personal Data and Franchisee Personal Data.

(25) "**Operating Data**" means all information concerning gross rooms revenue and gross revenue, other revenues generated at the Hotel, guestroom occupancy rates, reservation data, and other information required by IHG Tech or an IHG Tech Affiliate that may be useful (in the sole business judgment of IHG Tech or any such Affiliate) in connection with marketing, reservations, and guest loyalty and satisfaction, and other functions, purposes, or requirements of IHG Tech and its Affiliates.

(26) "**Optional Services**" has the meaning set forth in **Section 3.3**.

(27) "**Order Form**" means a binding contract created through an IHG Tech-approved order form submitted to IHG or an order through IHG Tech's online portal, currently branded as IHG Marketplace, as such form or portal may be changed by IHG Tech from time to time, for Services and/or Hardware to be governed by this Agreement. The submitted order form or order placed through the portal, once accepted by IHG Tech, forms the binding contract and becomes part of this Agreement.

(28) "**Participation Agreement**" means a joinder, subscription, or participation agreement executed between Franchisee and a Service Provider to establish terms governing Hardware, Software, or Services provided by the Service Provider to Franchisee in connection with an Enabling Agreement.

(29) "**Party**" and "**Parties**" have the meaning set forth in the Preamble.

(30) "**Personal Data**" means any information (a) that, either individually or when combined with other information, can be used to identify a specific individual or derive information specific to a particular individual, and any information or data related to current, past or potential employees or customers, and (b) covered by Privacy Laws, including the following: (i) a first name and last name; (ii) a home or other physical address, including street name and name of city or town; (iii) an email address or other name, that reveals an individual's email address; (iv) a telephone number; (v) a Social Security number; (vi) credit or debit card information; (vii) checking account information, account number and check number; (viii) a driver's license, military or state identification number; (ix) a persistent identifier, such as a customer number held in a "cookie" or processor serial number, that is combined with other available data that identifies an individual; (x) human resources information, such as benefits plan information, member number, salary information, performance history, health history, and similar information; (xi) financial or transactional information; (xii) employee ID number; (xiii) government passport number or alien registration number, or (xiv) any other information that is identifiable to or identifies an individual, whether or not combined with any of (i) through (xiv) above.

(31) "**Privacy Laws**" means (a) the Health Insurance Portability and Accountability Act of 1996, as amended (HIPAA); (b) Gramm-Leach-Bliley Act of 1999, as amended (GLB); (c) all applicable Laws and non-governmental standards protecting Personal Data (including Payment Card Industry Data Security Standard (PCI-DSS) and Payment Application Data Security Standard (PA-DSS)) in effect from time to time; (d) all Laws concerning the protection, transport, storage, use and processing of data (including the General Data Protection Regulation ((EU) 2016/679), as amended ("GDPR") and any national implementing Laws, regulations and secondary legislation, as amended from time to time, and any successor legislation to the GDPR in effect from time to time); and (e) all applicable Laws in effect from

time to time similar to those Laws listed in subsections (a) through (d) above or otherwise governing the transmission, storage, distribution, sale, or other use of Personal Data.

(32) "**Proof of Concept Projects**" has the meaning set forth in **Section 3.6**.

(33) "**Services**" means any services enabled under this Agreement, including the Core Services, Additional Required Services, and Optional Services.

(34) "**Software**" means utilities, operating systems, scripts, applications, system updates, add-ons, or other materials that can be installed on or used in connection with Hardware, whether in binary machine code or human-readable source code form.

(35) "**Supplemental Terms**" has the meaning set forth in **Section 3.4**.

(36) "**Tax**" means any federal, state, local, or non-U.S. income, gross receipts, franchise, sales, use, transfer, value-added, excise, customs, duties, property, withholding or any other tax, charge, or fee, including any interest, penalties, or other additions to tax, imposed by a governmental authority.

Schedule 2
Core Services

IHG Concerto™. IHG Concerto is an IHG-proprietary, cloud-based computerized solution that provides key features needed to manage and operate a Hotel, including:

- Reservations system;
- Revenue management system;
- Content management system;
- Guest relations; and
- Hotel operations insights.

As part of the Core Services, IHG Tech provides network connectivity, system integration, and system interfaces between the Hotel, IHG Concerto, and other services comprising the IHG/Hotel ecosystem.

Support Services. Support services include remote support and on-site maintenance for approved Hardware and Software specified in the Minimum Configuration and required as part of Franchisee's use of the Core Services and the Additional Required Services.

Hotel Opening Consultation Services (required only for Hotels new to an IHG Portfolio Brand). Guidance and consulting on technology-related requirements for opening and operating an IHG Portfolio Brand Hotel, including use of property management system.

Schedule 3
Additional Required Services

Property Management System. The property management system ("PMS") is a comprehensive Software application used to coordinate the Hotel operational functions, e.g., front office, sales and planning, accounting, and reporting. The PMS may be integrated or interface with the Core Services or other solutions, including reservations systems, revenue management systems, guest in-room entertainment, housekeeping optimization, and payment card authorization.

Secure Payment Solution. Secure Payment Solution ("SPS") is a computerized payment card processing program. It contains a data security process designed to remove certain credit card information from IT systems administered by IHG Tech or its Affiliates. Using PCI-certified payment terminals, credit card data is encrypted and converted to tokens before entering the PMS. Participation Agreements for tokenization services and for installation services are required. In addition, Franchisee will be required to enter into a merchant processing application and agreement with the IHG Tech-approved merchant service provider.

Deployment, Installation, and Support. A Service Provider will provide deployment, integration, and other support services for the Hotel PMS and SPS. A joinder or similar agreement is required in order to obtain these PMS/SPS Hardware, Software, and deployment services.

FastConnect Plus. FastConnect Plus is a service providing an approved virtual private networking and security solution for the Hotel's LAN/network connectivity. FastConnect Plus is the only approved remote access solution. A Participation Agreement is required.

IHG Connect. The IHG Connect program provides guest internet access and personalized guest internet experience, consisting of:

- IHG Connect Bandwidth – providing internet connectivity to the Hotel per Brand Standards; and
- IHG Connect WiFi – IHG-approved wifi solution, including required Hardware and Software infrastructure that enables the Hotel to take control of its guest wireless solutions;

IHG Connect is supported by IHG-certified technology service partners that provision internet, perform wifi integration, and provide ongoing support services. A Participation Agreement with both the internet service provider and the wifi systems integrator is required. Bandwidth is currently provided through an Order Form via IHG Marketplace.

Employee Safety Devices. This alert system enables employees to notify hotel management of an emergency with the push of a button. Employee Safety Devices must be procured and installed by one of several approved Service Providers and meet defined requirements. A Participation Agreement with Franchisee's selected Service Provider is required.

Public Access Computers. Public Access Computers (or Business Center Computers) are designated workstations with a multi-function printer, providing complementary internet access to Hotel guests. Public Access Computers must utilize IHG Tech-approved protection Software and includes enrollment in a 24x7 support program offered by an approved Service Provider. A Participation Agreement with an approved Service Provider is required.

IHG Studio. IHG Studio is a digital guest experience platform that delivers guest services with advanced and connected technology to allow guests to access an interactive and personalized entertainment experience, through an in-room TV or mobile device, and access to a set of unique in-room guest services and brand content. IHG Studio is supported by IHG-certified technology service partners that provision

the platform and provide ongoing support services. Media/entertainment content is secured through Service Providers engaged by IHG Tech or its Affiliate. A Participation Agreement with both the content Service Provider and the systems integrator is required.

Schedule 4
Supplemental Terms

This Schedule contains the following Attachments:

Attachment 4-1 IHG Concerto Supplemental Terms

Attachment 4-2 Support Services Supplemental Terms

Attachment 4-3 Hotel Opening Consultation Services Supplemental Terms

Attachment 4-1 to Schedule 4
IHG Concerto Supplemental Terms

1. Implementation. IHG Tech will use commercially reasonable efforts to assist Franchisee with the installation, implementation, and maintenance of IHG Concerto.

2. Training. IHG Tech or a Service Provider will provide training services for Franchisee's employees in the use of IHG Concerto at implementation and as new releases are available. Franchisee shall cause the staff who will use IHG Concerto to participate in and comply with the training. Instructor-led training (on-site or remote) is conducted prior to operations of IHG Concerto. As new releases are available IHG Tech will provide self-paced training to Hotel. Franchisee's hotel staff is required to attend and to demonstrate proficiency with IHG Concerto. Franchisee will provide adequate space for training during normal business hours.

3. Denial of Access. Franchisee acknowledges and agrees that IHG Tech may, at the sole discretion and election of IHG Tech and without prior notice to Franchisee, immediately disable, disconnect, or otherwise deny access to IHG Tech's infrastructure with respect to (i) any Hardware or Software specified as prohibited in the Minimum Configuration, and (ii) any Hardware containing prohibited Software. In addition, IHG Tech may immediately and without notice disconnect, disable, or otherwise prevent the use of Hardware and Software with the IHG Tech infrastructure if IHG Tech reasonably believes that a security incident related to such Hardware or Software, including an unauthorized disclosure of Guest Data, could occur, has occurred, or is occurring.

4. Modifications to Franchisee Environment. Franchisee will not operate its Hardware or Software, including making any modifications to its Hardware and Software, in any manner that may have a detrimental effect on Franchisee or IHG Tech operations. Such detrimental effects include rendering such Hardware or Software, or any IHG Tech Hardware or Software, inoperable or unresponsive, as determined by IHG Tech. In such cases, if Franchisee requests support from IHG Tech in trouble shooting or repairing these effects, Franchisee will be solely responsible for all related service, repair, or replacement costs, including all costs of IHG Tech or its Service Providers, which will be billed on a time-and-materials basis.

5. Updates to the Minimum Configuration. Within 90 days (or a shorter or longer period specified by IHG Tech in writing (email sufficient)) following any update to the Minimum Configuration by IHG Tech, Franchisee will (i) purchase and install then-current approved Software and approved Hardware described in the Minimum Configuration, and (ii) decommission any Hardware and Software that is no longer approved, as applicable, in each case at Franchisee's expense.

6. WAN Hardware. IHG Tech may install or cause to be installed a wide area network (WAN) and WAN Hardware for Hotel's use in communicating with the reservations system. IHG Tech shall have the right to determine the optimal method of access based upon the Software and Hardware located at the Hotel and the telecommunications and other services available to Franchisee. Franchisee acknowledges that Franchisee will not acquire any ownership interest in the Hardware related to or installed in connection with the WAN. Franchisee hereby irrevocably authorizes IHG Tech or its agents, or the agents of any WAN Hardware lessor or supplier, to enter upon the Hotel property for the purpose of installing, inspecting, maintaining, and removing the WAN Hardware. IHG Tech requires that Franchisee, at Franchisee's cost, purchase broadband Internet access at the Hotel in order to establish the primary WAN link. IHG Tech's WAN link will be used as a backup if the primary WAN link fails.

7. WAN Hardware Installation. Franchisee agrees that only WAN Hardware that meets IHG Tech's specifications and configurations will be installed or connected in any way to the reservation system.

IHG Tech will have the right to cause the installations of the WAN Hardware at the Hotel by a date specified by IHG Tech. Franchisee will, at Franchisee's expense and prior to the scheduled installation of the WAN Hardware, make available to IHG Tech and its vendors a suitable, readily accessible location for installation of the WAN Hardware. Franchisee will furnish the required electrical connections and any necessary cable installation and shall perform all work, including alterations, IHG Tech deems necessary to prepare the site for installation and operation of the WAN Hardware. Once installed, Franchisee shall not move, service, alter, or damage the WAN Hardware. Franchisee will procure that all WAN at the Hotel will (i) be installed in the Hotel's information technology room in a cabinet customarily used for such purposes and otherwise satisfying IHG Tech's reasonable requirements, (ii) be clearly labeled, and (iii) be connected to an uninterruptible power supply (UPS). Upon expiration of, termination of, or event of default under this Agreement or the Franchise Agreement, the WAN Hardware may be required to be de-installed from the Hotel by a Service Provider reasonably acceptable to IHG Tech and at Franchisee's sole expense.

Attachment 4-2 to Schedule 4
Support Services Supplemental Terms

1. Description. Support for the Core Services will include the following:

- Remote support service, includes technical support or break-fix services for approved Software, remote trouble-shooting, general assistance, and incident management. The service is provided 7 days a week, 24 hours/day via call center support calls, online, or other automated methods. Service problems identified or attributed to a Service Provider will be referred to the Service Provider.

- Onsite maintenance service: break-fix services, including repair and exchange, for approved Hardware, with the following availability:
    - 7 days a week, 24 hours/day for critical Hardware, with a service level target of four hour response time on server equipment and network switch equipment.
    - Business days (Monday to Friday), with a service level target of next business day during business hours coverage, for workstations, UPS, monitors, and printers.

2. Conditions. IHG Tech will provide support services for so long as the following conditions are satisfied:

- Franchisee maintains, or cause to be maintained, Hardware and Software in accordance with the Minimum Configuration and manufacturer specifications and under warranty;
- Franchisee maintains virus protection and other data protection standards required under this Agreement; and
- Franchisee performs routine maintenance on the Hardware/Software, including completing upgrades and enhancements required by IHG Tech, verifying that no warning lights are displayed, and maintaining the Hardware in appropriate environmental conditions.

3. Preventive Maintenance. Franchisee will regularly perform preventive maintenance on its Hardware, including the following:

- Franchisee will verify all workstations have adequate and up to date virus protection.
- Franchisee will ensure regular night backups are initiated and successful.
- Franchisee has maintained, or caused to be maintained, its Hardware and Software in accordance with current manufacturer requirements stated in the manufacturer's manual.
- Franchisee will perform a power down and reboot of the PMS server and workstations a minimum of once per week.

4. Support Services Related to Non-Approved Software and Hardware. IHG Tech will have no obligation to provide, or cause to be provided, support services with regard to any non-approved Software or non-approved Hardware, or for any failure related to, directly or indirectly, non-approved Software or non-approved Hardware, and Franchisee will be solely responsible for all costs related to the foregoing, including the cost of Support Services of approved Hardware or approved Software incurred because of non-approved Hardware or non-approved Software.

Attachment 4-3 to Schedule 4
Hotel Opening Consultation Services Supplemental Terms

1. Completion of Technology Purchases. At least 120 days before the Hotel opening date, Franchisee will acquire the Hardware, Software, and communications capabilities specified in the Minimum Configuration. In addition, at least 120 days before the Hotel opening date, Franchisee will enter into the Participation Agreements for the Additional Required Services.

2. Site Preparation. Franchisee will make available prior to the scheduled installation date, at its own expense, a site for installation and operation of the Hardware in accordance with specifications, which, without waiving or modifying Franchisee's obligations under this Agreement, must be readily accessible to installation personnel. Franchisee will furnish the required electrical connections, power, outlets, air conditioning, patch panel, and local area network cable installation required by each manufacturer's installation instructions or other documentation, and shall perform all work, including alterations, that IHG Tech, in its sole discretion, deems necessary to prepare the site for installation and operation of the Hardware. In the event site preparation has not been completed to the reasonable satisfaction of IHG Tech in a timely manner, Franchisee will pay upon invoice from IHG Tech the amount of $2,600 (as such charge may be modified by IHG Tech from time to time). Proper site preparation is essential to the performance of the Hardware and no Hardware will be installed unless and until site preparation has been completed to the reasonable satisfaction of IHG Tech.

3. Installation. IHG Tech will notify Franchisee of the projected Hardware installation date and will schedule it to be installed at the Hotel. Any Software or Hardware installation delay caused by Franchisee will not affect Franchisee's obligation to pay any fees or amounts due under this Agreement. Franchisee will be responsible for the time and expenses of its employees, if any, required to assist in the installation of the Software or Hardware and additional expenses incurred by IHG Tech or Service Providers resulting from delays in installation caused by Franchisee or its employees or agents. Franchisee will pay the travel and related expenses of, and shall provide lodging and meals to, IHG Tech's and/or the Service Provider's personnel (or a reasonable per diem meal allowance). Franchisee will be responsible for the costs of any site preparation work that must be performed by IHG Tech or Service Providers, as well as the costs associated with the installation of any Hardware or Software not part of the Minimum Configuration. Franchisee will obtain, coordinate, and notify IHG Tech of the services of any external parties whose products or services Franchisee desires to connect to or interface with the reservation system or property management system, such as telephone switches, point-of-sale devices, and in-room movie or entertainment services. Delay by any communications company or any Hardware supplier in performing its obligations to IHG Tech will, for the duration of the delay, excuse any delay by IHG Tech with respect to these installation obligations.

4. Minimum Hardware Quantities. IHG reserves the right in its sole discretion to identify the number of each of the Hardware items required for operations at the Hotel.

5. WAN Installation Fee. Franchisee will pay the fee for the wide area network (WAN) installation according to IHG Tech's or a Service Provider's standard rates. Such fee will be payable upon the WAN installation.

6. PMS Training. IHG Tech or a Service Provider will provide training services for Franchisee's employees in the use of the PMS. Franchisee shall cause the staff who will use the PMS to participate in and comply with the training according to the following table:

Installation			Man-days			
Platform	Type	Rooms	Configuration	Training	Cutover	Interface
Xpress	New Build or New Conversion	1-300	1	5	9	2
Opera	New Build or New Conversion	1-100	2	5	12	2
Opera	New Build or New Conversion	101-250	2	5	14	3
Opera	New Build or New Conversion	251-350	3	8	18	3
Opera	New Build or New Conversion	351+	3	10	21	4

Instructor-led training (on-site or remote) is conducted prior to operations of the PMS. The Hotel staff is required to attend and to demonstrate proficiency with the PMS, with class attendance of 80% or more and a passing score of 90% or greater on the final exam. Franchisee will provide adequate space for training during normal business hours.

7. PMS Training Fees. Franchisee will pay the fee for the PMS training according to IHG Tech's or a Service Provider's standard rates, as further specified on an Order Form. Such fee will be payable in advance upon completion of such Order Form. Training fees do not include the cost of travel, lodging, transportation, meals, or any other expenses of Franchisee's employees attending training, or IHG Tech employee or agent expenses relating to on-site support. Franchisee will also pay reasonable travel and related expenses, including lodging and meals for the training and implementation personnel, as well as such expenses for the employees of Franchisee participating in any training or other instruction.

8. Customization. If Franchisee requires any custom services for its particular location, IHG Tech reserves the right to decline to perform such services or to charge a fee related to the additional services required.

JOINDER AGREEMENT

This Joinder Agreement is entered into as of this ____ day of _____, 2019 (the "**Joinder Effective Date**"), by and between the undersigned hotel (the "**Hotel**") and HP Inc. ("**HP**") (each, a "**Party**" and collectively, the "**Parties**"), and is entered into pursuant to and governed by the terms and conditions of the Equipment Refresh and Integration Services Agreement entered into by and between Six Continents Hotels, Inc. ("**IHG**") and HP dated August 18, 2017 (the "**Agreement**"). The capitalized terms used in this Joinder Agreement without definition shall have the meanings ascribed to them in the Agreement.

The Parties acknowledge and agree that the terms and conditions of the Agreement are hereby incorporated into this Joinder Agreement and shall be binding on the Hotel and HP and shall govern the Products and Services purchased hereunder.

1. Joinder Agreement Term. Unless earlier terminated in accordance with the Agreement, this Joinder Agreement shall commence on the Joinder Effective Date and shall continue thereafter for a period of forty eight (48) months following installation and Acceptance of the Products and Services provided hereunder.

2. Provision of Products and Services. HP shall provide to Hotel the Products and Services identified in Exhibit E (the "**Order Document**") and further described in the Agreement in accordance with the terms of this Joinder Agreement and the delivery schedule set forth in the Order Document.

3. Invoicing and Payment.

   a. Invoicing for Products and Installation Services. Following installation and Acceptance by the Hotel of the Products and installation Services provided under this Joinder Agreement, HP shall deliver an invoice to IHG for the fees due for such Products and Services in accordance with Sections 11.1 and 11.2 of the Agreement.

   b. Payment for Products and Installation Services.

      i. Hotel shall, at the time of the order, pay the fees for the Products and Services ordered to IHG. Following installation and Acceptance of the Products and Services by Hotel, IHG will perform a true-up reconciliation of all costs and issue a final invoice to Hotel.

      ii. In the event that Hotel elects to use the HP financing option (as described in the SOW), then HP, through its subsidiary, Hewlett-Packard Financial Services Company and its subsidiaries and affiliates (collectively, "**HPFS**"), shall invoice Hotel and Hotel shall pay in accordance with the payment schedule set forth in the Product financing agreement entered into between HPFS and Hotel. All financing agreements shall be substantially in the form of agreement attached hereto as Exhibit A (or HPFS' corresponding form outside of the United States) (a "**Financing Agreement**"). The Parties acknowledge and agree that (i) the Financing Agreement shall not take effect until installation and Acceptance of the Products and Services ordered, and (ii) the Financing Agreement shall be deemed null and void and of no force or effect in the event that the Joinder Agreement is terminated prior to the Financing Agreement taking effect. Following Acceptance of the Products and Services ordered and the Financing Agreement taking effect, the Financing Agreement shall become an independent agreement between Hotel and HPFS and shall not be affected by a termination of the Agreement or Joinder Agreement.

4. Right to Validate Invoices. Hotel authorizes and HP agrees to provide IHG with a copy of the invoices for Products and Services provided under this Joinder Agreement in order to permit IHG to review and validate that the invoices provided are current, accurate and complete. In the event that IHG's review of an invoice identifies an error or overcharge, HP will promptly correct the error or refund the amount of the overcharge to Hotel.

5. Authorization to Notify of Default. In the event that Hotel applies for financing through HP or HPFS, Hotel authorizes IHG to notify HP and/or HPFS in the event that Hotel is in default of its obligations under the license agreement entered into between Hotel and IHG or an IHG Affiliate. HP shall and shall cause HPFS to use this information solely to evaluate the Hotel's application for financing and shall not disclose such information to any third party or use such information for any other purpose.

6. Waiver and Release. Hotel and Vendor acknowledge and agree that IHG has no obligations under this Joinder Agreement and hereby waive and release IHG from and against any and all present and future claims arising out of or related to this Joinder Agreement.

IN WITNESS WHEREOF, each Party, through its duly authorized representative, hereby agree to the terms and conditions of this Joinder Agreement.

HOTEL:	**HP:**
_____	_____
By: _____	By: _____
Signature	Signature
Name: _____	Name: _____
Title: _____	Title: _____
Date:_____	Date: _____
Address for Notices to Hotel:	Address for Notices to HP:

InnCode_____

JOINDER AGREEMENT

This Joinder Agreement is entered into as of this ____ day of _____, 2019 (the "**Joinder Effective Date**"), by and between the undersigned hotel (the "**Hotel**") and HP Inc. ("**HP**") (each, a "**Party**" and collectively, the "**Parties**"), and is entered into pursuant to and governed by the terms and conditions of the Secure Payment System for Deployment Services Agreement entered into by and between Six Continents Hotels, Inc. ("**IHG**") and HP dated September 2nd, 2014 (the "**Agreement**"). The capitalized terms used in this Joinder Agreement without definition shall have the meanings ascribed to them in the Agreement.

The Parties acknowledge and agree that the terms and conditions of the Agreement are hereby incorporated into this Joinder Agreement and shall be binding on the Hotel and HP and shall govern the Products and Services purchased hereunder.

1. Joinder Agreement Term. Unless earlier terminated in accordance with the Agreement, this Joinder Agreement shall commence on the Joinder Effective Date and shall continue thereafter for a period of forty eight (48) months following installation and Acceptance of the Products and Services provided hereunder.

2. Provision of Products and Services. HP shall provide to Hotel the Products and Services identified in Exhibit D (the "**Order Document**") and further described in the Agreement in accordance with the terms of this Joinder Agreement and the delivery schedule set forth in the Order Document.

3. Invoicing and Payment.

   a. Invoicing for Products and Installation Services. Following installation and Acceptance by the Hotel of the Products and installation Services provided under this Joinder Agreement, HP shall deliver an invoice to Hotel for the fees due for such Products and Services in accordance with Section 8.2 of the Agreement.

   b. Payment for Products and Installation Services.

      i. In the event that Hotel elects to use the direct payment option (as described in the SOW), Hotel shall, at the time of the order, pay the fees for the Products and Services ordered; *provided, that* HP shall not be deemed to have earned the fees paid until installation and Acceptance of the Products and Services and Hotel shall retain its rights related to rejected Products and Services, including the right to a refund (as such rights are set forth in the Agreement).

      ii. In the event that Hotel elects to use the HP financing option (as described in the SOW), then HP, through its subsidiary, Hewlett-Packard Financial Services Company and its subsidiaries and affiliates (collectively, "**HPFS**"), shall invoice Hotel and Hotel shall pay in accordance with the payment schedule set forth in the Product financing agreement entered into between HPFS and Hotel. All financing agreements shall be substantially in the form of agreement attached hereto as Exhibit A (or HPFS' corresponding form outside of the United States) (a "**Financing Agreement**"). The Parties acknowledge and agree that (i) the Financing Agreement shall not take effect until installation and Acceptance of the Products and Services ordered, and (ii) the Financing Agreement shall be deemed null and void and of no force or effect in the event that the Joinder Agreement is terminated prior to the Financing Agreement taking effect. Following Acceptance of the Products and Services ordered and the Financing Agreement

taking effect, the Financing Agreement shall become an independent agreement between Hotel and HPFS and shall not be affected by a termination of the Agreement or Joinder Agreement.

c. Payment for Maintenance Services. Hotel shall pay the undisputed portion of the fees invoiced for maintenance Services within thirty (30) days after receipt of the invoice.

4. Right to Validate Invoices. Hotel authorizes and HP agrees to provide IHG with a copy of the invoices for Products and Services provided under this Joinder Agreement in order to permit IHG to review and validate that the invoices provided are current, accurate and complete. In the event that IHG's review of an invoice identifies an error or overcharge, HP will promptly correct the error or refund the amount of the overcharge to Hotel.

5. Authorization to Notify of Default. In the event that Hotel applies for financing through HP or HPFS, Hotel authorizes IHG to notify HP and/or HPFS in the event that Hotel is in default of its obligations under the license agreement entered into between Hotel and IHG or an IHG Affiliate. HP shall and shall cause HPFS to use this information solely to evaluate the Hotel's application for financing and shall not disclose such information to any third party or use such information for any other purpose.

6. Waiver and Release. Hotel and Vendor acknowledge and agree that IHG has no obligations under this Joinder Agreement and hereby waive and release IHG from and against any and all present and future claims arising out of or related to this Joinder Agreement.

IN WITNESS WHEREOF, each Party, through its duly authorized representative, hereby agree to the terms and conditions of this Joinder Agreement.

HOTEL:	**HP:**
_____	_____
By: _____	By: _____
Signature	Signature
Name: _____	Name: _____
Title: _____	Title: _____
Date:_____	Date: _____

Address for Notices to Hotel:	Address for Notices to HP:

InnCode_____

EXHIBIT D

EXHIBIT D

AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

California Commissioner Of The Department
Of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(866) 275-2677

CT Corporation System
818 West 7th Street
Suite 1004
Los Angeles, California 90017

HAWAII

Commissioner of Securities of the
State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Attorney General of the State of Illinois
500 South Second Street
Springfield, Illinois 62706

MARYLAND

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN

Michigan Department of Commerce
Corporations and Securities Bureau
670 Williams Building
525 W. Ottawa Street
Lansing, Michigan 48913

MINNESOTA

Commissioner of Securities
Department of Commerce
85 7th Place East
Suite 280
St. Paul, Minnesota 55101-2198

NORTH DAKOTA

Securities Commissioner, State of North Dakota
600 East Boulevard, Fifth Floor
Bismarck, North Dakota 58505

RHODE ISLAND

Director of Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, Rhode Island 02920

SOUTH DAKOTA

Department of Labor and Regulation
Division of Insurance
Securities Regulation
124 S Euclid, Suite 104
Pierre SD 57501
(605) 773-3563

VIRGINIA

Clerk of the State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9051

WASHINGTON

Director of the Securities Division
Department of Financial Institutions
150 Israel Rd. SW
Tumwater, WA 98501
(360) 902-8760

WISCONSIN

Commissioner of Securities
201 W. Washington Avenue – Third Fl.
Madison, Wisconsin 53703

EXHIBIT E

EXHIBIT E

STATE FRANCHISE ADMINISTRATORS

CALIFORNIA

California Commissioner Of The Department
Of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344

HAWAII

Commissioner of Securities of the
State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Franchise Division
Office of Attorney General
State of Illinois
500 South Second Street
Springfield, Illinois 62706

INDIANA

Franchise Section
Indiana Securities Commission
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204

MARYLAND

Maryland Division of Securities
Office of the Attorney General
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN

Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
670 Williams Building
525 W. Ottawa Street
Lansing, Michigan 48913

MINNESOTA

Minnesota Department of Commerce
Securities-Franchise Registration
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198

NEW YORK

NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st Fl.
New York, New York 10005

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard, Fifth Floor
Bismarck, North Dakota 58505

RHODE ISLAND

Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, Rhode Island 02920

SOUTH DAKOTA

Department of Labor and Regulation
Division of Insurance
Securities Regulation
124 S Euclid, Suite 104
Pierre SD 57501
(605) 773-3563

VIRGINIA

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219

WASHINGTON

Securities Division
Department of Financial Institutions
150 Israel Rd. SW
Tumwater, WA 98501
(360) 902-8760

WISCONSIN

Securities and Franchise Registration
Wisconsin Securities Commission
201 W. Washington Avenue – Third Fl.
Madison, Wisconsin 53703

EXHIBIT F

List of Vignette Collection franchisees as of Issuance Date:

None.

EXHIBIT G1

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARD TO THEIR CONTENT OR FORM.

Holiday Hospitality Franchising, LLC

Balance Sheets

	(Unaudited) June 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	**$ 466**	$ 235
Accounts receivable (net of allowance for doubtful accounts of $14,994,021 and $15,421,569 respectively)	**71,580,159**	47,414,665
Contract assets	**6,494,332**	6,276,395
Receivables from affiliates	**24,682,228**	23,780,503
Total current assets	**102,757,185**	77,471,798
Line of credit due from affiliate	**592,210,617**	603,208,139
Master license agreement	**682,692**	682,692
Contract assets	**84,985,191**	80,867,922
Total assets	**$ 780,635,685**	$ 762,230,551
Liabilities and member's equity		
Current liabilities:		
Accounts payable and accrued expenses	**$ 98,651**	$ 67,654
Deferred revenue	**1,002,069**	986,590
Payables to affiliates	**130,400,447**	123,609,164
Total current liabilities	**131,501,167**	124,663,408
Deferred revenue	**6,889,751**	6,956,255
Total liabilities	**138,390,918**	131,619,663
Member's equity	**642,244,767**	630,610,888
Total liabilities and member's equity	**$ 780,635,685**	$ 762,230,551

See page 4 for a list of caveats attached to these accounts.

Holiday Hospitality Franchising, LLC

Statements of Operations (unaudited)

	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenues:		
Franchise royalty fees	**$ 8,234,630**	$ 5,935,770
Franchise royalty fees from affiliate	**1,158**	13,324
OLCC fees	**509,188**	394,772
Total revenues	**8,744,976**	6,343,866
Expenses:		
Bad debt provision	**173,399**	6,337,545
Other	**18,942**	238,947
Total expenses	**192,341**	6,576,492
(Loss) income from operations	**8,552,635**	(232,626)
Other (expense) income:		
Miscellaneous expense	**(770)**	(718)
Foreign transaction gain (loss)	**2,629,567**	(3,854,987)
Interest income	**45,336**	14,257
Interest income from affiliate	**409,515**	3,944,071
Income before taxes	**11,636,283**	(130,003)
Foreign withholding taxes	**2,404**	33,868
Net (loss) income	**$ 11,633,879**	$ (163,871)

See page 4 for a list of caveats attached to these accounts.

Holiday Hospitality Franchising, LLC

Statements of Member's Equity

Balance at December 31, 2019	$	623,595,332
Net income		7,015,556
Balance at December 31, 2020		630,610,888
Net income (unaudited)		**11,633,879**
Balance at June 30, 2021 (unaudited)	**$**	**642,244,767**

See page 4 for a list of caveats attached to these accounts.

Holiday Hospitality Franchising, LLC

Basis of Preparation

The following caveats apply to the attached set of Holiday Hospitality Franchising, LLC accounts for the six month period to June 30, 2021:

1) The accounts are unaudited.

2) The accounts have not been reviewed by IHG senior management.

It follows therefore that a completed set of audited accounts for the six months to June 30, 2021 prepared in full compliance with US GAAP could be materially different to those presented on pages 1 to 3 of this document.

FINANCIAL STATEMENTS

Holiday Hospitality Franchising, LLC
Years Ended December 31, 2020, 2019 and 2018
With Report of Independent Auditors

Holiday Hospitality Franchising, LLC

Financial Statements

Years Ended December 31, 2020, 2019 and 2018

Contents

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Building a better working world

Ernst & Young LLP
Suite 1000
55 Ivan Allen Jr. Boulevard
Atlanta, GA 30308

Tel: +1 404 874 8300
Fax: +1 404 817 5589
ey.com

Report of Independent Auditors

The Board of Directors and Members
Holiday Hospitality Franchising, LLC

We have audited the accompanying financial statements of Holiday Hospitality Franchising, LLC (the Company), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, member's equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates, made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Holiday Hospitality Franchising, LLC at December 31, 2020 and 2019, and the results of its operations, and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

March 29, 2021

A member firm of Ernst & Young Global Limited

Holiday Hospitality Franchising, LLC

Balance Sheets

	December 31	
	2020	**2019**
Assets		
Current assets:		
Cash and cash equivalents	**$ 235**	$ 1,638
Accounts receivable (net of allowance for doubtful accounts of $15,421,569 and $5,049,043 respectively) *(Note 5)*	**47,414,665**	59,930,697
Contract assets	**6,276,395**	5,541,216
Receivables from affiliates *(Note 4)*	**23,780,503**	–
Total current assets	**77,471,798**	65,473,551
Line of credit due from affiliate *(Note 7)*	**603,208,139**	599,970,983
Master license agreement	**682,692**	682,692
Contract assets	**80,867,922**	69,348,651
Total assets	**$ 762,230,551**	$ 735,475,877
Liabilities and member's equity		
Current liabilities:		
Accounts payable and accrued expenses	**$ 67,654**	$ 83,004
Deferred revenue	**986,590**	1,241,963
Payables to affiliates *(Note 4)*	**123,609,164**	103,791,547
Total current liabilities	**124,663,408**	105,116,514
Deferred revenue	**6,956,255**	6,764,031
Total liabilities	**131,619,663**	111,880,545
Member's equity	**630,610,888**	623,595,332
Total liabilities and member's equity	**$ 762,230,551**	$ 735,475,877

See accompanying notes.

Holiday Hospitality Franchising, LLC

Statements of Operations

	Year Ended December 31		
	2020	**2019**	**2018**
Revenues:			
Franchise royalty fees *(Note 3)*	**$ 12,456,072**	$ 26,067,026	$ 27,116,600
Franchise royalty fees from affiliate *(Note 4)*	**17,985**	70,038	76,702
OLCC fees	**812,665**	1,285,047	991,440
Total revenues	**13,286,722**	27,422,111	28,184,742
Expenses:			
Bad debt provision *(Note 5)*	**11,234,982**	1,901,720	1,258,950
Impairment of contract assets *(Note 6)*	**1,691,700**	–	–
Other	**265,432**	81,579	(29,342)
Total expenses	**13,192,114**	1,983,299	1,229,608
Income from operations	**94,608**	25,438,812	26,955,134
Other (expense) income:			
Miscellaneous expense	**(1,405)**	(1,413)	(1,729)
Foreign transaction gain (loss)	**2,446,061**	2,550,261	(2,965,591)
Interest income	**58,663**	24,971	18,024
Interest income from affiliate *(Note 7)*	**4,461,825**	25,616,691	41,092,012
Income before taxes	**7,059,752**	53,629,322	65,097,850
Foreign withholding taxes	**44,196**	140,193	152,206
Net income	**$ 7,015,556**	$ 53,489,129	$ 64,945,644

See accompanying notes.

Holiday Hospitality Franchising, LLC

Statements of Member's Equity

Balance at December 31, 2017		505,160,559
Net income		64,945,644
Balance at December 31, 2018	$	570,106,203
Net income		53,489,129
Balance at December 31, 2019		623,595,332
Net income		**7,015,556**
Balance at December 31, 2020	**$**	**630,610,888**

Holiday Hospitality Franchising, LLC

Statements of Cash Flows

	Year Ended December 31		
	2020	**2019**	**2018**
Operating activities			
Net income	**$ 7,015,556**	$ 53,489,129	$ 64,945,644
Reconciliation of net income to net cash provided by operating activities:			
Contract assets deduction in revenue *(Note 3)*	**6,098,850**	5,207,505	4,173,887
Impairment of contract assets *(Note 6)*	**1,691,700**	–	–
Accrued but unpaid interest on line of credit due from affiliate	**(4,461,825)**	(25,616,691)	(41,092,012)
Bad debt provision *(Note 5)*	**11,234,982**	1,901,720	1,258,950
Changes in assets and liabilities:			
Accounts receivable	**1,281,050**	(2,434,816)	(6,250,714)
Deferred revenue	**(63,149)**	(153,825)	612,630
Accounts payable and accrued expenses	**(15,350)**	(3,597,542)	607,033
Receivables from affiliates	**(23,780,503)**	–	–
Payables to affiliates	**(227,383)**	(17,324,396)	(8,566,741)
Net cash (used in) provided by operating activities	**(1,226,072)**	11,471,084	15,688,677
Investing activities			
Net amounts repaid (provided) under line of credit due from affiliate	**1,224,669**	(11,472,476)	(15,690,435)
Net cash provided by (used in) investing activities	**1,224,669**	(11,472,476)	(15,690,435)
Net decrease in cash and cash equivalents	**(1,403)**	(1,392)	(1,758)
Cash and cash equivalents:			
Beginning of year	**1,638**	3,030	4,788
End of year	**$ 235**	$ 1,638	$ 3,030
Supplemental disclosure of noncash investing activities			
Payment for franchise agreements by an affiliated entity	**$ 20,045,000**	$ 19,573,165	$ 18,441,000

See accompanying notes.

Holiday Hospitality Franchising, LLC

Notes to Financial Statements

December 31, 2020

1. Description of the Business and Basis of Presentation

Organization

Holiday Hospitality Franchising, LLC (the Company) is an indirect subsidiary of InterContinental Hotels Group PLC (UK) (the Parent) through InterContinental Hotels Limited (UK), Six Continents Limited (UK), Six Continents Hotels International Limited (UK), InterContinental (PB) 3 Limited (UK), InterContinental Hotels Group Operating Corp. (Delaware), IHC United States (Holdings) Corp. (Delaware), IHC Inter-Continental (Holdings) Corp. (Delaware), Inter-Continental Hotels Corporation (Delaware), and Six Continents Hotels, Inc. (Delaware), its immediate parent.

On March 22, 2013, the Company entered into the sixth amended and restated master license agreement with Six Continents Hotels, Inc., formerly known as Bass Hotels & Resorts, Inc. The master license agreement as amended (the Agreement) grants the Company the nonexclusive right to operate and license throughout the United States, Canada, and certain countries of the Caribbean systems designed to provide distinctive, high-quality lodging services to the public under Six Continents Hotels, Inc.'s brand names as described in Note 2 (the Systems). The Agreement has a constantly renewing 25-year term.

The Company paid $1 million in exchange for all nonexclusive rights granted under the original Agreement. Pursuant to the Agreement, the Company pays 95% of all royalty and royalty-related fees received by the Company and 100% of all services contributions and other fees to Six Continents Hotels, Inc. All Company operating and administrative expenses are provided for by Six Continents Hotels, Inc. under the terms of the Agreement.

Prior to the Company entering into the original Agreement, the Systems were owned, operated, and licensed in the United States by Six Continents Hotels, Inc. or its predecessors in interest. All license agreements under these brands entered into or renewed in the United States since February 7, 1990, have been issued by the Company.

The Company converted from a U.S.-taxable corporation to a limited liability company (LLC) on March 26, 2012. At the time of the change, the Company's stock was converted to member's equity in the new LLC. The conversion did not have any effect on the net equity of the Company.

1. Description of the Business and Basis of Presentation (continued)

Basis of Presentation

The Company does not own or consolidate any other entity and is a wholly owned subsidiary of Six Continents Hotels, Inc. The Company's ultimate parent and controlling party is InterContinental Hotels Group PLC (IHG or the Parent). The financial statements are not necessarily indicative of the financial position, results of operations, and cash flows that might have occurred had the Company been a stand-alone entity not integrated into IHG's other operations.

The Company's financial statements have been prepared in accordance with generally accepted accounting principles in the United States, using the accrual basis of accounting. All assets, liabilities, revenues and expenses in the accompanying financial statements have been derived from the separate records maintained by the Company with the exception of the allocation of certain expenses incurred by affiliated companies and the allocation of certain expenses from the Parent. Such allocations are not intended to represent the costs that would be or would have been incurred if the Company were a stand-alone operation.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported year. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, interest-bearing securities with original maturities of less than three months.

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recognized and carried at original amounts less an allowance for any doubtful accounts, which approximates fair value. An allowance for doubtful accounts is made when collection of the full amount is no longer probable and is written off once collection efforts have ceased.

Master License Agreement

The Company accounts for the Agreement in accordance with Accounting Standards Codification (ASC) Topic 350-30, *General Intangibles Other than Goodwill*. In accordance with ASC 350-30-35-18, indefinite-lived intangible assets are reviewed annually for impairment. The Company has not recognized any impairment losses in respect of the Agreement for the years ended December 31, 2020, 2019, and 2018.

Revenue Recognition

Revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. Revenue is recorded excluding taxes.

The Company disaggregates revenue from contracts with customers by type of agreement, being franchise royalty fees and OLCC fees, reflecting the differing nature, amount, timing and uncertainty of related revenue and cash flows. All fee revenue arises from a transfer to customers over time.

Franchise Royalty Fees

The Company's business comprises the franchising of hotels and resorts primarily under the following brands: Crowne Plaza, Holiday Inn, Holiday Inn Express, Staybridge Suites, Candlewood Suites, Hotel Indigo, EVEN Hotels and avid hotels.

2. Summary of Significant Accounting Policies (continued)

Under franchise agreements, the Company's performance obligation is to provide a license to use the Company's trademarks and other intellectual property. Franchise royalty fees are typically charged as a percentage of hotel gross rooms revenues and are treated as variable consideration, recognized as the underlying hotel revenues occur. Franchise royalty fees also include any liquidated damage settlements the Company receives from franchisees that terminate arrangements prior to expiration.

Application and re-licensing fees are not considered to be distinct from the franchise service and are recognized over the life of the related contract.

Under the Agreement, the Company is deemed to be acting as agent in the provision of these services and, as such, nets the license cost against revenue and reports a royalty fee equal to the 5% commission it earns through the Agreement.

The number of franchised hotels in operation during the year ended December 31, 2020 is as follows:

Franchised hotels at December 31, 2019	3,777
New franchises	158
Franchises removed	(62)
Franchised hotels at December 31, 2020	3,873

OLCC Fees

On September 10, 2008, the Company entered into a Master Development and Sales and Marketing Licensing Agreement with Orange Lake Country Club, Inc. (OLCC) and Global Access Exchange, LLC, a wholly owned subsidiary of OLCC, an unrelated party. Under that agreement and subsequent amendments, the Company licenses the Holiday Inn Club Vacation trademark to OLCC to allow the development of Holiday Inn-branded time-share resorts and the selling of time-share membership interests thereto under the Holiday Inn Club Vacation name. The agreement gives OLCC exclusive development rights for Holiday Inn-branded time-share resorts, subject to OLCC achieving certain development requirements. The current agreement, effective March 14, 2019, has a term of 100 years until December 31, 2118. Any time-share resort branded as a Holiday Inn Club Vacation time-share resort would be the subject of a separate site license agreement.

2. Summary of Significant Accounting Policies (continued)

OLCC fees include a monthly payment by the time-share resorts equal to a percentage of the sales price for qualified time-share sales. In addition, OLCC fees include recurring monthly fees based on a percentage of gross rooms revenue for certain rooms used for transient reservations at the time-share resorts, subject to a minimum annual payment to the Company. OLCC fee revenue, being the 5% commission retained by the Company, is treated as variable consideration and recognized as the underlying time-share and room revenues occur. The Company recognized $0.8 million, $1.3 million and $1.0 million in fees from OLCC during the years ended December 31, 2020, 2019 and 2018, respectively.

Contract Assets

Amounts paid to hotel owners to secure franchise agreements ("key money") are treated as consideration payable to a customer. An asset is initially recorded which is recognized as a deduction to franchise royalty fee revenue over the initial term of the contract.

Typically, contract assets are not financial assets as they represent amounts paid at the beginning of a contract, and so are tested for impairment based upon future cash flows. Contract assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If the estimated undiscounted cash flows are less than carrying value, an impairment loss is charged to the consolidated income statement based on the difference between the carrying value and the estimated fair value. Fair value is based on estimated discounted future cash flows.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, and deposits approximates fair value due to the nature and short-term maturities of these instruments. These financial instruments are all non-interest bearing.

Due to the nature of the line of credit and the interest rate charged to its affiliate, the fair value of the instrument approximates its carrying value. Interest is accrued on the line of credit at the IRS applicable federal interest rate, compounded quarterly. There are no fees or related costs received in respect of the line of credit.

2. Summary of Significant Accounting Policies (continued)

Income Taxes

Following the Company converting from a U.S.-taxable corporation to a limited liability company (LLC) in 2012 (see Note 1), the Company is not required to file a separate tax return as it is a limited liability company treated as a disregarded entity for federal and state income tax purposes with all income tax liabilities and/or benefits of the Company being passed through to the members. The Company is included in the consolidated federal income tax return of InterContinental Hotels Group Operating Corp., its ultimate U.S. parent company. As such, no recognition of federal or state income taxes for the Company has been provided for in the accompanying financial statements.

Future Adoption of Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, replacing the existing impairment model for most financial assets from an incurred loss impairment to a current expected credit loss model. This model requires an entity to recognize an impairment allowance equal to its current estimate of all contractual cash flows the entity does not expect to collect. The standard is effective for financial years beginning after 15 December 2022, but early adoption is permitted. The Company plans to adopt this ASU on January 1, 2023 and is currently evaluating the impact that the standard will have on its financial statements.

3. Franchise Royalty Fees

The Company is deemed to be acting as an agent in the provision of services and, as such, nets the license cost against revenue and reports a franchise royalty fee equal to the 5% commission it earns through the Agreement (see Note 2).

In some instances the Company will pay, via an affiliate (see Note 4), amounts to hotel owners to secure franchise agreements. These assets are not subject to the Agreement, with 100% of the asset and revenue deduction being recorded within the Company. Franchise royalty revenue was reduced by $6.1m, $5.2m and $4.2m for the years ended December 31, 2020, 2019 and 2018, respectively.

3. Franchise Royalty Fees (continued)

A reconciliation of gross to net revenue is as follows:

	Year ended December 31,		
	2020	**2019**	**2018**
Royalty fees under franchise agreements	**$ 370,306,835**	$ 643,049,290	$ 625,762,388
Amounts transferred to affiliate under the Agreement	**(351,751,913)**	(611,774,759)	(594,471,901)
Net revenue under the Agreement	**18,554,922**	31,274,531	31,290,487
Contract assets deduction in revenue	**(6,098,850)**	(5,207,505)	(4,173,887)
Franchise royalty fees	**$ 12,456,072**	$ 26,067,026	$ 27,116,600

4. Related Party Transactions

Six Continents Hotels, Inc. maintains certain marketing, reservation, and loyalty programs for the benefit of the Systems. Pursuant to the Master License Agreement, all Company assessments to franchisees relating to these programs are remitted to Six Continents Hotels, Inc. Such amounts are not reflected in franchise royalty fees (see Note 3). All amounts due to or from affiliates, other than a line of credit from an affiliate (see Note 7), are non-interest-bearing and have no stated maturity date.

Net payables to affiliates included in the balance sheets are $99.8 million and $103.8 million at December 31, 2020 and 2019, respectively. These current amounts are of a working capital nature. Receivables from affiliates are considered to be fully recoverable on the basis of the Group's position (see Note 7).

During the years ended December 31, 2020, 2019 and 2018, contract assets totaling $20.0 million, $19.6 million and $18.4 million, respectively, were paid for by an affiliated entity.

4. Related Party Transactions (continued)

During the years ended December 31, 2020, 2019 and 2018, the Company recognized royalty fees earned from a Canadian affiliate of $0, $0.1 million and $0.1 million, respectively.

5. Accounts receivable (net of allowance for doubtful accounts)

The operations of the Company have been severely impacted by the coronavirus (COVID-19) international pandemic.

Occupancy levels have improved since the peak of the pandemic but remain significantly lower than prior years. As such, cash inflows to hotel owners have been reduced. The Company has undertaken a number of actions to support the liquidity of hotel owners, including the waiver of certain fees, extended credit terms and, where appropriate, the use of payment plans. In comparison to the prior year, the Company has experienced an increase in 'days sales outstanding' and a reduction in cash collection. These factors, taken together with limited forward visibility on the pace and scale of recovery, result in an increased level of uncertainty in calculating the allowance for doubtful debts.

The Company has charged a total bad debt expense of $11.2 million, $1.9 million and $1.3 million in the years ended December 31, 2020, 2019 and 2018 respectively. The net accounts receivable balance presented in the Balance Sheet could result in additional charges if amounts are ultimately found to be uncollectible or could result in a release if subsequently collected.

6. Impairment of contract assets

The impact of the trading downturn resulting from the COVID-19 pandemic was considered a trigger for an impairment review of non-current assets. All significant contract assets were tested for impairment using cash flow projections at an individual property level. An impairment loss of $1.7 million was recognized relating to key money payments on three individual properties in the year ended December 31, 2020.

7. Line of Credit Due from Affiliate

On September 25, 1994, the Company increased and extended a $40 million line of credit to Six Continents Hotels, Inc. The line of credit has since been increased and the maturity date extended on several occasions. The facility is currently $700 million with a maturity date of 31 August 2021 and accrues interest at the IRS applicable federal interest rate, compounded quarterly. As of December 31, 2020 and 2019, $603.2 million and $600.0 million, respectively, remained receivable from Six Continents Hotels, Inc. These amounts include interest receivable. During the years ended December 31, 2020, 2019 and 2018, $4.5 million, $25.6 million and $41.1 million, respectively, were recognized as interest income on the line of credit. There have been no related fees and costs incurred on the line of credit in any of the years. On the maturity date, the entire outstanding principal balance, together with all accrued and unpaid interest, are due and payable in full.

Six Continents Hotels, Inc., is a wholly owned subsidiary of InterContinental Hotels Group PLC ("the Group"). The credit risk is judged to be low on the basis of the funds available within the Group, and its intention to make funds available to enable Six Continents Hotels, Inc. to meet its liabilities as they fall due for a period of at least 12 months from the date of issuance of these financial statements. The amount due on the line of credit is considered to be fully recoverable. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of each financial asset. Credit risk is minimized by operating a policy on the investment of surplus cash that generally restricts counterparties to those with a BBB credit rating or better or those providing adequate security. The Group uses long-term credit ratings from Standard and Poor's, Moody's and Fitch Ratings as a basis for setting its counterparty limits.

Information on the Group's treasury management policies, including information on covenants and debt facilities; processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to liquidity risk and credit risk is also given in the Annual Report and Form 20-F 2020.

8. Commitments and Contingencies

Litigation

In the normal course of business, the Company is subject to certain claims and litigation, including unasserted claims. The Company, based on its current knowledge and discussions with its legal counsel, is of the opinion that such matters will not have a material adverse effect on the financial position or results of operations of the Company.

8. Commitments and Contingencies (continued)

Other

On April 16, 2003, the Company's Parent entered into a Commercial Card Program Master Agreement (the Master Agreement) with Chase Manhattan Bank. Under the Master Agreement, the Company's Parent has issued credit cards to its employees for use when purchasing goods or services in the normal course of business. The Company has guaranteed the payment of all interest, principal, fees, and expenses owed by its Parent in connection with the Master Agreement. No amounts were provided under this guarantee at December 31, 2020 and 2019.

9. Subsequent Events

All subsequent events through March 29, 2020, the date these financial statements were available for issuance, have been evaluated.

EXHIBIT G2

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARD TO THEIR CONTENT OR FORM.

Six Continents Hotels, Inc.

(A Wholly Owned Subsidiary of InterContinental Hotels Group PLC)

Consolidated Balance Sheets

(In Thousands)

	(Unaudited) June 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	**$ 39,224**	$ 34,093
Restricted cash	**2,177**	2,188
Accounts receivable, less allowance for doubtful accounts of $88,370 and $86,637 at June 30, 2021 and December 31, 2020, respectively	**247,999**	183,831
Receivables from affiliates	**172,349**	56,207
Pension assets	**250**	250
Contract assets	**11,696**	11,664
Contract costs	**2,748**	2,886
Assets classified as held for sale	**46,523**	–
Prepaid and other current assets	**51,487**	72,231
Total current assets	**574,453**	363,350
Investments in unconsolidated entities	**197,533**	202,345
Deferred compensation plan investments	**247,958**	235,682
Property and equipment, net	**646,826**	767,281
Operating lease right-of-use assets, net	**65,185**	68,812
Goodwill and intangible assets, net	**1,716,047**	1,718,279
Contract assets	**160,747**	155,842
Contract costs	**38,298**	37,688
Other assets	**2,134**	10,426
	$ 3,649,181	$ 3,559,705
Liabilities and Parent's investment		
Current liabilities:		
Accounts payable	**$ 77,717**	$ 79,144
Accrued expenses	**149,793**	104,227
Loyalty program deferred revenue	**438,892**	376,433
Other deferred revenue	**45,292**	46,558
Accrued pension cost	**4,929**	4,929
Payables to affiliates	**94,002**	102,343
Operating lease liabilities	**9,447**	10,571
Liabilities classified as held for sale	**2,670**	–
Other payables	**38,314**	31,873
Total current liabilities	**861,056**	756,078
Capital lease obligation	**249,488**	246,486
Operating lease liabilities	**101,377**	108,123
Accrued pension cost	**67,351**	67,350
Deferred compensation plan liabilities	**247,958**	235,682
Noncurrent deferred tax liabilities, net	**377,924**	376,805
Loyalty program deferred revenue	**841,731**	869,450
Other deferred revenue	**184,731**	190,122
Other long-term liabilities	**262**	2,582
Total liabilities	**2,931,878**	2,852,678
Parent's investment	**717,303**	707,027
	$ 3,649,181	$ 3,559,705

See page 4 for a list of caveats attached to these accounts.

Six Continents Hotels, Inc.

(A Wholly Owned Subsidiary of InterContinental Hotels Group PLC)

Consolidated Statements of Income (unaudited)

(In Thousands)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Revenues		
Fee business	**$ 272,703**	$ 203,274
Hotel operations	**16,650**	15,741
Other	**133,358**	95,726
System Fund revenues	**378,651**	384,918
Reimbursed costs from managed and franchised properties	**170,742**	302,133
Total revenues	**972,104**	1,001,792
Operating expenses		
Hotel operations	**1,182**	4,419
Bad debt expense	**3,102**	15,318
Property and other taxes, insurance, and leases	**22,283**	14,454
Maintenance and repairs	**23,937**	29,294
General and administrative	**195,325**	232,864
Mark-up cost charged by affiliated companies	**5,159**	6,449
Allocation of expenses to affiliated companies	**(72,519)**	(110,047)
Depreciation and amortization of software	**26,425**	26,445
Amortization of finite-lived intangible assets	**2,237**	2,056
Impairment loss	**24,698**	74,229
System Fund expenses	**434,310**	436,292
Costs reimbursed by managed and franchised properties	**170,742**	302,133
Total operating expenses	**836,881**	1,033,906
Operating income (loss)	**135,223**	(32,114)
Interest expense – external	**(11,967)**	(11,835)
Interest income from affiliates, net	**7,203**	21,237
Interest income – external	**2,656**	1,193
Dividend income	**–**	863
Loss from equity method investments	**(3,349)**	(2,560)
Other gain	**7**	351
Foreign transaction (loss) gain	**(2,150)**	1,566
Income (loss) before income taxes	**127,623**	(21,299)
Provision for income taxes	**3,857**	3,088
Net income (loss)	**$ 123,766**	$ (24,387)

See page 4 for a list of caveats attached to these accounts.

Six Continents Hotels, Inc.

(A Wholly Owned Subsidiary of InterContinental Hotels Group PLC)

Consolidated Statements of Changes in Parent's Investment (unaudited)

(In Thousands)

	2021	2020
Balance at January 1	**$ 707,027**	$ 1,001,127
Net income	**123,766**	(24,387)
Other comprehensive loss	**7,741**	(854)
Share-based payment compensation	**11,900**	3,193
Change in balances with affiliates offset against Parent's Investment	**(133,131)**	283,896
Investment in IHG International Partnership	**–**	(387,000)
Balance at June 30	**$ 717,303**	$ 875,975

See page 4 for a list of caveats attached to these accounts.

Six Continents Hotels, Inc.

(A Wholly Owned Subsidiary of InterContinental Hotels Group PLC)

Basis of Preparation

The following caveats apply to the attached set of SCH Inc. accounts for the six month period to June 30, 2021:

1) The accounts are unaudited.

2) The accounts have not been reviewed by IHG senior management.

3) The accounts have not been adjusted for a number of items, including the following:
- Tax provision
- Pension adjustments
- Share based payments
- Income/loss for equity method investments

It follows therefore that a completed set of audited accounts for the six months to June 30, 2021 prepared in full compliance with US GAAP could be materially different to those presented on pages 1 to 3 of this document.

CONSOLIDATED FINANCIAL STATEMENTS

Six Continents Hotels, Inc.
(A Wholly Owned Subsidiary of InterContinental Hotels Group PLC)
Years Ended December 31, 2020, 2019 and 2018
With Report of Independent Auditors

Six Continents Hotels, Inc.
(A Wholly Owned Subsidiary of InterContinental Hotels Group PLC)

Consolidated Financial Statements

Years Ended December 31, 2020, 2019 and 2018

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Report of Independent Auditors

The Board of Directors and Stockholders
Six Continents Hotels, Inc.

We have audited the accompanying consolidated financial statements of Six Continents Hotels, Inc. (the Company), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of net income, comprehensive statements of income, changes in Parent's Investment, and cash flows for the three years in the period ended December 31, 2020, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates, made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Six Continents Hotels, Inc. at December 31, 2020 and 2019, and the consolidated results of its operations, and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

March 29, 2021

A member firm of Ernst & Young Global Limited

Six Continents Hotels, Inc.

(A Wholly Owned Subsidiary of InterContinental Hotels Group PLC)

Consolidated Balance Sheets

(In Thousands)

	December 31 2020	December 31 2019
Assets		
Current assets:		
Cash and cash equivalents	**$ 34,093**	$ 52,169
Restricted cash	**2,188**	2,393
Accounts receivable, less allowance for doubtful accounts of $86,637 and $47,019 at December 31, 2020 and 2019, respectively	**183,831**	339,415
Receivables from affiliates	**56,207**	125,538
Pension assets *(Note 11)*	**250**	250
Contract assets	**11,664**	10,001
Contract costs	**2,886**	2,905
Current investments in unconsolidated entities	**–**	1,000
Prepaid and other current assets	**72,231**	81,709
Total current assets	**363,350**	615,380
Investments in unconsolidated entities *(Note 12)*	**202,345**	250,609
Deferred compensation plan investments	**235,682**	217,721
Property and equipment, net *(Note 5)*	**767,281**	844,169
Operating lease right-of-use assets, net *(Note 8)*	**68,812**	129,868
Goodwill and intangible assets, net *(Note 7)*	**1,718,279**	1,721,823
Contract assets	**155,842**	138,298
Contract costs	**37,688**	36,981
Other assets	**10,426**	92,610
	$ 3,559,705	$ 4,047,459
Liabilities and Parent's Investment		
Current liabilities:		
Accounts payable	**$ 79,144**	$ 78,119
Accrued expenses	**104,227**	228,945
Loyalty program deferred revenue	**376,433**	475,831
Other deferred revenue	**46,558**	44,554
Accrued pension cost *(Note 11)*	**4,929**	4,996
Payables to affiliates	**102,343**	114,535
Operating lease liabilities *(Note 8)*	**10,571**	15,236
Other payables	**31,873**	58,610
Total current liabilities	**756,078**	1,020,826
Capital lease obligations *(Note 8)*	**246,486**	240,618
Operating lease liabilities *(Note 8)*	**108,123**	143,771
Accrued pension cost *(Note 11)*	**67,350**	65,945
Deferred compensation plan liabilities	**235,682**	217,721
Noncurrent deferred tax liabilities, net *(Note 13)*	**376,805**	398,069
Loyalty program deferred revenue	**869,450**	756,545
Other deferred revenue	**190,122**	202,577
Other long-term liabilities	**2,582**	260
Total liabilities	**2,852,678**	3,046,332
Parent's Investment	**707,027**	1,001,127
	$ 3,559,705	$ 4,047,459

See accompanying notes.

Six Continents Hotels, Inc.

(A Wholly Owned Subsidiary of InterContinental Hotels Group PLC)

Consolidated Statements of Net Income

(In Thousands)

	Year Ended December 31		
	2020	**2019**	**2018**
Revenues			
Fee business	**$ 413,823**	$ 765,458	$ 755,973
Hotel operations	**26,242**	113,099	109,420
Other	**220,076**	246,934	250,563
System Fund revenues	**768,997**	1,383,590	1,240,083
Reimbursed costs from managed and franchised properties	**498,439**	995,294	998,514
Total revenues	**1,927,577**	3,504,375	3,354,553
Operating expenses			
Hotel operations	**3,398**	12,816	12,917
Bad debt expense *(Note 2)*	**19,996**	3,236	4,369
Property and other taxes, insurance and leases	**70,907**	67,977	63,390
Maintenance and repairs	**56,037**	47,964	47,491
Restructuring costs *(Note 3)*	**11,261**	6,940	34,602
General and administrative	**412,148**	714,469	754,460
Mark-up cost charged by affiliated companies	**14,219**	16,957	17,923
Allocation of expenses to affiliated companies	**(258,389)**	(347,262)	(347,556)
Depreciation and amortization of software	**59,039**	60,343	63,149
Amortization of finite-lived intangible assets	**4,431**	4,199	3,590
Impairment loss *(Note 4)*	**145,770**	–	–
System Fund expenses	**871,456**	1,435,316	1,389,721
Costs reimbursed by managed and franchised properties	**498,439**	995,294	998,518
Total operating expenses	**1,908,712**	3,018,249	3,042,574
Operating income	**18,865**	486,126	311,979
Interest expense – external	**(23,843)**	(23,539)	(23,035)
Interest income from affiliates, net	**22,537**	83,813	96,197
Interest income – external	**3,873**	2,640	2,122
(Loss) income from equity method investments *(Note 12)*	**(14,013)**	(1,593)	17,094
Gain on sale of investment, net *(Note 12)*	**–**	–	678
Other income (loss)	**2,549**	82	(2,556)
Foreign transaction loss	**(2,831)**	(2,526)	(3,074)
Income before income taxes	**7,137**	545,003	399,405
Provision for income taxes *(Note 13)*	**20,936**	119,101	121,633
Net income	**$ (13,799)**	$ 425,902	$ 277,772

See accompanying notes.

Six Continents Hotels, Inc.
(A Wholly Owned Subsidiary of InterContinental Hotels Group PLC)

Consolidated Statements of Comprehensive Income
(In Thousands)

	Year Ended December 31		
	2020	**2019**	**2018**
Net income	**$ (13,799)**	$ 425,902	$ 277,772
Other comprehensive income, net of tax:			
Currency translation adjustments	**213**	195	(825)
Unrealized gains (losses) on securities	**14,007**	22,960	(15,096)
Pension liability adjustments	**(1,885)**	(3,628)	34,088
Total other comprehensive income, net of tax	**12,335**	19,527	18,167
Comprehensive income	**$ (1,464)**	$ 445,429	$ 295,939

See accompanying notes.

Six Continents Hotels, Inc.
(A Wholly Owned Subsidiary of InterContinental Hotels Group PLC)

Consolidated Statements of Changes in Parent's Investment

(In Thousands)

Balance at December 31, 2017	$ 1,169,709
Net income	277,772
Other comprehensive income	18,167
Share-based payment compensation	16,338
Change in balances with affiliates offset against Parent's Investment	(479,631)
Capital contributions	40,713
Capital contributions related to income tax provisions	86,636
Balance at December 31, 2018	1,129,704
Net income	425,902
Other comprehensive income	19,527
Share-based payment compensation	17,453
Acquisition of companies under common control	(399,000)
Change in balances with affiliates offset against Parent's Investment	(108,672)
Investment in IHG International Partnership	(39,241)
Cancelation of intercompany balance included in Parent's Investment	21,082
Recognition of deferred taxes on partnership interests and other adjustments	(179,703)
Capital contributions related to income tax provisions	114,075
Balance at December 31, 2019	**1,001,127**
Net income	**(13,799)**
Other comprehensive income	**12,335**
Share-based payment compensation	**11,180**
Change in balances with affiliates offset against Parent's Investment	**44,440**
Investment in IHG International Partnership *(Note 14)*	**(387,000)**
Capital contributions related to income tax provisions	**38,744**
Balance at December 31, 2020	**$ 707,027**

See accompanying notes.

Six Continents Hotels, Inc.

(A Wholly Owned Subsidiary of InterContinental Hotels Group PLC)

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 31		
	2020	**2019**	**2018**
Operating activities			
Net income	**$ (13,799)**	$ 425,902	$ 277,772
Adjustments to reconciled net income to net cash provided by operating activities:			
Depreciation and amortization	**63,470**	64,542	66,739
System Fund depreciation and amortization	**54,630**	47,781	41,878
Impairment loss	**145,770**	–	–
System Fund impairment loss	**41,551**	–	–
Gain on sale of investment	–	–	(678)
Share-based compensation	**11,180**	17,453	16,338
Equity in income of equity method investments	**14,013**	1,593	(17,094)
Contract assets deduction in revenue	**11,695**	9,457	7,625
Distributions from investments in unconsolidated entities	**848**	3,358	6,308
Other adjustments	**17,617**	31,205	(20,318)
Deferred income taxes	**(25,057)**	(3,929)	22,305
Changes in operating assets and liabilities:			
Accounts receivable	**155,584**	(21,020)	(17,970)
Contract costs	**(697)**	(3,785)	(2,998)
Prepaid and other assets	**9,431**	(2,896)	(12,267)
Operating lease right-of-use assets	**11,094**	10,799	–
Accounts payable and accrued expenses	**(137,400)**	(18,819)	85,553
Loyalty program deferred revenue	**13,507**	51,800	123,274
Other deferred revenue	**(10,013)**	(15,202)	4,595
Receivables from and payables to affiliates	**98,649**	123,435	19,632
Operating lease liabilities	**(40,272)**	(12,881)	–
Contract acquisition costs, net of repayments	**(35,726)**	(27,911)	(30,017)
Net cash provided by operating activities	**386,075**	680,882	570,677
Investing activities			
Purchases of property and equipment	**(59,229)**	(127,910)	(138,751)
Landlord contributions to property and equipment	**–**	–	7,954
Net proceeds from disposal of property and equipment	**–**	534	–
Contributions to investments in unconsolidated entities	**(1,667)**	(10,245)	(19)
Loan advances to investments in unconsolidated entities	**–**	–	(2,212)
Loan repayment from investments in unconsolidated entities	**–**	–	2,249
Proceeds from disposals of investments	**500**	500	656
Cash paid for security deposits	**–**	–	(25,000)
Payments for brand intangible	**(1,973)**	(5,000)	(4,515)
Distributions from investments in unconsolidated entities	**5,357**	–	32,345
Net cash used in investing activities	**(57,012)**	(142,121)	(127,293)
Financing activities			
Net settlements of Parent's Investment	**(347,344)**	(551,664)	(454,556)
Net cash used in financing activities	**(347,344)**	(551,664)	(454,556)
Net decrease in cash and cash equivalents and restricted cash	**(18,281)**	(12,903)	(11,172)
Cash and cash equivalents and restricted cash at beginning of year	**54,562**	67,465	78,637
Cash and cash equivalents and restricted cash at end of year	**$ 36,281**	$ 54,562	$ 67,465
Supplemental disclosure of noncash investing and financing activities			
Cancelation of intercompany balances included in Parent's Investment	**$ –**	$ 21,082	$ –
Capital contributions related to income tax provisions	**$ 38,744**	$ 114,075	$ 86,636
Supplemental disclosure			
Cash paid for interest	**$ 18,044**	$ 18,175	$ 18,133
Cash paid for interest from affiliates	**$ 41,320**	$ 50,975	$ 47,955

See accompanying notes.

Six Continents Hotels, Inc.
(A Wholly Owned Subsidiary of InterContinental Hotels Group PLC)

Notes to Consolidated Financial Statements

December 31, 2020

1. Description of the Business and Summary of Significant Accounting Policies

Organization

Six Continents Hotels, Inc. (the Company) is a Delaware company and is an indirect subsidiary of InterContinental Hotels Group PLC (IHG) (the Parent) through InterContinental Hotels Limited (UK), Six Continents Limited (UK), Six Continents Hotels International Limited (UK), InterContinental (PB) 3 Limited (UK), InterContinental Hotels Group Operating Corp. (Delaware), IHC United States (Holdings) Corp. (Delaware), IHC Inter-Continental (Holdings) Corp. (Delaware), and Inter-Continental Hotels Corporation (Delaware), its immediate parent. The Company's business comprises the ownership, leasing, managing and franchising of hotels and resorts primarily under the following brands: Crowne Plaza, Holiday Inn, Holiday Inn Express, Staybridge Suites, Candlewood Suites, Hotel Indigo, EVEN Hotels, Kimpton Hotels & Restaurants, InterContinental Hotels & Resorts, avid hotels, Atwell Suites and voco. The Company's principal assets are trademarks, franchise agreements, owned and leased hotels, management agreements, and joint venture agreements. The InterContinental Hotels & Resorts brand is owned by the Company's immediate parent, Inter-Continental Hotels Corporation (Delaware), which licenses the InterContinental Hotels & Resorts brand to one of the Company's subsidiaries, Holiday Hospitality Franchising, LLC. The avid hotels and Atwell Suites brands are owned by Six Continents Limited, which licenses the brands to the Company. The Company in turn sub-licenses the avid hotels and Atwell Suites brands to its subsidiary, Holiday Hospitality Franchising, LLC.

Basis of Presentation

The Company is a wholly owned subsidiary of the Parent. Accordingly, the Parent's investment in the Company (Parent's Investment on the consolidated balance sheets) is presented in lieu of stockholders' equity. All significant intercompany transactions and balances have been eliminated. The financial statements are not necessarily indicative of the financial position, results of operations, and cash flows that might have occurred had the Company been a stand-alone entity not integrated into the Parent's other operations.

1. Description of the Business and Summary of Significant Accounting Policies (continued)

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States, using the accrual basis of accounting. All assets, liabilities, revenues and expenses in the accompanying consolidated financial statements have been derived from the separate records maintained by the Company except for the allocation of certain expenses incurred by affiliated companies (see Note 14) and the allocation of certain expenses from the Parent (for example, pension and share-based compensation costs and liabilities). In certain cases, allocations do not represent the costs that would be or would have been incurred if the Company were a stand-alone operation.

The accompanying consolidated financial statements reflect all normal and recurring adjustments necessary to present fairly the financial position at December 31, 2020 and 2019, and the results of operations and cash flows for each of the three years in the year ended December 31, 2020.

Principles of Consolidation

The accompanying financial statements include the accounts of the Company and its wholly-owned and majority owned subsidiaries. Investments in companies, partnerships and joint ventures in which the Company has an ownership interest and exercises significant influence are accounted for using the equity method of accounting. Under the equity method of accounting, the Company's investment is recorded at cost and adjusted by the Company's share of profits and losses. All significant intercompany accounts and transactions have been eliminated.

An impairment loss is recognized in relation to investments accounted for under the equity method of accounting when it is determined that there has been an 'other than temporary' decline in the investment's estimated fair value compared with its carrying value.

1. Description of the Business and Summary of Significant Accounting Policies (continued)

Parent's Investment

The Company is formed as a Corporation, in which the Parent wholly-owns all ten shares outstanding. Certain intercompany balances with the Parent and subsidiaries of the Parent have been included in Parent's Investment in the accompanying consolidated balance sheets (see Note 14). These balances are typically long-term in nature and interest-bearing. Receivables from and payables to affiliated companies that are considered to be of a working capital nature, including inter-region chargebacks, are shown in the accompanying consolidated balance sheets as current assets (receivables from affiliates) and current liabilities (payables to affiliates). These working capital amounts are generally non-interest-bearing.

The Company holds a 41.0% interest in an affiliate, IHG International Partnership ("the Partnership"). The Company does not have significant influence over the Partnership and therefore records the investment at cost. The investment is an entity under common control within the IHG Group and, as such, the investment is included at cost within Parent's Investment in the consolidated balance sheets.

Under an intercompany agreement dated March 31, 2014, it was agreed that the Company's current income tax provisions as computed for these Consolidated Financial Statements would be treated as non-shareholder capital contributions and shown as a component of the Parent's Investment. In accordance with the agreement, the current year income tax provision of $38.7 million (see Note 13) has been recorded as a non-shareholder capital contribution disclosed as 'Capital contributions related to income tax provisions' within the consolidated statement of changes in Parent's Investment for the year ended December 31, 2020.

1. Description of the Business and Summary of Significant Accounting Policies (continued)

Variable Interest Entities

If an entity is determined to be a variable interest entity (VIE), it must be consolidated by the "primary beneficiary", being the enterprise that has the power to direct the activities of the VIE that most significantly impact the entity's economic performance, and the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

The Company's evaluation as it relates to its various forms of arrangements focuses primarily on a review of the key terms of its equity investment agreements, management and franchise agreements to determine if any of these arrangements qualify as VIEs. In general, a VIE represents a structure used for business purposes that either does not have equity investors with voting rights, has investors with disproportionately few voting rights, or that has equity investors that do not provide sufficient financial resources for the entity to support its activities.

Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments with an original maturity of three months or less that are readily convertible to cash and subject to insignificant risk of changes in value.

Restricted Cash

Restricted cash comprises funds ring-fenced to satisfy insurance claims.

Accounts Receivable

Trade accounts receivable arise from sales to a large number of customers. Accounts receivable are recorded at their original amount less an allowance for any doubtful amounts. An allowance is made when collection of the full amount is no longer considered probable; in particular by applying the Company's historical policy, supported by the Company's prior experience, and by identifying hotel owners subject to payment plans or identified as distressed and applying a percentage allowance to all outstanding receivables. The Company extends credit generally without requiring collateral.

1. Description of the Business and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment charges. Expenditures for replacements and major improvements are capitalized and depreciated.

Repair and maintenance costs are expensed as incurred. Land is not depreciated. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets: buildings – 30 to 50 years, and furniture and equipment – 3 to 25 years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining lease term.

Sales of Real Estate

Sales of real estate are recorded when the risks and rewards of ownership have transferred to the purchaser, generally at the time of closing and title changes hands.

Recoverability of Property and Equipment

The Company evaluates property and equipment and other long-lived assets for recoverability when changes in circumstances indicate the carrying value may not be recoverable; for example, when there are material adverse changes in projected revenues or expenses, significant underperformance relative to historical or projected operating results, and significant negative industry or economic trends. If indicators of impairment are present, estimated undiscounted future cash flows from related operations are compared with the current carrying values of the long-lived assets. If these assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Fair value is based on estimated discounted future cash flows.

1. Description of the Business and Summary of Significant Accounting Policies (continued)

Assets Held for Sale and Discontinued Operations

Long-lived assets are classified as "held-for-sale" when all of the following criteria are met:

- Management commits to a plan to sell a property;
- It is unlikely that the disposal plan will be significantly modified or discontinued;
- The property is available for immediate sale in its present condition;
- Actions required to complete the sale of the property have been initiated;
- Sale of the property is probable and it is expected that the completed sale will occur within one year; and
- The property is actively being marketed for sale at a price that is reasonable given its current market value.

For properties that meet all of the held-for-sale criteria, the asset is reclassified to held-for-sale and recorded at the lower of cost or fair market value less cost to sell. Subsequent to the date an asset is classified as held-for-sale, depreciation expense is not recorded.

If a property ceases to meet the held-for-sale criteria, it is reclassified back into property and equipment at the lower of the fair value or the carrying value, less the depreciation not recognized while the property was classified as held-for-sale (catch up depreciation). The additional depreciation is charged to the consolidated income statement in the year the property is reclassified into property and equipment.

Software

The Company capitalizes certain development costs associated with internal-use software, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350, *Internal-use software,* including external direct costs of materials and services and payroll costs for employees devoting time to a specially identified software project. Costs incurred during the preliminary project stage, as well as costs for maintenance and training, are expensed as incurred.

Capitalized software, which is included in property and equipment, is amortized to expense generally over a period of three to ten years depending on the useful life of the related asset.

1. Description of the Business and Summary of Significant Accounting Policies (continued)

The Company annually evaluates its software for recoverability and reassesses the ongoing value of its technology platform.

Deferred Compensation Plan Investments

The Company provides certain compensation arrangements in the United States through a Rabbi trust. The Rabbi trust is considered a variable interest entity, which the Company consolidates because the Company is its primary beneficiary. The marketable securities held by the trust are recorded at market value in accordance with ASC 320, *Investments in debt and equity securities,* and as such, unrealized gains and losses are reported in other comprehensive income except for other than temporary movements which are recognized in the consolidated statements of net income. Unrealized gains (losses) of $14.0 million, $23.0 million and $(15.1) million net of tax, were recorded in other comprehensive income for the year ended December 31, 2020, 2019 and 2018, respectively.

Investments

Available-for-sale investments are carried at fair value with adjustments to fair value included in the consolidated statements of comprehensive income. The fair value of investments quoted on exchanges is based on market prices for the last trading day of the year. Non-quoted investments are carried at cost. In assessing the potential impairment of investments, the Company considers whether there are identifiable events or circumstances that may have a significant adverse effect on the value of the investment.

The Company did not maintain any securities for trading or any held-to-maturity investments for all years presented.

Leases

On inception of a contract, the Company assesses whether it contains a lease. A contract contains a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The company classifies a lease as a capital lease if it meets certain criteria or as an operating lease when it does not.

1. Description of the Business and Summary of Significant Accounting Policies (continued)

Lease contracts may contain both lease and non-lease components. The Company allocates payments in the contract to the lease and non-lease components based on their relative stand-alone prices and applies the lease accounting model only to lease components.

Assets held under capital leases are capitalized at the inception of the lease within property and equipment, with a corresponding liability being recognized for the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and interest in the consolidated statements of net income to achieve a constant rate of interest on the remaining balance of the liability. Assets held under capital leases are amortized over the shorter of the estimated useful life of the asset or the lease term.

For assets held under operating leases, the right to use the asset and the obligation under the lease to make payments are recognized on the consolidated balance sheets as a right-of-use asset and a lease liability.

The right-of-use asset recognized at lease commencement includes the amount of lease liability recognized, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset's estimated useful life and the lease term. Right-of-use assets are also adjusted for any remeasurement of lease liabilities and are subject to impairment testing.

Asset groups of long-lived assets are re-assessed when there are changes in facts and circumstances in the interdependency of cash flows. Where there are indicators of impairment, the recoverability of the related asset group is reviewed by comparing the estimated future undiscounted cash flows to the net carrying value of the asset group. If the asset group is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset group exceeds its fair value. Fair value is based on estimated discounted cash flows. The impairment loss is allocated among the assets in the asset group pro rata based on the relative carrying value of the respective assets.

1. Description of the Business and Summary of Significant Accounting Policies (continued)

The lease liability is initially measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments (including 'in-substance fixed' payments) and variable lease payments that depend on an index or a rate, less any lease incentives receivable. In-substance fixed payments are payments that may, in form, contain variability but that, in-substance, are unavoidable. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Upon adoption of ASU 2016-02, *Leases (Topic 842),* the Company elected to use the remaining lease term as of January 1, 2019 in its estimation of the applicable discount rate for leases that were in place at adoption. For the initial measurement of the lease liability for leases commencing after January 1, 2019, the discount rate as of the commencement date of the lease has been used, incorporating the entire lease term.

The lease term includes periods subject to extension options which the Company is reasonably certain to exercise and excludes the effect of early termination options where the Company is not reasonably certain that it will exercise the option. Minimum lease payments include the cost of a purchase option if the Company is reasonably certain it will purchase the underlying asset after the lease term.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the 'in-substance fixed' lease payments or as a result of a rent review or change in the relevant index or rate.

For operating leases, lease expense related to fixed payments is recognized on a straight-line basis over the lease term within property and other taxes, insurance and leases in the consolidated statements of net income.

Variable lease payments that do not depend on an index or a rate are recognized as expense in the period over which the event or condition that triggers the payment occurs.

The Company has opted not to apply the lease accounting model to leases which have a term of less than twelve months. Costs associated with these leases are recognized as an expense on a straight-line basis over the lease term.

1. Description of the Business and Summary of Significant Accounting Policies (continued)

Sub-leases of the Company's assets are normally classified as operating leases as the risks and rewards of ownership are not substantially transferred to the sub-lessee. Rental income arising is accounted for on a straight-line basis in the consolidated statements of net income.

Goodwill and Intangible Assets with Indefinite Lives

Goodwill and intangible assets with indefinite lives (trademarks) are not amortized but are tested for impairment at least annually and whenever events or circumstances occur to indicate that these intangible assets may be impaired.

Goodwill is tested for impairment on an annual basis using a two-step process. The first step requires the comparison of the fair value of reporting units to their carrying value. If the fair value of the reporting unit exceeds its carrying value, then no further testing is required. If the carrying value of a reporting unit exceeds its fair value, a second step is required to determine the amount of impairment charge, if any. An impairment charge is recognized if the carrying value of a reporting unit's goodwill exceeds the fair value of that goodwill.

The Company has one reporting unit reflecting the level at which results are reviewed and the similarity (considered for both economic and other qualitative factors) between the underlying components.

Intangible assets with indefinite lives are first assessed based on qualitative factors to determine if a quantitative impairment test is necessary. Further testing is only carried out when it is considered more likely than not that its fair value is less than its carrying amount. If the carrying amount exceeds the fair value, an impairment loss is recognized in the consolidated statements of net income to the amount of the difference.

Intangible Assets with Finite Lives

The cost of acquiring management agreements as part of a business combination is capitalized and amortized on a straight-line basis over the period of the management agreement, including any extension periods at the Company's option.

1. Description of the Business and Summary of Significant Accounting Policies (continued)

The Company evaluates the carrying value of these assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the estimated undiscounted cash flows are less than carrying value, an impairment loss is charged to the consolidated income statement based on the difference between the carrying value and the estimated fair value. Fair value is based on estimated discounted future cash flows.

Revenue Recognition

Revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. Revenue is recorded excluding taxes.

Fee business revenue

Under franchise agreements, the Company's performance obligation is to provide a license to use the Company's trademarks and other intellectual property. Franchise royalty fees are typically charged as a percentage of hotel gross rooms revenues and are treated as variable consideration, recognized as the underlying hotel revenues occur.

Under management agreements, the Company's performance obligation is to provide hotel management services and a license to use the Company's trademarks and other intellectual property. Base and incentive management fees are typically charged. Base management fees are typically a percentage of total hotel revenues and incentive management fees are generally based on the hotel's profitability or cash flows. Both are treated as variable consideration. Like franchise fees, base management fees are recognized as the underlying hotel revenues occur. Incentive management fees are recognized over time when it is considered highly probable that the related performance criteria for each annual period will be met, provided there is no expectation of a subsequent reversal of the revenue.

Application and re-licensing fees are not considered to be distinct from the franchise performance obligation and are recognized over the life of the related contract.

1. Description of the Business and Summary of Significant Accounting Policies (continued)

The number of franchised hotels in operation during the year ended December 31, 2020 is as follows:

Franchised hotels at December 31, 2019	3,980
New franchises	163
Franchises removed	(64)
Franchised hotels at December 31, 2020	4,079

Revenue from hotel operations

At its owned and leased hotels, the Company's performance obligation is to provide accommodation and other goods and services to guests. Revenue includes rooms revenue and food and beverage sales, which are recognized when the rooms are occupied and food and beverages are sold. Guest deposits received in advance of hotel stays are recorded as deferred revenue on the consolidated balance sheets. They are recognized as revenue along with any balancing payment from the guest when the associated stay occurs, or are returned to the customer in the event of a cancellation.

Other revenue

Franchise and management agreements also contain a promise to provide technology support and network services to hotels. A monthly technology fee, based on either gross rooms revenue or the number of rooms in the hotel, is charged and recognized over time as these services are delivered. Technology fee income is included in other revenue. Other revenue also includes license and service fee income from affiliates which are recognized over time.

System Fund and other co-brand revenues

The Company operates a System Fund (the Fund) to collect and administer cash assessments from hotel owners for the specific purpose of use in marketing, the Guest Reservation System and hotel loyalty program. The Fund also benefits from proceeds from the sale of loyalty points under third-party co-branding arrangements. The Fund is not managed to generate a profit or loss for the Company over the longer term, but is managed for the benefit of the IHG System (hotels/rooms operating under franchise and management agreements together with IHG owned, leased and managed hotels/rooms, globally) with the objective of driving revenues for the hotels in the System.

1. Description of the Business and Summary of Significant Accounting Policies (continued)

Under both franchise and management agreements, the Company is required to provide marketing and reservations services, as well as other centrally managed programs. These services are provided by the Fund and are funded by assessment fees. Costs are incurred and allocated to the Fund in accordance with the principles agreed with the IHG Owners Association (which represents the interests of more than 4,500 hotel owners and operators worldwide). The Company acts as principal in the provision of the services as the related expenses primarily comprise payroll and marketing expenses under contracts entered into by the Company. The assessment fees from hotel owners are generally levied as a percentage of hotel revenues and are recognized as those hotel revenues occur.

Certain travel agency commission revenues within the Fund are recognized on a net basis, where it has been determined that the Company is acting as agent.

In respect of the loyalty program (IHG Rewards), the related performance obligation is to arrange for the provision of future benefits to members on consumption of previously earned reward points. Members have a choice of benefits: reward nights at an IHG hotel or other goods or services provided by third parties. Under its franchise and management agreements, the Company receives assessment fees based on total qualifying hotel revenue from IHG Rewards members' hotel stays.

The Company's performance obligation is not satisfied in full until the member has consumed the points at a participating hotel or selected a reward from a third party. Accordingly, loyalty assessments are deferred in an amount that reflects the stand-alone selling price of the future benefit to the member. Revenue is impacted by a "breakage" estimate of the number of points that will never be consumed. On an annual basis, the Company engages an external actuary who uses

statistical formulae to assist in formulating this estimate, which is adjusted to reflect actual experience up to the reporting date.

As materially all of the points will be either consumed at IHG managed or franchised hotels owned by third parties, or exchanged for awards provided by third parties, the Company is deemed to be acting as agent on consumption and therefore recognizes the related revenue net of the cost of reimbursing the hotel or third party that is providing the benefit.

1. Description of the Business and Summary of Significant Accounting Policies (continued)

Performance obligations under the Company's co-brand credit card agreements comprise:

a) arranging for the provision of future benefits to members who have earned points or free night certificates;
b) marketing services; and
c) providing the co-brand partner with the right to access the loyalty program.

Revenue from a) and b) are reported within System Fund revenues. Prior to January 1, 2020, revenue from co-brand credit card agreements relating to the right to access the loyalty program was recorded within the System Fund. As of January 1, 2020, this revenue is recorded within fee business revenue.

Fees from these agreements comprise fixed amounts normally payable at the beginning of the contract, and variable amounts paid on a monthly basis. Variable amounts are typically based on the number of points and free night certificates issued to members and the marketing services performed by the Company. Total fees are allocated to the performance obligations based on their estimated stand-alone selling prices. Revenue allocated to marketing and licensing obligations is recognized on a monthly basis as the obligation is satisfied. Revenue relating to points and free night certificates is recognized when the member has consumed the points or certificates at a participating hotel or has selected a reward from a third party, net of the cost of reimbursing the hotel or third party that is providing the benefit.

Judgment is required in estimating the stand-alone selling prices which are based upon generally accepted valuation methodologies regarding the value of the license provided, and the number of points and certificates expected to be issued. However, the value of revenue recognized and the deferred revenue balance at the end of the year is not materially sensitive to changes in these assumptions.

Cost reimbursements

In a managed property, the Company acts as employer of the general manager and other employees at the hotel and is entitled to reimbursement of these costs. The performance obligation is satisfied over time as the employees perform their duties, consistent with when reimbursement is received. Reimbursements for these services are shown as revenue with an equal matching employee cost, with no profit impact. Certain other costs relating to both managed and franchised hotels are also contractually reimbursable to the Company and, where the Company is deemed to be acting as principal in the provision of the related services, the revenue and cost are shown on a gross basis.

1. Description of the Business and Summary of Significant Accounting Policies (continued)

Contract assets

Amounts paid to hotel owners to secure management and franchise agreements ('key money') are treated as consideration payable to a customer. A contract asset is recorded which is recognized as a deduction to fee business revenue over the initial term of the contract. These assets are presented as 'Contract assets' in the consolidated balance sheets.

Typically, contract assets are not financial assets as they represent amounts paid at the beginning of a contract, and so are tested for impairment based upon future cash flows. Contract assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If the estimated undiscounted cash flows are less than carrying value, an impairment loss is charged to the consolidated income statement based on the difference between the carrying value and the estimated fair value. Fair value is based on estimated discounted future cash flows.

In limited cases, the Company may provide performance guarantees to third-party hotel owners to secure management agreements. The expected value of payments under performance guarantees reduces the overall transaction price and is treated as a reduction to revenue over the life of the contract.

Contract costs

Certain costs incurred to secure management and franchise agreements, typically developer commissions, are capitalized and are amortized over the initial term of the related contract. These costs are presented as 'Contract costs' in the consolidated balance sheets.

Contract costs are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If the estimated undiscounted cash flows are less than carrying value, an impairment loss is charged to the consolidated income statement based on the difference between the carrying value and the estimated fair value. Fair value is based on estimated discounted future cash flows.

1. Description of the Business and Summary of Significant Accounting Policies (continued)

Pension and Other Postretirement Benefits

Defined Benefit Plans

The determination of the Company's obligation and expense for pension and other postretirement benefits is dependent on the selection of certain actuarial assumptions, as described in Note 11.

The Company defers actual results that differ from its assumptions and amortizes the difference over future periods. Therefore, the differences generally affect the recognized expense, recorded obligation and funding requirements in future periods. While the Company believes its assumptions are appropriate, significant differences in actual experience or significant changes in its assumptions may materially affect its pension and other postretirement benefit obligations and its future expenses.

Defined Contribution Plans

Expenses for defined contribution plans are charged to operations as payments become due.

Income Taxes

The Company records the amounts of deferred tax liabilities and assets for the future tax consequences of events that have been recognized in its financial statements on its Parent's tax returns. Deferred income taxes are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect when these differences are expected to reverse.

Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period when the new tax rate is enacted.

The Company reclassifies the amounts of taxes payable or refundable for the current year as non-shareholder capital contributions, which is shown as a component of the Parent's Investment.

1. Description of the Business and Summary of Significant Accounting Policies (continued)

The Company applies the provisions of ASC 740, *Accounting for Uncertainty in Income Taxes*, which prescribes criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits resulting from uncertain tax positions that meet a "more likely than not" threshold at the effective date are recognized, based on measurement as the largest benefit which has a greater than fifty percent likelihood of being sustained upon examination by the tax authorities.

The Company recognizes interest and penalties relating to tax positions within income tax expense.

Comprehensive Income

Comprehensive income is the change in Parent's Investment during the year that results from transactions with parties other than the Parent. Other comprehensive income (comprehensive income less net income) includes the effects of foreign currency translation, pension liability adjustments, and unrealized gains and losses on certain equity securities. The Company's comprehensive income is presented on the consolidated statements of comprehensive income.

Fair Value of Financial Instruments

The aggregate fair value of cash and cash equivalents, accounts receivables, and accounts payable as of December 31, 2020, approximates their carrying value due to their relatively short-term nature.

Foreign Currency Translation

Balance sheet accounts are translated at the exchange rates in effect at each year end and income and expense accounts are translated at the weighted-average rates of exchange prevailing during the year. The national currencies of foreign operations are the functional currencies. Gains and losses from foreign exchange and the effect of exchange rate changes on intercompany transactions of a long-term investment nature are generally included in other comprehensive income. Gains and losses from foreign exchange rate changes related to intercompany receivables and payables of a working capital nature are reported separately on the consolidated statements of net income and amount to a net loss of $2.8 million, $2.5 million and $3.1 million in the years ended December 31, 2020, 2019 and 2018, respectively.

1. Description of the Business and Summary of Significant Accounting Policies (continued)

Legal Contingencies

The Company is subject to various legal proceedings and claims, the outcomes of which are subject to significant uncertainty. A loss contingency is accrued by way of a charge to income if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been incurred. The Company evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of the loss. Changes in these factors could materially impact the Company's financial position or its results of operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported year. Actual results could differ from those estimates.

Impact of Recently Issued Accounting Pronouncements

Future Adoption of Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, replacing the existing impairment model for most financial assets from an incurred loss impairment to a current expected credit loss model. This model requires an entity to recognize an impairment allowance equal to its current estimate of all contractual cash flows the entity does not expect to collect. The standard is effective for financial years beginning after 15 December 2022, but early adoption is permitted. The Company plans to adopt this ASU on January 1, 2023 and is currently evaluating the impact that the standard will have on its Consolidated Financial Statements.

1. Description of the Business and Summary of Significant Accounting Policies (continued)

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles – Goodwill and Other – Internal-use Software Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU aligns guidance for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with guidance for capitalizing implementation costs to develop or obtain internal-use software. The standard is effective for financial years beginning after December 15, 2020, but early adoption is permitted. The Company plans to adopt this ASU on January 1, 2021 and is currently evaluating the impact that the standard with have on its Consolidated Financial Statements.

2. Bad Debt Expense

The operations of the Company have been severely impacted by the coronavirus (Covid-19) international pandemic. Occupancy levels have improved since the peak of the pandemic but remain significantly lower than prior years. As such, cash inflows to hotel owners have been reduced. The Company has undertaken a number of actions to support the liquidity of hotel owners, including the waiver of certain fees, extended credit terms and, where appropriate, the use of payment plans. In comparison to the prior year, the Company has experienced an increase in 'days sales outstanding' and a reduction in cash collection. These factors, taken together with limited forward visibility on the pace and scale of market recovery result in an increased level of uncertainty in calculating the allowance for doubtful debts.

The Company has charged a total bad debt expense of $20.0m, $3.2 million and $4.4 million in the years ended December 31, 2020, 2019 and 2018, respectively. An additional $23.9 million, $11.2 million and $10.5 million was recognized within System Fund expenses in the years ended December 31, 2020, 2019 and 2018, respectively. The net accounts receivable balance presented in the consolidated balance sheets could result in additional charges if amounts are ultimately found to be uncollectible, or a release from the allowance for doubtful accounts if collection rates improve.

3. Restructuring Costs

Restructuring costs of $11.3 million incurred in the year ended December 31, 2020 arise mainly from a reorganization completed in the year, reflecting the reassessment of near-term priorities and the resources needed to support reduced levels of demand. An additional $19.6 million was charged to the System Fund and is included in 'System Fund expenses' on the consolidated statements of net income.

Restructuring costs of $6.9 million and $34.6 million (including $24.7 million consultancy costs) incurred in the years ended December 31, 2019 and 2018, respectively, related to a comprehensive efficiency program to fund a series of new strategic initiatives to drive an acceleration in the Company's future growth. The program was completed in 2019 and no further restructuring costs related to this program were incurred in the year ended December 31, 2020. An additional $25.6 million and $41.0 million was charged to the System Fund in the years ended December 31, 2019 and 2018, respectively.

4. Impairment Loss

During 2020, Covid-19 has resulted in social distancing measures and travel restrictions coming into effect. Occupancy levels have dropped to historic lows during the 2020 financial year. Disruption to travel continues, with limited forward visibility on the pace and scale of market recovery.

The impact of this negative economic activity in 2020 was a trigger for an impairment of various non-current assets. The following impairment losses were recognized in the year ended December 31, 2020 (in thousands):

Investments in unconsolidated entities *(Note 12)*	$ 40,891
Property and equipment *(Note 5)*	16,404
Operating lease right-of-use assets *(Note 8)*	18,392
Contract assets	4,387
Other assets	65,696
	$ 145,770

A further $41.5 million impairment loss was recognized in System Fund expenses, comprising $10.0 million in respect of property and equipment and $31.5 million in respect of operating lease right-of-use assets.

4. Impairment Loss (continued)

All significant contract assets were tested for impairment using cash flow projections at an individual property level. An impairment loss of $4.4 million was recognized relating to key money payments on four individual properties.

At December 31, 2019, other assets included deposits of $65.7 million made to Services Properties Trust (SVC) in connection with a portfolio of management agreements. The deposits were non-interest-bearing and repayable at the end of the management agreement terms. As a result of Covid-19 the deposits have been used to fund owner returns. The management agreements were terminated on November 30, 2020 and the deposits are not recoverable. Accordingly, the balance of $65.7 million has been impaired in full.

5. Property and Equipment

Property and equipment which includes the hotels owned by the Company, related furnishings and capitalized software, is carried at cost less accumulated depreciation and impairment (if applicable), and consisted of the following at December 31, 2020 and 2019:

	December 31	
	2020	**2019**
	(In Thousands)	
Land	**$ 38,077**	$ 36,775
Building and improvements	**132,769**	126,219
Furniture, fixtures, and equipment (including computer software)	**1,004,695**	990,110
Assets held under capital leases	**182,851**	182,851
	1,358,392	1,335,955
Less accumulated depreciation and impairment	**(591,111)**	(491,786)
Property and equipment, net	**$ 767,281**	$ 844,169

Total depreciation expense was $59.0 million, $60.3 million and $63.1 million for the years ended December 31, 2020, 2019 and 2018, respectively. Software amortization included in this expense for the years ended December 31, 2020, 2019 and 2018, was $31.9 million, $30.7 million and $32.6 million, respectively. Additional depreciation expense of $53.6 million, $47.2 million, and $41.4 million has been charged to the System Fund in the years ended December 31, 2020, 2019 and 2018, respectively, and is included in 'System Fund expenses' on the consolidated statements of net income.

5. Property and Equipment (continued)

The net book value of capitalized internal-use software at December 31, 2020 and 2019 is $471.3 million and $511.7 million, respectively. The Company recognized capitalized interest expense of $0.1 million, $4.5 million and $5.1 million associated to software development projects for the years ended December 31, 2020, 2019 and 2018, respectively. Individual software assets were reviewed for impairment during the year ended December 31, 2020, with $4.2 million impairment loss charged to System Fund expenses relating to projects which are no longer expected to complete.

In August 2006, the Company entered into a 99-year capital lease on the InterContinental Hotel in Boston, Massachusetts, which is recorded in property and equipment on the consolidated balance sheets. Assets capitalized related to this lease were $131.3 million and $135.0 million, net of $51.6 million and $47.9 million in accumulated amortization, at December 31, 2020 and 2019, respectively. The total depreciation expense includes $3.7 million in each of the years ended December 31, 2020, 2019 and 2018, for this asset. See Note 8 for further information relating to the capital lease obligation.

The following impairment losses were recorded in the year ended December 31, 2020 as a result of Covid-19:

An impairment charge of $12.2 million (in addition, $1.7 million was impaired in respect of a related operating lease right-of-use asset) was recorded in respect of one premium-branded hotel. The fair value was estimated by discounting projected cash flows (over a 10-year period) and the reversion of the property sale.

Impairment charges of $2.2 million were also recognized in relation to two development land sites which were measured at fair value. The sites were appraised by a professional external valuer using comparable sales data.

Impairment charges of $7.8 million were recognized in relation to property and equipment in the U.S. corporate headquarters (see Note 8 for further information). $5.8 million of this impairment loss was attributed to the System Fund (and included in 'System Fund expenses' in the consolidated statements of net income) in line with existing principles for cost allocation relating to this facility.

6. Insurance Receivable, Net

Insurance receivable, net, represents the cash surrender value of key man life insurance policies reduced by outstanding loan amounts. These key man life insurance policy provisions allow for the right to offset outstanding loan amounts against the proceeds received on maturity or cancellation of the policy. Accumulated cash surrender value amounts of $28.4 million and $27.3 million were reduced by outstanding loan amounts of $27.5 million and $26.4 million at December 31, 2020 and 2019, respectively. These assets are classified in other long-term assets in the consolidated balance sheets.

7. Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following at December 31, 2020 and 2019:

	December 31	
	2020	**2019**
	(In Thousands)	
Goodwill	**$ 940,998**	$ 940,998
Trademarks and Brands	**709,475**	709,475
Indefinite-lived intangible assets	**1,650,473**	1,650,473
Other intangible assets	**107,491**	107,481
Less accumulated amortization	**(39,685)**	(36,131)
Goodwill and intangible assets, net	**$ 1,718,279**	$ 1,721,823

No impairment of goodwill and indefinite-lived intangible assets (trademarks) was recorded for the years ended December 31, 2020, 2019 and 2018.

At December 31, 2020, the average remaining term for other intangible assets is fifteen years.

Amortization expense on finite-lived intangible assets recorded in the years ended December 31, 2020, 2019 and 2018, was $4.4 million, $4.2 million and $3.6 million, respectively. Additional amortization expense of $1.1 million, $0.6 million and $0.5 million has been charged to the System Fund in the years ended December 31, 2020, 2019 and 2018, respectively, and is included in 'System Fund expenses' on the consolidated statements of net income.

7. Goodwill and Intangible Assets (continued)

Estimated amortization for finite-lived intangible assets for the next five years is as follows (in thousands):

2021	$ 6,340
2022	6,069
2023	5,847
2024	4,944
2025	3,944

8. Leases

The Company leases certain real estate and equipment used in its operations, which are accounted for as operating leases. In addition to a specified minimum rental, some of these leases provide for variable lease rentals based on percentages of revenue.

Operating lease costs are included in property and other taxes, insurance and leases on the consolidated statements of net income.

Lease costs for the years ended December 31, 2020, 2019 and 2018 were as follows:

	2020	**2019**
	(In Thousands)	
Operating lease expense for fixed payments	$ 17,346	$ 17,441
Variable lease expense	167	364
Short-term lease cost	19	70
Sub-lease income	(234)	(407)
Capital lease expense:		
Amortization of assets	3,541	3,660
Interest on lease liabilities	21,869	21,352

8. Leases (continued)

	2018
	(In Thousands)
Minimum	$ 18,156
Variable lease expense	203
Rental expense	$ 18,359

Additional operating lease expense of $1.0 million, $1.8 million and $1.4 million has been charged to the System Fund in the years ended December 31, 2020, 2019 and 2018, respectively, and is included in 'System Fund expenses' on the consolidated statements of net income.

On May 1, 2015, the Company entered into an amended lease agreement to extend the lease of its corporate headquarters in Atlanta to April 30, 2031. The Company has the option to extend the lease term for two further terms of between seven and ten years. The extension option is not included in the calculation of the lease asset and liability as the extension would not take effect before 2031. The minimum lease payments under the lease are included in the table on the following page. In connection with the amended agreement, the landlord granted the Company a construction allowance of $25.3 million for expenditure on furniture, fixtures and equipment, of which $0.5 million, $2.6 million and $8.0 million was utilized in the years ended December 31, 2020, 2019 and 2018, respectively.

As a response to workplace efficiency studies conducted in 2019, the reorganization conducted in 2020 (see Note 3) and the anticipated impact of Covid-19 on working habits, in 2020 management approved a decision to sublet, and commenced marketing of, approximately half the space in the Company's corporate headquarters. The corporate workforce will be consolidated in the retained space and the area to be sublet is expected to be vacated in the first half of 2021. The sublease rentals are expected to be lower than the head lease rentals which, together with the impact of the expected time taken and costs incurred to sublet the space, result in the recoverable value of the assets being significantly below carrying value. The recoverable amount was measured at fair value less costs of disposal. The key assumptions are the time taken to successfully sublet the whole space (over 2021 – 2023) and sublease rentals per square foot. A pre-tax discount rate of 8.5% was applied.

8. Leases (continued)

This has resulted in an impairment loss of $56.0 million, of which $7.8 million has been deducted from the carrying value of property and equipment and $48.2 million has been deducted from the carrying value of operating lease right-of-use assets. $37.3m of the impairment loss ($5.8 million in respect of property and equipment and $31.5 million in respect of operating lease right-of-use assets) was borne by the System Fund in line with existing principles for cost allocation relating to this facility.

An additional impairment loss of $1.7 million was incurred in relation to a premium-branded hotel (see Note 5).

The future minimum rental commitments under non-cancelable operating leases at December 31, 2020, are as follows (in thousands):

2021	$ 10,571
2022	9,969
2023	10,252
2024	10,177
2025	10,001
Thereafter	67,724
	$ 118,694

Minimum rental commitments exclude variable rentals which are payable based on percentages of revenue.

As described in Note 5, the Company has a lease on the InterContinental Hotel in Boston, Massachusetts. The lease commenced on August 1, 2006, with the first lease payment due on August 1, 2007. Interest expense of $21.9 million, $21.4 million and $20.9 million was incurred for the years ended December 31, 2020, 2019 and 2018, respectively. Accrued interest of $63.6 million and $57.8 million is included within capital lease obligation on the consolidated balance sheets as of December 31, 2020 and 2019, respectively.

8. Leases (continued)

The future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of December 31, 2020, are as follows (in thousands):

2021	$ 16,000
2022	18,560
2023	21,120
2024	21,120
2025	21,120
Thereafter	3,170,213
Net minimum lease payments	3,268,133
Less amount representing interest	(3,085,282)
Present value of net minimum lease payments	$ 182,851

The Company has the option to extend the term of the lease for two additional 20-year terms. The extension option is not included in the calculation of the lease asset and liability. Payments under the lease step up at regular intervals over the lease term.

No material restrictions or guarantees exist with respect to the Company's finance or operating lease obligations.

Supplemental balance sheet information related to leases as of December 31, 2020 and 2019 was as follows:

	2020	2019
Weighted average remaining lease term:		
Operating leases	10.1 years	10.9 years
Capital leases	84.6 years	85.6 years
Weighted average discount rate:		
Operating leases	4.6%	4.6%
Capital leases	9.0%	9.0%

8. Leases (continued)

For the years ended December 31, 2020 and 2019 cash flows for leases were:

	2020	2019
	(In Thousands)	
Operating cash flows		
Operating leases	$ 22,766	$ 21,301
Capital leases	16,000	16,000
Financing cash flows		
Capital leases	-	-

9. Share-Based Compensation

Certain employees of the Company participate in share-based compensation arrangements that are granted by the Parent and result in the award of the Parent's stock. As the Parent is a UK-based company whose stock is traded in pounds sterling, some of the disclosures that follow are provided in pence. References to the "Board," "Executive Directors," and the "Remuneration Committee" relate to those of the Parent.

For awards that are classified as equity awards, the cost is recognized from the grant date over the requisite service period.

Annual Performance Plan

Under the IHG Annual Performance Plan (APP), eligible employees (including Executive Directors) can receive all or part of their bonus in the form of deferred shares and/or receive one-off awards of shares. Deferred shares are released on the third anniversary of the award date. Under the terms of the awards that are referred to in this note, a fixed percentage of the award is made in the form of shares. Awards under the APP are conditional on the participants remaining in the employment of a participating company or leaving for a qualifying reason as per the plan rules. The award of deferred shares under the APP is at the discretion of the Remuneration Committee.

9. Share-Based Compensation (continued)

The number of shares is calculated by dividing a specific percentage of the participant's annual performance-related award by the middle market quoted prices on the three consecutive dealing days immediately preceding the date of the grant. A number of the Company's executives participated in the APP during the year and conditional rights over 68,461 (98,800 in 2019 and 69,597 in 2018) shares were awarded to participants. In 2020 this number included 18,460 (38,816 in 2019 and 22,511 in 2018) shares awarded as part of recruitment terms or for one-off individual performance-related awards.

Plan rules for the APP were approved by shareholders of the Parent at the IHG PLC Annual General Meeting on May 2, 2014 and apply to awards made in respect of the 2015 and subsequent financial years. The plan rules contain substantially the same terms as the superseded plan rules.

Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) allows Executive Directors and eligible employees to receive conditional share awards, which normally have a vesting period of three years.

- Performance-related awards: Awards to the Executive Directors, and some awards to other eligible employees, are granted subject to the achievement of performance conditions set by the Remuneration Committee, which are normally measured over the vesting period.

- Restricted stock units: Awards to eligible employees are granted subject to continued employment.

Awards are normally made annually and, except in exceptional circumstances, will not exceed three times salary for eligible employees. The plan provides for the grant of options with no cost to participants as an alternative to conditional share awards. During 2020, conditional rights over 640,404 (466,038 in 2019 and 481,949 in 2018) shares were awarded to employees of the Company under the plan, comprising 167,680 performance-related awards (103,666 in 2019 and 128,580 in 2018) and 472,724 restricted stock units (362,372 in 2019 and 353,369 in 2018).

Plan rules for the LTIP were approved by shareholders of the Parent at the IHG PLC Annual General Meeting on May 2, 2014 and apply to awards made in respect of the 2015-17 and subsequent LTIP cycles. The plan rules contain substantially the same terms as the superseded plan rules.

9. Share-Based Compensation (continued)

Colleague Share Plan

The Colleague Share Plan gives eligible corporate employees the opportunity to purchase shares up to an annual limit of $1,000 (or local currency equivalent limit) or such other amount determined by the IHG PLC Board or its duly authorized committee. At the end of the plan year, the participant will be awarded the right to receive one matching share for every purchased share (subject to continued employment). If the participant holds the purchased shares until the second anniversary of the end of the plan year, the conditional right to matching shares vests. During the year ended December 31, 2020, 19,105 shares were purchased by participating employees. Matching shares will be awarded for the first cycle in 2021 and will vest after 12 months. No shares were purchased in the years ended December 31, 2019 or 2018.

Compensation Disclosures

The Company recognized share-based compensation expense of $20.2 million, $23.3 million, and $21.7 million in the years ended December 31, 2020, 2019 and 2018, respectively. The expense relates to employees who have contracted employment with the Company. In some instances, these employees provide their services to affiliated companies who pay their salaried remuneration.

9. Share-Based Compensation (continued)

In 2020, 2019 and 2018, the Company used separate option pricing models and assumptions for each plan. The following tables set forth information about how fair value of each award is calculated:

	Annual Performance Plan	Long Term Incentive Plan
	Binomial	Monte Carlo Simulation and Binomial
2020 valuation model		
Weighted-average share price	3,771.0p	3,450.0p
Expected dividend yield	n/a	1.5%
Risk-free interest rate	–	0.0%
Volatility[(i)]	–	33.5%
Term (years)	3.0	3.0
2019 valuation model		
Weighted-average share price	4,597.0p	4,850.0p
Expected dividend yield	n/a	2.2%
Risk-free interest rate	–	0.7%
Volatility[(i)]	–	19.2%
Term (years)	3.0	3.0
2018 valuation model		
Weighted-average share price	4,645.0p	4,774.0p
Expected dividend yield	n/a	2.3%
Risk-free interest rate	–	0.8%
Volatility[(i)]	–	24.5%
Term (years)	3.0	3.0

[(i)] The expected volatility was determined by calculating the historical volatility of the Parent's share price corresponding to the expected life of the share award.

9. Share-Based Compensation (continued)

Movements in the awards outstanding under the plans for the year ended December 31, 2020, are as follows:

	Annual Performance Plan	Long Term Incentive Plan Performance-related awards	Long Term Incentive Plan Restricted stock units
	(Number of Shares In Thousands)		
Outstanding at December 31, 2019	**203**	**292**	**832**
Granted	68	168	473
Vested	(83)	(76)	(271)
Transfer from intergroup companies	-	-	4
Expired or canceled	(10)	(33)	(108)
Outstanding at December 31, 2020	**178**	**351**	**930**
Weighted-average remaining contract life (years) at December 31, 2020	1.2	1.3	1.3
Fair value of awards granted:			
2020	**$ 46.84**	**$ 23.25**	**$ 43.08**
2019	$ 58.65	$ 47.81	$ 58.28
2018	$ 60.43	$ 47.04	$ 59.81

The above awards do not vest until the performance and service conditions have been met.

The weighted-average share price at the date of exercise for share awards vested during the year was 4,903.0 British pence. The closing share price on December 31, 2020 was 4,690.0 British pence and the range during the year was 2,385.5 British pence to 5,223.0 British pence per share.

9. Share-Based Compensation (continued)

	Year Ended December 31		
	2020	**2019**	**2018**
	(In Millions)		
Intrinsic value of awards and options exercised in the year			
Annual Performance Plan	**$ 4.5**	$ 8.4	$ 5.2
Long Term Incentive Plan – Performance-related awards	**5.0**	8.9	23.8
Long Term Incentive Plan – Restricted Stock Units	**17.6**	16.3	-
	$ 27.1	$ 33.6	$ 29.0
Fair value of awards vested during the year			
Annual Performance Plan	**$ 4.2**	$ 5.9	$ 3.2
Long Term Incentive Plan – Performance-related awards	**3.3**	4.6	3.5
Long Term Incentive Plan – Restricted Stock Units	**14.2**	9.8	-
	$ 21.7	$ 20.3	$ 6.7

As of December 31, 2020, there was $16.5 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the plans. That cost is expected to be recognized over a weighted-average period of two years.

No cash was received from option exercises under any of the share-based payment arrangements for the years ended December 31, 2020, 2019 and 2018. The actual tax benefit realized for the tax deductions from option exercise of the share-based payment arrangements totaled $1.5 million, $7.1 million and $7.7 million for the years ended December 31, 2020, 2019 and 2018, respectively.

10. Other Comprehensive Income (Loss)

A summary of the components of other comprehensive income (loss) for the years ended December 31, 2020, 2019 and 2018, is as follows (in thousands):

	Pre-Tax Amount	Tax	Net of Tax Amount
Fiscal 2020			
Foreign currency translation adjustments	**$ (231)**	**$ 444**	**$ 213**
Unrealized gains on securities	**18,676**	**(4,669)**	**14,007**
Pension liability adjustments	**(2,513)**	**628**	**(1,885)**
Other comprehensive income (loss)	**$ 15,932**	**$ (3,597)**	**$ 12,335**
Fiscal 2019			
Foreign currency translation adjustments	$ 9	$ 186	$ 195
Unrealized gains on securities	30,778	(7,818)	22,960
Pension liability adjustments	(4,864)	1,236	(3,628)
Other comprehensive income (loss)	$ 25,923	$ (6,396)	$ 19,527
Fiscal 2018			
Foreign currency translation adjustments	$ (532)	$ (293)	$ (825)
Unrealized losses on securities	(20,263)	5,167	(15,096)
Pension liability adjustments	45,756	(11,668)	34,088
Other comprehensive income (loss)	$ 24,961	$ (6,794)	$ 18,167

10. Other Comprehensive Income (Loss) (continued)

The following table provides information regarding the pre-tax amounts reclassified out of accumulated comprehensive income for the year ended December 31, 2020 (in thousands):

	Foreign Currency Translation Adjustments	Unrealized Gains on Securities	Pension Liability Adjustments	Total
Fiscal 2020				
Other comprehensive (loss) income before reclassifications	**$ (231)**	**$ 18,676**	**$ (4,138)**	**$ 14,307**
Amounts reclassified to income (pension costs) from other comprehensive income	**-**	**-**	**1,625**	**1,625**
Other comprehensive income	**$ (231)**	**$ 18,676**	**$ (2,513)**	**$ 15,932**

11. Employee Benefit Plans

Defined Contribution Plans

The Company maintains a defined contribution savings plan. Under the plan, participating employees who have completed six months of service may elect to make pretax contributions to the plan from 1.0% up to 75.0% of their eligible earnings. Subject to certain limitations, the Company will match 100.0% of the first 4.0% of compensation contributed (6.0% for a non-highly compensated corporate employee, a member of the hotel executive committee, a reservations center director, or a reservations center employee). Plan participants are immediately vested in the Company's matching contributions. The Company's matching contributions to the Plan were approximately $5.1 million, $12.2 million and $12.6 million for the years ended December 31, 2020, 2019 and 2018, respectively. Additionally, employees meeting certain eligibility requirements received supplemental contributions of $2.2 million, $5.1 million and $5.2 million, for the years ended December 31, 2020, 2019 and 2018, respectively. Plan participants become fully vested in the Company's supplemental matching contributions after five years of credited service.

11. Employee Benefit Plans (continued)

Defined Benefit Plans

During 2018, the Company completed a termination of the US funded Inter-Continental Hotels Pension Plan (the Plan), which involved certain qualifying members receiving lump-sum cash-out payments of $20 million with the remaining pension obligations subject to a buy-out by Banner Life Insurance Company (Banner), a subsidiary of Legal and General America, through the purchase of a group annuity contract for $124 million. Banner assumed responsibility for the payment of the Plan's pension obligations on June 12, 2018. A further amount of $6 million was transferred to the Pension Benefit Guaranty Corporation in respect of members who it had not been possible to trace. The transactions were funded using the assets of the Plan and a final Company contribution of $12 million, $1.5 million of which was subsequently returned to the Company as a 'mistake-in-fact' contribution refund.

The Company continues to maintain the unfunded Inter-Continental Hotels Non-qualified Pension Plans and unfunded Inter-Continental Hotels Corporation Postretirement Medical, Dental, Vision and Death Benefit Plan, both of which are defined benefit plans. Both plans are closed to new members. A Retirement Committee, comprising senior Company employees and assisted by professional advisors as and when required, has responsibility for oversight of the plans.

The pension costs for the defined benefit plans are as follows:

	Pension Plans			**Postretirement Programs**		
	Year Ended December 31			**Year Ended December 31**		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
	(In Thousands)			*(In Thousands)*		
Service cost	**$ 1**	$ 3	$ 92	**$ -**	$ -	$ -
Interest cost	**1,342**	1,754	3,573	**642**	823	774
Expected return on assets	**-**	-	(2,122)	**-**	-	-
Amortization of unrecognized actuarial loss	**1,625**	636	4,357	**-**	-	-
Net periodic benefit cost	**$ 2,968**	$ 2,393	$ 5,900	**$ 642**	$ 823	$ 774
Settlement expense	**-**	-	51,996	**-**	-	-
Total	**$ 2,968**	$ 2,393	$ 57,896	**$ 642**	$ 823	$ 774

11. Employee Benefit Plans (continued)

The settlement expense in 2018 arose from the Plan termination and represented the immediate recognition of the Plan's unrecognized loss at the time of termination.

The pension costs related to the defined benefit plans are settled with the Parent through the Parent's Investment account.

The major assumptions used in computing the benefit obligations were as follows:

	Pension Plans			**Postretirement Programs**		
	Year Ended December 31			**Year Ended December 31**		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
Discount rate	**1.9%**	2.9%	3.9%	**2.0%**	2.9%	4.0%
Expected long-term rate of earnings increases	**3.5%**	3.5%	3.5%	**4.0%**	4.0%	4.0%

The assumed discount rates were determined by reference to published long-term bond indices at a maturity appropriate to the anticipated timing of expected benefit payments.

Mortality is the most significant demographic assumption. The current assumptions are based on rates from the Pri-2012 Mortality Study and Generationally Projected with Scale MP-2020 mortality tables.

The assumed health care cost trend rates for medical and dental plans for 2020, 2019 and 2018 are as follows:

	2020	**2019**	**2018**
Health care cost trend rate assumed for next year:			
Pre 65 (ultimate rate reached in 2029)	**6.4%**	6.7%	7.1%
Post 65 (ultimate rate reached 2029)	**6.8%**	7.1%	7.6%
Ultimate rate that the cost rate trends to	**4.5%**	4.5%	4.5%

11. Employee Benefit Plans (continued)

A one-percentage point increase in assumed health care costs trend rate would increase the accumulated post-employment benefit obligation as of December 31, 2020, 2019 and 2018, by $1.7 million in each year, and would increase the total of the service and interest cost components of net post-employment health care cost for the years ended December 31, 2020, 2019 and 2018, by approximately $0.1 million in each year.

A one-percentage point decrease in assumed health care costs trend rate would decrease the accumulated post-employment benefit obligations as of December 31, 2020, 2019 and 2018 by $1.6 million in each year, and would decrease the total of the service and interest cost components of net post-employment health care cost for the years ended December 31, 2020, 2019 and 2018, by approximately $0.1 million in each year.

The following table sets forth movements in the projected benefit obligation:

	Pension Plans		**Postretirement Programs**	
	Year Ended December 31		**Year Ended December 31**	
	2020	**2019**	**2020**	**2019**
	(In Thousands)		*(In Thousands)*	
Change in benefit obligation				
Benefit obligation at beginning of year	**$ 48,346**	$ 45,450	**$ 22,595**	$ 22,030
Service cost	**1**	3	**-**	-
Interest expense	**1,342**	1,754	**642**	823
Employee contributions	**-**	-	**420**	434
Benefits paid	**(3,679)**	(3,711)	**(1,526)**	(1,342)
Actuarial (gain) loss arising in the year	**4,009**	4,850	**129**	650
Benefit obligation at end of year	**$ 50,019**	$ 48,346	**$ 22,260**	$ 22,595
Accumulated benefit obligation (all vested)	**$ 50,019**	$ 48,340	**$ 22,260**	$ 22,595

There were no changes in plan assets during the years ended December 31, 2020 or 2019. The fair value of plan assets was $0.25 million at December 31, 2020 and 2019.

Further information regarding the fair value of plan assets is included in Note 15.

11. Employee Benefit Plans (continued)

The following table sets forth the amounts recognized in the financial statements:

	Pension Plans		Postretirement Programs	
	Year Ended December 31		Year Ended December 31	
	2020	2019	2020	2019
	(In Thousands)		*(In Thousands)*	
Fair value of plan assets	**$ 250**	$ 250	**$ -**	$ -
Projected benefit obligation	**(50,019)**	(48,346)	**(22,260)**	(22,595)
Funded status	**$ (49,769)**	$ (48,096)	**$ (22,260)**	$ (22,595)
Recognized in the balance sheet as:				
Pension asset – current	**$ 250**	$ 250	**$ -**	$ -
Accrued pension cost – current	**(3,618)**	(3,636)	**(1,311)**	(1,360)
Accrued pension cost – noncurrent	**(46,401)**	(44,710)	**(20,949)**	(21,235)
	$ (49,769)	$ (48,096)	**$ (22,260)**	$ (22,595)
Amounts recognized in accumulated other comprehensive income:				
Unrecognized actuarial loss (gain)	**13,275**	10,891	**(136)**	(264)
	$ 13,275	$ 10,891	**$ (136)**	$ (264)

The net actuarial (loss) gain recognized in other comprehensive income for the years ended December 31, 2020, 2019 and 2018, was $(4.0) million, $(4.8) million and $(12.1) million, respectively, for the pension plans, and $(0.1) million, $(0.7) million and $1.6 million, respectively, for the postretirement programs. Losses amortized from other comprehensive income and included in the net periodic pension cost were $1.6 million, $0.6 million, and $56.4 million (including $52.0 million relating to the Plan termination) in the years ended December 31, 2020, 2019 and 2018, respectively, all relating to the pension plans.

The Company estimates that of the amounts included in other comprehensive income at December 31, 2020, $2.1 million of the actuarial loss will be amortized for the pension plans in 2021, all on a pretax basis.

At December 31, 2020, the Company estimates that it will contribute $3.6 million to the pension plans and $1.3 million to the post retirement benefit programs in 2021.

11. Employee Benefit Plans (continued)

The following benefit payments are expected to be paid:

	Pension Plans	Postretirement Programs
	(In Thousands)	
2021	$ 3,618	$ 1,311
2022	3,532	1,333
2023	3,444	1,348
2024	3,349	1,357
2025	3,253	1,336
2026-2030	14,637	6,445

12. Investments in Unconsolidated Entities

Barclay Operating Corporation

The Company owns a 48.9% interest in Barclay Operating Corporation (BOC) which is accounted for under the equity method of accounting. Prior to March 31, 2014, a wholly-owned subsidiary of BOC, 111 East 48th Street Holdings LLC (111 East 48th Street), owned a 100% interest in the InterContinental Barclay hotel located in New York. On March 31, 2014, a third-party investor, Constellation Barclay Holding US LLC (Constellation), acquired, through a capital contribution, an 80.1% interest in 111 East 48th Street with BOC retaining an 18.18% interest. In addition, the Company acquired the remaining 1.72% by contributing capital, through a wholly-owned subsidiary, IHG Management MD Barclay Sub LLC (IHG Management). The purpose of the transaction was to create a joint venture, 111 East 48th Street, to own and refurbish the InterContinental Barclay hotel. BOC and IHG Management, together the IHG Member, own a combined 19.9% interest in the joint venture. The hotel is operated under a long-term management agreement with IHG Management (Maryland) LLC, a wholly-owned subsidiary of the Company. The hotel reopened for trading in April 2016 following a major renovation.

The Company's investment in BOC had a net book value of $142.3 million and $144.4 million at December 31, 2020 and 2019, respectively.

12. Investments in Unconsolidated Entities (continued)

The unaudited summarized balance sheet and income data of BOC were as follows:

	December 31	
	2020	**2019**
	(In Thousands)	
Receivables from affiliates	**$ 504,896**	$ 500,613
Equity accounted investment	**13,392**	21,766
	518,288	522,379
Total liabilities	**(225,462)**	(223,746)
Net assets (stockholders' equity)	**$ 292,826**	$ 298,633

BOC incurred a net loss of $3.7 million in the year ended December 31, 2020 and earned net income of $5.6 million and $6.8 million in the years ended December 31, 2019 and 2018 respectively. No revenue was reported in those years.

IHG Management's direct investment in 111 East 48th Street is also accounted for under the equity method of accounting and had a net book value of $33.0 million and $59.7 million at December 31, 2020 and 2019, respectively. The decrease in the investment during the year ended December 31, 2020 arose primarily from an impairment loss recognized of $31.7 million as well as its $7.7 million share of the loss recognized in 111 East 48th Street for the year ended December 31, 2020, together with the cost of funding owner returns, offset by capital contributions of $12.9 million.

The recoverable amount of the investment has been measured at fair value less costs of disposal, based on the Company's share of the market value of the hotel less debt in 111 East 48th Street. The hotel was appraised by a professional external valuer using an income capitalization approach which is a discounted cash flow technique that measures the present value of projected income flows (over a 10-year period) and the reversion of the property sale. The external valuer assumed a return to 2019 RevPAR levels over a three to four-year period, based on industry data specific to the New York market and supply factors in the luxury market located close to the InterContinental New York Barclay. The pre-tax discount and capitalization rates used in the valuation were 7.5% and 6.0%, respectively.

12. Investments in Unconsolidated Entities (continued)

Following capital contributions made since the initial investment, IHG Management held a 13.7% and 13.4% interest in the joint venture at December 31, 2020 and 2019, respectively, with BOC holding a 6.2% and 6.5% interest; the Company's effective interest was therefore 16.7% and 16.6% at December 31, 2020 and 2019, respectively.

Under the terms of the joint venture agreement, IHG Management (Maryland) LLC placed a $25 million security deposit in an escrow account of 111 East 48th Street during the year ended December 31, 2018. The security deposit is held for the purpose of funding shortfalls in owner returns. $15.5 million was withdrawn from the deposit during the year ended December 31, 2020 in connection with the refinancing of the hotel's senior bank loan and to fund working capital requirements. No amounts required release from the deposit during prior years. There were no commitments at December 31, 2020.

Investments in other hotel ownership entities

At December 31, 2020, the Company held the following interests in entities that own hotels which are managed by the Company:

Holding	Investment
17%	CDC San Francisco LLC ("CDC")
27%	Carr Clark SWW Subventure, LLC ("Carr")
5%	LRR Holdings LLC ("LRR")
25%	NF III Seattle LLC and NF III Seattle Op Co, LLC (together "Seattle")
0%	EDG Alpharetta EH, LLC ("EDG")

The Company accounts for these investments, which had a combined net book value of $19.2 million and $32.8 million at December 31, 2020 and 2019, respectively, under the equity method of accounting.

At December 31, 2019 and 2018, the Company also held a 49% investment in BCRE IHG 180 Orchard Holdings, LLC ("BCRE") which owned a hotel that was sold in 2018. The Company received a final distribution of $1.7m during the year ended December 31, 2020 on liquidation of BCRE.

12. Investments in Unconsolidated Entities (continued)

The net book value of LRR includes $0 million and $6.1 million at December 31, 2020 and 2019, respectively, relating to preferred equity. The net book value of EDG includes $3.0 million and $2.8 million at December 31, 2020 and 2019, respectively, relating to preferred equity which was issued in return for a contribution of land by the Company in March 2018.

The combined unaudited summarized balance sheets and income data of the above investments is as follows:

	December 31	
	2020	**2019**
	(In Thousands)	
Current assets	**$ 10,839**	$ 24,446
Non-current assets	**304,422**	323,649
	315,261	348,095
Total liabilities	**(259,168)**	(247,614)
Net assets	**$ 56,093**	$ 100,481

	2020	**2019**	**2018**
	(In Thousands)		
Revenue	**$ 35,130**	$ 112,260	$ 126,504
Net (loss) income	**$ (36,700)**	$ 5,289	$ 37,857

The Company has recognized its proportionate share of net losses and income in the consolidated statements of net income for the years ended December 31, 2020, 2019 and 2018, respectively.

Following an impairment review at December 31, 2020, an impairment loss of $7.6 million was recorded in respect of these investments.

12. Investments in Unconsolidated Entities (continued)

Hotel JV Services, LLC

In January 2011, the Company contributed an initial $1.6 million as a founding member of Hotel JV Services, LLC, a joint venture formed to operate an online travel met search website. The Company initially held a 20% interest in the joint venture as did the other four partners. Subsequent investment structure changes resulted in the Company's ownership interest being reduced to 17.8%. The joint venture began operating as 'Roomkey.com' on January 11, 2012. During 2013, the Company participated in capital calls which resulted in an additional investment of $3.0 million by the Company. The investment is accounted for under the equity method of accounting.

During 2020 the Board of Hotel JV Services LLC voted to wind down the company and final distributions were made to its investors. The Company recorded $3.7 million as its share of the distribution and wrote the remaining investment value down to $0, recording an impairment loss of $1.6 million in the consolidated income statement for the year ended December 31, 2020. The investment had a net book value of $5.3 million at December 31, 2019.

The unaudited summarized balance sheet and income data of Hotel JV Services, LLC is as follows:

	December 31	
	2020	**2019**
	(In Thousands)	
Current assets	**$ -**	$ 24,296
Non-current assets	**-**	3,387
	-	27,683
Total liabilities	**-**	(1,142)
Net assets	**$ -**	$ 26,541

	2020	**2019**	**2018**
		(In Thousands)	
Revenue	**$ 956**	$ 10,580	$ 14,362
Net (loss) income	**$ (3,200)**	$ 1,249	$ 6,965

12. Investments in Unconsolidated Entities (continued)

The Company has recognized its proportionate share of losses and gains in the consolidated statements of net income for the years ended December 31, 2020, 2019 and 2018, respectively.

Groups360 LLC

In August 2019, the Company contributed $10 million for a 12.6% share of Groups360 LLC ("Groups360"), a newly-created joint venture formed to operate a comprehensive meetings and events marketplace for people planning meetings, events and group travel, and hoteliers. Subsequent changes in the investment structure have changed the Company's investment share to 13.1%. The investment, which had a net book value of $7.8 million and $9.7 million at December 31, 2020 and 2019, respectively, is accounted for under the equity method of accounting. The Company has recognized its proportionate share of losses of $(1.9) million and $(0.3) million within System Fund expenses in the consolidated income statements for the year ended December 31, 2020 and 2019, respectively. The Company has a commitment to invest up to an additional $6.0m in Groups360 at December 31, 2020.

13. Income Taxes

The Company is not required to file a separate tax return but is included in the consolidated federal income tax return of InterContinental Hotels Group Operating Corp. (IHGOP), its ultimate U.S. parent company. The Company's income tax provision and related tax asset and liability accounts are recomputed as if the Company filed a separate income tax return, except for Section 163(j) limitation, and dividends received deduction. The following items are computed at the consolidated level: (i) Foreign Tax Credits (FTC); (ii) Base Erosion and Anti-Trust Tax (BEAT); and (iii) Foreign Derived Intangible Income (FDII). The Company does not record inside basis differences on equity investments for C Corporations and instead evaluates the need to book the outside basis difference. The evaluation to determine the ability to recover the outside basis tax-free is evaluated based on the overall consolidated group and not on a separate company basis.

13. Income Taxes (continued)

Under an intercompany agreement dated March 31, 2014, it was agreed that the Company's current income tax provisions as computed for these consolidated financial statements would be treated as non-shareholder capital contributions and shown as a component of the Parent's Investment. In accordance with the agreement, the Company's current year income tax provisions of $38.7 million, $114.1 million and $86.6 million for the years ended December 31, 2020, 2019 and 2018, respectively, have been recorded as non-shareholder capital contributions within Parent's Investment. These amounts are disclosed as 'Capital contributions related to income tax provisions' in the consolidated statement of changes in Parent's Investment for the years ended December 31, 2020, 2019 and 2018.

In 2019, the Company recorded $162.8 million in additional ending deferred tax liabilities, of which $176.2 million was recorded as a deduction to Parent's Investment and $13.4 million was recorded as an income tax benefit in order to separately track the outside tax basis difference in the Partnership and 111 East 48th Street. The cumulative adjustment to provision (benefit) for income taxes in 2019 was the cumulative tax effected movement in outside basis difference since inception of the Company's investments in both partnerships. This adjustment properly reflects the tax consequences associated with the Company's expected recovery of its book investment in the partnerships. An additional $3.5 million was recorded as a deduction to Parent's Investment relating to deferred tax in respect of leases.

Federal income tax returns filed by the tax-paying parent of the Company are open for examination by the Internal Revenue Service for years 2017 through 2019. Examinations for tax years 2007, 2008, 2010 and 2012 were finalized in 2018 and tax year 2015 was finalized in 2020. Since there was a subsequent filing for the capital loss carryback to years 2015 and 2016 from 2018, this reopens 2015 and 2016 on a limited basis for re-examination. The 2014 exam is closed by the Internal Revenue Service but under appeals. The statute has been extended through 2021. The Company's state income tax returns are open for examination by various state taxing authorities for years 2014 through 2019.

The Company recognizes interest and penalties relating to uncertain tax positions within income tax expense. There were no interest and penalties recorded in the consolidated statements of net income in any of the years ended December 31, 2020, 2019 and 2018 and the amount recorded within income tax liabilities in the consolidated balance sheets was $0 at both December 31, 2020 and December 31, 2019.

13. Income Taxes (continued)

The Company accounts for taxes on Global Intangible Low-Taxed Income (GILTI) as period costs within provision for income taxes on the consolidated statements of net income.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2020 and 2019 are differences in book and tax bases of certain tangible and intangible assets, including trademarks and management agreements, together with deferred gains, pensions, deferred compensation plans and foreign tax credits. The net change during the year in the total valuation allowance is $1.3 million.

Deferred tax assets and liabilities at December 31, 2020 and 2019, are as follows:

	2020	**2019**
	(In Thousands)	
Deferred tax assets	**$ 181,522**	$ 188,018
Deferred tax liabilities	**(552,326)**	(578,813)
Valuation allowance	**(6,001)**	(7,274)
Noncurrent deferred tax liabilities, net	**$ (376,805)**	$ (398,069)

Significant components of the provision (benefit) for income taxes for the years ended December 31, 2020, 2019 and 2018, are as follows:

	2020	**2019**	**2018**
	(In Thousands)		
Current:			
U.S. federal	**$ 29,630**	$ 74,899	$ 59,125
U.S. state	**10,025**	34,109	26,176
Foreign taxes	**6,338**	14,022	14,027
Total current	**45,993**	123,030	99,328
Deferred	**(25,057)**	(3,929)	22,305
Total	**$ 20,936**	$ 119,101	$ 121,633

13. Income Taxes (continued)

The Company's effective tax rate of 293.3% percent differs from the U.S. Federal Income Tax rate of 21 percent due to taxes imposed by various state and foreign jurisdictions, credits for taxes paid to foreign jurisdictions, permanent tax adjustments, deferred tax liability adjustments, adjustments to opening tax accounts due to differences in the positions reported on filed tax returns in prior years and changes in uncertain tax positions.

The Company performs an annual analysis to determine whether foreign taxes incurred during the year by U.S. legal entities can be deducted as a foreign tax credit against applicable U.S. federal income taxes or must be treated as a deduction for U.S. income tax purposes. The Company has determined it will take a tax deduction against income for foreign taxes paid in 2020 and claimed a partial credit in 2019.

The Company operates, manages, and franchises hotels in a significant number of countries and consequently, a wide range of matters of interpretation of tax law arise in the normal course of business. Although reliance is placed on generally available interpretations in these countries, there is no certainty that the relevant tax authorities will agree with the Company's interpretation or that the Company's interpretation will be upheld. Consequently, it is possible that certain matters will be resolved adversely resulting in additional liabilities and cash tax settlements. The Company provides against all quantifiable tax exposures based upon best estimates and management's judgment in accordance with the requirements of ASC 740-10 concerning uncertain tax positions as described above.

During the years ended December 31, 2020, 2019 and 2018, the Company decreased its reserve for uncertain tax positions by $0.3 million, $0.4 million and $0.6 million, respectively, for potential liabilities. The adjustment of these reserves affected the Company's effective tax rates by approximately (4.6)%, (0.1)% and (0.2)% in the years ended December 31, 2020, 2019 and 2018, respectively. While the Company is in the appeals process with the IRS on a significant portion of the uncertain tax benefits, the Company does not reasonably foresee any significant increases or decreases to the total amount of unrecognized tax benefits occurring during the next 12 months.

In addition to income taxes recognized in the consolidated statements of net income, in 2020, 2019, and 2018, respectively, the Company recognized tax expense (benefit) of $3.6 million, $6.4 million and $6.8 million in the consolidated statements of comprehensive income and $0, $0 and $0 million, directly within Parents Investment.

13. Income Taxes (continued)

The Company has recorded a deferred tax asset of $1.9 million reflecting the benefit of $37.3 million in state loss carryforwards, which expire in varying amounts between 2020 and 2036. Realization is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards. Although realization is not assured, management believes it is more likely than not that all of the deferred tax asset will be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted in the near term if estimates of future taxable income during the carryforward period are increased or reduced.

In general, it is the Company's practice and intention to reinvest the earnings of its non-U.S. subsidiaries in those operations. As of December 31, 2020, the Company estimates that it has an outside basis difference in certain non-U.S. subsidiaries of approximately $113 million, which includes the cumulative undistributed earnings of the Company's non-U.S. subsidiaries. The Company continues to be indefinitely reinvested in this outside basis difference. The Company has not made a provision for the unrecognized deferred tax liability related to this outside basis difference as it is not practicable. This is due to the complexities associated with calculating the U.S. residual tax, including the availability of foreign tax credits, the local withholding tax and other indirect tax consequences that may arise upon a distribution of these earnings.

14. Related-Party Transactions

On March 31, 2020, the Company contributed $387 million to the Partnership (as defined in Note 1) in exchange for an increase in its investment. At the same time, the Partnership transferred two of its subsidiaries together with $472 million to another of its partners, Six Continents Holdings Limited (SCHL) in exchange for a reduction in SCHL's Partnership interest. This had the effect of increasing the Company's proportional share in the Partnership. Following these transactions, the Company's investment in the Partnership increased from 12.1% to 41.0%. Both before and after these transactions, the Company does not have significant influence over the Partnership and will continue to record its investment at cost within Parent's Investment in the consolidated balance sheets.

14. Related-Party Transactions (continued)

Receivables from and payables to affiliated companies included in current assets and current liabilities in the consolidated balance sheets consist of the following at December 31, 2020 and 2019:

	December 31	
	2020	**2019**
	(In Thousands)	
Receivables from affiliates	**$ 56,207**	$ 125,538
Payables to affiliates – current	**102,343**	114,535

These current amounts are of a working capital nature and generally represent charge-backs between regions that are non-interest-bearing.

Other long-term receivables from and payables to affiliated companies which are generally interest-bearing are netted and included as an offset in Parent's Investment in the consolidated balance sheets. Interest is paid on the balances with affiliates as due under the note agreements.

Interest income related to receivables from affiliates of $66.7 million, $142.4 million and $153.3 million is included in the consolidated statements of net income for the years ended December 31, 2020, 2019 and 2018, respectively. Interest expense related to payables to affiliates of $44.2 million, $58.6 million and $57.1 million is included in the consolidated income statements for the years ended December 31, 2020, 2019 and 2018, respectively. Such amounts are presented on a net basis in the consolidated statements of net income.

As discussed in Note 9, certain employees of the Company participate in share-based compensation programs and are issued stock of IHG, the ultimate parent company of SCH, Inc.

In the years ended December 31, 2020, 2019 and 2018, the Company recognized share-based payment compensation expense of $20.2 million, $23.3 million and $21.7 million, respectively.

The Company made net allocations of overhead expenses to affiliated companies of $258.4 million, $347.3 million and $347.6 million in the years ended December 31, 2020, 2019 and 2018, respectively. Additionally, the Company paid insurance expenses of $15.7 million, $16.9 million, and $20.6 million, for the years ended December 31, 2020, 2019 and 2018, respectively, to SCH Insurance Company Inc., a wholly owned subsidiary of the Parent. This expense primarily represents assessments of premium charges and estimated losses for U.S. medical healthcare stop loss insurance.

14. Related-Party Transactions (continued)

The Company recognized in other revenue $28.5 million, $46.9 million and $49.0 million from affiliated companies in respect of service fee income in the years ended December 31, 2020, 2019, and 2018, respectively.

Net license fee expense charged by affiliated companies of $5.5 million, $22.6 million and $18.2 million was recognized as a deduction to fee business revenue for the years ended December 31, 2020, 2019 and 2018, respectively.

On January 1, 2011, the Company entered into a ten-year license agreement, with successive ten-year renewal options, with an affiliated company for the right to use the 'IHG' trademark. This was superseded on January 1, 2019 by a one-year agreement with automatic one-year extension periods unless either party gives the other notice to terminate. The royalty payment under these agreements of $1.4 million, $2.6 million and $0.3 million was recognized as a deduction to fee business revenue in the years ended December 31, 2020, 2019 and 2018, respectively.

The Company recognized mark-up cost charged by affiliated companies of $14.2 million, $17.0 million, and $17.9 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Guarantee fee costs charged by affiliated companies of $0.2 million, $0.6 million and $1.7 million are included in other (loss) income for the years ended December 31, 2020, 2019 and 2018, respectively.

15. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A three-tier fair value hierarchy is used to define the inputs used in measuring fair value. These tiers are: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of December 31, 2020, 2019 and 2018, the Company held certain assets and liabilities that are required to be measured at fair value on a recurring basis. These are the defined benefit plans' assets and the marketable securities and related liabilities of the Company's Rabbi Trust.

The following tables present the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2020 and 2019:

			Fair Value Measurements Using		
Description	**Carrying Value**	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
			(In Thousands)		
At December 31, 2020					
Defined benefit plans' assets:					
Cash and cash equivalents	**$ 250**	**$ 250**	**$ 250**	**$ -**	**$ -**
Marketable securities related to deferred compensation plans[(i)]	**235,682**	**235,682**	**235,682**	**-**	**-**
Total	**$ 235,932**	**$ 235,932**	**$ 235,932**	$ -	$ -
At December 31, 2019					
Defined benefit plans' assets:					
Cash and cash equivalents	$ 250	$ 250	$ 250	$ -	$ -
Marketable securities related to deferred compensation plans[(i)]	217,721	217,721	217,721	-	-
Total	$ 217,971	$ 217,971	$ 217,971	$ -	$ -

(i) also the fair value of the deferred compensation plan liabilities.

There were no material transfers into and out of Level 3 during the year.

16. Variable Interest Entities

The Company has evaluated the hotels in which it has a variable interest, which is generally in the form of investments, loans, guarantees, or equity. The Company determines if it is the primary beneficiary of the hotel by primarily considering qualitative factors. Qualitative factors include evaluating if the Company has the power to control the hotel and the obligation to absorb the losses and rights to receive the benefits that could potentially be significant to the entity. Variable interests generally exist when the Company has provided security deposits and/or performance guarantees to third party owners to secure management agreements. The Company has determined it is not the primary beneficiary of any entity in which it has a variable interest and therefore these entities are not consolidated in the Company's financial statements.

17. Performance guarantees

From time to time, the Company will grant a performance guaranty to encourage property owners to enter into a management agreement. The Company has five and six guarantees as of December 31, 2020 and 2019, respectively, all provided by wholly owned subsidiaries of the Company.

Under these guarantees, amounts will become payable if performance hurdles, as defined in the relevant management agreements, are not met. During the years ended December 31, 2020 and 2019, payments of $3.6 million and $2.8 million were made, respectively, in accordance with two of the guarantees. At December 31, 2020, the Company did not have any amounts accrued for performance guarantees; in estimating amounts due, the Company has considered 'force majeure' provisions within its management agreements.

The Company's maximum exposure under such guarantees was $24.4 million at December 31, 2020. Amounts will become payable if the performance hurdles are not met in future years.

18. Commitments and Contingencies

Loans

In limited cases, the Company may guarantee loans made to facilitate third-party ownership of hotels under franchise or management agreements with the Company. There were guarantees of $56.1 million and $55.2 million in place at December 31, 2020 and 2019, respectively. No amounts were provided under these guarantees at December 31, 2020 and 2019. The largest guarantee was $21.3 million at December 31, 2020 and 2019; the underlying managed hotel is temporarily closed and is currently subject to a principal and interest forbearance agreement. Although the Company is severally liable for this amount, there is a cross-indemnity that the Company would seek to pursue for the other partners' share of any amount funded under the guarantee.

Litigation

In the normal course of business, the Company is subject to certain claims and litigation, including unasserted claims. The Company, based on its current knowledge and discussions with its legal counsel, is of the opinion that such matters will not have a material adverse effect on the financial position or results of operations of the Company.

Two claims were filed on March 19, 2018 and December 6, 2018 against the Company and other hotel companies, alleging violations of anti-trust regulations. One of the matters is a class action, and both suits allege that the defendant hotel companies conspired to eliminate competitive branded keyword search advertising in the hotel industry, which allegedly raised prices for hotel rooms in violation of applicable law. The Company disputes the allegations. The likelihood of a favorable or unfavorable result cannot be reasonably determined and it is not possible to determine whether any loss is likely or to estimate the amount of any loss.

Security Incident

In 2016, the Company was notified of (a) a security incident at a number of Kimpton hotels that resulted in unauthorized access to guest payment card data, and (b) security incidents at a number of IHG branded hotels including the installation of malware on servers that processed payment cards used at restaurants and bars of 12 IHG managed properties, together the Security Incidents.

18. Commitments and Contingencies (continued)

The Company may be exposed to investigations regarding compliance with applicable State and Federal data security standards, and legal action from individuals and organizations impacted by the Security Incidents. Due to the general nature of the regulatory inquiries received and class action filings to date, it is not practicable to make a reliable estimate of the possible financial effects of any such claims on the Company at this time. To date, four lawsuits have been filed against the Company relating to the Security Incidents, with one subsequently withdrawn in 2018. Settlement in respect of one lawsuit was agreed in 2019, and a further lawsuit was settled on September 2, 2020. Both of these settlements are expected to be paid under the Company's insurance programs.

The fourth lawsuit remains open. The claimant alleges that security failures allowed customers' financial information to be compromised. The likelihood of a favorable or unfavorable result cannot be reasonably determined and it is not possible to determine whether any loss is likely or to estimate the amount of any loss.

A separate claim was filed in 2019 against Kimpton. The allegations relate to a breach of the reservation system previously used by Kimpton. The likelihood of a favorable or unfavorable result cannot be reasonably determined and it is not possible to determine whether any loss is likely or to estimate the amount of any loss.

Other

The Company had outstanding letters of credit of $11.5 million and $8.5 million at December 31, 2020 and 2019, respectively, mainly relating to self-insurance programs.

The Company has made business insurance claims in relation to a small number of owned, leased and managed properties relating to the impact of Covid-19. It is not currently possible to determine the amounts which may be recovered.

In relation to external bank funding provided to 111 East 48th Street Holdings LLC (see Note 12), the Company has provided certain guarantees to the lenders as additional security for the loans. These guarantees include a guaranty of recourse obligations and an environmental indemnity. The guarantees are joint and several with the joint venture partner and re-allocated under a cross-indemnity such that any liability would be shared in accordance with the respective membership interests in 111 East 48th Street Holdings LLC.

18. Commitments and Contingencies (continued)

The Company has provided a guaranty in favor of InterContinental Hotels Corporation, an affiliated company, regarding the payment of an amount of $237.3 million owed by 111 East 48th Street Holdings LLC to InterContinental Hotels Corporation. No amounts were provided under this guarantee at December 31, 2020 and 2019.

19. Concentrations

The Company is required to disclose significant concentrations of its business consistent with the provisions of ASC 275, *Risks and Uncertainties*. The Company earned 41.1%, 39.5% and 46.3% of its management fee revenues from its four, six and six largest hotel owner group customers in the years ended December 31, 2020, 2019 and 2018, respectively. One of the six largest owner groups in the years ended December 31, 2019 and 2018 terminated its management agreements on November 30, 2020, representing 0.3%, 5.9% and 12.9% of management fee revenues in the years ended December 31, 2020, 2019 and 2018, respectively.

During the years ended December 31, 2020, 2019 and 2018, the Company recognized revenues from foreign operations in the amounts of $50.1 million, $66.3 million and $56.6 million, respectively. For the years ended December 31, 2020, 2019 and 2018, this represented 4.3%, 3.1% and 2.7%, respectively, of total revenues generated, excluding System Fund.

From time to time the Company has bank balances in excess of Federally Insured Deposit Limitations. The Company has not experienced any losses in such accounts.

20. Subsequent Events

All subsequent events through March 29, 2021, the date these financial statements were available for issuance, have been evaluated.

EXHIBIT H

EXHIBIT H

IHG MERLIN TERMS AND CONDITIONS
("Terms and Conditions")

The documents, information and other materials (the "Material(s)") contained on the IHGMerlin Web Site <www.ihgMerlin.com> (the "Site") are provided by Six Continents Hotels, Inc. ("SCH"), a member of the InterContinental Hotels Group ("IHG"), exclusively for use by authorized franchisees of Holiday Hospitality Franchising, LLC, SCH or their affiliates (individually, a "Licensee"), or employees of SCH or its affiliates (collectively, "IHG Companies").

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2. Trademarks. The following are some of the service marks owned by Six Continents Hotels, Inc., its subsidiaries or affiliates: InterContinental®, Crowne Plaza®, HOTEL INDIGO®, EVEN™ Hotels, Holiday Inn®, Holiday Inn Express®, Express by Holiday Inn™, Holiday Inn Resort™, Staybridge Suites®, Candlewood Suites®, Holidome®, Priority Club®, HOLIDEX® and Stay Smart®. InterContinental Hotels Group, IHG and IHG logos are service marks of InterContinental Hotels Group. 'InterContinental Hotels Group' is a trade name describing the subsidiary companies of InterContinental Hotels Group PLC involved in the hotel business around the world. In the United States, Holiday Hospitality Franchising, LLC is the franchisor/licensor of all IHG brand names and marks. Trademarks owned by an IHG company may not be used or displayed publicly without the prior written permission of the owner of the marks.

3. Ownership of Materials. The Materials are confidential and proprietary information of SCH. Moreover, third-party web sites accessible from the Site via hypertext link shall be deemed the confidential and proprietary information of such third-parties and their licensors and will be subject to these Terms and Conditions, unless otherwise designated by such third-parties. Such hyperlinks are provided for your reference only. SCH does not control such web sites and is not responsible for their contents. The inclusion of hyperlinks to such web sites does not imply any endorsement of the material on such Web sites or any association with their operators. The Materials are copyrighted and are protected by worldwide copyright laws and treaty provisions. Except as expressly provided herein, the Materials may not be viewed, copied, reproduced, modified, published, uploaded, posted, transmitted, or distributed in any way without SCH's prior written permission. Except as expressly provided herein, SCH does not grant any express or implied right to You or any person under any patents, copyrights, trademarks or trade secrets of SCH or of any third party.

4. Security. Each login and password issued by SCH is for specific individual use only. You may not reveal any login or password to anyone else or permit anyone else to use your login and password to access the Site. You are responsible for maintaining the confidentiality and security of each login and password issued to You, including each login and password issued to any of Licensee's employees or agents. You must notify SCH immediately in the event that the security of your or any of your employees' or agents' login or password has been breached. The obligations of this paragraph survive termination of your franchise agreement with IHG.

5. Disclaimer. THE MATERIALS ARE PROVIDED "AS IS" WITHOUT ANY WARRANTY, REPRESENTATION, CONDITION, UNDERTAKING OR TERM OF ANY KIND, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, INCLUDING WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY, NON-INFRINGEMENT OF INTELLECTUAL PROPERTY, OR FITNESS FOR A PARTICULAR PURPOSE. BECAUSE SOME JURISDICTIONS PROHIBIT THE EXCLUSION OF IMPLIED

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6. Changes to these Terms and Conditions. SCH may at any time in its sole discretion modify the terms of access to this Site. Your continued use of the Site following any such modification shall be deemed acceptance of such modification.

7. Indemnity and Insurance. Licensee shall indemnify SCH and its parents, subsidiaries and affiliates ("Indemnities"), hold them harmless from and promptly reimburse them for and against any and all payments of money including fines, damages, legal fees and expenses incurred by Indemnities by reason of any claim, demand, liability, penalty or judicial or administrative investigation or proceeding arising out of Licensee's or its employees' or agents' misuse of the Site or its breach of these Terms and Conditions. At the election of Indemnities, Licensee shall also defend Indemnities against same. In any event, Indemnities shall have the right, through counsel of its choice, to control any matter or defense to the extent it could directly or indirectly affect Indemnities. This indemnity shall survive any termination or expiration of your franchise agreement with IHG.

In order to meet its indemnity obligations set forth above, Licensee shall maintain in full force and effect during the term of its franchise agreement with IHG and any extension thereof, comprehensive general liability insurance in accordance with the franchise agreement Licensee holds with one of the IHG Companies. For so long as Licensee's above described insurance obligations remain in effect, Licensee shall furnish to SCH a certificate of the issuing insurance carrier verifying the required coverage and that the required coverage cannot be canceled, altered or permitted to lapse or expire without thirty (30) days advance written notice to SCH.

8. Termination of the Terms and Conditions. All licenses granted herein to use the Site automatically terminate upon expiration or termination of your franchise agreement with any of the IHG Companies, and, in the case of individual employees of Licensee, the licenses granted herein to use the Site terminate upon cessation of employment with You. Additionally, SCH reserves the right to suspend or terminate your access to this Site for any single or repeated violation of the terms of the Terms and Conditions or for breach of your franchise agreement with any of the IHG Companies. No delay, waiver, omission or forbearance on the part of SCH to exercise any right, option, or power arising out of any default by Licensee shall constitute a waiver of SCH to enforce any such right, option or power against Licensee as to any subsequent default by Licensee. Upon termination of your franchise agreement, all copies of the Materials in your possession must be immediately returned to SCH or destroyed and You must provide SCH with a signed letter stating that You have returned or destroyed all such materials. Your obligations under this paragraph shall survive termination for any reason of your franchise agreement with IHG.

9. Notices. All notices and other communications permitted or required by these Terms and Conditions may be given by electronic mail, conventional mail or, if by SCH, by posting such notice on this Site. Notice is deemed given upon receipt by You if sent by electronic mail or conventional mail, or immediately upon posting to this Site.

To SCH:	**with a copy to:**	**To Licensee:**
Six Continents Hotels, Inc.	General Counsel	«Entity»
Franchise Administration	Six Continents Hotels, Inc.	Attn: «PC»
Three Ravinia Drive, Suite 100	Three Ravinia Drive, Suite 100	«PCAddress1»
Atlanta, Georgia 30346-2149	Atlanta, Georgia 30346-2149	«PCAddress2»

10. Miscellaneous Provisions. Any claim relating to use of the Site or the Materials shall by governed by the laws of the State of Georgia, United States of America, exclusive of the choice of law rules thereof. These Terms and Conditions, along with your franchise agreement with IHG, constitute the entire agreement between You and IHG Companies with respect to the subject matter hereof and supersedes all prior oral and written agreements or statements. No failure or delay on the part of IHG Companies or SCH in

exercising any right or remedy hereunder or enforcing the terms and conditions of these Terms and Conditions will operate as a waiver thereof. If any part of these Terms and Conditions is found to be invalid, unenforceable or void, then the remaining portion shall remain in full force and effect. Headings are for convenience only and not for use in interpretation.

(Signatures on the Following Page)

SIX CONTINENTS HOTELS, INC.	**LICENSEE**
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

EXHIBIT I1

IHG® VOICE RESERVATION SERVICE AGREEMENT

THIS IHG® VOICE RESERVATION SERVICE AGREEMENT (this "Agreement") is entered into as of the day of_____, 20 (the "Effective Date"), by and between SIX CONTINENTS HOTELS, INC. ("SCH"), and_____("Hotel Owner") (each a "Party," and collectively the "Parties").

Background

A. Hotel Owner is the owner of the hotel known as the _____and located at_____(the "Hotel"). Five letter inn code:_____. Number of Rooms:_____.

B. Hotel Owner operates the Hotel as_____brand hotel pursuant to the terms and conditions of a license agreement with Holiday Hospitality Franchising, LLC. (f/k/a Holiday Inns Franchising, Inc.), an Affiliate of SCH. [or for IHG Managed Hotels ***operates the Hotel as a_____brand hotel pursuant to the terms and conditions of a management agreement between_____[owning entity] and an affiliate of SCH***.

C. SCH operates reservations offices located in various locations (the "Office(s)") and has offered to have its Office(s) provide certain revenue and reservations services collectively known as the IHG Voice Reservation Service with respect to the Hotel and to certain other hotels operated under SCH brands, all subject to the terms and conditions of this Agreement. Hotel Owner wishes to accept and participate in IHG Voice Reservation Service with respect to the Hotel. As applicable throughout this Agreement, "SCH" includes affiliates of SCH.

Statement of Agreement

For and in consideration of the premises, the mutual benefits and promises set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, SCH and Hotel Owner agree as follows:

1. Term and Termination of Agreement.

1. The term of this Agreement shall commence on the Effective Date and shall continue until terminated as provided below in Section 1.2 (the "Term").

2. This Agreement may be terminated as follows:

(a) In the event Hotel leaves the SCH system, this Agreement shall terminate on thedate Hotel does so;
(b) Either Party may terminate this Agreement at any time, without cause, upon thirty (30) days written notice to the other Party;

(c) This Agreement may be terminated in accordance with the provisions set forth in Section 11 below; or
(d) This Agreement may be terminated by Hotel upon thirty (30) days prior written notice in the event Hotel does not agree with the revised Fees as set forth in Section 4 below.

2.Office Visit Credit. SCH encourages Hotel representative responsible for the Service to visit the Office prior to launch, however, any visits to the Office by the Hotel made within ninety (90) days of the launch of IHG Voice Reservation Service at the Hotel, and on an annual basis thereafter, shall entitle the Hotel to a credit. Upon completion of the initial visit to the Office, and upon completion of any annual visit to the Office, Hotel shall receive a one thousand dollar ($1,000) booking credit. Visits to the Office shall consist of certain activities. Such activities include, but are not limited to, a team meeting with the IHG Voice Reservation Service Team, listening to live IHG Voice Reservation Service and general reservations calls, a Hotel presentation to the agents and any applicableconsultation.

3.Cost of Startup. Hotel Owner is responsible for any startup costs incurred at the Hotel level as described, but not limited to, the below content.

1. An operator assisted link, pursuant to which the Hotel's telephone operator will answer all incoming calls and, if appropriate, transfer calls concerning reservations only to the Office. All Hotel telephone operators shall be properly trained so that no non-reservation calls are transferred to the Office. Hotel Owner must apply to SCH for an unpublished toll free number for the Hotel. Hotel Owner shall program such number into the Hotel's PBX system. If such work is not completed by Hotel Owner within thirty (30) days following issuance of the number by the Office, SCH may revoke such number and Hotel Owner must re-apply. Hotel Owner shall be responsible for any monthly service fee charged by the local phone vendor and/or long distance carrier, as well as for any programming expenses associated with setting up the IHG Voice Reservation Service link and/or for subsequent maintenance/repair expenses incurred at the Hotel level.

2. In addition to the operator assisted link, an automated link may be established with the Hotel's selected long distance carrier, which automatically diverts to the Office all incoming reservations calls. Hotel must secure and maintain, at its cost, a dedicated, toll free reservation line with Hotel's long distance carrier.

4.Cost of Services. Hotel Owner shall pay to SCH, in consideration for the services provided by SCH pursuant to this Agreement, the amount of $6.63 per net booking on all reservations booked by the Office for the Hotel ("Fee"). This Fee will also be applied to any net bookings made by the Office from Hotel-direct calls transferred to public InterContinental Hotels Group CRO telephone numbers. The Fee may be modified by SCH once per calendar year upon thirty (30) days prior written notice to Hotel Management. Any increases to the Fee will not exceed ten percent (10%) of the previous fee. SCH shall bill Hotel monthly for the Fees.

5.Description of Services. SCH shall, through the Office, provide to Hotel Owner and/or Hotel Owner's authorized representative the following services during the Term of this Agreement:

1. reservation services for all calls transferred to the Office from the Hotel;

2. telephone connections between the Hotel and the Office;

3. management and staffing of the Office by and with SCHemployees;

4. furnishing the Office with office equipment, hardware, software and furnishings;
5. performance reports with respect to calls transferred from the Hotel to the Office. Reports will reflect number of calls handled, number of rooms sold with confirmation percentage, number of room nights sold with average daily rate, and revenueproduced.

6. Use and Hours of Operation. SCH may use the IHG Voice Reservation Office for the purposes described in this Agreement as well as for other revenue and reservation producing efforts and customary ancillary uses. The initial hours of operation are represented below and are subject to change based on call volume needs. Calls outside listed hours of operation will be supported by SCH global operations to ensure 24 hour coverage in English, French and Spanish.

Language	**Hours (Eastern Time)**
English	24 hours a day, 7 days a week
French	24 hours a day, 7 days a week
Spanish	24 hours a day, 7 days a week
Portuguese	8:00 AM – 9:00 PM Monday - Friday 8:00 AM – 7:00 PM Saturday - Sunday

7.Information Provided by Hotel Owner. Hotel Owner or its authorized representative shall provide to SCH the following information:

1. Presentations to the staff of the Office which will include updating and providing information about the Hotel; brochures and other information that will enhance the Office's ability to sell Hotelrooms;

2. Monthly updates of Local Negotiated Rates (LNR) accounts, and any special rates that may apply thereto, Direct Bill Accounts information with all pertinent details, additionalgroups, special promotions and Hotel information loaded into HOLIDEX Plus and IHG Hotel Content Manager website. Any such information is used by SCH and the Office for customer service purposes only;

3. Updates, as appropriate, of Hotel staff changes and hotelcontacts;

4. Access to Hotel facilities by the Office employees for the purpose of familiarizing them with the Hotel to enhance the ability to sell Hotel rooms;

5. Weekly updates to the Hotel's custom IHG® Hotel Content Manager internet site to include information on the above.

8.Office Staff. Hotel Owner acknowledges that all employees in the Office are employees of SCHand are subject to its hiring practices and policies of SCH.

9. IHG Voice Reservation Service Access and Authorization to Corporate Monitor

Hotel shall specifically grant SCH access, and authorizes SCH access, through SCH's Corporate Monitor program to Hotel's property management system and HolidexPlus to review and make changes to Hotel's inventory. SCH will use such Corporate Monitor access for activities designated by Hotel through the Hotel Content Manager Internet site and as otherwise needed to provide IHG Voice services to Hotel.
Hotel shall sign any required documentation in order to grant SCH such access.

10. Disclaimer/Limitation of Liability

1.EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, SCH DOES NOT MAKE ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, REGARDING ANY MATTER, INCLUDING THE MERCHANTABILITY, SUITABILITY, ORIGINALITY, FITNESS FOR A PARTICULAR USE OR PURPOSE OR RESULTS TO BE DERIVED FROM THE USE OF THE IHG VOICE SERVICE(S) PROVIDED UNDER THIS AGREEMENT.

2.SCH WILL NOT BE RESPONSIBLE FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, DIRECT OR SPECIAL DAMAGES, INCLUDING LOST PROFITS, BUSINESS INTERRUPTION, OR OTHER INCIDENTAL, PUNITIVE, OR ECONOMIC DAMAGES, WHETHER ARISING FROM HOTEL'S USE (OR INABILITY TO USE) OF THE IHG VOICE SERVICES PROVIDED HEREUNDER, OR OTHERWISE, EVEN IF SCH HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE.

11.Force Majeure. Upon the occurrence of an emergency or other event beyond the reasonable control of a Party which causes a failure to perform or delay in performance (except with regard to payment obligations), the affected Party's time of performance shall be extended, or cancelled, if and to the extent reasonably necessary.

12. Miscellaneous Provisions.

1. All notices, communications, requests or demands required or permitted to be sent pursuant to this Agreement (**except for execution of this agreement which shall be handled as outlined in 12.2 below**) shall be sent (i) by certified or registered mail, return receipt requested or (ii) by personal delivery or delivery by recognized overnight courier service to the Parties as follows:

In the case of SCH:

InterContinental Hotels Group
Three Ravinia Drive, Suite 100
Atlanta, GA 30346 USA
E-mail Address: ihgvoicecontracts@ihg.com

In the case of HOTEL:

2. For execution and delivery of the Agreement please sign and e-mail Agreement to ihgvoicecontracts@ihg.com and send an original copy, via postal mail to the address directly above.

3. This Agreement shall be governed by and construed under the laws of the State of Georgia, without application of the principles of conflicts of lawsthereof.

4. The captions and headings of the various sections of this Agreement are intended for convenience of reference only and do not limit the content of the sections themselves.

5. This Agreement represents the entire agreement of the Parties as to the subject matter hereof and supersedes any prior agreements or understandings, oral or written, between the parties.

6. If any provision of this Agreement is declared to be illegal or unenforceable, the remainder of the Agreement shall not be affected by such illegality or unenforceability.

7. Except as specified in Sections 4 above, this Agreement may not be amended or changed except by the written agreement of SCH and Hotel Management.

8. Hotel Owner shall not assign or otherwise transfer this Agreement or any of its interest in this Agreement without the prior written consent of SCH, which consent shall not be unreasonably withheld or delayed. The Parties agree that it shall be reasonable for SCH to withhold consent to any such requested assignment or transfer if, among other reasons, the proposed assignee or transferee is not of good business reputation, is not financially sound or is a competitor of SCH. Notwithstanding the foregoing, Hotel Owner may, without SCH's consent, assign this Agreement to an entity which is controlled by, in control of or under common control with Hotel Owner, provided that Hotel Owner gives SCH written notice of such assignment within thirty (30) days following the effective date hereto.

9. The provisions of Sections 10 and 12 hereof shall survive the expiration or termination of this Agreement.

IN WITNESS WHEREOF, SCH and Hotel Owner have executed and delivered this IHG Voice Service Agreement as of the date first written above.

HOTEL OWNER:

Company Name: _____

Your Name: _____

Your Title: _____

Your Signature: _____

Your Mailing Address (street, city, state, zip):

_____

_____

_____

Email address: _____

Telephone number: _____

PRIMARY CONTACT FOR IHG VOICE **(at Hotel):**

Name: _____

Title: _____

Email address: _____

Telephone number: _____

SCH (for company use only):

SIX CONTINENTS HOTELS, INC.

By: _____

Name: Lia Balanag

Title: Director, Global Voice Programs
Voice Commercial Optimization

EXHIBIT I2

REVENUE MANAGEMENT FOR HIRE AGREEMENT

THIS AGREEMENT is made effective as of _____*[date]* between _____ ("Client") and Six Continents Hotels, Inc. ("SCH").

In the event of a conflict between the provisions of any attachments hereto and the provisions set forth in this Agreement, the provisions of such attachments shall govern.

Background

A. Client is the _____(Ex: GM or Owner) of the hotel known as the _____, located at _____(Address) (the "Hotel"), and has the authority to enter into this Agreement on behalf of the owner of the Hotel.

B. Client operates the Hotel as a brand hotel pursuant to the terms and conditions of a license agreement with an affiliate of SCH.

C. SCH operates an Americas Region Revenue Management Department located at Three Ravinia Drive, Suite 100, Atlanta, Georgia 30346 ("Department") and has offered to have the Department provide certain revenue management services with respect to the Hotel subject to the terms and conditions of this Agreement. Such services are hereinafter referred to as "Services." Client wishes to accept and participate in such Services with respect to the Hotel.

1. **Services.**

SCH agrees to perform for Client the services listed below. Recommendations by your RMH Portfolio Revenue Manager may result in modifications to rates, inventory, and yielding strategies. These recommendations will be discussed with your hotel managers, and on the instructions of the General Manager, Principal Correspondent, or other designated staff member, your RMH Portfolio Revenue Manager will execute all changes in IHG's revenue and reservation systems within an agreed time frame. Therefore, active participation from hotel management is required in order to maximize the benefit of Revenue Management for Hire. Client agrees that SCH shall have ready access to Client's staff and resources as necessary to perform SCH's services provided for by this contract.

If your hotel qualifies to move to another level of the RMH program at any point during the agreement, you may do so one (1) time per agreement cycle.

Rate Consent Option:

With the RMH Rate Consent option, your RMH revenue manager will review rate and inventory opportunities on a more frequent basis and may decide that one or more rate changes is needed, or that multiple changes are needed on a given day. With this option you understand and agree that your RMH

Revenue Manager will notify you of all recommended and implemented rate changes but will enter those changes into IHG's systems without waiting for your approval or confirmation.

For these reasons, regardless of any changes your RMH Revenue Manager may make to your hotel's rates, you retain complete control over, and responsibility for, your hotel's rates and inventory, and may at any time override any changes your RMH Revenue Manager makes. You may also withdraw from this option at any time by notifying your RMH Revenue Manager that you no longer wish to participate. Participating in this option does not change the fact that you are responsible for your hotel's success, financially and otherwise.

- ❑ Yes, I agree to participate in the RMH Rate Consent option
- ❑ No, I do not agree to participate in the RMH Rate Consent option

2. **Rate of Payment for Services**.

Client agrees to pay SCH for Services in accordance with the schedule contained in either Exhibit A1 or A2, as applicable, attached hereto and incorporated herein by reference. At any time and without cause, SCH may modify the pricing and such modifications shall become effective upon ninety (90) days notice to Client.

3. **Invoicing.**

Client shall pay the amounts agreed to herein upon receipt of invoices which shall be sent by SCH, and Client shall pay the amount of such invoices to SCH. Any fees or other amounts due under this Agreement not received by SCH on or before such invoice is due shall bear interest at the rate of one and a half percent (1.5%) per month, calculated on a daily basis, until paid in full.

4. **Confidential Information.**

Neither party hereto shall disclose to any non-party to the Agreement, any confidential information of such other party. Confidential information is information which relates to the other party's research, development, trade secrets, marketing plans, or business affairs, but does not include information which is generally known or easily ascertainable by non-parties.

SCH hereby acknowledges that during the performance of this contract, SCH may learn or receive confidential Client information and therefore SCH hereby confirms that all such information relating to the Client's business will be kept confidential by SCH, except to the extent that such information is required to be divulged to SCH's clerical or support staff or associates in order to enable SCH to perform SCH's services under this Agreement or is required to be disclosed pursuant to a subpoena, court order or other applicable law.

5. **Staff, Use and Hours of Operation.**

SCH is an independent contractor and neither SCH nor SCH's staff is or shall be deemed to be employed by Client. Client is hereby contracting with SCH for the Services described on above in Section 1 and SCH reserves the right to determine the method, manner and means by which the Services will be performed. The Services shall be performed by SCH or SCH's staff, and Client shall not be required to hire, supervise or pay any assistants to help SCH perform the Services under this agreement.

SCH shall not be required to devote SCH's full time nor the full time of SCH's staff to the performance of the Services required hereunder, and it is acknowledged that SCH has other Clients within the SCH family of brands. The order or sequence in which the Services are to be performed shall be under the sole control of SCH. Except to the extent that SCH's Services must be performed on or with Client's computers or Client's existing software, and except to the extent specified in Exhibit A, all materials used in providing the Services shall be provided by SCH.

Each of the parties hereto agrees that, while performing Services under this Agreement, and for a period of three (3) months following the termination of this Agreement, neither party will, except with the other party's written approval, solicit or offer employment to the other party's employees or staff engaged in any efforts under this Agreement.

SCH shall keep the Department staffed and open for business during normal business hours in the U.S. Eastern time zone, excluding holidays.

6. **Term of Agreement.**

1. The term of this Agreement shall commence as of , and shall continue for a period of twelve (12) months and expire at the close of business on

   ,provided that this Agreement is not earlier terminated as more particularly described below ("Initial Term").

2. Either party may terminate this Agreement upon providing ninety (90) days prior written notice to the other party.

3. If Client is participating with a third party intermediary (TPI) that is not certified by SCH, even if Client has obtained a waiver to participate with said non-certified TPI, this agreement shall be terminated upon notice to Client.

4. In the event of a termination or expiration of the License Agreement between Client and Holiday Hospitality Franchising, Inc., this Agreement shall automatically and without

further action or notice on the part of any party hereto, terminate and only Sections 4, 10, 11, 13 and 20 herein shall survive such termination.

5. After the Initial Term, this Agreement shall automatically renew for additional one year Terms, although either party may terminate this Agreement without cause (a) during a renewal Term, upon 90 days prior written notice to the other party, or (b) upon notice of non-renewal of at least 30 days prior to the end of a Term. If client terminates, client's agreement may continue and may continue be billed for services for longer than 90 days if client is not meeting the Revenue Management Certification Standard in an alternate, approved way.

7. Default.

Any party to this Agreement shall be deemed to be in default hereunder if (a) such party fails to pay any sum due hereunder on or before the fifteenth (15th) day after the invoice mailing date thereof, or (b) such party fails to perform any other obligation hereunder on or before the thirtieth (30th) day following mailing of written notice of such failure by the other party. If the default is not cured within thirty (30) days of the mailing of a termination notice, this Agreement will terminate. Provided, however, that if the non-monetary default at issue is not reasonably susceptible of being cured within such thirty (30) days, such thirty (30) day period shall be extended as reasonably necessary to allow the defaulting party to effect a cure, but in no event longer than a grace period of an additional thirty (30) days. If the defaulting party fails to cure its default within any applicable cure or grace period, the non-defaulting party may terminate this Agreement.

8. Use of Work Product.

Except as specifically set forth in writing and signed by both Client and SCH, all work product, whether or not copyrightable or patentable, developed for Client by SCH or utilized solely for Client while performing Services for Client pursuant to this Agreement, shall be the sole and exclusive property of SCH. Client is hereby granted a limited, revocable, nonexclusive license to use and employ such work product within the Client's business during the term of this Agreement.

9. Client Representative.

The following individual _____shall represent the Client during the performance of this Agreement with respect to the services and deliverables as defined herein and shall have the authority to execute written modifications or additions to this contract pursuant to Section 15.

10. Taxes.

Any and all taxes, except income taxes of SCH, imposed or assessed by reason of this contract or its performance, including but not limited to sales or use taxes, shall be paid by Client. Client and SCH

specifically agree that SCH is not an employee of Client. In the event foreign, federal, state or local taxes are assessed on the Services and SCH has paid for such taxes, Client shall promptly reimburse SCH for all such taxes except for those taxes based on the income of SCH, SCH employees, or personnel provided by SCH pursuant to this Agreement.

11. **Liability.**

SCH warrants to Client that the analysis, data, and services to be delivered or rendered hereunder, will be of the kind and quality described in Exhibit A and will be performed by qualified personnel.

SCH MAKES NO OTHER WARRANTIES, WHETHER WRITTEN, ORAL OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTY OF FITNESS FOR PURPOSE OR MERCHANTABILITY. IN NO EVENT SHALL SCH BE LIABLE FOR SPECIAL OR CONSEQUENTIAL DAMAGES INCLUDING, BUT NOT LIMITED TO, ANY DAMAGES RELATED TO THE AMOUNTS OF THE CLIENT'S REVENUE OR PROFITS, EITHER IN CONTRACT OR TORT, WHETHER OR NOT THE POSSIBILITY OF SUCH DAMAGES HAS BEEN DISCLOSED TO SCH IN ADVANCE OR COULD HAVE BEEN REASONABLY FORESEEN BY SCH, AND IN THE EVENT THIS LIMITATION OF DAMAGES IS HELD UNENFORCEABLE THEN THE PARTIES AGREE THAT BY REASON OF THE DIFFICULTY IN FORESEEING POSSIBLE DAMAGES ALL LIABILITY TO CLIENT SHALL BE LIMITED TO ONE HUNDRED DOLLARS ($100.00) AS LIQUIDATED DAMAGES AND NOT AS A PENALTY.

12. **Complete Agreement.**

This agreement contains the entire agreement between the parties hereto with respect to the matters covered herein. No other agreements, representations, warranties or other matters, oral or written, purportedly agreed to or represented by or on behalf of SCH by any of its employees or agents, or contained in any sales materials or brochures, shall be deemed to bind the parties hereto with respect to the subject matter hereof. Client acknowledges that it is entering into this Agreement solely on the basis of the representations contained herein.

13. **Applicable Law.**

The parties shall each comply with all applicable federal, state and local employment and other laws, government regulations and orders. This Agreement shall be construed in accordance with the laws of the State of Georgia. Venue for any claim, suit, or action for enforcement of any provision of this Agreement shall lie in the state or federal courts located in the State of Georgia, Fulton or DeKalb County, to the exclusion of all others.

14. **Scope of Agreement.**

If the scope of any of the provisions of the Agreement is too broad in any respect whatsoever to permit enforcement to its full extent, then such provisions shall be enforced to the maximum extent permitted by law, and the parties hereto consent and agree that such scope may be judicially modified accordingly and that the whole of such provisions of this Agreement shall not thereby fail, but that the scope of such provisions shall be curtailed only to the extent necessary to conform to law.

15. **Additional Work.**

If the parties agree upon additional services to be performed for Client by SCH and upon the additional compensation to be paid to SCH for such additional services, the parties shall both execute a document confirming such terms and such document shall become an amendment to this Agreement.

16. **Notices.**

(i). Notices to Client should be sent to (Address): (if other than hotel)

(ii). Notices to SCH should be sent to: InterContinental Hotels Group, Revenue Management Department, Attention Director of Revenue Management Services, 3 Ravinia Drive, Suite 100, Atlanta, GA 30346-2121, with a copy sent by fax to Legal Department (678-894-4128).

17. **Assignment.**

Client shall not assign or otherwise transfer this Agreement or any of its interest in this Agreement without the prior written consent of SCH. Except for the prohibition on assignment contained in the preceding sentence, this Agreement shall be binding upon and inure to the benefits of the heirs, successors and assigns of the parties hereto.

18. **Illegality of Agreement.**

If any provision of this Agreement is declared to be illegal or unenforceable, the remainder of the Agreement shall not be affected by such illegality or unenforceability.

19. **Exclusivity.**

SCH may provide similar services to other hotel owners. Client does not have an exclusive right to receive the Services from SCH.

20. **Litigation Costs.**

In the event of any action, suit or proceeding related to this Agreement, the prevailing party, in addition to its rights and remedies otherwise available shall be entitled to receive reimbursement of reasonable attorney's fees and costs and court costs.

IN WITNESS WHEREOF, each party hereto has caused this Agreement to be executed by an authorized person as of the date first above written.

SIX CONTINENTS HOTELS, INC.

By (signature): _____

Name: _____ Stephanie Ochs

Title: _____ Head of Revenue Management Services _____

Date:

Company Name:

By (Signature):

Name:

Title: _____

Date: _____

Once completed please email to rmhamer@ihg.com.

Exhibit A1

Compensation – Revenue Management for Hire

Revenue Aware Service

The cost of the service is based room count. If the hotel's room count is 100 rooms or less the service is offered at **$399** per month.

Given the above statement…client shall compensate SCH at a rate of **$399** per month. An invoice will be sent monthly to Client and shall be due fifteen (15) days from the date of such invoice mailing.

SCH shall be reimbursed at actual cost for all necessary and reasonable out-of-pocket travel expenses (if travel is required or requested by Client) incurred by SCH personnel.

Fedrooms Parity Correction Program: For hotels that are participating in the FedRooms Program, we now offer the FedRooms Parity Correction Program in RMH. With this, your Revenue Manager will be alerted to any parity violations for the next 50 weeks and resolve the issue immediately, and then follow up with your hotel on the dates and action taken. As with all our programs, regardless of any changes your RMH revenue manager may make to your hotel's rates, you retain complete control over, and responsibility for, your hotel's rates and inventory, and may at any time override any changes made by your RMH Revenue Manager.

- ❑ Yes, I agree to participate in the RMH FedRooms Parity Correction Program
- ❑ No, I do not agree to participate in the RMH FedRooms Parity Correction Program

Hotel Information:

Hotel Inn Code_____

Management Company _____

Primary Contact Name _____

Primary Contact Position_____

Primary Contact Phone Number _____

Primary Contact Email _____

General Managers Name_____

GM Phone Number_____

GM E-Mail_____

GM Fax_____

Secondary Contact Name_____

Secondary Contact Position_____

Secondary Contact Phone Number _____

Secondary E-Mail _____

Once completed please email to rmhamer@ihg.com

Exhibit A1

Compensation – Revenue Management for Hire

Essential Service

The cost of the service is based room count. If the hotel's room count is 150 rooms or less, the-service is offered at **$1029** per month. This level of service includes a strategy call on a bi-weekly basis.

Given the above statement…client shall compensate SCH at a rate of **$1029** per month. An invoice will be sent monthly to Client and shall be due fifteen (15) days from the date of such invoice mailing.

SCH shall be reimbursed at actual cost for all necessary and reasonable out-of-pocket travel expenses (if travel is required or requested by Client) incurred by SCH personnel.

Fedrooms Parity Correction Program: For hotels that are participating in the FedRooms Program, we now offer the FedRooms Parity Correction Program in RMH. With this, your Revenue Manager will be alerted to any parity violations for the next 50 weeks and resolve the issue immediately, and then follow up with your hotel on the dates and action taken. As with all our programs, regardless of any changes your RMH revenue manager may make to your hotel's rates, you retain complete control over, and responsibility for, your hotel's rates and inventory, and may at any time override any changes made by your RMH Revenue Manager.

- ❑ Yes, I agree to participate in the RMH FedRooms Parity Correction Program
- ❑ No, I do not agree to participate in the RMH FedRooms Parity Correction Program

Hotel Information:

Hotel Inn Code_____

Management Company _____

Primary Contact Name _____

Primary Contact Position_____

Primary Contact Phone Number _____

Primary Contact Email _____

General Managers Name_____

GM Phone Number_____

GM E-Mail_____

GM Fax_____

Secondary Contact Name_____

Secondary Contact Position_____

Secondary Contact Phone Number _____

Secondary E-Mail _____

Once completed please email to rmhamer@ihg.com

Exhibit A1

Compensation – Revenue Management for Hire

Premiere Service

The Premiere Revenue Management service is available to all hotels, and if offered at **$1549** per month. This level of service includes a strategy call on a weekly basis.

Given the above statement…client shall compensate SCH at a rate of **$1549** per month. An invoice will be sent monthly to Client and shall be due fifteen (15) days from the date of such invoice mailing.

SCH shall be reimbursed at actual cost for all necessary and reasonable out-of-pocket travel expenses (if travel is required or requested by Client) incurred by SCH personnel.

Fedrooms Parity Correction Program: For hotels that are participating in the FedRooms Program, we now offer the FedRooms Parity Correction Program in RMH. With this, your Revenue Manager will be alerted to any parity violations for the next 50 weeks and resolve the issue immediately, and then follow up with your hotel on the dates and action taken. As with all our programs, regardless of any changes your RMH revenue manager may make to your hotel's rates, you retain complete control over, and responsibility for, your hotel's rates and inventory, and may at any time override any changes made by your RMH Revenue Manager.

- ❑ Yes, I agree to participate in the RMH FedRooms Parity Correction Program
- ❑ No, I do not agree to participate in the RMH FedRooms Parity Correction Program

Hotel Information:

Hotel Inn Code_____

Management Company _____

Primary Contact Name _____

Primary Contact Position_____

Primary Contact Phone Number _____

Primary Contact Email _____

General Managers Name_____

GM Phone Number_____

GM E-Mail_____

GM Fax_____

Secondary Contact Name_____

Secondary Contact Position_____

Secondary Contact Phone Number _____

Secondary E-Mail _____

Once completed please email to rmhamer@ihg.com

Exhibit A1

Compensation – Revenue Management for Hire

Comprehensive 1 Service

This service is available to all hotels, at a cost of **$2099** per month. This level of service includes a strategy call on a weekly basis with daily touchpoints on off call days.

Given the above statement…client shall compensate SCH at a rate of **$2099** per month. An invoice will be sent monthly to Client and shall be due fifteen (15) days from the date of such invoice mailing.

SCH shall be reimbursed at actual cost for all necessary and reasonable out-of-pocket travel expenses (if travel is required or requested by Client) incurred by SCH personnel.

Fedrooms Parity Correction Program: For hotels that are participating in the FedRooms Program, we now offer the FedRooms Parity Correction Program in RMH. With this, your Revenue Manager will be alerted to any parity violations for the next 50 weeks and resolve the issue immediately, and then follow up with your hotel on the dates and action taken. As with all our programs, regardless of any changes your RMH revenue manager may make to your hotel's rates, you retain complete control over, and responsibility for, your hotel's rates and inventory, and may at any time override any changes made by your RMH Revenue Manager.

- ❑ Yes, I agree to participate in the RMH FedRooms Parity Correction Program
- ❑ No, I do not agree to participate in the RMH FedRooms Parity Correction Program

Hotel Information:

Hotel Inn Code_____

Management Company _____

Primary Contact Name _____

Primary Contact Position_____

Primary Contact Phone Number _____

Primary Contact Email _____

General Managers Name_____

GM Phone Number_____

GM E-Mail_____

GM Fax_____

Secondary Contact Name_____

Secondary Contact Position_____

Secondary Contact Phone Number _____

Secondary E-Mail _____

Once completed please email to rmhamer@ihg.com

Exhibit A1

Compensation – Revenue Management for Hire

Comprehensive 2 Service

This service is available to all hotels, at a cost of **$2699** per month. This level of service includes 2 strategy calls per week, and daily touchpoints on off call days.

Given the above statement…client shall compensate SCH at a rate of **$2699** per month. An invoice will be sent monthly to Client and shall be due fifteen (15) days from the date of such invoice mailing.

SCH shall be reimbursed at actual cost for all necessary and reasonable out-of-pocket travel expenses (if travel is required or requested by Client) incurred by SCH personnel.

Fedrooms Parity Correction Program: For hotels that are participating in the FedRooms Program, we now offer the FedRooms Parity Correction Program in RMH. With this, your Revenue Manager will be alerted to any parity violations for the next 50 weeks and resolve the issue immediately, and then follow up with your hotel on the dates and action taken. As with all our programs, regardless of any changes your RMH revenue manager may make to your hotel's rates, you retain complete control over, and responsibility for, your hotel's rates and inventory, and may at any time override any changes made by your RMH Revenue Manager.

- ❑ Yes, I agree to participate in the RMH FedRooms Parity Correction Program
- ❑ No, I do not agree to participate in the RMH FedRooms Parity Correction Program

Hotel Information:

Hotel Inn Code_____

Management Company _____

Primary Contact Name _____

Primary Contact Position_____

Primary Contact Phone Number _____

Primary Contact Email _____

General Managers Name_____

GM Phone Number_____

GM E-Mail_____

GM Fax_____

Secondary Contact Name_____

Secondary Contact Position_____

Secondary Contact Phone Number _____

Secondary E-Mail _____

Once completed please email to rmhamer@ihg.com

EXHIBIT I3

New Coca-Cola Agreement and Request for E-Signature

In a continued effort to provide a best-in-class beverage program for guest and owners, IHG® has recently renegotiated the Master Services Agreement with Coca-Cola®:

Agreement Highlights:

- Lowers product costs for IHG® hotels by approximately 7% on average
- Secures access to equipment & unlimited service calls free of charge
- Provides incremental marketing capacity for IHG revenue-driving campaigns and F&B initiatives
- ***ALL applicable hotels are required to sign a NEW Coca-Cola Participation Agreement to receive the negotiated pricing & remain compliant with the existing brand standard (ID 55838)***.

NOTE: If your hotel has recently opened, you may have signed a previous agreement. Signing the December 2020 agreement IS REQUIRED.

Questions? Go to IHG Merlin and search Coca-Cola Beverage Program. If your questions are not answered in the Merlin article, please email CokeContracts@ihg.com.

Hotel Information

Inn Code	
Hotel Brand	
Hotel Name	
Address	
City	
State	
Zip	
Phone	

(for Open hotels)

COCA-COLA
SIX CONTINENTS HOTELS, INC.

HOTEL PARTICIPATION AGREEMENT

1. DEFINITIONS

Capitalized terms not otherwise defined herein are defined in **Exhibit B**.

2. SCOPE OF AGREEMENT

This Hotel Participation Agreement (the "Agreement") is entered into in connection with the 2020 United States Beverage Marketing Agreement between The Coca-Cola Company and Six Continents Hotels, Inc. ("IHG"), an InterContinental Hotels Group company, dated January 1, 2020 (the "Beverage Marketing Agreement" or "BMA"), and is between (A) the undersigned owner or manager of the "Hotel" named herein (in the IHG hotel system), and (B) The Coca-Cola Company, acting by and through its Coca-Cola North America Group, ("Company"). Hotel desires to participate in certain programs as a "Hotel" under the BMA, which requires execution of this Agreement by Hotel and in connection therewith the purchase of certain Company products or equipment (Dispensers) pursuant to this Agreement for the Hotel named herein. With respect to those provisions relating to Bottler Bottle/Can Beverages, this Agreement will only apply to each Hotel that is located in the geographic territory in which a given Bottler is authorized to distribute, promote, market, and sell Bottler Bottle/Can Beverages. Subject to the further provisions of this Agreement, if any Hotel is eligible for an alternate marketing or funding program offered directly or indirectly by Company or any of its subsidiaries or Authorized Bottlers, Company in its sole discretion will determine which marketing or funding program will be made available to that Hotel. In no event will any Hotel be eligible for more than one marketing or funding program offered by Company, or any of its subsidiaries or Authorized Bottlers. Customer agrees to provide Company with written notice of the opening, acquisition, change in ownership, termination of license agreement, or closing of any Hotel as promptly as is consistent with Customer's business processes.

3. EFFECTIVE DATE AND TERM

This Agreement will become effective when signed by an authorized representative of each of Company and Customer (the "**Agreement Effective Date**"). The "**Term Effective Date**" will be January 1, 2020, provided this Agreement is signed on or before September 30, 2020; or (ii) if this Agreement is signed after September 30, 2020, the Term Effective Date will be the first day of the month in which this Agreement is signed by Customer. The term of the Agreement will continue from the Term Effective Date until the expiration or earlier termination of the beverage marketing agreement between Company and Six Continents Hotels, Inc. dated January 1, 2020 (the "**Term**").

4. EXHIBITS

This Agreement also consists of the following:

i. **Exhibits A-1 through A-4** Program Terms and Conditions
ii. **Exhibit B** Definitions
iii. **Exhibit C** Standard Terms and Conditions
iv. **Exhibit D** Dispensing Equipment Lease
v. **Exhibit E** Additional Terms

THE COCA-COLA COMPANY, acting by and through its COCA-COLA NORTH AMERICA GROUP

Signature: Krista L Schulte

Date: December 3, 2020

Title: SVP Strategic Partnership Marketing

HOTEL: FRANCHISEE or MANAGEMENT COMPANY (on behalf of Owner)

Franchisee Legal Business Name

_____

Signed by: _____

Signature: _____

Date: _____

Title: _____

EXHIBIT A-1
FOUNTAIN PROGRAM TERMS AND CONDITIONS

1. AVAILABILITY

1.1 Company Fountain Beverages

The Hotels that serve Fountain Beverages will serve a core brand set of Company Fountain Beverages that consists of Coca-Cola®, Diet Coke®, Sprite® and Coke Zero™, and the remaining Company Fountain Beverages will be selected by Customer, subject to Company's approval, which shall not be unreasonably withheld. All Fountain Beverages served in the Hotels must be Company Fountain Beverages, except for the Fountain Beverage Permitted Exception. In addition, no Hotel may dedicate any valve on a Dispenser leased from Company to dispense tap water. For the avoidance of doubt, each Hotel shall be able to serve water on one valve per Dispenser through a Subtab Mechanism. Company will use its commercially reasonable efforts to make a line of Company Fountain Syrups that is as broad as possible (based on local geography) available to each Hotel in order to allow Customer to fulfill its obligations under this Agreement.

1.2 Permitted Exception

Hotels in the State of Texas, subject to the Fair Share provisions described in Section 7 of this Exhibit A-1, may serve Dr Pepper®, but only on one valve per Dispenser per Hotel (the "**Fountain Beverage Permitted Exception**").

2. PRICING

During the Term, each Hotel will have the right to purchase Company Fountain Syrups from Company at Company's then-current published chain account prices, which prices are subject to change from time to time.

3. FOUNTAIN BEVERAGE PERFORMANCE CRITERIA

Customer agrees comply with all of the following performance criteria:

i. As applicable, include approved renditions of Company brands, trademarks and/or logos on menus and merchandise at point of order at each Hotel.

ii. Beginning in calendar year 2021, and each Year of the Term therafter, execute a minimum of two (2) promotional programs featuring Company Fountain Beverages as agreed upon by the parties.

iii. Provide regular access to Company Beverage sales data.

iv. Perform those additional Company Fountain Beverage marketing activities as directed by IHG.

4 EQUIPMENT PROGRAM

Where permitted by law, Company will lease to Customer without any additional charge during the Term the Dispensers owned by Company as follows: (i) for Hotels existing as of the Agreement Effective Date, the Dispensers that are currently installed, without extending the equipment lease term length of any such currently installed Dispensers, and (ii) for each Hotel that becomes a Hotel during the Term, the Dispensers reasonably necessary to enable such Hotel to dispense a quality Fountain Beverage. With respect to new and/or acquired hotels that become Hotels during the Term, unless otherwise mutually agreed upon by the parties, Dispensers will be placed in such new or acquired Hotel only if such Hotel is forecast to purchase a minimum of 400 gallons of Company's Fountain Syrups per Year. Customer will use commercially reasonable efforts to assist in the conversion of any Hotels purchasing less than 400 gallons of Company's Fountain Syrups per Year to a Bottle/Can Program as described in **Exhibit A-3**. No ice makers or water filters will be provided to any Hotel under this Agreement. Equipment innovations that require a separate agreement (such as Coca-Cola Freestyle) will also not be provided without a separate agreement. No Hotel will alter or add to any Dispenser provided by Company without Company's prior written consent.

In any state where a lease without any additional charge is not permitted (e.g., in Wisconsin) or Customer elects to lease additional Dispensers, such Dispensers will be leased to Customer at an annual lease rate calculated by multiplying the total installed cost of the additional Dispensers by the then-current lease factor. The lease factor currently in effect for Dispensers is 0.24. Should the lease factor change during the Term, any Dispenser installed after the change goes into effect will be subject to the new lease factor. For the avoidance of doubt, if the ownership and/or management of a Hotel changes, the then-current lease factor will remain in effect for that Hotel. Charges will be invoiced. Any unpaid invoices will be handled as follows (the "**Unpaid Invoice Procedure**"): All unpaid invoices by a Hotel will be subject to Company's payment/credit terms and conditions applicable to such Hotel. Furthermore, Company may refuse to deliver further any Company Beverages to the affected Hotel until the unpaid invoice is satisfied.

All Dispensers provided by Company will at all times remain the property of Company and are subject to the terms and conditions of the Lease except as specifically changed by the Program Terms and Conditions or the Standard Terms and Conditions of this Agreement.

At a minimum, equipment provided pursuant to this Exhibit A-1 shall include, at no cost to Customer in a quantity reasonably necessary for each Hotel*:*

Fountain Equipment (except in portable bars)
New Lines (as needed)
Bar Guns

5. SERVICE PROGRAM

Company will provide at no charge routine mechanical repair including line replacements and flavor changes/additions that are reasonable and necessary for Dispensers. Hotels must utilize Company's service network for such service. Any Special Service Calls are not considered routine service and will not be provided free of charge. Charges for Special Service Calls or for routine mechanical repair calls will be charged at Company's then current rates. Such charges will be invoiced***.*** Charges will include labor, travel time, parts, and administrative costs. Any unpaid invoices by a Hotel will be handled in accordance with the Unpaid Invoice Procedure set forth above.

Company will not be obligated to provide service when it is prevented from doing so due to strikes, civil disturbances, unavailability of parts or other causes beyond the reasonable control of Company. Company will not be liable for damages of any kind arising out of delays in rendering service for such reasons. In such cases, the Hotels will continue to comply with the Agreement, but only to the extent reasonably possible under the circumstances.

6. FAIR SHARE

If Customer desires to serve Dr Pepper as set forth above in the Permitted Exception, an additional annual fair share lease charge of $300 for each one of those valves will be incurred. Charges will be invoiced to each Hotel. Any unpaid invoices by a Hotel will be handled in accordance with the Unpaid Invoice Procedure set forth above.

EXHIBIT A-2
JUICE AND FAIRLIFE MILK PROGRAM TERMS AND CONDITIONS

1. AVAILABILITY

1.1 TCCC Juice

The Hotels will serve a core brand set of Company Fountain Juice and Bottler Bottle/Can Juice (collectively, "**TCCC Juice**") products, as indicated below (or such substitute products that may become available and reasonably approved by Customer) for dispensing in the Hotels. All Juice served in the Hotels, with the exception of Juice Beverage Permitted Exceptions defined below, will be TCCC Juice. Company will use its commercially reasonable efforts to make TCCC Juice available to each Hotel as set forth below in order to allow Customer to fulfill its obligations under this Agreement. At a minimum, the Juice Beverages listed in Section 3.1 below must be available to Hotels at the pricing made available under this Agreement.

Juice Product	**Customer Brand Where Available**
Frozen Dispensed Juice (Minute Maid Frozen Concentrate Juice)	Mainstream Brands (Excluding Holiday Inn)
Not From Concentrate (Simply Orange)	Upscale & Luxury Brands and Holiday Inn

Subject to applicable law and agreements to which Customer is subject, Customer will use commercially reasonable efforts to facilitate Company access to the Hotels to present new products for consideration.

1.2 Fairlife Milk

The Hotels may serve Company's Fairlife brand milk, and purchases of Fairlife will earn funding as set forth below.

1.3 Permitted Exceptions

Notwithstanding the foregoing, Hotels may serve the following Competitive Beverages that are Juice (the "Juice Beverage Permitted Exceptions"): (i) juice that is freshly-squeezed on the premises; (ii) Juice provided by Royal Cup at only those Hotels operated under the Holiday Inn Express tradename; and (iii) Competitive Juice Beverages that Company and Six Continents Hotels, Inc. mutually agree may be served in the Hotels. If any Juice Permitted Exception becomes a Product of PepsiCo at a later date, that Competitive Beverage will no longer be deemed a Juice Permitted Exception.

2. PRICING

Company agrees that during the Term, Customer will have the right to purchase Juice from Company at Company's then-current published chain account prices, which prices are subject to change from time to time. Further, for Minute Maid Frozen Concentrate Juice (a/k/a "Frozen Dispensed") ("**MMFD**"), Company agrees to provide certain deviated pricing, as set forth below.

2.1 MMFD List Price Deviation

For MMFD, the amount of deviation from list price is shown below and will be applied on each Physical Case of MMFD that each Hotel purchases. List price deviation will be available to Hotels only for purchases of MMFD from an Authorized Distributor of Company's Juices. Deviation will be deducted from the MMFD invoices. List prices as of the date of this Agreement are as noted below and may fluctuate.

Item	2020 List Price	Deviation from List Price (amount deducted from retail price)
4/90 oz. Minute Maid® Orange Juice 5+1	$129.77	$29.68
4/90 oz. Minute Maid® Apple Juice 6+1	$125.11	$22.11
4/90 oz. Minute Maid® Orange Guava Passionfruit 5+1	$94.72	$13.25
4/90 oz. Minute Maid® Lemonade 6+1	$67.38	$14.95

2.2 Simply Juice Pricing

For Simply Juice, the current pricing for 6/52 oz. PET (bottled) packaging is $24.15 per Physical Case. Simply Juice price is quoted "FOB Distributor." Nothwithstanding that Simply Juice is quoted "FOB Distributor", Company acknowledges and agrees that it shall bear the incremental costs of redistribution necessary to deliver the product to distribution centers; estimated to be $2.60 per Physical Case throughout the term.

3. JUICE BEVERAGE PERFORMANCE CRITERIA

To qualify for the program set forth in this Exhibit A-2, Customer must comply with all of the following performance criteria:

i. As applicable, include approved renditions of Company Juice brands, trademarks and/or logos on menus and merchandising materials in each Hotel.

ii. Perform those additional Company Juice marketing activities the parties mutually agree upon.

4. EQUIPMENT PROGRAM

For MMFD, Company will lease to Customer without any additional charge during the Term, the Company approved equipment reasonably necessary to enable such Hotels to dispense a quality Juice Beverage. Customer agrees that the only Beverages served on Company's Juice equipment provided by Company will be TCCC Juice brands. No ice makers or water filters will be provided to any Hotel under this Agreement. Equipment innovations that require a separate agreement (such as Coca-Cola Freestyle) will also not be provided without a separate agreement. No Hotel will alter or add to any equipment provided by Company without Company's prior written consent.

If Customer elects to lease additional equipment, such equipment will be leased to Customer at an annual lease rate calculated by multiplying the total installed cost of the additional equipment by the then-current lease factor. The lease factor currently in effect for equipment is 0.24. Should the lease factor change during the Term, any equipment installed after the change goes into effect will be subject to the new lease factor. For the avoidance of doubt, if the ownership and/or management of a Hotel changes, the then-current lease factor will remain in effect for that Hotel. Lease charges, if any, will be invoiced. Any unpaid invoices by a Hotel will be handled in accordance with the Unpaid Invoice Procedure defined in Exhibit A-1, Section 5. All equipment provided by Company will at all times remain the property of Company and are subject to the terms and conditions of the Lease except as specifically changed by any of the Program Terms and Conditions or Standard Terms and Conditions of this Agreement.

At a minimum, equipment provided pursuant to this Exhibit A-2 shall include at no cost to Customer in a quantity reasonably necessary for each Hotel:

Orange Juice Carafes

- Company will provide 2 cases (24 carafes) of Simply juice carafes to each Hotel in the Holiday Inn and Crowne Plaza brands in Year 1
- Company will provide a maximum of 1 additional case (12 carafes) for each Hotel in the Holiday Inn and Crowne Plaza brands in Year 2 through the remainder of the Term

5. SERVICE PROGRAM

Customer may use Company's service network without any additional charge for all ordinary course mechanical repairs reasonably needed for Juice equipment provided by Company. Service in respect of Juice equipment will be on the terms and conditions set forth in Section 6.1 of **Exhibit A-1** attached to this Agreement.

EXHIBIT A-3
BOTTLE/CAN PROGRAM TERMS AND CONDITIONS

1. AVAILABILITY

Each Hotel will make available a core brand set of Bottler Bottle/Can Beverages, subject to availability from Bottler, that consists of Coca-Cola®, Diet Coke®, Sprite® and Coke Zero™, and the remaining Bottler Bottle/Can Beverages will be selected by Customer, subject to Company's approval, which shall not be unreasonably withheld. All Bottle/Can Beverages served in the Hotels will be Bottler Bottle/Can Beverages, except for the Bottle/Can Beverage Permitted Exceptions defined below. Company and Bottler will use their commercially reasonable efforts to make a line of Bottler Bottle/Can Beverages that is as broad as possible (based on local market) available to each Hotel in order to allow Customer to fulfill its obligations under this Agreement. At a minimum, the Beverages listed in Section 3 below must be available to Hotels at the pricing made available under this Agreement.

Notwithstanding the foregoing, Hotels may serve the following Competitive Beverages in Bottle/Can Beverage form (the "**Bottle Can/Beverage Permitted Exceptions**"): (i) Pellegrino bottled water; (ii) Fred brand bottled water at Kimpton hotels only; (iii) bottled water sold in a glass bottle, provided it is not a Product of PepsiCo, (iv) water offered to hotel guests on a complimentary basis, provided such water is not a Product of PepsiCo; and (v) up to 10% of the space allocated to Bottle/Can Beverages in Customer-owned Beverage coolers or displays may feature Competitive Beverages, provided that such brands are (i) not Products of PepsiCo, (ii) are not Sparkling Beverages, and (iii) are not Juice Beverages, except for those Beverages that are local, niche brands for which Company does not provide a product offering and may contain juice as an ingredient. If any Bottle/Can Beverage Permitted Exception becomes a Product of PepsiCo at a later date, that Competitive Beverage will no longer be deemed a Bottle/Can Beverage Permitted Exception, unless that Customer has an agreement with such Competitive Beverage supplier, in which such Competitive Beverage will be considered a Permitted Exception until the expiration of such agreement. Customer acknowledges that all Bottle/Can Beverages displayed in Bottler-owned Cold Drink Equipment must be a Bottler Bottle/Can Beverages.

2. PRICING

Effective during the time period commencing thirty (30) days after the date this Agreement is fully signed or the first day of the Term, whichever is later, and ending December 31, 2025, Bottler will charge no more than the price ceilings for the Bottler Bottle/Can Beverages identified in the table below. Price ceilings for all subsequent Years beyond what is set forth in the chart below, if any, will automatically increase 3% over the previous Year's price ceilings.

Product	# of Units/cs "as sold"	# of Units/ Std Phy cs	1/1/2020 - 12/31/2020	1/1/2021 - 12/31/2021	1/1/2022 - 12/31/2022	1/1/2023 - 12/31/2023	1/1/2024 - 12/31/2024	1/1/2025 - 12/31/2025	Total Variable Funding Applied Directly to Invoice
12 OZ CAN - KO CSD & NCB	24	24	$11.46	$11.81	$12.16	$12.53	$12.90	$13.29	$1.00
12 OZ PET - KO CSD	24	24	$16.62	$17.12	$17.64	$18.17	$18.71	$19.27	$1.00
1 LITER PET - KO CSD	12	12	$15.53	$16.00	$16.48	$16.97	$17.48	$18.01	$1.00
2 LITER PET - KO CSD	8	8	$17.12	$17.63	$18.16	$18.71	$19.27	$19.85	$1.00
20 OZ PET - KO CSD	24	24	$24.08	$24.80	$25.55	$26.31	$27.10	$27.92	$1.00
8 OZ GLASS - CSD	24	24	$20.14	$20.74	$21.36	$22.00	$22.66	$23.34	$1.00
8.5 OZ ALUMINUM BOTTLE - CSD	24	24	$20.14	$20.74	$21.36	$22.00	$22.66	$23.34	$1.00
7.5 OZ CAN - KO CSD	24	24	$14.33	$14.76	$15.20	$15.66	$16.13	$16.61	$1.00
20 OZ PET - MM REFRESHMENT	24	24	$25.34	$26.10	$26.88	$27.69	$28.52	$29.37	$1.00
12 OZ CAN - KO CSD & NCB	24	24	$24.70	$25.44	$26.20	$26.99	$27.80	$28.63	$1.00
16.9 OZ PET - FUZE	12	24	$39.84	$41.04	$42.27	$43.53	$44.84	$46.19	$1.00
10 OZ PET - MMJTG	24	24	$20.30	$20.91	$21.54	$22.18	$22.85	$23.53	$1.00
20 OZ PET - POWERADE	24	24	$24.50	$25.24	$26.00	$26.78	$27.58	$28.41	$1.00
12 OZ PET - POWERADE	24	24	$22.71	$23.39	$24.09	$24.82	$25.56	$26.33	$1.00
12 OZ PET - DASANI	24	24	$15.30	$15.75	$16.23	$16.71	$17.22	$17.73	$1.00
20 OZ PET - DASANI	24	24	$17.47	$17.99	$18.53	$19.09	$19.66	$20.25	$1.00
500 ML - DASANI	24	24	$7.52	$7.74	$7.98	$8.22	$8.46	$8.72	$0.00
1 LITER PET - DASANI	12	12	$16.19	$16.68	$17.18	$17.69	$18.22	$18.77	$1.00
16 OZ CAN - FULL THROTTLE BRANDS	24	24	$50.04	$51.54	$53.08	$54.68	$56.32	$58.01	$1.00
16 OZ CAN - NOS	24	24	$50.04	$51.54	$53.08	$54.68	$56.32	$58.01	$1.00
22 OZ PET - NOS	24	24	$71.22	$73.36	$75.56	$77.83	$80.16	$82.57	$1.00
20 OZ PET - VITAMINWATER	24	24	$37.90	$39.04	$40.21	$41.42	$42.66	$43.94	$1.00
32 OZ PET - VITAMINWATER	15	12	$27.51	$28.34	$29.19	$30.06	$30.96	$31.89	$1.00
700 ML - SMARTWATER	24	24	$36.24	$37.32	$38.44	$39.60	$40.78	$42.01	$1.00
16.9 OZ PET - HONEST TEA	12	24	$36.68	$37.78	$38.91	$40.08	$41.28	$42.52	$1.00
20 OZ PET - SMARTWATER	24	24	$26.27	$27.05	$27.86	$28.70	$29.56	$30.45	$1.00
1 LITER PET - SMARTWATER	12	12	$23.10	$23.80	$24.51	$25.25	$26.00	$26.78	$1.00
16.9 OZ PET - VITAMINWATER	24	24	$33.10	$34.10	$35.12	$36.17	$37.26	$38.38	$1.00
1.5 LITER PET - SMARTWATER	12	12	$25.65	$26.42	$27.21	$28.03	$28.87	$29.73	$1.00
12 OZ PET - MMJTG	24	24	$24.45	$25.19	$25.94	$26.72	$27.52	$28.35	$1.00
18.5 OZ PET - GOLD PEAK	12	24	$28.38	$29.23	$30.10	$31.01	$31.94	$32.90	$1.00
13.7 OZ PET - DUNKIN RTD COFFEE	12	24	$39.66	$40.84	$42.07	$43.33	$44.63	$45.97	$1.00
20 OZ PET - FUZE REFRESH	24	24	$24.46	$25.20	$25.95	$26.73	$27.53	$28.36	$1.00

All price ceilings (i) are per standard Physical Case and do not include taxes, deposits, handling fees and recycling fees and any other government imposed fees or costs (ii) only apply to those Bottler Bottle/Can Beverages available to the Hotels as of the first day of the Term and (iii) apply only to the 48 contiguous states of the continental United States (i.e., excludes Hawaii and Alaska) and the District of Columbia.

All price ceilings quoted above are based on standard Physical Cases; however, some of the Bottler Bottle/Can Beverages may be sold in different case configurations. No matter how the Bottler Bottle/Can Beverages are sold to Customer, they are translated to the standard Physical Case equivalent for purposes of determining compliance with the price ceilings and funding amounts as well as for sales and financial reporting. For example, if a Bottler Bottle/Can Beverage that is 12 bottles to a standard Physical Case is sold to the Customer in a 15-count case, then the on-invoice 15 bottle case price would have to be divided by 15 and multiplied by 12 in order to determine if the price is in compliance with the applicable price ceiling quoted above.

Company or Bottler may at any time increase price ceilings by more than the amounts set forth above in the event of any substantial increase in a component of the cost of goods, manufacture or delivery of the Bottler Bottle/Can Beverages. Company will notify Customer thirty (30) days in advance prior to the date any such unscheduled price ceiling increases takes effect.

3. OWNER INCENTIVE FUNDING PROGRAM

3.1 Owner Incentive Funding

Company will provide an Owner Incentive Fund in the amounts set forth in the table above for all purchases of Bottler Bottle/Can Beverages directly from Company or Bottler. No funding will be paid on purchases of Bottler Bottle/Can Beverages from other sellers, distributors or retailers. Customer agrees to accept the case sales records of Bottler for purposes of determining funding earned hereunder absent manifest error. Bottler may from time to time offer special prices that are Dead-Net. In any such event, funding provided hereunder will not cause the Dead-Net price charged to the Customer to fall below such Dead-Net price or trade letter Dead-Net price. Funding will be deducted from invoices submitted to Customer.

3.2 Performance Criteria

To qualify for the pricing and funding set forth above, Customer must comply with the following performance criteria and all other material obligations applicable to Customer under this Agreement:

i. Beginning in calendar year 2021, participate in a minimum of one (1) mutually agreed upon promotional activity each Year to promote the sale of Bottler Bottle/Can Beverages at the Hotels. Customer agrees not to unreasonably withhold its consent to Company's and Bottler's proposed promotional activities. Customer will use commercially reasonable efforts to conduce a promotion in Year One as well, but the parties acknowledge such a promotion may not be commercially reasonable.

ii. Customer and Bottler will mutually agree upon the number, types, and locations of Cold Drink Equipment that are generally reasonably required for the exclusive display of Bottler Bottle/Can Beverages in each applicable Hotel, depending upon the size and the brand of the hotel. Cold Drink Equipment, if provided, will be placed in mutually agreed to high traffic locations, as defined by agreement of the parties. The specific location of such equipment will be subject to the agreement of Bottler and Customer.

iii. Customer may also authorize the placement of (or maintain, if already in place) a mutually agreed upon number of Venders in any or all Hotels, depending upon the size and the brand of the hotel. The specific location of such equipment will be subject to the agreement of Bottler and Customer. All Venders placed at the Hotels may be operated on a full-service basis and serviced and stocked exclusively by Bottler in accordance with Bottler's standard full-service vending program for similarly-situated locations under similar competitive conditions in the applicable geographic area, or Venders may be serviced and stocked by a third party approved by Bottler, subject to the provisions of this Agreement.

iv. Abide by any standard system minimum delivery size requirements established by Bottler.

v. Perform those additional Bottler Bottle/Can Beverage marketing activities the parties mutually agreed upon.

4. EQUIPMENT

Bottler will provide each Hotel the Cold Drink Equipment described above at no cost to Customer, except as prohibited by law, rule or regulation, in which case the rent charged will be the lowest legal rate available from the Bottler. All Cold Drink Equipment will be identified by Bottler Bottle/Can Beverage trademarks and will remain the property of Bottler. Except where prohibited by law, all Cold Drink Equipment will exclusively dispense Bottler Bottle/Can Beverages and no items of any kind other than Bottler Bottle/Can Beverages may be stored, displayed or sold in, on or through the Cold Drink Equipment. Use of the Cold Drink Equipment will be in accordance with each Bottler's standard Equipment Placement Terms, and Customer agrees to abide by such terms. To the extent that such standard placement terms are inconsistent with the terms of this Agreement, the terms of this Agreement will control. Bottler will have the right to relocate or remove some or all of the Cold Drink Equipment from a Hotel if Bottler determines the volume of Bottler Bottle/Can Beverages sold through such equipment justifies relocation or removal. Electrical installation costs and utilities for the Cold Drink Equipment will be at the expense of Customer. Customer represents and warrants that electrical service at the Hotels is proper and adequate for the installation of the Cold Drink Equipment, and Customer agrees to indemnify and hold harmless Company and Bottler from any damages arising out of defective electrical services at Hotels.

5. SERVICE

Service for all the Cold Drink Equipment will be provided in accordance with the Equipment Placement terms.

EXHIBIT A-4
OPTIONAL SMOOTHIE AND GOLD PEAK TEA® FRESH BREWED TEA
PROGRAM TERMS AND CONDITIONS

1. AVAILABILITY

Each Hotel may, but is not obligated to, serve in the Hotels Smoothie flavors jointly selected by such Hotel and Company. If a Hotel elects to serve Company's Smoothies, Customer agrees that in no event will Customer serve any Smoothies that are a Product of PepsiCo in such Hotel.

Each Hotel may, but is not obligated to, serve in the Hotels Gold Peak® Fresh-Brewed Tea (and/or any other Tea brand that Company may make available). If Customer elects to serve Company's Tea, Customer agrees that in no event will Customer serve any Teas that are a Product of PepsiCo in its Hotels.

2. PRICING

Company agrees that during the Term, each Hotel will have the right to purchase Company Smoothies from Company at Company's then-current published chain account prices, which prices are subject to change from time to time.

Each Hotel will have the right to purchase Tea from Company at Company's then-current published chain account prices, which prices are subject to change from time to time.

3. EQUIPMENT PROGRAM

Customer is responsible for purchasing all Tea Dispensers and blending equipment for all applicable Hotels.

4. SERVICE PROGRAM

Any service on the Tea Dispensers or blending equipment will be at the cost and responsibility of Customer.

EXHIBIT B
DEFINITIONS

Capitalized words or phrases used throughout this Agreement have the following meanings:

1. **"Agreement**" means this agreement and all exhibits, addenda and attachments hereto.

2. "**Authorized Bottlers**" means those bottlers with special authorization from Company to sell certain Company Sparkling to Customer.

3. "**Authorized Distributors**" means authorized distributors with special authorization from Company to sell certain Company Beverages to Customer.

4. "**Beverage**" means all non-alcoholic beverages (i.e. anything consumed by drinking), whether or not such beverages (i) contain nutritive, food, or dairy ingredients, or (ii) are in a frozen form. This definition applies without regard to the beverage's labeling or marketing. For the avoidance of doubt, "flavor enhancers", "liquid water enhancers", brands and products of Beverage making systems (e.g., Soda Stream®) and non-alcoholic beverages sold as "shots" or "supplements" are considered Beverages. However, this definition does not include fresh-brewed coffee, fresh-brewed tea products, hot chocolate or hot cocoa, or water. Nothing in this definition is intended to limit or expand what a Hotel must serve under the Availability section of any of Exhibits A-1 through and including A-3.

5. "**Bottle/Can Beverage**" means any Beverage, including a pre-mix Beverage, in pre-packaged, ready-to-drink form in bottles, cans or other factory-sealed containers.

6. "**Bottlers**" means authorized bottlers of Company that elect to participate under this Agreement.

7. "**Bottler Bottle/Can Beverage**" means a Bottle/Can Beverage that is marketed under trademarks owned or controlled by or licensed for use to Company and purchased by Customer directly from Company or Bottler, for sale at the Hotels or sold through full service vending machines owned, stocked or serviced exclusively by Company or Bottler. For the avoidance of doubt, "Bottler Bottle/Can Beverages include (i) Monster, NOS and Full Throttle brand Bottle/Can Beverages purchased directly from a Bottler; and (ii) Bottle/Can Beverages purchased directly from a Bottler that has the rights to distribute Beverages that are marketed under trademarks owned by, licensed to, controlled by or distributed by Dr Pepper Snapple Group, Inc. ("**DPSG**") or any of its subsidiaries, affiliates or bottlers, or any entity or joint venture in which DPSG or any of its subsidiaries, affiliates or bottlers, has at least a 50% ownership interest.

8. "**Cold Drink Equipment**" means Venders and Coolers.

9. "**Company**" means The Coca-Cola Company, acting by and through its Coca-Cola North America Group. When the term Company is applied to a product (such as Company Beverage) it means such a product that is marketed under (i) trademarks owned by Company and (ii) trademarks licensed by Company that are designated as a product of Company.

10. **"Competitive Beverage**" means any Beverage that is not a Company Beverage, and any Beverage marketed under Beverage trademarks that are not Company or Bottler trademarks.

11. "**Cooler**" means a device provided by Company or Bottler for keeping Bottle/Can Beverages cool that does not contain a payment mechanism.

12. "**Core Company Juice Beverage**" means Minute Maid Frozen Concentrate Orange Juice and Simply Orange**.**

13. "**Core Company Sparkling Beverage**" means Coca-Cola®, Diet Coke®, Sprite® and Coke Zero™ in Fountain Beverage and Bottle/Can Beverage form.

14. "**Hotels**" means hotels located in the 50 United States and the District of Columbia where Beverages are served that are owned or operated by Customer under an IHG Covered Brand and which are not subject to a pre-existing agreement with a beverage supplier other than Company, including any such hotels that are opened or acquired and serve Sparkling and Juice Beverages after this Agreement is signed during the Term of the Agreement (unless those acquired hotels are already governed by an agreement with Company and that agreement is validly assigned to Customer as part of the acquisition); provided, however, that if such hotels are at the time of acquisition under a pre-existing agreement with a beverage supplier other than Company, such hotels will come under this Agreement only after the applicable agreement with such beverage supplier is terminated or expires. The term "Hotels" includes all locations owned or managed by Customer within such hotels where Beverages are or can be served other than as set forth in Exhibit E, Section 2.

15. "**Covered Brand**" means any of the following brands and includes any new brands that may be added: Luxury ("**Luxury**") brands InterContinental Hotels and Resorts (excluding InterContinental Alliance Resorts), Upscale ("**Upscale**") brands Crowne Plaza Hotels and Resorts, Hotel Indigo, EVEN Hotels, and Mainstream ("**Mainstream**") brands Holiday Inn,

Holiday Inn Resort, Holiday Inn Express, Holiday Inn Club Vacations, Kimpton Hotels, avid Hotels, Atwell Hotels, Staybridge Suites and Candlewood Suites.

16. "**Customer**" means the Franchisee or management company operating the Hotel for hotel owner identified on the signature page of this Agreement.

17. "**Dispenser**" means a piece of equipment that dispenses Beverages through a valve.

18. "**Fountain Beverages**" are those Beverages that are served through Dispensers.

19. "**Fountain Syrup**" means the Fountain Beverage syrup used to prepare Fountain Beverages, but does not include Frozen Fountain Syrup or other forms of concentrate, such as frozen concentrates used to prepare Juices, or liquid coffee concentrate.

20. "**Holiday Inn Express Hotels**" mean Participating System Hotels that are branded with the Holiday Inn Express brand group.

21. "**Juice**" means the aqueous liquid expressed or extracted from one or more fruits or vegetables, or any concentrate of such liquids or purees, and includes 100% juice and drink products marketed or labeled as juice or juice drink, regardless of the percentage of natural juice contained in such drink products.

22. "**Lease**" means the terms and conditions set forth in the Dispensing Equipment Lease attached as **Exhibit D**.

23. "**Physical Case**" means a physical case of Company Beverage and/or Bottler Bottle/Can Beverage as then-currently packaged and whose case count is deemed as standard by Company and Bottler. Case counts are subject to change during the Term due to packaging reconfigurations.

24. "**Product of PepsiCo**" means any Beverage which has a trademark owned by, licensed to, controlled by or distributed by PepsiCo, Inc. or any of its subsidiaries, affiliates or bottlers, or any entity or joint venture in which PepsiCo, Inc. or any of its subsidiaries, affiliates or bottlers, has at least a 50% ownership interest.

25. "**Smoothie**" means a fruit or non-fruit based beverage mixer that is used to make a smoothie-type alcoholic or non-alcoholic drink, fruit smoothie, milkshake or another comparable drink.

26. "**Special Service Calls**" means any removal, remodel, relocation or reinstallation of Dispensers, installation or removal of ice makers, service caused by ice, flavor changes, summerize/winterize, line changes, or service necessitated by damage or adjustments to the equipment resulting from misuse, abuse, failure to follow operating instructions or service by unauthorized personnel, unnecessary calls (equipment was not plugged in, CO2 or Fountain Syrup container was empty), or calls that are not the result of mechanical failure.

27. "**Sparkling Beverages**" means carbonated soft drinks (e.g., Coke, Diet Coke, Sprite, etc.) in Fountain Beverage and Bottle/Can Beverage form.

28. "**Subtab Mechanism**" means an unbranded manually actuated tab on a Dispenser that allows for the dispensing of water.

45."**Tea**" means beverages whether hot or cold that are made from tea in any form of preparation, including, but not limited to, post-mix tea, tea leaves or tea powder.

47. "**Vender**" means a Beverage vending machine provided by Bottler.

49. "**Year**" means each consecutive twelve month period during the Term, provided that the first Year shall begin on the Term Effective Date and end on December 31, 2020.

EXHIBIT C
STANDARD TERMS AND CONDITIONS APPLICABLE TO THIS AGREEMENT

1. TERMINATION AND DAMAGES

1.1 This Agreement may be terminated before the scheduled expiration date only in the following circumstances: (i) either party may terminate the Agreement if the other party fails to comply with a material term or condition of the Agreement and does not remedy the failure within 60 days after receiving written notice specifying the non-compliance; (ii) Company may terminate the Agreement if at any time during the Term the beverage marketing agreement between Company and Six Continents Hotels, Inc. is terminated. Upon receipt of notice of expiration or termination, Customer will promptly make any equipment owned by Company and the Bottler available for pickup by Company and the Bottler and the marketing program will no longer be made available. In addition, if any piece of equipment other than Cold Drink Equipment is removed from a Hotel prior to 100 months from the installation date for that piece of equipment, other than Company removing a piece of Equipment without cause, Customer will pay Company the actual cost of removal (including standard shipping and handling charges) and remanufacturing of the equipment, as well as the unamortized portion of the costs of (i) installation and (ii) non-serialized parts (e.g., pumps, racks and regulators) and other ancillary equipment other than for any such equipment that is defective or otherwise needs replacement in accordance with Exhibit D to this Agreement. Furthermore, in the event of any early termination of this Agreement, Customer will pay Company or the Bottler's unamortized cost of installation and the entire cost of removal of all Cold Drink Equipment other than for any such equipment that is defective or otherwise needs replacement. Collectively, removal and remanufacturing costs and items (i) and (ii) and the unamortized cost of installation and entire cost of removal of all Cold Drink Equipment are referred to as "**unbundling costs**." Upon Customer's receipt of notice of expiration or termination of this Agreement, Customer will also pay, to the extent not paid within (45) days of being invoiced by Company and Bottler for any such unearned funding or unbundling costs, interest at the rate of 1%, compounded monthly, or such lesser percentage as required by law, accrued from the date unbundling costs were incurred through the date of repayment.

1.2 The parties acknowledge that in addition to the liquidated damages outlined above, either party may pursue other remedies or damages if the other party breaches the terms of the Agreement. Nothing herein will be construed as a waiver of any right of Company to prove consequential damages as a result of a breach by Customer.

2. NON-COMPLYING HOTELS. If any Hotel fails to comply with any terms of this Agreement applicable to such Hotel (including any applicable terms of the Equipment Lease), Customer will forfeit and not be entitled to any funding in respect of such Hotel for the period of non-compliance and Company may refuse to sell, or may limit the quantity of Beverages sold, to such Hotel. In the event the Hotel has not cured any non- compliance within 30 days from receipt of written notice of non-compliance from Company, all funding in respect of such Hotel for the then-current Year will be forfeited, and Company will have the option to terminate this program with respect to such Hotel on 30 days' additional written notice.

3. GOVERNING LAW/ DISPUTE RESOLUTION. This Agreement will at all times be governed by the laws of the State of Georgia. Should there be a dispute between Company and Customer relating in any way to the Agreement, the breach of the Agreement, or the business relationship of the parties, the parties agree that they will make a good faith effort to settle the dispute in an amicable manner. If the parties are unable to settle the dispute through direct discussions, at that time they will attempt to settle the dispute by mediation administered by the American Arbitration Association (the "**AAA**") as a condition precedent to either party's resort to litigation or other formal, binding means of dispute resolution. The prevailing party will be entitled to recover its reasonable attorneys' fees and other costs and expenses of litigation or other formal means of dispute resolution. If litigation is pursued, the exclusive venue for such litigation will be in the federal or state courts located in Atlanta, GA, and the parties agree to submit to the personal jurisdiction of the courts in the State of Georgia.

4. REBRANDING AND ASSIGNMENT

4.1 The Agreement will not be assignable except to an affiliate without the express written consent of Company.

4.2 If any Hotel ceases to operate as a Covered Brand, it shall be relieved of its rights, duties and obligations under this Agreement that accrue after such cessation.

5. TRADEMARKS. Neither Customer nor Company will make use of the other's trademarks or logos (either alone or in conjunction with their or another party's trademarks or logos) without the prior written consent of that party, and Customer will not make use of any of the Bottler's trademarks or logos (either alone or in conjunction with their or another party's trademarks or logos) without the prior written consent of the Bottler, and all use of the other party's trademarks will inure to the benefit of trademark owner. For purposes of this Agreement, Company's and Customer's trademarks include trademarks owned, licensed to or controlled by an entity in which Company or Customer, respectively, has a 50% or more ownership interest. Each Party agrees that its approval will not be withheld or delayed unless (i) Customer determines that a Customer Mark has been used incorrectly for technical reasons (i.e., lack of trademark conformity) or (ii) Customer reasonably determines that the proposed activity or use would reflect negatively on Customer or the Participating System Hotels.

6. ADVERTISING, MARKETING RIGHTS.

6.1 Customer grants Company the exclusive rights to advertise, market and promote Beverages at the Hotels and/or in connection with the Hotels. These rights include a Beverage-exclusive license to use, subject to Section 5 above, Customer's trademarks on a royalty free basis to promote Company's Beverages in promotions, including joint promotions with Company's other customers.

6.2 **NO COMPETITIVE ADVERTISING**. Except as otherwise permitted under the terms of this Agreement, Customer will not depict, advertise, promote or merchandise any Competitive Beverages anywhere in or in association with the Hotels. Customer will not enter into any agreement or relationship whereby any Competitive Beverages are associated in any advertising or promotional activity of any kind with Customer, the Hotels, or any of the trademarks of Customer.

7. PRICING. All prices quoted in this Agreement do not include, and each Hotel will be responsible for the payment of all applicable taxes, deposits, other government mandated fees, handling fees and recycling fees, as applicable.

8. CONFIDENTIALITY. Neither party will disclose to any third party without the prior written consent of the other party, any information concerning this Agreement or the transactions contemplated hereby, except for disclosure (i) to any attorneys, accountants and consultants involved in assisting with the negotiation and closing of the contemplated transactions, or (ii) to Six Continents Hotels, Inc. or (iii) to affiliates of Company including Company's bottlers, or (iv) as required by law. A party that makes a permitted disclosure must obtain assurances from the party to whom disclosure is made that such party will keep confidential the information disclosed.

9. OFFSET. If Customer owes any amounts to Company or Bottler under this or any other agreement, in addition to any other remedies it may have, Company may use funds due Customer to offset amounts due to Company under this or any other agreement.

10. FORCE MAJEURE. Either party is excused from performance under this Agreement to the extent and for so long as such nonperformance results from any act of God, strikes, war, terrorism, riots, acts of governmental authorities, other emergencies (including pandemics), or shortage of raw materials which specifically make it illegal or impossible to for either party to perform. The performance of such party shall be excused for such reasonable time as may be required to resume performance following cessation of suh cause.

11. WAIVER. The failure of either party to seek redress for the breach of, or to insist upon the strict performance of any term, clause or provision of the Agreement, will not constitute a waiver, unless the waiver is in writing and signed by the party waiving performance.

12. WARRANTIES. Customer and Company each represent and warrant that they have the unrestricted right to enter into this Agreement and to make the commitments contained in this Agreement. In addition, each party represents that the person whose signature appears on the Agreement has the right to execute this Agreement on behalf of the party indicated. Customer represents and warrants that it complies with all applicable laws and regulations and all appropriate practices with respect to food safety including the storing, preparation and serving of food and potability of water. Customer acknowledges and agrees to comply with all equipment manufacturers' specifications and product dispensing and preparation instructions and specifications of which it is made aware in writing by Company and Bottler. Company agrees to comply with all applicable laws, regulations and industry standards, as well as its own internal policies and / or procedures, related to COVID-19. Company will provide Customer with reasonable notification if Company becomes aware that its employee(s) has/ have contracted COVID-19 and, through contact tracing, reasonably believes the employee(s) may have exposed the employees or guests of a Hotel to COVID-19. Notification of potential exposure will be conducted as permitted by any applicable statutory or contractual restrictions on sharing such information and notification will be done, where possible, to protect the identify of affected employee(s). Company and Customer agree to update the other, and amend this Agreement if necessary, related to continuing policies and efforts related to COVID-19.

13. RESALE AND PACKAGING. Customer will (i) properly dispose of all packaging (ii) not resell Company Beverages or Company Beverage components or ingredients (including packaging) or Bottler Bottle/Can Beverages to third parties except for the purpose of environmentally safe disposal and (iii) not directly or indirectly ship, distribute or sell any Bottler Bottle/Can Beverages outside of (a) the geographic scope of the Company's internally defined market unit in which such Beverages were sold to Customer (Company will make the geographic scope of any such market unit available to Customer upon request) with respect to such Beverages sold by Company and (b) with respect to products sold by a Bottler, the geographic territory in which the Bottler is authorized to distribute, promote, market, and sell Company Bottle/Can Beverages and (iv) sell finished Fountain Beverage only in cups or glasses and not in closed containers that retain carbonation, or in bottles or cans. Customer will reimburse Company and Bottler for all damages resulting from its failure to do so. For the avoidance of doubt, this section does not obligate Customer to act on behalf of Hotels.

14. CLAIMS FOR REBATE, DISCOUNT OR ALLOWANCE DISCREPANCIES. In no event will Company or Bottler accept any claims of discrepancies or errors in pricing or funding hereunder more than 1 year from the date of invoice with respect to pricing or payment with respect to funding. In support of any such claim, Customer will provide a detailed, written request specifying the particular product, the amount in dispute and

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reason for dispute, along with a true copy of the original invoice or payment and all other documents in support of the claim. Company and Bottler will review each such claim in good faith and provide prompt responses to each properly made claim. Customer will not withhold payments owing to Company or Bottler regardless of the pendency of such a claim. If Customer withholds any payments, Company and Bottler reserve the right to withhold funding due Customer. Company and Bottler will work directly with the Customer to resolve any such claims, but will not interact with third-party auditors or contractors.

15. CONSTRUCTION/ SEVERABILITY. This Agreement and any accompanying documents constitute negotiated agreements between the parties, and the fact that one party or its counsel, or the other, will have drafted this Agreement, any document or particular provision hereof will not be considered in the construction or interpretation of this Agreement, the documents or any provision hereof. If any term or provision of this Agreement is found to be void or contrary to law, such term or provision will be deemed severable, but only to the extent necessary to bring this Agreement within the requirements of law, from the other terms and provisions hereof, and the remainder of this Agreement will be given effect as if the parties had not included the severed term herein, but only if each party continues to receive relatively the same benefits that it negotiated under this Agreement.

16. THIRD PARTY BENEFICIARIES. Customer and Company hereby expressly acknowledge and agree that this Agreement is for the sole exclusive benefit of the parties hereto and the Hotels, and no other third party is intended to or will have any rights hereunder, except that Customer and Company recognize and acknowledge that the Bottlers are third party beneficiaries of this Agreement.

17. PRIVACY AND SECURITY REQUIREMENTS. To the extent that either party collects, accesses, or processes the Personal Information (as defined below) of consumers in connection with the performance of this Agreement, each party represents and warrants that it shall comply with (i) all applicable international, federal, state, provincial and local laws, rules, regulations, directives and governmental requirements currently in effect and as they become effective relating in any way to the privacy, confidentiality, and/or security of protected personal information, as defined by applicable law (referred to herein as "**Personal Information**"), including, but not limited to, data protected under applicable state and federal data privacy law(s) and the California Consumer Privacy Act, as amended or replaced from time to time; (ii) all applicable industry standards concerning privacy, data protection, confidentiality or information security including, if applicable, the Payment Card Industry Data Security Standard ("**PCI DSS**"); and (iii) applicable provisions of each party's respective written requirements, currently in effect and as they become effective relating in any way to the privacy, confidentiality, and/or security of Personal Information or applicable privacy policies, statements or notices (collectively, "**Privacy and Security Requirements**").

Neither party shall retain, use, disclose, or otherwise process Personal Information for any purpose other than for the specific purpose of performance under this Agreement, or as is otherwise permitted by applicable law, upon explicit agreement between the Parties, or with explicit permission from the individual to whom the Personal Information relates. Each party is prohibited from selling or otherwise receiving remuneration (absent explicit individual consent, as defined by applicable law) in exchange for any Personal Information, which either party collects, accesses, or otherwise processes pursuant to this Agreement.

18. ADDITIONAL TERMS. The terms and conditions of this Agreement will supersede all prior agreements between the parties relating to the subject matter of this Agreement. No supplement, modification, or amendment of this Agreement will be binding unless executed in writing by authorized representatives of both parties. Company will not be bound by any standard or preprinted terms or conditions contained in Customer's purchase orders, acknowledgements, invoices, vendor allowance forms or other Customer forms, or counteroffers, that propose terms or conditions in addition to or differing from the terms and conditions set forth in this Agreement with respect to its subject matter. Customer will not be bound by any standard or preprinted terms or conditions continued in Company's acknowledgments, invoices, marketing program forms or other Company forms, or counteroffers, that propose terms or conditions differing from the terms and conditions set forth in this Agreement with respect to its subject matter. Any terms and conditions on any party's internet site to which agreement by either party is deemed or required in any manner, whether through an online electronic agreement, site use, or otherwise, that propose terms or conditions differing from the terms and conditions set forth in this Agreement will be null and void and of no legal effect on either Company or Customer.

EXHIBIT D
DISPENSING EQUIPMENT LEASE

1. **LEASE AGREEMENT AND TERM**. Company hereby leases to the PSH Owner of each Corporate Hotel (referred to as "Equipment Lessee" in this Exhibit D) all beverage dispensers provided to Equipment Lessee ("**Equipment**"), subject to the terms and conditions set forth in this Lease. Unless otherwise agreed in writing, the Equipment will also include, where applicable, all permanent merchandising, menu boards, refrigeration units, ice makers and water filtration equipment installed by Company on Equipment Lessee's premises. Each piece of Equipment is leased commencing on its installation date (the "**Commencement Date**"). Equipment Lessee may request the removal of any Equipment upon thirty (30) days prior written notice to Company, and in addition, Company may remove any piece of Equipment for any reason upon thirty (30) days prior written notice to Customer. Removal of Equipment will not affect the term of any agreement between the parties. If this Lease is terminated with respect to any piece of Equipment for any reason, other than Company removing a piece of Equipment without cause under this section, prior to 100 months from the Commencement Date for that piece of Equipment, Equipment Lessee will pay Company the actual cost of removal (including standard shipping and handling charges) and remanufacturing of that Equipment, as well as the unamortized portion of the costs of (i) installation, (ii) non-serialized parts (e.g., pumps, racks and regulators) and other ancillary equipment. Collectively, removal costs and items (i) and (ii) are referred to as "**unbundling costs**." The terms of this Lease will continue in effect with respect to each piece of Equipment until the Equipment has been removed from Equipment Lessee's premises and will survive the expiration or termination of any agreement into which this Lease is incorporated.

2. **RENT FOR THE EQUIPMENT**. All equipment leased to Customer will be leased at an annual rate calculated by multiplying the total installed cost of equipment by the then-current lease factor, plus all applicable sales and use taxes, if any, as rent for the Equipment. Rent will be due monthly. At Company's discretion, Company may utilize funds due Customer to offset amounts due Company under this Lease. If Customer fails to pay, within 10 days of its due date, rent or any other amount required by this Lease to be paid to Company, Customer will pay to Company a late charge equal to five percent (5%) per month of such overdue payment, or such lesser amount that Company is entitled to receive under any applicable law

3. **TITLE TO THE EQUIPMENT**. Title to the Equipment is, and will at all times remain, vested in Company. Equipment Lessee will have no right, title, or interest in or to the Equipment, except the right to quiet use of the Equipment in the ordinary course of its business as provided in this Lease. Equipment Lessee will execute such title documents, financing statements, fixture filings, certificates and such other instruments and documents as Company will reasonably request to ensure to Company's satisfaction the protection of Company's title to the Equipment and Company's interests and benefits under this Lease. Equipment Lessee will not transfer, pledge, lease, sell, hypothecate, mortgage, assign or in any other way encumber or dispose of any of the Equipment. THE PARTIES AGREE, AND EQUIPMENT LESSEE WARRANTS, THAT THE EQUIPMENT IS, AND WILL AT ALL TIMES REMAIN, PERSONAL PROPERTY OF COMPANY NOTWITHSTANDING THAT THE EQUIPMENT OR ANY PART THEREOF MAY NOW BE, OR HEREAFTER BECOME, IN ANY MANNER AFFIXED OR ATTACHED TO, OR EMBEDDED IN, OR PERMANENTLY RESTING UPON, REAL PROPERTY OR IMPROVEMENTS ON REAL PROPERTY. Equipment Lessee will not make any alterations, additions, or improvements to the Equipment without the prior written consent of Company. All parts added to the Equipment through alterations, repairs, additions or improvements will constitute accessions to, and will be considered an item of the Equipment and title to such will immediately vest in Company. Equipment Lessee agrees that Company may transfer or assign all or any part of Company's right, title and interest in or to any Equipment (in whole or in part) and this Lease, and any amounts due or to become due, to any third party ("**Assignee**") for any reason. Upon receipt of written notice from Company of such assignment, Equipment Lessee will perform all its obligations with respect to any such Equipment for the benefit of the applicable Assignee, and, if so directed, will pay any amounts due or to become due hereunder directly to the applicable Assignee or to any other party designated in writing by such Assignee.

4. **USE OF EQUIPMENT**. Equipment Lessee acknowledges that the rent does not fully compensate Company for its expenses concerning its research and development efforts designed to improve fountain equipment or in providing the Equipment to Equipment Lessee, and that Company provides the Equipment to Equipment Lessee for the purpose of dispensing products of The Coca-Cola Company. Therefore, Equipment Lessee agrees that if the Equipment is a dispenser, then the Equipment will be used for the purpose of dispensing fountain beverage products of The Coca-Cola Company, such as Coca-Cola®, diet Coke® and Sprite®, and in the State of Texas, the Permitted Exception set forth in Section 2.2 of Exhibit A-1 . Customer further agrees not to dispense any product whose pungency could affect normal operation of the Equipment. In accordance with Company's Fair Share policy, Company will have the right to additional rent and charges for its costs of servicing such valve if any valve is used for a Competitive Beverage in accordance with Section 2.2 of Exhibit A-1 at a rate of not less than $300 per Dispenser per year. If the Equipment is a pump for bag-in-box or similar container, such pump may be used only to dispense products of The Coca-Cola Company. If the Equipment is other than a dispenser or a pump, then it will be used only in a location where fountain beverage products of The Coca-Cola Company are served and where no Sparkling or Juice is served that is a Product of PepsiCo. This Section 4 will not apply within the State of Wisconsin.

5. **INSPECTION AND NOTIFICATION**. Without disrupting Equipment Lessee's regular business operations, Company will have the right during Equipment Lessee's regular business hours to inspect the Equipment at Equipment Lessee's premises or wherever the Equipment may be located and to review all records that relate to the Equipment. Equipment Lessee will promptly notify Company of all details arising out of any change in location of the Equipment, any alleged encumbrances thereon or any accident allegedly resulting from the use or operation thereof.

6. **WARRANTY DISCLAIMER**: CUSTOMER ACKNOWLEDGES THAT COMPANY IS NOT A MANUFACTURER OF THE EQUIPMENT AND THAT COMPANY HAS MADE NO REPRESENTATIONS OF ANY NATURE WHATSOEVER PERTAINING TO THE EQUIPMENT OR ITS PERFORMANCE, WHETHER EXPRESS OR IMPLIED, INCLUDING (WITHOUT LIMITATION) ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR ANY OTHER WARRANTIES RELATING TO THE DESIGN, CONDITION, QUALITY, CAPACITY, MATERIAL OR WORKMANSHIP OF THE EQUIPMENT OR ITS PERFORMANCE, OR ANY WARRANTY AGAINST INTERFERENCE OR INFRINGEMENT, OR ANY WARRANTY WITH RESPECT TO PATENT RIGHTS, IF ANY, PERTAINING TO THE EQUIPMENT. COMPANY WILL NOT BE RESPONSIBLE FOR ANY LOSS OF PROFITS, ANY DIRECT, INCIDENTAL OR CONSEQUENTIAL LOSSES, OR DAMAGES OF ANY NATURE WHATSOEVER, RESULTING FROM THE DELIVERY, INSTALLATION, MAINTENANCE, OPERATIONS, SERVICE OR USE OF ANY EQUIPMENT OR OTHERWISE. TO THE EXTENT THAT WARRANTIES EXIST FROM THE MANUFACTURERS OF THE EQUIPMENT AND TO THE EXTENT ALLOWED BY CONTRACT AND LAW, COMPANY WILL MAKE AVAILABLE TO EQUIPMENT LESSEE ANY APPLICABLE MANUFACTURER'S WARRANTY.

7. **TAXES**. Company will process payment of all assessments, license fees, taxes (including sales, use, excise, personal property, ad valorem, stamp, documentary and other taxes) and all other governmental charges, fees, fines or penalties whatsoever, imposed on Company as required by law, on or relating to the Equipment or the use, registration, rental, shipment, transportation, delivery, or operation thereof, and on or relating to this Agreement. As between Company and Participating System Hotel, Participating System Hotel bears the financial responsibility for all such charges, and Company retains the right to be reimbursed by Participating System Hotel for such charges.

8. **DAILY MAINTENANCE**. PSH Owner will, at its expense, keep the Equipment in good condition, and working order. PSH Owner will pay all costs incurred in connection with the daily maintenance and operation, and where required by law, ownership or possession of the Equipment during the term of this Lease. PSH Owner's sole recourse against Company with respect to service provided by Company or its agents to the Equipment is that Company will correct any defective workmanship at no additional charge to Customer, provided that Company is given prompt notification of any defective workmanship. Company will not be otherwise liable for negligent acts or omissions committed in regard to maintenance or repair of the Equipment and assumes no responsibility for incidental, consequential or special damages occasioned by such negligent acts or omissions

9. **RISK OF LOSS**. All risk of loss, including damage, theft or destruction, to each item of Equipment will be borne by Equipment Lessee. No such loss, damage, theft or destruction of Equipment, in whole or in part, will impair the obligations of Equipment Lessee under this Lease, all of which will continue in full force and effect.

10. **INDEMNITY**. Equipment Lessee will indemnify The Coca-Cola Company and its affiliates and each of their officers, agents, employees, directors, shareholders, affiliates, successors, and assigns (hereinafter the "**Indemnified Parties**") against, and hold Indemnified Parties wholly harmless from, any and all claims, actions, suits, proceedings, demands, damages, and liabilities of whatever nature, and all costs and expenses, including without limitation Indemnified Parties' reasonable attorneys' fees and expenses, relating to or in any way arising out of (a) the ordering, delivery, rejection, installation, purchase, leasing, maintenance, possession, use, operation, control or disposition of the Equipment or any portion thereof; (b) any act or omission of Equipment Lessee, including but not limited to any loss or damage to or sustained by the Indemnified Parties arising out of Equipment Lessee's failure to comply with all the terms and conditions of this Lease; (c) any claims for liability in tort with respect to the Equipment, excepting only to the degree such claims are the result of the Indemnified Parties' negligent or willful acts. The provisions of this Section 10 will survive termination and expiration of this Lease.

Company will indemnify Customer and the owner and operator of each Participating System Hotel and their respective affiliates and each of their respective officers, agents, employees, directors, shareholders, affiliates, successors, and assigns (hereinafter the "**PSH Indemnified Parties**") against, and hold PSH Indemnified Parties wholly harmless from, any and all claims, actions, suits, proceedings, demands, damages, and liabilities of whatever nature, and all costs and expenses, including without limitation PSH Indemnified Parties' reasonable attorneys' fees and expenses, relating to or in any way arising out of (a) any act or omission of Company resulting in any loss or damage to or sustained by the PSH

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Indemnified Parties arising out of Company's failure to comply with all the terms and conditions of this Lease.

11. **DEFAULT**. The occurrence of any of the following will constitute a "**Default**" by Equipment Lessee: (a) nonpayment by Equipment Lessee when due of any amount due and payable under this Lease; (b) failure of Equipment Lessee to comply with any provision of this Lease, and failure of Equipment Lessee to remedy, cure, or remove such failure within twenty (20) days after receipt of written notice thereof from Company; (c) any statement, representation, or warranty of Equipment Lessee to Company in this Lease that is untrue as of the date made; (d) Equipment Lessee's becoming insolvent or unable to pay its debts as they mature, or Equipment Lessee making an assignment for the benefit of creditors, or any proceeding, whether voluntary or involuntary, being instituted by or against Equipment Lessee alleging that Equipment Lessee is insolvent or unable to pay its debts as they mature; (e) appointment of a receiver, liquidator, trustee, custodian or other similar official for any of the Equipment or for any property in which Equipment Lessee has an interest; (f) seizure of any of the Equipment; (g) default by Equipment Lessee under the terms of any note, document, agreement or instrument evidencing an obligation of Equipment Lessee to Company or to any affiliate of The Coca-Cola Company, whether now existing or hereafter arising; or (h) Equipment Lessee taking any action with respect to the liquidation, dissolution, winding up or otherwise discontinuing the conduct of its business.

12. **REMEDIES**. Upon the occurrence of any Default or at any time thereafter during the continuance thereof, Company may terminate this Lease as to any or all items of Equipment, may enter Equipment Lessee's premises and retake possession of the Equipment at Equipment Lessee's expense, and will have all other remedies at law or in equity for breach of the Lease. Equipment Lessee acknowledges that in the event of a breach of Sections 4 or 5 or a failure or refusal of Equipment Lessee to relinquish possession of the Equipment in breach of this section 12 following termination or Default, Company's damages may be difficult or impossible to ascertain, and Equipment Lessee therefore agrees that Company will have the right to seek an injunction in any court of competent jurisdiction restraining said breach and granting Company the right to immediate possession of the Equipment.

13. **LIQUIDATED DAMAGES**. If Equipment Lessee acts in violation of the prohibitions described in Section 3 of this Lease, or is unable or unwilling to return the Equipment to Company in good working order, normal usage wear and tear excepted, at the expiration or termination of the Lease, Equipment Lessee will pay as liquidated damages the total of: (i) the amount of past-due lease payments, if any, discounted accelerated future lease payments, and the value of Company's residual interest in the Equipment, plus (ii) all tax indemnities associated with the Equipment to which Company would have been entitled if Equipment Lessee had fully performed this Lease, plus (iii) costs, interest, and attorneys' fees incurred by Company due to Equipment Lessee's violation of Section 3 or its failure to return the Equipment to Company, minus (iv) any proceeds or offset from the release or sale of the Equipment by Company.

15. **OTHER TERMS**. Equipment Lessee represents and warrants that it complies with all applicable laws and regulations and all appropriate practices with respect to food safety including the storing, preparation and serving of food. Furthermore, Equipment Lessee acknowledges and agrees to comply with all equipment manufactures specifications and product dispensing and preparation instructions and specifications. No failure by Company to exercise and no delay in exercising any of Company's rights hereunder will operate as a waiver thereof; nor will any single or partial exercise of any right hereunder preclude any other or further exercise thereof or of any other rights. This Lease constitutes the entire agreement of the parties and supersedes all prior oral and written agreements between the parties governing the subject matter of this Lease; provided, however, that if Company and Equipment Lessee have entered into an agreement into which this Lease is incorporated, to the extent that any of the terms in this Lease conflict with the terms set forth in that agreement, the terms of that agreement will control. No agreement will be effective to amend this Lease unless such agreement is in writing and signed by the party to be charged thereby. Any notices permitted or required by this Lease will be in writing and mailed by certified mail or hand delivered, addressed to the respective addresses of the parties. All claims, actions or suits arising out of the Lease will be litigated in courts in either the State of Georgia or in the state of Equipment Lessee's principal place of business. Each party hereby consents to the jurisdiction of any local, state or federal court located within the State of Georgia and/or the state of Equipment Lessee's principal place of business, and designates the Secretary of State of the State as its agent for service of process. THIS LEASE WILL BE GOVERNED BY THE LAWS OF THE STATE OF GEORGIA. Time is of the essence to each and all of the provisions of this Lease.

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EXHIBIT E
ADDITIONAL TERMS

1. Notwithstanding anything in this Agreement to the contrary, Competitive Beverages may be served at individual events or functions at any Hotel if the party booking the event or function requires as a condition of booking the event that Competitive Beverages be served. In such case, Competitive Beverages may be made available only in connection with and during such event or function; provided, however, that: (i) such Competitive Beverages are sold or made available only within the area being used for the event or function, (ii) any advertisements for such Competitive Beverages at the relevant Hotel will be reasonable under the circumstances and generally de minimis in nature (preferably, only within the booked space) and will not suggest that such Competitive Beverages are associated in any manner with Customer or the Hotel. Either Customer or the party booking the event or function will be responsible for all expenses in any way related to the service of Competitive Beverages, including the provision of equipment, if necessary. Each Hotel shall use commercially reasonable efforts to minimize the incidence of Competitive Beverage services.

2. The parties acknowledge that there may be current or future third party tenants that are unaffiliated with Customer renting or leasing space at any Hotel and that elect to serve Competitive Beverages or are required to do so due to a binding agreement with a Competitive Beverage supplier (or another third party that has the authority to determine Beverage selection at such tenant's area). Such tenants' leased areas shall be excluded from the scope of this Agreement. Therefore, it shall not constitute a breach of this Agreement for such tenant(s) to serve or make available Competitive Beverages; provided, however, that: (i) such Competitive Beverages are sold or made available only within such tenant's leased space, (ii) any advertisements for such Competitive Beverages at the relevant Hotel will be reasonable under the circumstances and generally de minimis in nature (preferably, only within such tenant's leased space) and will not suggest that such Competitive Beverages are associated in any manner with Customer or the Hotel.

3. Notwithstanding anything in this Agreement to the contrary, if any practice in effect as of the Term Effective Date at any hotel that becomes a Hotel on or after the Term Effective Date is at variance with any practice proscribed by this Agreement (e.g., dispensing tap water out of a valve on a Dispenser), except if a Hotel is serving a Competitive Beverage, or any Competitive Beverage on a Company-owned Dispenser, such practice shall be grandfathered and permitted under this Agreement until such time as any associated equipment is replaced in accordance with this Agreement.

EXHIBIT I4

MERCHANT AGREEMENT ADDENDUM FOR EXISTING PROPERTIES

ADDENDUM TO MERCHANT AGREEMENT
FOR EXISTING PROPERTIES

This Addendum to Merchant Agreement for Existing Properties ("**Addendum**") is entered into between FDS Holdings, Inc. ("**First Data**" or "**Processor**") (successor-in-interest to Banc of America Merchant Services, LLC and First Data Services, LLC), Bank of America, N.A. ("**Bank**") (collectively with First Data, "**Servicers**", "**us**", "**our**" or "**we**"), and the undersigned client ("**Client**", "**you**", or "**your**") as of the date signed by First Data and Client ("**Addendum Effective Date**"). Capitalized terms used but not defined in this Addendum are defined in the Terms and Conditions (defined below) or elsewhere in the Agreement.

1 Background

1.1 Six Continents Hotels, Inc. ("**IHG**") and First Data are parties to a Merchant Services Referral Agreement dated October 16, 2014 (as amended from time-to-time, "**IHG Agreement**") pursuant to which IHG refers hotels and other establishments that are either owned, franchised, or operated by IHG or its Affiliates ("**Service Recipients**") to First Data for payment card processing services and other Services.

1.2 IHG previously referred Client to First Data. In connection with this referral, First Data, Bank, and Client are parties to a Merchant Processing Application and Agreement ("**Application**") and Merchant Services Program Guide ("**Program Guide**" and, together with the Application any other related agreements, the "**Agreement**") pursuant to which Servicers provide Card processing Services and other Services to Client.

1.3 This Addendum modifies the Agreement but does not affect the IHG Agreement.

2 Fees

The Fee Schedule set forth in your Agreement (including in Section 7 of your Application) is deleted in its entirety and replaced with the Fee Schedule attached as Exhibit A (the "**Fee Schedule**"). For avoidance of doubt, in addition to the amounts set forth in the Fee Schedule, you are responsible for all amounts set forth or described in the Terms and Conditions or elsewhere in the Agreement.

3 Terms and Conditions

The Program Guide is deleted in its entirety and replaced with the General Terms and Conditions attached as Exhibit B ("**Terms and Conditions**"). The Terms and Conditions impact your and our legal rights and responsibilities; please read them carefully.

4 Relationship to IHG

4.1 The Agreement is an independent agreement between First Data, Bank, and Client, separate and distinct from (and not an amendment to) the IHG Agreement.

4.2 Servicers acknowledge and agree that: (a) Client is solely liable for its obligations and liabilities under the Agreement; (b) Client does not have any liability or obligation on behalf of any other Service Recipient or IHG; and (c) IHG does not have any liability whatsoever (and is not deemed to assume any liability) to Servicers or any Third Party, directly or indirectly, for Client's acts, omissions, performance, or nonperformance under the Agreement.

4.3 Client acknowledges and agrees that First Data may disclose the Agreement and all personal information of Client collected under the Agreement to IHG. Information disclosed may include Client's name, services

purchased, monthly or annual usage, total billings, payment status, Transaction Data, and any other information Servicers may disclose under the Agreement or that is related to the Services.

5 Entire Agreement

This Addendum, together with the Application, the Fee Schedule, the Terms and Conditions, the Your Payments Acceptance Guide, and any other Schedules or other Contract Documents, as modified from time to time, collectively are the entire Agreement between the parties for the Services; together, they supersede and replace any other agreements between the parties for the Services.

[Signature Page Follows]

AGREED AND EXECUTED:

No alterations or changes to the Agreement will be accepted; any alterations or changes made are null and void and have no force or effect. Processor's and Bank's signatures are effective as of the date Client signs this Addendum.

[Insert Client Name]
("Client")

By: _____
Name: _____
Title: _____
Date: _____

FDS Holdings, Inc.
("Processor")

By: _____
Name: _____
Title: _____

Bank of America, N.A.
("Bank")
By FDS Holdings, Inc.
pursuant to a Limited Power of Attorney

By: _____
Name: _____
Title: _____

EXHIBIT A
FEE SCHEDULE

1 Servicers Fees

Client will pay First Data the fees described below for the Services ("**Servicers Fees**"). Servicers Fees are based on the Client's business methods and the types of transactions it will submit for processing that the Client disclosed to First Data. First Data may modify the Servicers Fees if the Client materially changes its business methods or the types of transactions that it submits for processing.

Servicers Fees	Amount	Driver
Authorization (Visa, Mastercard, Discover, DNP Card Types, American Express, and Debit Cards)	$0.013[1]	per Authorization attempt
Transaction (Visa, Mastercard, Discover, DNP Card Types, American Express, and Debit Cards)[2]	$0.075[3]	per settled transaction
Authorization (Voice)[4]	$0.95	per call
Chargeback	Waived	per chargeback
ACH Deposit	Waived	per deposit
ACH Reject	$25.00	per rejection
Additional Authorization Fee for Dial Transactions	$0.005	per Authorization attempt via dial
Custom Development Fee	$200	per hour of development / coding

[1] This Authorization Fee may be reduced to $0.01 based upon terms in the IHG Agreement. Any reduction in this Authorization Fee does not give rise to a termination right under the Agreement.

[2] This amount is charged for each settled transaction. Please note that neither Bank nor Processor settles American Express transactions. Depending on your structure for accepting Discover Cards and other DNP Card Types, either Processor or Discover (but not Bank) settles your Discover and DNP Card Type transactions.

[3] Pursuant to the IHG Agreement, of the $0.075 Transaction Fee paid to Servicers for a transaction, $0.070 of such Transaction Fee is paid to IHG as the IHG Security Fee.

[4] This fee is in addition to the applicable Authorization Fee and the applicable Transaction Fee.

2 Third Party Based Fees

Client will pay Processor all fees, fines, assessments, penalties, obligations, liabilities, adjustments, and other charges and amounts a Card Organization, Issuer, or other Third Party imposes, establishes, or sets that are related to Client's transactions, and all related costs and expenses ("**Third Party Based Fees**"). Card Organizations and other Third Parties may modify their Third Party Based Fees during the Term of the Agreement. Modifications to Third Party Based Fees will be effective on the dates set by the Card Organizations or other third parties.

Third Party Based Fees are in addition to the Servicers Fees and include, without limitation, the following:

- Interchange (including any amounts associated with downgraded transactions)
- Chargebacks (you are responsible for all transactions, or portions of transactions, that are charged back and all related amounts)
- Excessive Chargebacks
- Dues and Assessments
- Access Fees
- Debit Network Fees
- Card Organization Pass Through Fees
- Other Fees and Amounts (including Data Compromise Losses and other amounts arising from a Compromised Data Event)

MPA ADDENDUM FOR NEW PROPERTIES

ADDENDUM TO MERCHANT PROCESSING APPLICATION AND AGREEMENT FOR NEW PROPERTIES

This Addendum to Merchant Processing Application and Agreement for New Properties ("**Addendum**") is entered into between FDS Holdings, Inc. ("**First Data**" or "**Processor**"), Bank of America, N.A. ("**Bank**") (collectively with First Data, "**Servicers**", "**us**", "**our**" or "**we**"), and the undersigned client ("**Client**", "**you**", or "**your**") as of the date signed by First Data and Client ("**Addendum Effective Date**"). Capitalized terms used but not defined in this Addendum are defined in the Terms and Conditions or elsewhere in the Agreement.

1 Background

1.1 Client has been referred to First Data in connection with a Merchant Services Referral Agreement between First Data and Six Continents Hotels, Inc. ("**IHG**") dated October 16, 2014 (as amended from time-to-time, "**IHG Agreement**") pursuant to which IHG refers hotels and other establishments that are either owned, franchised, or operated by IHG or its Affiliates ("**Service Recipients**") to First Data for payment card processing services and other Services.

1.2 This Addendum, along with the Merchant Processing Application and Agreement ("**Application**"), Fee Schedule attached as Exhibit A ("**Fee Schedule**"), General Terms and Conditions attached as Exhibit B ("**Terms and Conditions**"), the Your Payments Acceptance Guide, and any other Schedules or other Contract Documents, as modified from time to time, collectively are the "**Agreement**" for Client's receipt of the Services.

1.3 This Addendum is part of the Agreement and modifies the Agreement, but does not affect the IHG Agreement.

2 Fee Schedule

The Fee Schedule set forth in Section 7 of your Application is deleted in its entirety and replaced with the Fee Schedule attached as Exhibit A. For avoidance of doubt, in addition to the amounts set forth in the Fee Schedule, you are responsible for all amounts set forth or described in the Terms and Conditions or elsewhere in the Agreement.

3 General Terms and Conditions

The Terms and Conditions, attached as Exhibit B, govern our relationship with you. The Terms and Conditions impact your and our legal rights and responsibilities; please read them carefully.

4 Relationship to IHG

4.1 The Agreement is an independent agreement between First Data, Bank, and Client, separate and distinct from (and not an amendment to) the IHG Agreement.

4.2 Servicers acknowledge and agree that: (a) Client is solely liable for its obligations and liabilities under the Agreement; (b) Client does not have any liability or obligation on behalf of any other Service Recipient or IHG; and (c) IHG does not have any liability whatsoever (and is not deemed to assume any liability) to Servicers or any Third Party, directly or indirectly, for Client's acts, omissions, performance, or nonperformance under the Agreement.

4.3 Client acknowledges and agrees that First Data may disclose the Agreement and all personal information of Client collected under the Agreement to IHG. Information disclosed may include Client's name, services

purchased, monthly or annual usage, total billings, payment status, Transaction Data, and any other information Servicers may disclose under the Agreement or that is related to the Services.

5 Entire Agreement

This Addendum, together with the Application, the Fee Schedule, the Terms and Conditions, the Your Payments Acceptance Guide, and any other Schedules or other Contract Documents, as modified from time to time, collectively are the entire Agreement between the parties for the Services; together, they supersede and replace any other agreements between the parties for the Services.

[Signature Page Follows]

AGREED AND EXECUTED:

No alterations or changes to the Agreement will be accepted; any alterations or changes made are null and void and have no force or effect. Processor's and Bank's signatures are effective as of the date Client signs this Addendum.

[Insert Client Name]
("Client")

By: _____
Name: _____
Title: _____
Date: _____

FDS Holdings, Inc.
("Processor")

By: _____
Name: _____
Title: _____

Bank of America, N.A.
("Bank")
By FDS Holdings, Inc.
pursuant to a Limited Power of Attorney

By: _____
Name: _____
Title: _____

EXHIBIT A
FEE SCHEDULE

1 Servicers Fees

Client will pay First Data the fees described below for the Services ("**Servicers Fees**"). Servicers Fees are based on the Client's business methods and the types of transactions it will submit for processing that the Client disclosed to First Data. First Data may modify the Servicers Fees if the Client materially changes its business methods or the types of transactions that it submits for processing.

Servicers Fees	Amount	Driver
Authorization (Visa, Mastercard, Discover, DNP Card Types, American Express, and Debit Cards)	$0.013[1]	per Authorization attempt
Transaction (Visa, Mastercard, Discover, DNP Card Types, American Express, and Debit Cards)[2]	$0.075[3]	per settled transaction
Authorization (Voice)[4]	$0.95	per call
Chargeback	Waived	per chargeback
ACH Deposit	Waived	per deposit
ACH Reject	$25.00	per rejection
Additional Authorization Fee for Dial Transactions	$0.005	per Authorization attempt via dial
Custom Development Fee	$200	per hour of development / coding

[1] This Authorization Fee may be reduced to $0.01 based upon terms in the IHG Agreement. Any reduction in this Authorization Fee does not give rise to a termination right under the Agreement.

[2] This amount is charged for each settled transaction. Please note that neither Bank nor Processor settles American Express transactions. Depending on your structure for accepting Discover Cards and other DNP Card Types, either Processor or Discover (but not Bank) settles your Discover and DNP Card Type transactions.

[3] Pursuant to the IHG Agreement, of the $0.075 Transaction Fee paid to Servicers for a transaction, $0.070 of such Transaction Fee is paid to IHG as the IHG Security Fee.

[4] This fee is in addition to the applicable Authorization Fee and the applicable Transaction Fee.

2 Third Party Based Fees

Client will pay Processor all fees, fines, assessments, penalties, obligations, liabilities, adjustments, and other charges and amounts a Card Organization, Issuer, or other Third Party imposes, establishes, or sets that are related to Client's transactions, and all related costs and expenses ("**Third Party Based Fees**"). Card Organizations and other Third Parties may modify their Third Party Based Fees during the Term of the Agreement. Modifications to Third Party Based Fees will be effective on the dates set by the Card Organizations or other third parties.

Third Party Based Fees are in addition to Servicers Fees and include, without limitation, the following:

Interchange (including any amounts associated with downgraded transactions)

Chargebacks (you are responsible for all transactions, or portions of transactions, that are charged back and all related amounts)

Excessive Chargebacks

Dues and Assessments

Access Fees

Debit Network Fees

Card Organization Pass Through Fees

Other Fees and Amounts (including Data Compromise Losses and other amounts arising from a Compromised Data Event)

EXHIBIT B
GENERAL TERMS AND CONDITIONS

GENERAL TERMS AND CONDITIONS

1 Overview Of Agreement

1.1 These General Terms and Conditions Contain Important Information and Affect Your Legal Rights. Please read these General Terms and Conditions ("**Terms and Conditions**") carefully. They contain important information and affect your and our legal rights and responsibilities. Capitalized terms are defined in Section 20 or elsewhere in these Terms and Conditions.

1.2 Our Agreement. Our agreement with you for the Services consists of: (a) your Application; (b) your MPA Addendum; (c) these Terms and Conditions; (d) the Your Payments Acceptance Guide; (e) the Fee Schedule any other Schedules (including Interchange Rate Schedules); and (f) any addenda, amendments, supplements, or Schedules to the foregoing, as each is modified and supplemented from time to time (each a "**Contract Document**" and collectively the "**Agreement**"). The Agreement governs your use of the Services. By signing the Application, you acknowledge and agree that you have read, and that you are bound by, the Agreement. No alterations to the Agreement will be accepted and, if made, any such alterations shall not apply.

1.3 Cards and Card Organizations. Cards present risks of loss and non-payment that are different than those with other payment systems, including risks related to Chargebacks and other Cardholder disputes. In deciding to accept Cards, you should be aware that you are also accepting these risks and that you are agreeing to comply with the rules and requirements of Visa®, Mastercard®, Discover®, American Express®, and other Card Organizations. With respect to Chargebacks – we do not decide which transactions are charged back and we do not control the ultimate resolution of Chargebacks. While we can attempt to reverse a Chargeback to the Issuer, we can only do so only if the Issuer agrees to accept it or the Card Organization requires the Issuer to do so after a formal appeal process. Sometimes, your customer may be able to successfully chargeback a Card transaction even though you have provided your goods or services and otherwise are legally entitled to payment from your customer. While you still may be able to pursue claims directly against that customer, neither we nor the Issuer will be responsible for such transactions. You are responsible for all Chargebacks and adjustments associated with the transactions that you submit for processing.

1.4 Card Types. Your Agreement indicates the types of payments you are enabled to accept. Depending on the equipment you are using to accept Card transactions, you may not be able to accept Debit Cards through use of a PIN.

1.5 Bank Responsibilities; Non-Bank Services. Notwithstanding anything in the Agreement to the contrary, Bank only provides, and its obligations and liability are limited to, sponsorship, settlement, and related Bank services for certain Card transactions, which do not include Non-Bank Card transactions or Non-Bank Services. Bank is not responsible for, and has no liability to you in any way with respect to, Non-Bank Card transactions or Non-Bank Services. See Section 16.1 for additional details.

2 Services And Third Party Services

2.1 The Services. The term "**Services**" means the activities we undertake to authorize, process, and settle Card transactions undertaken by Cardholders at your Locations, and all other equipment, products, and services we provide under the Agreement. Subject to Card Organization Rules, Services may be performed by Servicers, only Processor, our Affiliates, our agents, or our service providers. You may use the Services only for your own proper business purposes and only in accordance with the Agreement. You may not use the Services for personal, household, or non-commercial purposes.

2.2 Exclusivity. During the term of the Agreement, you will use us as your exclusive provider of all Services within the United States of America except with respect to POS terminal transactions initiated at parking, spa, gift shop, restaurant, bars, and lounge locations.

2.3 Service Records. We will retain legible copies of all transaction records in accordance with Applicable Law and Card Organization Rules. You must provide all Sales Drafts, Credit Drafts, and other transaction records requested by us within the time limits established by Card Organization Rules. We will provide all transaction records requested by you, to the extent such requests are reasonable, within the time limits established by Card Organization Rules.

2.4 Restrictions on Your Use of the Services. You shall not, and you shall not permit any Third Party to, do or attempt to do any of the following:

(a) Sell, distribute, lease, license, sublicense, assign, or otherwise transfer or disseminate any part of the Services, Software, or Intellectual Property, or otherwise permit any Third Party to access or use the Services, Software, or Intellectual Property.

(b) Copy, modify, enhance, translate, supplement, derive source code or create derivative works from, reverse engineer, decompile, disassemble, or otherwise reduce to human-readable form or attempt to reconstruct the Services, Software, or Intellectual Property (or any portion thereof or underlying ideas thereof).

(c) Use altered versions of the Services, Software, Intellectual Property, or any portion thereof; or use, operate, or combine any Services, Software, or Intellectual Property with other products, materials, or services in a manner

inconsistent with the Agreement.

(d) Use the Services, Software, or Intellectual Property, or any portion thereof, as a standalone or non-integrated program or in any other manner not contemplated by the Agreement.

(e) Perform or attempt to perform any actions that would interfere with the proper working of the Services, prevent access to or use of the Services by other users, or, in our reasonable judgment, impose an unreasonably large or disproportional load on any platform or infrastructure that is used in connection with providing the Services.

(f) Remove, modify, or relocate any copyright notice or other legend(s) denoting our or any Third Party's proprietary interests in the Services, Software, Documentation, or any other Intellectual Property.

(g) Access or attempt to access Services, Software, or other Intellectual Property (or any portion thereof) that we do not make available for your use pursuant to the Agreement.

(h) In connection with your use of the Services, award any prizes or offer any incentives that would invoke state or federal regulations governing online gambling, online lottery, lottery, sweepstakes, or contests of chance.

2.5 You Are Responsible for Your Merchant Account and Merchant Systems. You are exclusively responsible for: (a) all activity and transactions (including fraudulent activity and fraudulent transactions) that occur in connection with your Merchant Account or through your Merchant Systems, regardless of whether such activity and transactions are undertaken by authorized personnel, unauthorized personnel, Merchant Providers, or other Third Parties; (b) ensuring that the Merchant Account and Merchant Systems, including any point-of-sale equipment, terminals, and gateways, are used in accordance with the Agreement and are secure; and (c) implementing appropriate controls to prevent your authorized personnel, your unauthorized personnel, and Third Parties from submitting credits, voids, and other transactions that are not bona fide transactions. For avoidance of doubt, you are exclusively responsible and liable for: (x) all transactions sent to us for processing through your Merchant Account or Merchant Systems (including fraudulent transactions); (y) all use of the Services; and (z) all related Servicers Fees, Third Party Based Fees, Chargebacks, and other amounts, whether arising from bona fide, unauthorized, or fraudulent activities or transactions.

2.6 Group Members.

(a) **Group Owner Benefits.** We may provide you the Group Owner Benefits. Without prior notice to you, we may stop providing you the Group Owner Benefits if you cease being a Group Member, if the Group Owner Agreement is not in effect, or at the Group Owner's request.

(b) **Providing Information about You to the Group Owner and Third Parties.** Subject to Card Organization Rules and Applicable Law, we may: (i) provide the Group Owner information we obtain about you, including information related to your business, owners, management, Card transactions (including Transaction Data), MID(s), and Merchant Account or related to the Services; and (ii) provide any such information to any Third Party at the Group Owner's request. You consent to our providing all such information to the Group Owner and to Third Parties, all of which may use such information for any lawful purpose.

(c) **New Group Owner Benefits.** From time to time, the Group Owner and we may modify the Group Owner Agreement and the Group Owner Benefits in order to provide Group Members, including you, with new products or services ("**New Group Owner Benefits**") as part of the Group Owner program. You authorize us to modify the Services provided to you under the Agreement, and related fees and Agreement terms, upon notice to you, to the extent necessary to provide you any New Group Owner Benefits, and any such modifications shall not give rise to any termination right under Section 6.2 or under Section 19.7.

(d) **Following Group Owner's Instructions.** From time to time, the Group Owner may ask or instruct us to provide the Services in a certain manner, in connection with certain communications, as part of a certain program, or as the Group Owner otherwise specifies ("**Group Owner Instructions**"). For example, Group Owner Instructions may ask us to follow certain Debit Card routing instructions or instruct us to set up Services in a certain manner. You consent to our providing you the Services in accordance with the Group Owner Instructions and you waive all claims you may have against us, and related losses, arising from our following the Group Owner Instructions.

(e) **Remitting Fees to Group Owner.** Depending on our and your relationship with the Group Owner, certain fees that are assessed and collected pursuant to the Agreement may be assessed and collected on behalf of the Group Owner and remitted to the Group Owner. You authorize us to assess, collect, and remit to the Group Owner such fees.

(f) **Waiver of Liability.** We are not responsible for determining whether you are a Group Member. We shall not have any liability to you in connection with any of our acts and omissions under this Section 2.6, regardless of whether you are or are not a Group Member. You waive all claims, suits, and causes of action against us, and all related losses, related to our acts and omissions under this Section 2.6.

2.7 Third Party Services. Third Party Services are not governed by the Agreement. We are not responsible for Third Party Services or for any provider of Third Party Services, even if we recommended them to you. With respect to Third Party Services, you are solely and exclusively responsible for: (a) determining whether Third Party Services can meet your needs

and requirements; (b) reviewing, understanding, and complying with all terms and conditions for Third Party Services; (c) all fees, charges, and other amounts arising from Third Party Services, including any amounts you owe to Third Parties and any amounts that Third Parties owe to us or Card Organizations; (d) the integration and interaction between Third Party Services and our Services; (e) all acts and omissions of providers of Third Party Services; and (f) all other obligations and risks related to Third Party Services. If you download, access, or obtain any content through Third Party Services, you do so at your own risk. Providers of Third Party Services may have their own websites; we have no liability for such websites and any privacy policy we may have is not in effect when you visit such websites.

2.8 **Integration of Third Party Services.** You are solely responsible for obtaining any programming, technical support, and services needed for your systems to function with our systems, and for all related agreements, fees, and costs. This may include obtaining hardware, software, and internet data access from a Third Party. If a Service relies on online connectivity, you assume all risk, responsibility, and liability associated with transactions that you conduct while the Service is offline.

3 Card Organization Rules, Applicable Law, Your Payments Acceptance Guide, And Conflicts

3.1 **Card Organization Rules.** You must comply with the Card Organization Rules, including the Payment Card Industry Data Security Standard ("**PCI DSS**"), applicable to the Card types you accept. You are responsible for staying up to date with all changes to Card Organization Rules and maintaining compliance with Card Organization Rules. Card Organization Rules may be available on websites such as https://usa.visa.com, http://www.mastercard.com/us/merchant/support/rules.html, www.discovernetwork.com/en-us, and www.americanexpress.com/merchantopguide, as links and their content may change from time to time.

3.2 **Applicable Law.** Each party is responsible for determining all Applicable Law that is applicable to it and for complying with all such Applicable Law in connection with the Agreement.

3.3 **Your Payments Acceptance Guide.** You agree to comply with the Your Payments Acceptance Guide, as it may change over time ("**Your Payments Acceptance Guide**"). The current Your Payments Acceptance Guide is available at www.businesstrack.com. To the extent of any inconsistencies between these Terms and Conditions and the Your Payments Acceptance Guide, these Terms and Conditions will govern.

3.4 **Conflicts.** For the avoidance of doubt, your use of the Services, the transactions you process, and all of your acts and omissions must comply with the Agreement, Applicable Law, and Card Organization Rules (including PCI DSS). If there is a conflict between Applicable Law, Card Organization Rules, and the Agreement, the conflict shall be governed in the following order of precedence: (1) Applicable Law; (2) Card Organization Rules; and (3) the Agreement.

4 Data Security and Third Parties Used by Client

The following is important information regarding the protection of Cardholder data. Please review carefully as failure to comply can result in substantial liabilities and termination of the Agreement.

4.1 **Payment Card Industry Data Security Standard.**

(a) **You Must Comply with PCI DSS.** As part of your obligation to comply with Card Organization Rules, you are required to comply with PCI DSS. PCI DSS compliance is focused on Merchant Systems where Cardholder data can be accessed, processed, stored, or transmitted, including external connections into your network, connections to and from the authorization and settlement environment (e.g., connections for employee access or for devices such as firewalls and routers), and data repositories outside of the authorization and settlement environment. Information about PCI DSS can be found at www.pcisecuritystandards.org. You also are solely responsible for ensuring that all Merchant Providers, Merchant Systems, Third Parties, Third Party Services, equipment, and software that you use in connection with Card transactions comply with Card Organization Rules, including PCI DSS.

(b) **Non-Compliance.** The Card Organizations or we may impose fines or penalties, or restrict you from accepting Cards, if it is determined that you are not compliant with the applicable data security requirements. Subject to Section 4.3, we may in our sole reasonable discretion suspend certain or all Services under the Agreement if we reasonably believe in good faith and based on evidence that an actual or suspected data security compromise has occurred, provided that we will use reasonable efforts to provide you advance written notice of such suspension, unless such notice is prohibited by Applicable Law or Card Organizations Rules. We will use commercially reasonable efforts to implement a workaround that allows you to continue receiving Card processing services from us during the suspension and we will remove the suspension and restore Services promptly after the threat has been resolved. If we reasonably believe in good faith and based on evidence that actual data security compromise has occurred which creates liability exposure for us, we may terminate the Agreement upon written notice to you.

(c) **We Must Comply with PCI DSS.** We, and the systems and service providers we use, also must comply with PCI DSS and any additional Card Organization Rules applicable to our Services.

4.2 **Compliance Audits.** Each party may be subject to ongoing validation of its compliance with PCI DSS standards. Furthermore, if we suspect a breach of your compliance obligations under the Agreement, we retain the right to conduct an audit at your expense, performed by us or a Third Party designated by us to verify your compliance, or that of your

agents or Merchant Providers.

4.3 **Immediate Notice Required.** If Transaction Data is known or suspected of having been accessed or retrieved by any unauthorized Third Party, you must contact us immediately and in no event more than 24 hours after becoming aware of such activity. If we become aware of any unauthorized access to the Transaction Data, we will contact you promptly after becoming aware of such activity, unless otherwise prohibited by Applicable Law or Card Organizations Rules.

4.4 **Your Compromised Data Event.** If a Compromised Data Event (as defined in Section 4.8) occurs or is suspected to have occurred, you must, at your own expense: (a) perform or cause to be performed an independent investigation, including a forensics analysis performed by a certified forensic vendor acceptable to us and the Card Organizations in accordance with Card Organization standards, of any data security breach of Cardholder data or Transaction Data; (b) provide a copy of the certified forensic vendor's final report regarding the incident to us and the Card Organizations; (c) perform or cause to be performed any remedial actions recommended by any such investigation; and (d) cooperate with us in the investigation and resolution of any security breach. Notwithstanding the foregoing, if required by a Card Organization, we will engage a forensic vendor approved by a Card Organization at your expense. You must cooperate with the forensic vendor so that it may immediately conduct an examination of your equipment and other Merchant Systems, and your and Merchant Providers' procedures and records, and so that it may issue a written report of its findings.

4.5 **Our Data Security Event.** If we are determined by a Card Organization to have breached our data security obligations under Applicable Law or the Card Organization Rules, resulting solely from ourindependent acts or omissions which results in the actual, unauthorized disclosure of personally identifiable consumer information, including but not limited to Cardholder data that is submitted to us by you hereunder, (a "**Data Security Event"**), we will be responsible for performing each of the actions set forth in subparts (a) and (c) of Section 4.4.

4.6 **Merchant Providers.**

(a) **Data Security Requirements Apply to Merchant Providers.** The data security standards set forth in this Section 4 also apply to Merchant Providers. Before you engage any Merchant Provider, you must provideto us in writing the Merchant Provider's legal name, contact information, and intended function. You acknowledge and agree that you will not use, or provide Cardholder data access to, any Merchant Provider until you receive our approval (which approval shall not be unreasonably withheld) and, if required, confirmation of our registration of that Merchant Provider with applicable Card Organizations.

(b) **Merchant Provider Compliance.** You must ensure that you and Merchant Providers: (i) comply with the registration process which can involve site inspections, background investigations, provision of financial statements, and any other information required by us or a Card Organization; (ii) comply with the periodic and other reporting required by a Card Organization; and (iii) comply with all applicable Card Organization Rules, including without limitation, those requiring security of Cardholder data. You may allow Merchant Providers access to Cardholder data only for purposes authorized under and in conformance with the Card Organization Rules. You are responsible for all our costs and expenses associated with our review, approval, certification (and recertification as may be required by us or the Card Organization Rules) and registration of any Merchant Providers.

4.7 **Data Security Measures; Fraud.** Security features such as CAPTCHA, velocity filters, the Address Verification Service, and requiring a Card Verification Code for Card Not Present Transactions can help combat fraud. Using AVS when submitting Authorization requests for Card Not Present Transactions can help you identify potentially fraudulent transactions and can help lower Card Organization interchange rates, but it does not guarantee a transaction is valid and the AVS response does not impact whether an Authorization request is approved or denied. We may charge you an AVS fee for any AVS request you submit, even if we are not able to provide a response to the request. You are responsible for all Chargebacks, Third Party Based Fees, Servicers Fees, and other amounts arising from fraudulent activity processed through your Merchant Systems and/or your Merchant Account (regardless of any AVS response that you receive).

4.8 **Costs.** If you or a Merchant Provider (or other Third Party used by you) are determined by any Card Organization, regardless of any forensic analysis or report, to be the likely source of any loss, disclosure, theft or compromise of Cardholder data or Card transaction information or are determined to have caused Cardholder data to be put at risk (together, "**Compromised Data Events**") and regardless of your belief that you have complied with the Card Organization Rules or any other security precautions and are not responsible for the Compromised Data Event, you must promptly pay us for all related expenses, claims, assessments, fines, losses, costs, penalties, and Issuer reimbursements imposed by the Card Organizations against us (together, "**Data Compromise Losses**"). In addition to the foregoing, you must also pay us promptly for all expenses and claims made by Issuers against us alleging your responsibility for the Compromised Data Event, apart from any claim procedures administered by the Card Organizations. We agree not to pass through to you any amounts imposed upon us by the Card Organizations in connection with our Data Security Event.

5 Settlement

5.1 **Settlement Generally.** We will be required to settle only Card transactions made using Cards of Card Organizations that (a) we support for full acquiring services and (b) you have elected to accept and we have approved. We will not be

obligated to settle with you for any such Card transaction before we have settled for it with the related Card Organization.

5.2 Net Settlement. Unless otherwise agreed to in writing to the contrary, all Servicers Fees are deducted daily. All settlements to you for your transactions will be net of Credits, adjustments, Servicers Fees, Third Party Based Fees, Chargebacks, and any other amounts then due from you.

5.3 Payments to You Are Provisional. All credits to your Settlement Account or other payments to you are provisional and are subject to, among other things, our right to deduct our fees provided no such amounts are disputed by you in good faith, our final audit, Chargebacks (including our related losses), and Third Party Based Fees (including fees, fines, and any other charges imposed on us by the Card Organizations due to your noncompliance with Card Organizations Rules). You agree that we may debit or credit your Settlement Account for any deficiencies, overages, fees, Servicers Fees, Third Party Based Fees, pending Chargebacks, and any other amounts owed to us or any of our respective Affiliates, or we may deduct such amounts from settlement funds or other amounts due to you from us, or our respective Affiliates for Services provided under the Agreement. Alternatively, we may elect to invoice you for any such amounts, net due 30 days after your receipt of the invoice.

5.4 Good Faith Disputes. Notwithstanding anything to the contrary in the Agreement, if any amounts debited, credited, or otherwise deducted by us are disputed by you in good faith, we will use good faith efforts to work with you to resolve the dispute in a timely manner and promptly return any such disputed amounts that are owed to you.

5.5 Funding Delays. We will not be liable for any delays in receipt of funds or errors in debit and credit entries caused by you or any Third Party, including, without limitation, any delay in settlement funding for a Card transaction from a Card Organization to us.

5.6 Changes in Funding and Suspension of Funding. In addition to any other remedies available to us under the Agreement, you agree that should any Event of Default by Client set forth in Section 12.3 (subject to any available cure periods set forth in Section 12.3) occur, we may, with or without notice, change processing timing or accelerate payment terms and/or suspend credits or other payments of any and all funds, money, and amounts now due or hereafter to become due to you pursuant to the terms of the Agreement, until we have had reasonable opportunity to investigate such event. Notwithstanding the foregoing, we will make reasonable efforts to notify you as promptly as practicably possible of any such change or suspension.

5.7 Settlement Account Information. You acknowledge and agree that transfers to and from the Settlement Account shall be based on the account number and routing number supplied by you. We are not responsible for detecting errors in any Settlement Account information you provide, including the account numbers and routing numbers, even if any of those numbers do not correspond to the actual account or financial institution identified by name.

5.8 Secured Financial Accommodations. The Agreement is a contract whereby we are extending secured financial accommodations to you within the meaning of Section 395(c) of the U.S. bankruptcy code. Your right to receive any amounts due or to become due from us is expressly subject and subordinate to Chargeback, recoupment, setoff, lien, security interest and our rights to withhold settlement funds under the Agreement, without regard to whether such Chargeback, setoff, lien, security interest and the withholding of settlement funds rights are being applied to claims that are liquidated, unliquidated, fixed, contingent, matured or unmatured.

6 Fees; Adjustments; Collection Of Amounts Due

6.1 Your Payment of Fees and Other Amounts.

(a) **Servicers Fees, Card Organization Fees, and Other Third Party Based Fees.** You agree to pay us all Servicers Fees, Third Party Based Fees, Chargebacks, and other amounts arising in connection with the Agreement, including all fees and amounts described in the MPA Addendum, Fee Schedule, Interchange Rate Schedule, Card Organization program pricing schedules, or any other Schedule. For avoidance of doubt, this includes all fees and amounts imposed or established by any Card Organization related to your transactions.

(b) **Errors, Shipping and Handling, Taxes, and Other Amounts.** As part of your obligations, you agree to pay and reimburse us for all funds and deposits erroneously credited to your Settlement Account or Merchant Account, all shipping and handling fees related to Equipment and Supplies, and all Taxes (and you authorize us, or our respective assigns, to increase the amount of any preauthorized payment to reflect any increases in Taxes, and you waive any requirement for notice of such increase). In addition, you are fully liable for any transactions that you accept from a Cardholder that are of a type, including a Card type, that you did not elect for your Merchant Account, and must pay us all related Servicers Fees, Third Party Based Fees, and Chargebacks.

(c) **Sixty Day Limit for Certain Amounts.** The following amounts shall be deemed waived by us if not charged or deducted by us within 60 days of the respective transaction date: (i) reversal of deposit posted to your account in error; (ii) debit for adjustments not previously posted; (iii) reversal of Credit for deposit previously posted; and (iv) debit for Chargeback never posted to your account.

(d) **Authorization Fees and Capture Fees.** All Authorization fees will be charged for each transaction that you

attempt to authorize. All capture fees will be charged for each transaction that you transmit to us for settlement. If you are being billed a combined fee for both the Authorization and capture of a transaction, the Authorization and capture must be submitted as a single transaction, otherwise the Authorization and the capture will each be charged separately. You are responsible for utilizing software or services that will correctly submit these transactions to achieve the combined billing

(e) **Wire Fees.** If you receive settlement funds by wire transfer, we may charge a wire transfer fee per wire.

6.2 Changes to Third Party Based Fees. The fees for Services set forth in the Agreement may be adjusted to reflect increases or new Third Party Based Fees. All such adjustments shall be your responsibility to pay and shall become effective upon the date any such change or addition is implemented by the applicable Card Organization or Third Party as specified in our notice to you.

6.3 ACH Debit and Credit Authorization. To the extent the Automated Clearing House ("**ACH**") settlement process is used to effect debits or credits to your Settlement Account, you agree to be bound by the terms of the operating rules of the National Automated Clearing House Association, as in effect from time to time. You hereby authorize us to initiate credit and debit entries and adjustments to your Settlement Account through the ACH network and/or through direct instructions to the financial institution where your Settlement Account is maintained for amounts due under the Agreement (including any amounts due under this Section 6) and under any agreements with us or our respective Affiliates for any product or services, as well as for any credit entries in error. You hereby authorize the financial institution where your Settlement Account is maintained to effect all such debits and credits to your account. The ACH authorization under this Section 6.3 will remain in effect until (a) you have provided us at least 30 days' prior written notice in accordance with Section 19.3 that you are terminating the authorization, and (b) either (i) all amounts due from you under the Agreement and under any other agreements you have with us or our Affiliates have been paid in full, or (ii) you have provided us an authorization to debit via ACH a replacement Settlement Account that is satisfactory to us in our sole discretion.

6.4 Our Obligations. We agree not to pass through to you any fees, fines, or other charges imposed on us by any Card Organization resulting from our acts or omissions in breach of the Agreement, or as a result of acts or omissions of our agents or other Third Parties engaged by us in connection with the Services.

6.5 Excessive Chargebacks. If your Chargeback percentage for any line of business exceeds the estimated industry Chargeback percentage, you shall, in addition to the Chargeback fees and any applicable Chargeback handling fees or fines, pay us an excessive Chargeback fee for all Chargebacks occurring in such month in such line(s) of business. Each estimated industry Chargeback percentage is subject to change from time to time by us in order to reflect changes in the industry Chargeback percentages reported by Visa, Mastercard or Discover. Your Chargeback percentage will be calculated as the larger of (a) the total Visa, Mastercard and Discover Chargeback items in any line of business in any calendar month divided by the number of Visa, Mastercard and Discover transactions in that line of business submitted that month, or (b) the total dollar amount of Visa, Mastercard and Discover Chargebacks in any line of business received in any calendar month divided by the total dollar amount of your Visa, Mastercard and Discover transactions in that line of business submitted in that month.

6.6 Review of Statements and Notice of Errors. You agree to promptly and carefully review statements or reports provided or made available to you (physically, electronically, or otherwise and whether provided by us or Third Parties on our behalf) reflecting Card transaction activity (including activity in the Merchant Account, Settlement Account, or Reserve Account), and our fees and charges for the Services and other amounts due to or from you. If you believe any discrepancies or errors exist, you must notify us in writing within ninety (90) days after the date of the related statement or reports. If you fail to notify us within such ninety (90) day period of any of such discrepancies or errors of which you are or reasonably should be aware, then we shall not have any obligation to investigate or effect any related adjustments, absent our gross negligence or willful misconduct. Any voluntary efforts by us to assist you in investigating such matters shall not create any obligation to continue such investigation or any future investigation. We may adjust your Merchant Account for good cause after such 90 day period.

6.7 Electronic Communications. With respect to any billing statements, reports, agreements, disclosures, notices, and other communications that you receive from us via electronic means, including via email or the internet ("**Electronic Communications**"), you are responsible for: (a) configuring Merchant Systems so that you can receive, access, and view Electronic Communications, including disabling spam filters and whitelisting domain names and email addresses; (b) the accuracy of, and all activity and communications under, your email addresses and accounts; (c) regularly monitoring and checking Electronic Communications; and (d) regularly monitoring and checking Business Track and any other websites, tools, and databases that contain information related to your Merchant Account. You are solely responsible for any disclosure, interception, or viewing of any Electronic Communication that has been transmitted from our server.

6.8 Test Messages and Automated Technology. You understand and agree that by disclosing your cell phone number, our service providers, American Express, and other Card Organizations may contact you at that number, including through the use of automatic technology or text, in connection with your Merchant Account. Your phone plan charges may apply.

6.9 Additional Information Regarding Interchange. The interchange rate schedule provides the most common interchange rates applicableto your transactions ("**Interchange Rate Schedule**"). Transactions may downgrade, resulting in higher interchange rates. You are responsible for all interchange fees as part of your responsibility for Third Party Based Fees. For more information on Visa's and Mastercard's interchange rates, please go to: www.visa.com/merchants and www.mastercard.us/merchants.

7 Chargebacks

7.1 Chargebacks Generally. You must reimburse us for all transactions you submit that are charged back and all related amounts, including: (a) all Chargebacks; (b) all fees, fines, penalties, assessments, and other amounts related to disputing or arbitrating a Chargeback or failing to produce records within applicable time limits; and (c) all Chargeback Fees set forth on the Fee Schedule or elsewhere in the Agreement, regardless of whether a Chargeback is settled in your favor or the Cardholder's favor.

7.2 Disputing Chargebacks. You may dispute a Chargeback as provided in the Card Organization Rules, including any requirements for timely submission. Our obligation to you respecting Chargeback disputes is limited to presenting your dispute to the appropriate Card Organization, to the limited extent required by Card Organization Rules. We will not engage in direct collection efforts against Cardholders on your behalf. The Your Payments Acceptance Guide contains additional details and requirements related to Chargebacks.

8 Representations; Warranties; Covenants; Limitations On Liability; Exclusion Of Consequential Damages

8.1 Your Representations and Warranties. Without limiting any other warranties hereunder, you represent, warrant to, and covenant with us, and with the submission of each Sales Draft reaffirm that:

(a) each Card transaction is genuine and arises from a bona fide transaction permissible under the Card Organization Rules by the Cardholder directly with you, represents a valid obligation for the amount shown on the Sales Draft, preauthorized order, or Credit Draft, and does not involve the use of a Card for any other purpose;

(b) each Card transaction represents an obligation of the related Cardholder for the amount of the Card transaction;

(c) the amount charged for each Card transaction is not subject to any dispute, set-off or counterclaim;

(d) each Card transaction amount is only for respective merchandise or services (including taxes, but without any surcharge, except as required by Card Organization Rules) sold, leased, or rented by you pursuant to your business as indicated on the Application and, except for any delayed delivery or advance deposit Card transactions expressly authorized by the Agreement, that merchandise or service was actually delivered to or performed for the Cardholder entering into that Card transaction simultaneously upon your accepting and submitting that Card transaction for processing;

(e) with respect to each Card transaction, you have no knowledge or notice of any fact, circumstance, or defense which would indicate that such Card transaction is fraudulent or not authorized by the related Cardholder or which would otherwise impair the validity or collectability of that Cardholder's obligation arising from that Card transaction or relieve that Cardholder from liability with respect thereto;

(f) each Card transaction is made in accordance with these Terms and Conditions, Card Organization Rules, the Your Payments Acceptance Guide, and Applicable Law;

(g) each Sales Draft is free of any alteration not authorized by the related Cardholder;

(h) you have completed one Card transaction per sale;

(i) you are validly existing, in good standing, and free to enter into the Agreement;

(j) each statement made on the Application or other information provided to us in support of the Agreement is true and correct;

(k) you are not doing business under a name or style not previously disclosed to us;

(l) you have not changed the nature of your business, Card acceptance practices, delivery methods, return policies, or types of products or services sold requiring a different MCC under Card Organization Rules, in a way not previously disclosed to us;

(m) you will use the Services only for your own proper business purposes and will not resell, directly or indirectly, any part of the Services to any Third Party (Note: Factoring is prohibited);

(n) you have not filed a bankruptcy petition not previously disclosed to us;

(o) you own and control the Settlement Account, and no third party security interest or lien of any type exists regarding the Settlement Account or any Card transaction;

(p) you will not at any time during the term of the Agreement, or until all amounts due under the Agreement have been paid in full, grant or pledge any security interest or lien in the Reserve Account, Settlement Account, or transaction proceeds to any Third Party without our consent; and

(q) in performing your obligations hereunder, you will use commercially reasonable efforts to make sure that no viruses, spyware, malware, or similar items are introduced into our environment directly or indirectly by acts or omissions of yours or your agents.

8.2 Our Representations and Warranties. Without limiting any other warranties hereunder, we represent, warrant to, and covenant with you, and with the processing of each Sales Draft reaffirm that:

(a) we will perform our obligations hereunder, including the Services, in compliance with the terms of the Agreement, Applicable Laws, and Card Organization Rules in a timely and professional workmanlike manner;

(b) we are validly existing, in good standing, and free to enter into the Agreement;

(c) we have obtained and will continue to maintain the requisite certifications and permits required to perform the Services hereunder; and

(d) in performing our obligations hereunder and providing Services, we will use commercially reasonable efforts to make sure that no viruses, spyware, malware, or similar items are introduced into your environment directly or indirectly by acts or omissions of ours or our agents.

8.3 NO OTHER REPRESENTATIONS OR WARRANTIES. THE AGREEMENT IS A SERVICE AGREEMENT. EXCEPT AS EXPRESSLY SET FORTH IN THE AGREEMENT, EACH PARTY DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, MADE TO THE OTHER PARTY OR ANY OTHER THIRD PARTY, INCLUDING WITHOUT LIMITATION, ANY WARRANTIES REGARDING QUALITY, SUITABILITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT OR OTHERWISE OF ANY SERVICES OR ANY GOODS PROVIDED INCIDENTAL TO THE SERVICES PROVIDED UNDER THE AGREEMENT, INCLUDING, WITHOUT LIMITATION, ANY SERVICES OR ANY GOODS PROVIDED BY A THIRD PARTY.

8.4 EXCLUSION OF CONSEQUENTIAL DAMAGES. SUBJECT TO SECTION 8.8(b), IN NO EVENT SHALL EITHER PARTY OR ITS AFFILIATES OR ANY OF ITS OR THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR SUBCONTRACTORS BE LIABLE UNDER ANY THEORY OF TORT, CONTRACT, STRICT LIABILITY OR OTHER LEGAL THEORY FOR LOST PROFITS, LOST REVENUES, LOST BUSINESS OPPORTUNITIES, EXEMPLARY, PUNITIVE, SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES, EACH OF WHICH IS HEREBY EXCLUDED BY AGREEMENT OF THE PARTIES, REGARDLESS OF WHETHER SUCH DAMAGES WERE FORESEEABLE OR WHETHER ANY PARTY OR ANY THIRD PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES (THE "**DAMAGES EXCLUSION**").

8.5 LIABILITY CAP. NOTWITHSTANDING ANYTHING IN THE AGREEMENT TO THE CONTRARY AND SUBJECT TO SECTION 8.8(a), OUR CUMULATIVE LIABILITY FOR ALL LOSSES, CLAIMS, SUITS, CONTROVERSIES, BREACHES AND DAMAGES FOR ANY CAUSE(S) WHATSOEVER (INCLUDING, BUT NOT LIMITED TO, THOSE ARISING OUT OF OR RELATED TO THE AGREEMENT), REGARDLESS OF THE FORM OF ACTION OR LEGAL THEORY, SHALL NOT EXCEED, (I) $50,000; OR (II) THE AMOUNT OF FEES RECEIVED BY US PURSUANT TO THE AGREEMENT FOR SERVICES PERFORMED IN THE IMMEDIATELY PRECEDING TWELVE (12) MONTHS, WHICHEVER IS LESS ("**LIABILITY CAP**").

8.6 SOLE REMEDY FOR FUNDING DELAY. NOTWITHSTANDING ANYTHING IN THE AGREEMENT TO THE CONTRARY (INCLUDING BUT NOT LIMITED TO SECTION 15), IN THE EVENT OF ANY DELAY IN FUNDING TRANSACTIONS TO YOU FOR ANY REASON, OTHER THAN FOR ANY REASON DESCRIBED IN SECTIONS 5 OR 19.1, OUR SOLE LIABILITY TO YOU WILL BE TO PAY YOU INTEREST COMPUTED FROM THE DATE THAT WE WOULD HAVE FUNDED THE TRANSACTION, AS DESCRIBED IN SECTION 5, TO THE DATE THAT WE ACTUALLY FUND THE TRANSACTION AT THE RATE OF THE LESSER OF THE PER ANNUM RATE EQUAL TO BANK'S THEN CURRENT PRIME RATE PLUS TWO PERCENT (2%), BASED ON A 360 DAY YEAR OR (II) THE MAXIMUM RATE.

8.7 BANK IS NOT LIABLE FOR NON-BANK CARD SERVICES. NOTWITHSTANDING ANYTHING IN THE AGREEMENT TO THE CONTRARY, BANK IS NOT RESPONSIBLE, AND SHALL HAVE NO LIABILITY, TO YOU IN ANY WAY WITH RESPECT TO NON-BANK CARD SERVICES.

8.8 EXCEPTIONS TO LIABILITY CAP AND EXCLUSION OF CONSEQUENTIAL DAMAGES.

(a) **Liability Cap Exceptions.** The Liability Cap set forth in Section 8.5 shall not apply to the following: (i) claims and losses caused by our or our personnel's gross negligence, willful misconduct, or fraud; (ii) our obligations under Section 15.3; (iii) our breach of our obligations with respect to compliance with Applicable Laws or Card Organization Rules under the Agreement (excluding breaches involving our Data Security Event, which are subject to the Liability Cap); or (iv) our breach of our confidentiality obligations under the Agreement not involving personally identifiable consumer information (collectively, (i) through (iv) are the "**Excluded Amounts**").

(b) **Damages Exclusion Exceptions.** The Damages Exclusion set forth in Section 8.4 shall not apply to the following: (i) claims and losses caused by the gross negligence, willful misconduct, or fraud of either party or its personnel; (ii) our obligations under Section 15.3 and your obligations with respect to Excluded Claims; (iii) breaches by either party of its obligations with respect to compliance with Applicable Laws or Card Organization Rules under the Agreement (excluding breaches involving our Data Security Event, which are subject to the Damages Exclusion); or

(iv) breaches by either party of its confidentiality obligations under the Agreement not involving personally identifiable consumer information. For avoidance of doubt, amounts excepted from the Damages Exclusion (y) are not Excluded Amounts, and (z) are subject to the Liability Cap.

9 Confidentiality

9.1 **Definition of Confidential Information.** The term "**Confidential Information**" means all information of a party and its Affiliates that is not publicly available, including any of their strategic business information and capabilities; financial information; business plans and marketing strategies; pricing of the Services; documentation and portals related to Services; information related to information technology systems and processes; technical specifications; designs; processes and procedures; reports; source code; databases; information used in connection with logging onto, accessing, or using the Services; customer information (not including Cardholder data); the terms of the Agreement; and information that must be maintained as confidential by Applicable Law, and whether in oral, written, graphic, electronic, or other form, including all copies and derivatives thereof.

9.2 **Protecting Confidential Information.** The party receiving Confidential Information ("**Recipient**") from the other party ("**Discloser**") shall: (a) safeguard the Discloser's Confidential Information using at least a reasonable degree of care; (b) limit access to the Discloser's Confidential Information to the Recipient's employees and service providers who (i) have an obligation of confidentiality to Recipient that is similar to Recipient's confidentiality obligations to Discloser under this Section 9, and (ii) have a need to know the Discloser's Confidential Information in connection with the Agreement; (c) not disclose or use the Discloser's Confidential Information, except as permitted under Section 9.3 or elsewhere in the Agreement; and (d) at the Discloser's request, return to Discloser or destroy all of Discloser's Confidential Information in Recipient's possession or control.

9.3 **Permitted Use and Disclosure of Confidential Information.** Recipient may disclose the Discloser's Confidential Information: (a) to Third Parties on a need to know basis as it reasonably deems appropriate to analyze, provide, support, improve, receive, or use the Services; (b) to its auditors and attorneys (internal and external) and regulators; (c) as required or permitted by law, regulation, or court order; or (d) to its respective Affiliates as it deems appropriate. In addition, we may disclose your Confidential Information: (x) as permitted under Section 2.6, Section 10.6, or elsewhere in the Agreement; (y) in connection with any customer service and support, whether provided by us or Third Parties, related to your Merchant Account; and (z) to any Card Organizations, which may use and share such information in any lawful manner and for any lawful purpose. Notwithstanding any contrary provisions in documents for any other accounts you have with Bank, you consent to Bank sharing and exchanging with us, our Affiliates, and our agents information about you and such other accounts (including relationship, credit, and confidential information) in connection with the Services and for any other lawful reason.

9.4 **Use and Disclosure Exceptions.** The obligations set forth in Section 9.2 do not apply to information that: (a) enters the public domain through no fault of the Recipient; (b) was received from a Third Party free of any obligation of confidence and which Third Party, to Recipient's knowledge, was not under an obligation to keep the information confidential; (c) was already in Recipient's possession prior to receipt from Discloser; (d) is required to be disclosed by law, regulation, or court order after giving Discloser as much advance notice as practical of the possibility of disclosure; or (e) is independently developed by Recipient without use of or reference to Discloser's Confidential Information.

9.5 **Injunctive Relief.** Recipient acknowledges that breach of the restrictions on use or disclosure of Confidential Information could result in immediate and irreparable harm to Discloser, and money damages may be inadequate to compensate for that harm. Discloser shall be entitled to seek equitable relief, in addition to all other available remedies, to redress any such breach.

9.6 **Cardholder Data and Transaction Data.** You must not use, disclose, store, sell, or disseminate any Cardholder data except: (a) to authorize, complete, and settle Card transactions; (b) to resolve Chargebacks; (c) to respond to requests for documentation related to Card transactions (such as a copy of a Sales Draft or other transaction source documents); or (d) as both required by valid court order, government agency order, or subpoena and compliant with Card Organization Rules. You acknowledge that you do not have and will not obtain ownership rights in any Cardholder data or Transaction Data.

10 Intellectual Property

10.1 **Servicers' Ownership.** As among Servicers and Client, Servicers exclusively own all right, title, and interest (under federal, state, local, and international laws and under the laws of any other country, territory, or jurisdiction) in and to the: (a) Intellectual Property; (b) Technology; (c) Services; (d) Software; and (e) Documentation. You shall not take any action that is inconsistent with, or that challenges, the rights, title, and ownership set forth in this Section10.1.

10.2 **Your Limited License.** We grant you a non-transferable, non-assignable, non-exclusive, limited, royalty-free, revocable license to access and use the Services, Software, and Documentation solely within the United States (excluding U.S. territories and possessions), solely for their intended purpose(s), solely for your business purpose(s) (not for any household or other non-commercial use), solely on systems that you own or license, and solely in accordance with the

terms of the Agreement ("**Limited License**"). For the avoidance of doubt: (a) other than the Limited License, nothing in this Section 10.2 or the Agreement assigns, transfers, or creates any right, title, or interest for you (whether express or implied, or by estoppel or otherwise) in or to the Intellectual Property, Technology, Services, Software, or Documentation; and (b) all right, license, title and interests that are not expressly granted pursuant to the Limited License are expressly withheld. You obtain no rights (license or otherwise) to any Marks, brand names, or logos associated with any Services, or associated with us or our service providers. The Limited License shall immediately terminate on the earlier of (y) termination of the Agreement, and (z) termination of the Services related to such Limited License.

10.3 **Documentation and Software.** If Documentation is provided for a Service: (a) you must access and use such Service in accordance with such Documentation; and (b) you may use such Documentation only in connection with your access to and use of such Service. Software can only be used with certain computer operating systems and it is your responsibility to ensure that you have the appropriate hardware and software to use the Software. You are bound by all Software and other Intellectual Property terms and conditions of use and other license terms, whether provided by a Third Party (such as an Equipment manufacturer or Software owner) or by us.

10.4 **Marks.** You must comply with all Card Organization Rules, guidelines, and standards regarding Marks owned by any Card Organization, including those regarding use, display, and reproduction of Marks. Your use and display of any Card Organization Marks will terminate upon the earlier of: (a) termination of the Agreement; or (b) notice to you that the Card Organization has requested or required such termination. You may not use our Marks (or those of our Affiliates or Third Party service providers) in any manner, including in any advertisements, displays, or press releases, without our prior written consent. You shall not: (y) indicate that we or any Card Organization endorses your goods or services; or (z) use our Marks or the Marks of any Card Organization in any way that injures or diminishes the goodwill associated with the Marks.

10.5 **Updates.** At any time we may release updates to Software or Services ("**Updates**"), which you must install and integrate with your systems within 30 days of receipt. Failure to install Updates timely may impair the Software or Services. We have no liability for your failure to properly install the most current version of Software or any Update, and we have no obligation to provide support or services for outdated versions.

10.6 **Transaction Data.** You authorize us, our service providers, and our Third Party providers of payments products and services that are complementary to our services to use and disclose, within and outside of the United States, Transaction Data in connection with: (a) improving products and services; (b) making products and services (including analytics products and services) available to you, our other clients, and other merchants and Third Parties; and (c) for any other lawful reason. As part of our rights under this Section 10.6, we may in certain instances collect, aggregate, and use de-identified and aggregated Transaction Data. In addition, in the course of providing Services we may collect information related to activities on your network and Merchant Systems, including network configuration, TCP/IP packet headers and contents, log files, malicious codes, and Trojan horse information. You permit us to use such information, or aggregations of it, for any lawful purpose.

11 Assignment; Material Changes

11.1 **Assignment by Client.** If you transfer or assign the Agreement or any portion of it, or if you attempt to sublicense or otherwise transfer any licensed rights, in each case whether by operation of law or otherwise, without our prior written consent: (a) we may void such transfer, assignment, and/or sublicense; and (b) we may suspend the Services, declare an Event of Default, and exercise any of our other rights under the Agreement.

11.2 **Material Changes.** You will provide us reasonable advance written notice of any material change in the nature of your business ("**Material Change**"). Material Changes include any change in control or merger; any liquidation; any transfer or sale of substantially all of your assets; and any change that could materially affect the products or services you sell, your procedures for payments acceptance, or your fulfillment of obligations to Cardholders. If a Material Change occurs to which we do not consent in writing, we may suspend the Services, declare an Event of Default, or exercise any of our other rights under the Agreement.

11.3 **Responsibility for Transactions.** You are liable to us for all Chargebacks, Servicers Fees, Third Party Based Fees, and other liabilities arising in connection with: (a) any Card transactions submitted to us for processing by any assignee or transferee of the Agreement (or any part of the Agreement) not previously approved as such by us; and (b) any Card transactions submitted to us following any Material Change not previously approved by us in writing. We may collect amounts owed under this Section 11.3 by setting off or recouping against settlement funds, debiting your Settlement Account, debiting a Reserve Account, or in any other manner we are permitted to collect any other amounts under the Agreement.

11.4 **Assignment of Right to Receive Settlement Proceeds by Client.** You may not enter into any agreement that would require the transfer of any payments or proceeds from Card transactions covered by the Agreement to the custody or control of any Third Party. You may not assign the right of payment under the Agreement to any Third Party. In the event that you make an assignment (or provide a security interest) of receivables covered by the Agreement, then we may, at

our option, elect to (a) refuse to acknowledge such assignment unless accompanied by an authorization to initiate both debits and credits to the bank account of the assignee, (b) terminate the Agreement immediately, or (c) charge for any transfers that we are called upon to make manually to fulfill such an assignment at the rate of $100 per transfer.

11.5 Assignment by Us. Another Visa and Mastercard member may be substituted for Bank under whose sponsorship the Agreement is performed with respect to Visa and Mastercard transactions. Upon substitution, such other Visa and Mastercard member shall be responsible for all obligations required of Bank for Visa and Mastecard transactions, including without limitation, full responsibility for its Card program and such other obligations as may be expressly required by applicable Card Organization Rules. Subject to Card Organization Rules, we may assign or transfer the Agreement and our rights, duties, and obligations hereunder and/or delegate or subcontract our rights, duties, and obligations hereunder, in whole or in part, to any Third Party, whether in connection with a change in sponsorship, as set forth in the preceding paragraph, or otherwise, without your consent; provided, however that in the event we so assign or subcontract the Agreement, in whole or in part, we agree to provide you written notice of such assignment or subcontract (as applicable) as promptly as practicable following such assignment or subcontracting by us.

11.6 Permitted Assignments are Binding. Except as set forth elsewhere in this Section and as provided in the following sentence, the Agreement shall be binding upon successors and assigns and shall inure to the benefit of the parties and their respective permitted successors and assigns. No assignee for the benefit of creditors, custodian, receiver, trustee in bankruptcy, debtor in possession, or other Third Party charged with taking custody of a party's assets or business, shall have any right to continue, assume or assign the Agreement.

12 Term; Termination; Events Of Default

12.1 When the Agreement Takes Effect. The Agreement becomes effective only when approved by our Credit Department ("**Effective Date**"). We reserve the right to immediately suspend or terminate your account and the Agreement if you fail to meet our credit policies even if your account has been activated to submit transactions prior to your approval by our Credit Department.

12.2 Term of the Agreement. The initial term of the Agreement begins on the Effective Date and continues for three (3) years ("**Initial Term**"), unless terminated earlier as provided herein. Thereafter, it shall continue on a month-to-month basis (each, an "**Extended Term**" and, together with the Initial Term, the "**Term**") until we or you terminate the Agreement upon written notice to the other as permitted under the Agreement. If you have an equipment lease, termination of the Agreement does not terminate that equipment lease. If you have rented equipment from us, termination of the Agreement does not relieve you of your obligation to make rental payments until the rented equipment is paid for in full or returned to us.

12.3 Events of Default. Each event set forth below is an "**Event of Default**":

(a) A material adverse change in your business, financial condition, or business prospects.

(b) Any assignment of the Agreement by you in violation of Section 11.1.

(c) Any Material Change we did not consent to in violation of Section 11.2.

(d) Irregular Card sales by you, excessive Chargebacks, or any other circumstances which, in our sole discretion, may increase our exposure for your Chargebacks or otherwise present a financial or security risk to us.

(e) The occurrence of a Compromised Data Event (with respect to you) or a Data Security Event (with respect to us).

(f) Any of a party's representations, warranties, or covenants in the Agreement are breached in any respect.

(g) A party defaults in any material respect in the performance or observance of any term, condition, or agreement contained in the Agreement, including, without limitation, your default in the establishment or maintenance of funds in a Reserve Account, as detailed in Section 13.

(h) You default in the payment when due, of any material indebtedness for borrowed money.

(i) A party files a petition or have a petition filed by another party under the U.S. bankruptcy code or any other laws relating to bankruptcy, insolvency or similar arrangement for adjustment of debts; consent to or fail to contest in a timely and appropriate manner any petition filed against a party in an involuntary case under such laws; apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of a party or of a substantial part of a party's property; or make a general assignment for the benefit of creditors; or take any action for the purpose of authorizing any of the foregoing.

(j) Your independent certified accountants shall refuse to deliver an unqualified opinion with respect to your annual financial statements and your consolidated subsidiaries.

(k) A violation by a party of any Applicable Law or Card Organization Rules, including the rules and regulations promulgated by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("**OFAC**") or a party's breach of Section 19.2.

12.4 Termination Due to an Event of Default. Upon the occurrence of an Event of Default specified in subsections 12.3(b), 12.3(c), 12.3(d), 12.3(g) for any breach of Section 13, 12.3(i), or 12.3(k) (or for an Event of Default under Section 12.3(g) for failing to establish or maintain funds in a Reserve Account), the Agreement may be terminated immediately, without notice, and all amounts payable hereunder shall be immediately due and payable in full, provided that any disputed amounts shall be handled in accordance with Section 5. Upon the occurrence of any other Event of Default, the Agreement may be terminated by the non-breaching party by giving written notice to the breaching party if the Event of Default remains uncured for thirty (30) days from the time the breaching party was first notified of the Event of Default, and upon such notice all undisputed amounts payable hereunder shall be due and payable on demand. If any Event of Default occurs, regardless of whether such Event of Default has been cured, each party may, in its sole discretion, exercise all of its rights and remedies under Applicable Law, and the Agreement including, without limitation, exercising its rights under Section 13.

12.5 Termination Related to the IHG Agreement. Processor and Six Continents Hotels, Inc. ("**IHG**") are parties to that certain Merchant Services Referral Agreement dated October 16, 2014 (as supplemented and amended, the "**IHG Agreement**"). Upon expiration or termination of the IHG Agreement: (a) you may terminate the Agreement without penalty; and (b) you are entitled to receive Termination Assistance Services, unless the IHG Agreement is terminated by us for cause (in which case, we may choose whether to provide Termination Assistance Services in our discretion).

12.6 Effect of Termination. Upon expiration or termination of the Agreement:

(a) All obligations by a party to pay or reimburse the other party for any obligations associated with transactions you have submitted to us or disputed payments will survive termination of the Agreement until finally and irrevocably paid in full and settled.

(b) You shall continue to bear total responsibility for all Chargebacks, fees, and other amounts (including all Servicers Fees and Third Party Based Fees) associated with transactions submitted by you or by any assignee or transferee of the Agreement not previously approved by us, and for all activity under your Merchant Account, until all such Servicers Fees, Third Party Based Fees, Chargebacks, and other amounts have been paid in full (and regardless of whether such transactions were submitted and such activity occurred before or after termination).

(c) Your Limited License and any other license related to the terminated Service(s) immediately terminate and, within 5 days after termination, you must return to us or destroy all related Software and Documentation and, upon our request, certify the same to us in writing.

(d) In the event you file for protection under the U.S. bankruptcy code or any other laws relating to bankruptcy, insolvency, assignment for the benefit of creditors or similar laws, and you continue to use our Services, it is your responsibility to open new accounts to distinguish pre and post filing obligations. You acknowledge that as long as you utilize the accounts you established prior to such filing, we will not be able to systematically segregate your post-filing transactions or prevent set-off of the pre-existing obligations. In that event, you will be responsible for submitting an accounting supporting any adjustments that you may claim.

12.7 MATCH Reporting. The Card Organizations often maintain merchant lists, such as the Member Alert To Control High-risk (Merchants) ("**MATCH**"), who have had their merchant agreements or Card acceptance rights terminated for cause. If the Agreement is terminated for cause by us due to an Event of Default by you, you acknowledge that we may be required to report your business name and the names and other information regarding your principals to the Card Organizations for inclusion on such list(s). You expressly agree and consent to such reporting if you are terminated as a result of the occurrence of an Event of Default or for any reason specified as cause by Visa, Mastercard or Discover. Furthermore, you agree to waive and hold us harmless from and against any and all claims which you may have as a result of such reporting.

12.8 Termination Assistance. For up to ninety (90) days following the date of termination of the Agreement, and at your request, we will provide to you, at no additional charge (other than the Servicers Fees, Third Party Based Fees, and other amounts due under the Agreement), such assistance, including the continued performance of the Services, as may be reasonably required to transition you from us to an alternative service provider (the "**Termination Assistance Services**"). As part of such Termination Assistance Services, we will provide continued access to our reporting system for Chargeback retrieval. Notwithstanding the foregoing, we are not required to provide Termination Assistance Services if the Agreement is terminated due to: (a) a Compromised Data Event; (b) your breach of your obligations with respect to the Reserve Account in Section 13; (c) your failure to maintain sufficient funds in the Settlement Account; (d) fraud or excessive Chargebacks; or (e) the request or requirement of any Card Organization. For avoidance of doubt, all terms and provisions of these Terms and Conditions, the Fee Schedule, and the other components of the Agreement apply to any Termination Assistance Services.

13 RESERVE ACCOUNT; SECURITY INTEREST

13.1 Reserve Account Generally. You expressly authorize us to establish a Reserve Account pursuant to the terms and conditions set forth in this Section 13. The amount of such Reserve Account shall be set by us and may be adjusted by

us from time to time, in our sole discretion, based upon your processing history and the potential risk of loss to us as we may determine from time to time.

13.2 Funding the Reserve Account.

(a) **Timing.** The Reserve Account shall be fully funded: (i) immediately in instances of fraud, suspected fraud, the occurrence of an Event of Default, or any party providing notice of termination of the Agreement; or (ii) upon three days' notice if required for any other reason.

(b) **Method.** The Reserve Account may be funded by all or any combination of the following: (i) one or more debits to your Settlement Account or any other accounts held by either of us or any of our respective Affiliates, at any financial institution maintained in the name of Client, any of its principals, or any of its guarantors, or if any of same are authorized signers on such account; (ii) our collection of any payments or amounts (including settlement funds) otherwise due to you; or (iii) with our consent, your delivery to us of a letter of credit issued by a financial institution acceptable to us and in a form satisfactory to us.

(c) **Holding and Return of Funds.** Any Reserve Account will be held by us for the greater of ten (10) months after termination of the Agreement or for such longer period of time as is consistent with our liability for your Card transactions and Chargebacks in accordance with Card Organization Rules, at which time, we will return all remaining amounts in the Reserve Account to you. We will hold funds pursuant to this Section 13.2 in master account(s) with your funds allocated to separate sub accounts. Unless specifically required by law, you shall not be entitled to interest on any funds held by us in a Reserve Account.

13.3 Payment of Amounts from Reserve Account; Deficiencies. We may collect any Servicers Fees, Third Party Based Fees, Chargebacks, and other amounts (collectively in this Section 13.3, "**all such amounts**") arising in connection with the Agreement from the Reserve Account. If your funds in the Reserve Account are not sufficient to cover all such amounts, or if the funds in the Reserve Account have been released, you agree to promptly pay us all such amounts upon request. In addition, we may collect all such amounts in any manner we otherwise are permitted to collect amounts under the Agreement, including by net settling against your settlement funds, setting off against amounts owed to you, and debiting your Settlement Account.

13.4 Security Interest. To secure your obligations to us and our respective Affiliates under the Agreement, you grant to us a first priority lien and security interest in and to: (a) the Reserve Account; and (b) any of your funds pertaining to the Card transactions contemplated by the Agreement now or hereafter in our possession, whether now or hereafter due or to become due to you from us. Any such funds, money, or amounts now or hereafter in our possession may be commingled with other funds of ours, or, in the case of any funds held pursuant to the foregoing paragraphs, with any other funds of other customers of ours.

13.5 Set-Off. In addition to any rights now or hereafter granted under Applicable Law and not by way of limitation of any such rights, we are hereby authorized by you at any time and from time to time, without notice or demand to you or to any Third Party (any such notice and demand being hereby expressly waived), to set off, recoup, and to appropriate and apply any and all such funds against and on account of your obligations to us and our respective Affiliates under the Agreement and any other agreement with us our respective Affiliates for any related equipment or related services (including any check services), whether such obligations are liquidated, unliquidated, fixed, contingent, matured or unmatured. You agree to duly execute and deliver to us such instruments and documents as we may reasonably request to perfect and confirm the lien, security interest, right of set-off, recoupment and subordination set forth in the Agreement.

14 FINANCIAL AND OTHER INFORMATION

14.1 Providing Information. Upon request, you will provide us and our Affiliates, quarterly financial statements within 45 days after the end of each fiscal quarter and annual audited financial statements within 90 days after the end of each fiscal year. Such financial statements shall be prepared in accordance with generally accepted accounting principles. You will also provide such other financial statements and other information concerning your business and your compliance with the terms and provisions of the Agreement as we may reasonably request. You authorize us and our respective Affiliates to obtain from credit agencies and any trade references provided by you financial and credit information relating to you in connection with our determination f whether to accept the Agreement and our continuing evaluation of your financial and credit status. We may also access and use information which you have provided to us under the Agreement. Upon reasonable request, you shall provide, and/or cause to be provided, to us and our respective Affiliates, or our respective representatives, regulators, or forensic examiners (as well as those of the Card Organizations), reasonable access to your records for the purpose of performing any inspection and/or copying of books and/or records deemed appropriate.

15 INDEMNIFICATION

15.1 Indemnification by Client. You agree to indemnify us, our Affiliates, and our and their respective officers, directors, employees, successors, and permitted assigns (the **"FDSH Indemnitees"**) from, and defend and hold the FDSH

Indemnitees harmless from and against, all third party claims brought against FDSH Indemnitees, and all related losses to the extent such claims result from or arise out of: (a) your breach of your representations, warranties, or obligations set forth in the Agreement; (b) any claims initiated by your Affiliates or agents asserting rights under the Agreement; or (c) gross negligence or willful misconduct of you or your agents. In addition, you agree to defend and hold FDSH Indemnitees harmless from and against third party claims to the extent covering Excluded Claims brought against the FDSH Indemnitees, and all related losses.

15.2 Indemnification by Us. Subject to the Liability Cap and the Damages Exclusion, we agree to indemnify you from, and defend and hold you harmless from and against, any third party claims brought against you and all related losses to the extent such claims result from or arise out of: (a) our material breach of our representations, warranties, or obligations set forth in the Agreement; (b) any claims initiated by our Affiliates or agents asserting rights under the Agreement; or (c) gross negligence or willful misconduct by us or our agents. For avoidance of doubt, the obligations under this Section 15.2 shall not apply to Bank with respect to Non-Bank Services.

15.3 Intellectual Property Infringement Indemnification. Processor will indemnify, defend, and hold you harmless from and against any third party claim alleging that the Services infringe or misappropriate any patent, copyright, trademark, service mark, trade secret, or other proprietary right (collectively for purposes of this Section 15.3, "**Intellectual Property Rights**") of such third party; provided that the foregoing indemnification under Section 15.3 shall not apply to that portion (and only that portion) of any third party claim that is caused by, results from, or arises out of: (a) your failure to use the Services as required under the Agreement; (b) your configuration, modification, or use of the Services in combination with other products or services (including software, equipment, or systems) that are not provided by Processor and that combination creates a process or method that is the causation for the infringement or misappropriation; (c) Processor's use of any designs, artwork, concepts, trademark specifications, or other copyrighted materials provided by you or on your behalf (including by IHG) in connection with the Agreement; or (d) Processor's custom development of the Services pursuant to a request by you or IHG and that development creates a process or method that is the causation for the infringement or misappropriation (the claims (or portions of claims) referred to in the foregoing clauses (a), (b), (c) and (d) are herein referred to collectively as the "**Excluded Claims**"). If any part of the Services is determined or reasonably suspected to be infringing, Processor, at its option and expense, shall: (w) procure for you the continued use of such Services; (x) replace such Services with non infringing Services that are a functional equivalent; (y) modify such Services so that they become non-infringing and remain functionally equivalent, provided that, if (x) or (y) is the option chosen by Processor, your intended use of such Services is not materially impaired; or (z) terminate such Services in their entirety upon written notice to you, and without further liability to you hereunder other than Processor's indemnification obligations hereunder and, subject to the Liability Cap, any direct damages incurred by you as a result of such termination.

16 SPECIAL PROVISIONS REGARDING NON-BANK CARDS

16.1 Services Provided by Bank, Conveyed Transactions, and Non-Bank Services.

(a) **Services Provided by Bank**. Bank only provides, and its obligations and liability are limited to, sponsorship, settlement, and related Bank services for certain Card transactions, which do not include Non-Bank Card transactions or Non-Bank Services. For avoidance of doubt, Bank is not a party to the Agreement with respect to, and does not have any responsibilities or liability with respect to, transactions that Processor sponsors and settles under the Agreement or Conveyed Transactions.

(b) **Non-Bank Services.** Non-Bank Services are provided to you by Processor, not by Bank. Bank is not responsible for, and has no liability to you in any way with respect to, Non-Bank Services. The provisions of the Agreement regarding Discover Card transactions, American Express Card transactions, and other Non-Bank Services are an agreement solely between you and Processor. Non-Bank Services are subject to all terms and provisions of these Terms and Conditions. To the extent terms specific to a Non-Bank Service directly conflict with another provision of the Agreement, the terms specific to the Non-Bank Service will control with respect to such Non-Bank Service.

(c) **Conveyed Transactions.** The following terms apply to Conveyed Transactions: (a) Processor (not Bank) will provide an Authorization response to Authorization requests; (b) Processor and Bank do not have any responsibility or liability for funding, sponsoring, or settling Conveyed Transactions; (c) you must enter into, and comply with the terms of, a separate agreement with the Card Organization or Issuer that settles Conveyed Transactions ("**Issuer Agreement**"), and must pursue directly with such Card Organization or Issuer all related claims and disputes; (d) the Card Organization or Issuer that settles Conveyed Transactions may charge additional fees and amounts, for which you are exclusively responsible and liable; and (e) if the Issuer Agreement has been terminated, suspended, or is not in effect, Processor does not have any obligation to provide any Services for Conveyed Transactions.

(d) **Fees.** You shall pay us the fees for Conveyed Transactions and other Non-Bank Services as set forth on your Application, MPA Addendum, Fee Schedule, and/or other Schedules, or as we otherwise disclose to you. Fees for Non-Bank Services may be charged and collected in any manner that other Servicers Fees, Third Party Based Fees, and other amounts may be charged and collected under the Agreement.

(e) **Discover.** Services provided for transactions made with Cards branded by Discover, Diners Club International JCB, Union Pay, BCcard, or any other Card Organizations subsequently designated by Discover (such Cards are "**DNP Card Types**" and such transactions are "**DNP Transactions**") are Non-Bank Services. Depending on your Merchant Account, DNP Transactions may be sponsored and settled by either Processor or Discover. DNP Transactions that Discover sponsors and settles are Conveyed Transactions. DNP Transactions will be processed under and subject to Discover Card Organization Rules and the terms of the Agreement applicable to Discover Card acceptance and transactions, including, without limitation, the fees, rates, and interchange programs applicable thereto.

(f) **American Express.** American Express transactions are funded by American Express. American Express will provide you with its own agreement that governs those transactions. We are not responsible for and assume no liability with regard to the funding and settlement of American Express transactions. American Express will charge additional fees for the services it provides.

17 DEBIT CARD TRANSACTIONS

17.1 Debit Card Transactions Generally; Debit Networks Used. Your Debit Card transactions are subject to the terms of the Agreement, Card Organization Rules (including those of Debit Networks), and Applicable Law. Subject to Applicable Law, we may choose any available Debit Network, including a Debit Network affiliated with us, when routing your Debit Network Transactions. The Debit Network used may not be the lowest cost Debit Network available. We may change Debit Networks used based on various factors, including availability, features, functionality, and our own business considerations. The Your Payments Acceptance Guide contains additional details and requirements related to your acceptance of Debit Cards.

17.2 Accepting Debit Cards. When a Debit Card is presented you must: (a) read the account number electronically from the magnetic stripe or chip for Debit Network transactions made via use of a PIN, and if the magnetic stripe or chip is unreadable for such a transaction you must request another form of payment; (b) honor all valid Debit Cards presented; and (c) not manually enter the Card account number for Debit Network transactions made via use of a PIN.

18 CHOICE OF LAW; VENUE; WAIVER OF JURY TRIAL

18.1 Choice of Law. The Agreement shall be governed by and construed in accordance with the laws of the State of New York (without regard to its choice of law provisions).

18.2 Venue. The exclusive venue for any actions or claims arising under or related to the Agreement shall be in the courts of the State of North Carolina and the United States for the Western District of North Carolina, Charlotte Division, located in Charlotte, North Carolina. You irrevocably and unconditionally agree and submit to the jurisdiction of such North Carolina courts and waive any objection to the venue of such courts whether based on inconvenience of forum or other grounds.

18.3 Waiver of Jury Trial. ALL PARTIES IRREVOCABLY WAIVE ANY AND ALL RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN ANY JUDICIAL PROCEEDING RELATING TO OR ARISING UNDER THE AGREEMENT.

19 OTHER TERMS

19.1 Force Majeure. No party shall be liable for any default or delay in the performance of its obligations under the Agreement (excluding your obligation to pay us Servicers Fees, Third Party Based Fees, Chargebacks, and other amounts related to Services provided and transactions processed under the Agreement, which obligation is not subject to this Section 19.1) if and to the extent such default or delay is caused, directly or indirectly, by: (i) fire, flood, earthquake, elements of nature, or other acts of God; (ii) any terrorist attacks or outbreak or escalation of hostilities, war, riots, or civil disorders in any country; (iii) any act or omission of the other party or any government authority; (iv) any labor disputes (whether or not employees' demands are reasonable or within the party's power to satisfy); or (v) the nonperformance by a Third Party for any similar cause beyond the reasonable control of such party, including without limitation, failures or fluctuations in telecommunication or other equipment. In any such event, the non-performing party shall be excused from any further performance and observance of the obligations so affected only for as long as such circumstances prevail and such party continues to use commercially reasonable efforts to recommence performance or observance as soon as practicable.

19.2 Compliance with Laws. Each party is responsible for determining all Applicable Law that is applicable to it and for complying with all such Applicable Law in connection with the Agreement. You further agree to cooperate and provide information requested by Servicers, as Servicers determine necessary, to facilitate Servicers' compliance with Applicable Law, including without limitation the rules and regulations promulgated by OFAC and the USA PATRIOT Act. As part of your obligation to comply with Applicable Law, you agree not to use the Merchant Account and/or the Services for illegal transactions, for example, those prohibited by the Unlawful Internet Gambling Enforcement Act, 31 U.S.C. Section 5361 et. seq., as may be amended from time to time or for processing and accepting transactions in certain jurisdictions pursuant to 31 CFR Part 500 et. seq. and other laws enforced by OFAC.

19.3 Notices; Contact Information. Except as otherwise specifically provided, all notices and other communications required or permitted hereunder (other than those involving normal operational matters relating to the processing of Card transactions) shall be in writing, and if to you, at your address appearing in the Application. Notices to Processor must be

sent to FDS Holdings, Inc., 4000 Coral Ridge Drive, MS/CON- MER-B, Coral Springs, FL 33065, Attn: Merchant Services. Notices to Bank must be sent to Bank of America, N.A., 9200 Shelbyville Road, Suite 200, KY6-225-0202, Louisville, KY 40222, Attention: Operations Manager. Notices shall be deemed to have been given (i) if sent by mail, upon the earlier of five (5) days after mailing or when actually received, (ii) if sent by courier, when delivered, and (iii) if sent by facsimile machine, when the courier confirmation copy is actually received. Notice given in any other manner shall be effective when actually received. Notices sent to your last known address, as indicated in our records, shall constitute effective notice to you under the Agreement. Processor's Customer Service phone number is 833-692-5687.

19.4 Headings; Rules of Interpretation. The headings contained in these Terms and Conditions are for convenience of reference only and shall not in any way affect the meaning or construction of any provision of these Terms and Conditions. Each definition used in the Agreement includes the singular and the plural, and reference to the neuter gender includes the masculine and feminine where appropriate. Reference to Applicable Law or regulation means such law or regulation as amended as of the time of determination and includes any successor laws and regulations. Except as otherwise stated, reference to "Section" or "Sections" means the sections of these Terms and Conditions. The words "including" or "includes" or similar terms used herein shall be deemed to be followed by the words "without limitation", whether or not such additional words are actually set forth herein. Text enclosed in parentheses has the same effect as text that is not enclosed in parentheses.

19.5 Severability. The parties intend every provision of the Agreement to be severable. If any part of the Agreement is not enforceable, the remaining provisions shall remain valid and enforceable.

19.6 Entire Agreement; Waiver. The Agreement constitutes the entire Agreement between the parties with respect to the subject matter thereof, and supersedes any previous agreements and understandings. A party's waiver of a breach of any term or condition of the Agreement shall not be deemed a waiver of any subsequent breach of the same or another term or condition.

19.7 Amendment. We may modify any provision of the Agreement by providing written notice to you. You may choose not to accept the requirements of any such change by terminating the Agreement within twenty (20) days of receiving notice. For purposes of this section, an electronic or "click-wrap" notice intended to modify or amend the Agreement and which you check "I Accept" or "I Agree" or otherwise accept through an electronic process, shall constitute in writing as required herein. This Section 19.7 does not apply to changes to Third Party Based Fees, which are governed by Section 6.2, or to changes made pursuant to Section 2.6. For avoidance of doubt, you do not have any termination right with respect to any changes to Third Party Based Fees or with respect to any changes made in connection with our rights under Section 2.6

19.8 No Third Party Beneficiaries. Our respective Affiliates and any Third Parties we use in providing the Services are third party beneficiaries of the Agreement and each of them may enforce its provisions as if it was a party hereto. Except as expressly provided in the Agreement, nothing in the Agreement is intended to confer upon any Third Party any rights or remedies and the parties do not intend for any Third Parties to be third party beneficiaries of the Agreement.

19.9 Reporting Information; Backup Withholding. Pursuant to Section 6050W of the Internal Revenue Code, merchant acquiring entities (like Bank) and Third Party settlement organizations are required to file an information return reflecting all payment card transactions and Third Party network transactions occurring in a calendar year. In addition, the Internal Revenue Code may require us to undertake backup withholding if you do not provide Bank with the correct name and TIN that you use when filing your income tax return that includes the transactions for your business. Accordingly, to avoid backup withholding, it is very important that you provide us with the correct name and TIN that you use when filing your tax return that includes the transactions for your business.

19.10 Card Organization Rules. The parties acknowledge that the Visa, Mastercard, and Discover Card Organization Rules give Visa, Mastercard, and Discover certain rights to require termination or modification of the Agreement with respect to transactions involving Visa, Mastercard, and Discover Cards (including DNP Card Types) and the Visa, Mastercard and Discover Card systems, and to investigate you. The parties also acknowledge that Issuers of other Cards, for which we perform services on your behalf, may have similar rights under their applicable Card Organization Rules with respect to the Agreement's applicability to transactions involving such other Cards.

20 DEFINITIONS

20.1 Defined Terms. As used in the Agreement, the following terms mean as follows:

Acquirer: Bank in the case of Visa, Mastercard and certain Debit Card transactions; Processor in the case of DNP Transactions and any other transactions that Processor sponsors and settles; and neither Bank nor Processor for Conveyed Transactions.

Address Verification Service (AVS): A service for verifying a Cardholder's address, primarily for Card Not Present Transactions.

Affiliate: A Third Party who, directly or indirectly, (i) owns or controls a party to the Agreement or (ii) is under common ownership or control with a party to the Agreement.

Agreement: See the meaning in Section 1.2.

American Express: American Express Company.

Applicable Law: All federal, state and local statutes, ordinances, laws, regulations and executive, administrative, and judicial orders applicable to the Agreement, the transactions or other matters contemplated under the Agreement (including, the rules and regulations promulgated by OFAC), and all amendments thereto.

Application: The Merchant Processing Application and Agreement that you submitted to us in connection with applying to receive the Services, including all additions and modifications thereto.

Authorization: Approval by, or on behalf of, the Issuer to validate a Credit Card or Debit Card transaction. Authorization indicates only the availability of credit or funds at the time the Authorization is requested; it does not indicate that the person presenting the Card is the rightful Cardholder and it does not guarantee that you will not be subject to a Chargeback, an adjustment, or other Servicers Fees and Third Party Based Fees with respect to the authorized transaction.

Authorization Fee: A fee we charge for each transaction that you submit for Authorization, regardless of whether the transaction is authorized or approved.

Bank: Bank of America, N.A. or its successors or assigns.

Bankruptcy Code: Title 11 of the United States Code, as amended from time to time.

Business Day: Monday through Friday, excluding Bank holidays.

Card: See either Credit Card or Debit Card.

Cardholder: The individual or entity whose name is embossed on a Card and any authorized user of such Card, including an individual or entity that has entered into anagreement establishing a Card account with an Issuer.

Card Not Present Transaction: A transaction that occurs when the Card is not present at the point-of-sale, including Internet, mail-order and telephone-order Card sales.

Card Organization: Any entity formed to administer and promote Cards, including, without limitation, Visa, Mastercard, Discover, and any applicable Debit Networks.

Card Organization Rules: The rules, regulations, releases, interpretations, and other requirements (whether contractual or otherwise) imposed or adopted by any Card Organization and related authorities, including, without limitation, those of the PCI Security Standards Council, LLC and the National Automated Clearing House Association.

Card Validation Codes: A three-digit value printed in the signature panel of most Cards and a four-digit value printed on the front of an American Express Card. Visa's Card Validation Code is known as CVV2; Mastercard's Card Validation Code is known as CVC2; and Discover's Card Validation Code is known as a CID.

Chargeback: A Card transaction (or disputed portion) that is returned to us by the Issuer. Client is responsible for payment to us for all Chargebacks.

Client: The party identified as "Client" on the Application. The words "Subscriber," "Customer", "you", "your", and "Merchant" refer to Client.

Conveyed Transactions: Transactions that Processor submits for Authorization, but that neither Processor nor Bank sponsors and settles.

Credit: A refund or price adjustment given for a previous purchase transaction, including, without limitation, for the return of merchandise by a Cardholder to you.

Credit Card: A Card authorizing the Cardholder to buy goods or services on credit.

Credit Draft: A document evidencing a Credit by you to a Cardholder, whether electronic, paper, or some other form, all of which must conform to Card Organization Rules and Applicable Law.

Debit Card: A Card that is tied to, and that authorizes the Cardholder to purchase goods and services using funds from, the Cardholder's bank account or prepaid account. A transaction made using a Debit Card is considered either a Debit Network Transaction or a Non-Debit Network Transaction.

Debit Network: The telecommunications and processing system of a shared electronic funds transfer network (such as Interlink®, NYCE®, or Star®) for processing and settling Debit Network Transactions.

Debit Network Transaction: A transaction made with a Debit Card that is routed through a Debit Network. A Debit Network Transaction made with use of a PIN may be referred to as a "**Debit Network PIN Transaction**" or as "**PIN Debit**". A Debit Network Transaction made without use of a PIN, as permitted under the rules and requirements of the applicable Debit Network, may be referred to as a "**Debit Network PINless Transaction**" or as "**PINless Debit**."

Discover: DFS Services LLC, its subsidiaries and affiliates, and each of its and their respective successors or assigns.

Documentation: The operational documents, technical integration requirements and documentation, user manuals, help files, and other implementation overviews, integration guidelines, sandbox guidelines, and other documentation that we

provide or make available, in written or electronic form, in connection with any Software or Service, as modified by us from time to time.

Factoring: The submission of Authorization requests and/or Sales Drafts by a merchant for Card sales or cash advances transacted by another business.

Fee Schedule: The portion(s) of your Agreement (including your MPA Addendum) that set forth certain fees and amounts that you will be charged for the Services, including Servicers Fees and certain Third Party Based Fees. The term Fee Schedule includes the Interchange Rate Schedule and the Debit Network Fee Schedule.

Group Member: A franchisee, licensee, association member, or other member associated with the Group Owner.

Group Owner: A franchisor, licensor, association, or other group level entity that has a relationship with us for the benefit of the Group Owner and the Group Members designated by or associated with the Group Owner.

Group Owner Agreement: The agreement that we have with the Group Owner to provide Group Owner Benefits to Group Members and/or the Group Owner.

Group Owner Benefits: The products and services, pricing, or other benefits provided to Group Members and/or the Group Owner pursuant to the Group Owner Agreement.

Intellectual Property: The Marks, Software, copyrights, patents, trademarks, service marks, trade dress, materials, web screens, layouts, processing techniques, computer programs, Documentation, procedures, processes, algorithms, methods, specifications, know-how, and other intellectual property that Servicers, Servicers' Affiliates, or any of their licensors, vendors, service providers, or contractors own, develop, or license prior to, during the term of, or after termination of the Agreement, or that Servicers use in connection with the Services, and all updates to, alterations to, and derivative works from any such intellectual property.

Issuer: The financial institution or Card Organization which has issued a Card to an individual, company, corporation, or other legal entity.

Location: A physical location, internet address, division, outlet, processing method, or business activity for which we have assigned a unique Merchant Account Number.

Marks: Names, logos, emblems, brands, service marks, trademarks, trade names, tag lines, or other proprietary designations.

Mastercard: Mastercard International Incorporated, its subsidiaries and affiliates, and each of its and their respective successors or assigns.

Merchant Account: An account we establish for each of your Locations for accounting and billing purposes in connection with the Services.

Merchant Account Number (MID): A number that numerically identifies each Merchant Account.

Merchant Provider: Any Third Party engaged by you to provide services to you involving or relating to (i) access to Cardholder data, Transaction Data or information related to either Cardholder data or Transaction Data or (ii) PIN encryption, including without limitation, Encryption Service Organizations (ESOs). "Merchant Provider" also includes any franchisor (including IHG) or other Third Party that provides or controls a centralized or hosted network environment, irrespective of whether Cardholder data is being stored, transmitted, or processed through it.

Merchant Systems: Any and all equipment, systems, telecommunication lines, wireless connections, software, computers, networks, point-of-sale terminals, card readers, merchandise, card scanners, printers, PIN pad devices, and other hardware, systems, and equipment (whether owned or licensed by you, any of your Affiliates, any Merchant Provider, or another Third Party) used in connection with your accepting, processing, clearing, settling, transmitting, and otherwise handling Card transactions, or otherwise used by you in connection with the Agreement.

MPA Addendum: The Addendum to Merchant Processing Application and Agreement for New Properties and/or Addendum to Merchant Agreement for Existing Properties entered into between you, us, and Bank. The MPA Addendum is a Contract Document and part of the Agreement.

Non-Bank Services: Products and Services provided pursuant to the Agreement, but not provided by Bank, including services for Cards ("**Non-Bank Cards**") and transactions that Processor sponsors and settles and Conveyed Transactions. Non-Bank Services are considered Services and are subject to the Agreement. For purposes of Non-Bank Services, the words "we", "our", and "us" refer only to Processor, not Bank

Non-Debit Network: A Card Organization through which a Non-Debit Network Transaction is processed.

Non-Debit Network Transaction: A transaction made with a Debit Card that is not routed through a Debit Network and that is processed and settled as a Credit Card transaction, against the Cardholder's bank account or prepaid account, as permitted by applicable Card Organization Rules.

PIN: A personal identification number entered by the Cardholder to submit a PIN Debit Transaction.

Processor: FDS Holdings, Inc. or its successors and assigns. Except for Services provided by Servicers, the words "we," "us" and "our" refer to Processor.

Reserve Account: An account established and funded at our request or on your behalf, pursuant to Section 13.

Sales Draft: Evidence of a purchase, rental, or lease of goods or services by a Cardholder from, and other payments to, Client using a Card, including preauthorized orders and recurring transactions (unless the context requires otherwise); regardless of whether the form of such evidence is in paper or electronic form or otherwise.

Schedules: The schedules, fee schedules, rate schedules, exhibits, attachments, enclosures, addenda, and other documents, including revisions thereto, which may be incorporated into or made part of the Agreement concurrently with or after the date of the Agreement.

Services: See the meaning in Section 2.1.

Servicers: For Visa and Mastercard transactions and Debit Card transactions, Bank and Processor collectively, in which case, subject to Applicable Law and Card Organization Rules, Bank and Processor shall be jointly, but not also severally, liable to Client. The words "we," "us" and "our" refer to Servicers for Services provided by Servicers; otherwise, those words refer to Processor.

Servicers Fees. Fees that Servicers impose, establish, or set, including Authorization Fees, Transaction Fees, Equipment-related fees, shipping and handling charges (if applicable), and any other amounts that Servicers impose, establish, or set.

Settlement Account: An account or account(s) at a financial institution designated by Client as the account to be debited and credited by Processor or Bank for Card transactions, Servicers Fees, Third Party Based Fees, Chargebacks, and other amounts due under the Agreement or in connection with the Agreement. If you have designated more than one Settlement Account, references to Settlement Account in the Agreement mean each of your Settlement Accounts.

Software: Any and all software, computer programs, related documentation, technology, know-how and processes embodied in or provided in connection with Card authorization, clearing, completing, settling, transmitting or other related processing, whether equipment, PC, server or Internet based, or otherwise provided in connection with the Services.

Taxes: Any and all sales, use, excise, personal property, stamp, documentary, and ad-valorem taxes; license and registration fees; tariffs, levies, and assessments; fines and penalties; and similar charges, in each case however levied, designated, based, charged, or imposed. Taxes exclude taxes imposed on Servicers based on Servicers' net income.

Technology: The technology used in connection with the provision of Services to Client, including software, firmware, portals, processing systems, processing platforms, networks (in each instance, whether in object or source code font), reports, templates, documentation, and all derivative works of and modifications to such technology.

Third Party (Third Parties): Any third party individual(s) or entity(ies) other than Client, Processor, or Bank.

Third Party Based Fees: Fees, fines, assessments, penalties, obligations, liabilities, adjustments, and other charges and amounts a Card Organization, Issuer, or other Third Party imposes, establishes, or sets, and all related costs and expenses. Whenever used, the term "Third Party Based Fees" includes all Data Compromise Losses and all Chargebacks. Third Party Fees include Card Organization pass through fees and interchange fees, including any fees and amounts associated with any transaction downgrading to a different interchange category.

Third Party Services: Services, goods, equipment, products, promotions, software, applications, systems, materials, and other items provided by any Merchant Provider or other Third Party.

Transaction Data: Data collected as part of performing the Services, including Cardholder information, dates, amounts, and other transaction details.

Transaction Fees: Fees charged on a per transaction basis.

Us, We and Our (us, we and our): See Servicers or Processor.

Visa: Visa Inc., its subsidiaries and affiliates and each of its and their respective successors or assigns.

You, Your (you; your): See Client.

CONFIRMATION PAGE

Please read these Terms and Conditions and the other Contract Documents that make up the Agreement in their entirety. They describe the terms under which we will provide you the Services. Below we have summarized portions of these Terms and Conditions, to assist you with understanding certain key provisions and to answer some common questions.

1 **Servicers may debit your bank account(s)** (also referred to as your Settlement Account(s)) from time to time for amounts owed to them under the Agreement.

2 **There are many reasons a Chargeback** may occur. Servicers will debit the amount of Chargebacks from your settlement funds or Settlement Account, or from any Reserve Account. See Section 7 and the Your Payments Acceptance Guide.

3 **If you dispute any charge or funding**, you must notify Servicers within 90 days of the date of the statement where the charge or funding appears for Card processing. See Section 6.6.

4 **The Merchant Agreement limits liability to you.** For detailed descriptions of the limitations of liability see Section 8.

5 **Servicers have assumed certain risks** by agreeing to provide you the Services. Accordingly, they may take actions to mitigate their risk, including terminating the Agreement and/or holding monies otherwise payable to you. See Section 12 and Section 13.

6 **By executing the Application**, you authorize FDS Holdings, Inc., Bank of America, N.A., First Data Merchant Services LLC, and American Express Travel Related Services Company, Inc. to obtain financial and credit information regarding your business and the signer and guarantors of the Agreement until all your obligations to those parties are satisfied.

7 **Card Organization Disclosure**

7.1 Important Visa and Mastercard Member Bank Responsibilities:

(a) The Visa and Mastercard Member Bank is Bank of America, N.A The Bank's mailing address is 9200 Shelbyville Road, Suite 200, KY6-225-0202, Louisville, KY 40222.

(b) The Bank is the only entity approved to extend acceptance of Visa and Mastercard products directly to you under the Agreement.

(c) The Bank must be a principal (signer) to the Agreement.

(d) The Bank is responsible for educating you on pertinent Visa and Mastercard rules with which you must comply; but this information may be provided to you by Processor.

(e) The Bank is responsible for and must provide settlement funds to you.

(f) The Bank is responsible for all funds held in reserve that are derived from settlement.

(g) The Bank is the ultimate authority should you have any problems with Visa or Mastercard products (however, Processor also will assist you with any such problems).

7.2 Important Client Responsibilities:

(a) Ensure compliance with Cardholder data security and storage requirements.

(b) Maintain fraud and Chargebacks below Card Organization thresholds.

(c) Review and understand the terms of the Agreement.

(d) Comply with Card Organization Rules.

(e) Retain a signed copy of this Disclosure Page.

(f) You may download Visa's Rules from its website: https://usa.visa.com/.

(g) You may download Mastercard's rules from its website: https://www.mastercard.us/en-us.html

By its signature below, Client acknowledges that it has received and read, and Client agrees to, (1) the Application, (2) the MPA Addendum, (3) the Fee Schedule (including the Interchange Rate Schedule and Debit Network Fee Schedule), (4) the Your Payments Acceptance Guide, and (5) these Terms and Conditions.

No alterations or changes to the Agreement will be accepted; any alterations or changes made are null and void and have no force or effect.

Client's Business Principal: Signature (Please sign below):

X _____ _____ _____

Title **Date**

_____

Please Print Name of Signer

GLOBALCHOICE™ SERVICES SCHEDULE

This GlobalChoice Services Schedule (**Schedule**) is among First Data Merchant Services LLC (**First Data**), Wells Fargo Bank, N.A. (**GlobalChoice Sponsor Bank**), and _____ (**Client**).

1 Background

1.1 This Schedule adds the GlobalChoice services to the merchant agreement between First Data or its Affiliate (including FDS Holdings, Inc.), Bank of America, N.A. (**Bank of America**), and Client (**Merchant Agreement** or **Agreement**). The terms of the Merchant Agreement and this Schedule apply to the GlobalChoice services, but if anything in this Schedule conflicts with the Merchant Agreement, this Schedule will control.

1.2 The GlobalChoice services are provided by First Data and GlobalChoice Sponsor Bank. The GlobalChoice Sponsor Bank is not Bank of America; Bank of America is not providing the GlobalChoice services, is not a party to this Schedule, and is not liable to Client in connection with the GlobalChoice services or this Schedule.

1.3 The GlobalChoice services are **Services** under the Merchant Agreement, and First Data and GlobalChoice Sponsor Bank are **Servicers**. With respect to Servicers' obligations relating to the GlobalChoice Services, any liability of First Data and GlobalChoice Sponsor Bank to Client will be joint but not several.

2 Definitions

2.1 Capitalized words or phrases that are not defined in this Schedule use the definitions given to them in the Merchant Agreement.

2.2 In this Schedule, the words **we**, **our**, and **us** refer only to First Data and GlobalChoice Sponsor Bank, and not to Bank.

2.3 **Applicable Percentage** means the percentage used to calculate the Foreign Currency Fees.

2.4 **Card Organization** means any payments association or payments network whose cards or other payment forms Client accepts under the Merchant Agreement.

2.5 **Card Organization Charges** means all fees, charges, liabilities, or obligations that a Card Organization imposes on us in connection with Client's transactions, including (1) interchange, (2) assessments (including dues, issuer reimbursements, fines, penalties, and fraud recovery losses), (3) access fees, switch fees, file fees, and other fees established by the Card Organizations, (4) adjustments, and (5) Chargebacks.

2.6 **Card Organization Rules** means the rules, requirements, and standards of each Card Organization, including the PCI DSS.

2.7 **Currency Equivalent** means the Foreign Currency equivalent of the Transaction Price, which we calculate using the Transaction Rate.

2.8 **DCC Margin** means the margin (expressed as a percentage and paid by the cardholder) that we use periodically to convert a Foreign Currency base exchange rate into a Transaction Rate for a given DCC Transaction or Dynamic Pricing Transaction. The source of the Foreign Currency base exchange rate will be a wholesale interbank exchange rate.

2.9 **DCC Service** means the service performed by a GlobalChoice Service Provider to authorize, process, and settle Card transactions that occur at Client's Local Locations and involve DCC Transactions.

2.10 **DCC Transaction** means a Foreign Currency Transaction in which the cardholder authorizes (1) the Transaction Price to be converted to the Currency Equivalent, (2) the Currency Equivalent to be submitted to a Card Organization for settlement, and (3) the cardholder's account to be charged in the amount of the Currency Equivalent.

2.11 **Dynamic Price** means the price Client displays in the Foreign Currency selected by the cardholder or selected automatically based on the country of cardholder's IP address. The displayed price will equal the Currency Equivalent.

2.12 **Dynamic Pricing Service** means a service only for the internet environment that (1) gives cardholders the ability to select the currency in which all pricing is displayed, or (2) automatically selects the currency in which all pricing is displayed based on the country of cardholder's IP address. The displayed currency will be the currency in which the transaction amount is submitted to the Card Organizations.

2.13 **Dynamic Pricing Transaction** means a Foreign Currency Transaction that has been submitted to the Card Organizations in a different currency, based on (1) the currency selected by the cardholder for displayed pricing, or (2) the currency displayed automatically displayed on Client's website based on the country of the cardholder's IP address.

2.14 **End-to-End Currency** means a currency in which Card Organizations transact and settle.

2.15 **Foreign Card** means a Visa or Mastercard-branded Card issued in a foreign country under a Foreign Currency.

2.16 **Foreign Currency** means a currency other than the Local Currency.

2.17 **Foreign Currency Fees** means the fees we pay Client (either directly or through a GlobalChoice Service Provider) in connection with a DCC Transaction or Dynamic Pricing Transaction that we process.

2.18 **Foreign Currency Transaction** means a transaction between Client and a cardholder with a Foreign Card at one Client's Local Locations.

2.19 **GlobalChoice Service Provider** means our affiliates and third party service providers that assist us from time to time in providing the Services to Client.

2.20 **IP Rights** means all forms of intellectual property rights and protections (whether or not registered) that have arisen or may arise in the future, anywhere in the world, including all rights, title, and interests arising in (1) patent applications, (2) issued patents and any divisions, re-issues, re-examinations, substitutes, continuations, continuations-in-part, or extensions of patents, (3) trade secrets and trade secret rights, (4) copyrights (including print versions, electronic versions and derivative works) and other literary property or authors' rights, whether or not protected by copyright or as a mask work, and (5)

proprietary trademarks, trade names, symbols, logos, tag-lines, domain names, or brand names, including goodwill.

2.21 **Licensed Technology** means any materials, and all IP Rights in and to any materials, that we give or make available to Client in connection with the GlobalChoice Services, including the object code (non-modifiable) version of the Currency Recognition Module (including any updates), the object code (non-modifiable) version of any other software (including any updates), specifications, training materials, online training, online guides, and user guides.

2.22 **Local Currency** means the currency of the United States of America (excluding United States territories).

2.23 **Local Currency Equivalent** means the equivalent in Local Currency of the amount of a Foreign Currency Transaction that will be processed as a DCC Transaction or Dynamic Pricing Service Transaction. We use the applicable Transaction Rate to calculate the Local Currency Equivalent.

2.24 **Local Currency Transaction** means a transaction between Client and a cardholder in the Local Currency that is submitted to us for processing in the Local Currency.

2.25 **Local Locations** means Client's locations in the United States (excluding United States territories).

2.26 **Net Local Currency Turnover** means the Local Currency Equivalent of all DCC Transactions or Dynamic Pricing Transactions, ***minus*** the value in Local Currency of (1) the fees in *Section 6*, (2) Rejects, and (3) all Card Organization Charges.

2.27 **Non End-to-End Currency** means a currency in which Card Organizations transact but settle in the Local Currency Equivalent.

2.28 **Other DCC Merchant** means a merchant other than Client that uses a point-of-sale currency conversion service similar to the DCC Service.

2.29 **Reject** means a Foreign Currency Transaction that fails to meet all GlobalChoice Services criteria and that we do not process as a DCC Transaction.

2.30 **Services** or **GlobalChoice Services** means the DCC Service and the Dynamic Pricing Service.

2.31 **Transaction Price** means the original price in Local Currency of a Foreign Currency Transaction.

2.32 **Transaction Rate** means the Foreign Currency exchange rate that we give Client periodically, which Client uses to convert the Transaction Price into the Currency Equivalent.

2.33 **User Guide** means the Merchant User Guide (including changes and updates) that we periodically provide or make available to Client.

2.34 **Your Payments Acceptance Guide** means (1) the then-current manual we make available to Client that contains operational procedures, instructions, and other directives relating to Card transactions, and (2) the User Guide.

3 Sponsorship

Although Bank does not provide Client with the Services and is not a party to this Schedule, First Data works with various GlobalChoice Sponsor Banks to provide Client with the Services. Client acknowledges and agrees that (1) GlobalChoice Sponsor Banks will have the same rights and obligations under the Merchant Agreement as Bank does, and (2) despite the signature of the GlobalChoice Sponsor Bank at the end of the Schedule, First Data has the right from time to time change which GlobalChoice Sponsor Bank provides Client with sponsorship for Client's DCC Transactions and Dynamic Pricing Transactions. The GlobalChoice Sponsor Bank may or may not be the same as Bank under the Merchant Agreement.

4 Services Description

4.1 The Services are available only for Visa and Mastercard transactions.

4.2 The Services allow Client to settle Foreign Currency Transactions in a currency other than United States dollars. If Client wishes to use the Services in an internet environment, Client may choose to use the Dynamic Pricing Service, or Client may choose the standard price display, which shows pricing in Local Currency (i.e., US dollars) but gives cardholders the ability to pay in a Foreign Currency.

4.3 The Services support only certain Foreign Currencies and certain types of Foreign Currency Transactions. Client can find the list of supported Foreign Currencies and Foreign Currency Transactions in the User Guide. We have the right to change which Foreign Currencies and which Foreign Currency Transactions the Services support. We will give Client reasonable advance written notice if we cease supporting any existing Foreign Currency or Foreign Currency Transaction. If, however, there is a sudden and extreme fluctuation in the value of a Foreign Currency, we have the right to stop supporting the Foreign Currency immediately with written notice to Client. A "sudden and extreme fluctuation" in a Foreign Currency's value means a movement (up or down) of at least 6% over a 2-day period.

4.4 Other than the performance of the Services (which we are responsible for), Client is solely responsible for all aspects of a DCC Transaction or a Dynamic Pricing Transaction, including obtaining the cardholder's agreement to the DCC Transaction, clearly and conspicuously disclosing all terms of any DCC Transaction to the cardholder (including on the transaction receipt or credit voucher), and complying with all Card Organization Rules that apply to the DCC Transactions and Dynamic Pricing Transactions Client submits to us.

4.5 Settlement of DCC Transactions and Dynamic Pricing Transactions will occur in the Local Currency Equivalent, using the Transaction Rate that was applied on the date of the original DCC Transaction or Dynamic Pricing Transaction. Funding of DCC Transactions and Dynamic Pricing Transactions will be separate from funding of Local Currency transactions and will be completed within the funding timeframe indicated in the User Guide or as we otherwise communicate to Client.

4.6 Settlement of Chargebacks of DCC Transactions and Dynamic Pricing Transactions will occur in the Local Currency, using the Transaction Rate that was applied on the date of the original DCC Transaction or Dynamic Pricing Transaction, not the Transaction Rate in effect on the date of the Chargeback.

4.7 Refunds, credits, and returns (but not Chargebacks) will be treated as separate DCC Transactions or Dynamic Pricing Transactions, and the Transaction Rate used for refunds, credits, and returns will be

determined based on the date and time of each refund, credit, or return transaction. Foreign Currency risk in connection with refunds, credits, or returns on DCC Transactions or Dynamic Pricing Transactions is allocated to the cardholder and will be the cardholder's responsibility. As between Client and us, Foreign Currency risk for Chargebacks of DCC Transactions or Dynamic Pricing Transactions is allocated to us and is our responsibility.

4.8 We will be Client's sole and exclusive provider of the Services (and any substantially similar services).

5 Reserved

6 Fees

6.1 The fees in the Merchant Agreement that apply to Client's card transactions generally also apply to the DCC Transactions we process. Client will pay us the same fees and charges for processing DCC Transactions that Client pays us for processing other card transactions, including all Card Organizations Charges.

6.2 Client's payment of fees in connection with the DCC Service will occur at the same time and in the same manner as the fees for Client's other card transactions, as described in the Merchant Agreement.

6.3 The DCC Margin will be 3.5%.

6.4 Each month, we will pay Client a Foreign Currency Fee in an amount equal to the Applicable Percentage, ***multiplied by*** the Net Local Currency Turnover. The Applicable Percentage will be 1.5%.

7 License

7.1 While this Schedule is in effect, we grant Client a personal, limited, non-exclusive, revocable, non-transferable license, without the right to further sublicense or assign in any way, to use (in the United States only) the Licensed Technology solely to (1) receive the DCC Service and Dynamic Pricing Service, and (2) make DCC Transactions or Dynamic Pricing Transactions available to cardholders at Client's Local Locations, all in compliance with this Schedule and the Merchant Agreement. The Services are for Client's internal business use only. "United States" does not include United States territories.

7.2 Client must limit use of the Licensed Technology to only Client's employees who need it in order to perform their job duties.

7.3 All IP Rights in or related to the Licensed Technology or the Services are, and will remain, our sole and exclusive property or the sole and exclusive property of our vendors or our licensors (including the GlobalChoice Service Providers). We reserve and withhold all rights, title, and interests associated with the Licensed Technology or the Services that are not expressly licensed by us in this Schedule.

7.4 We may revoke the above license without notice if (1) Client fails to comply with this Schedule or the Merchant Agreement, or (2) Client misuses the Licensed Technology or the Services. Any license we provide to the Licensed Technology or the Services will automatically terminate when this Schedule terminates.

8 License Restrictions

8.1 Client is not permitted to, and Client must not permit any third party to, do any of the following:

(1) Attempt to access any part of the Licensed Technology that is not intended to be available to Client;

(2) Attempt to avoid or defeat any security or authentication measure in the Licensed Technology;

(3) Attempt to decompile, disassemble, reverse engineer, reconstruct, or discover any source code, underlying ideas, or algorithms of the Licensed Technology;

(4) Modify, translate, or alter the Licensed Technology in any way;

(5) Create derivative works of or based on the Licensed Technology;

(6) Directly or indirectly copy the Licensed Technology except for backup purposes and except as strictly necessary to execute any part of the Licensed Technology or the Services;

(7) Re-publish, upload, post, transmit, disclose, or distribute the Licensed Technology (in any format);

(8) Access or use (in any format) the Licensed Technology through any time-sharing service, service bureau, network, consortium, or other means;

(9) Rent, lease, sell, sublicense, assign, or otherwise transfer the above license to any third party, whether by operation of law or otherwise;

(10) Without first obtaining our written consent (a) use, ship, or transship the Licensed Technology outside of the United States, or (2) access the Licensed Technology from outside the United States;

(11) Remove, relocate, or otherwise alter any proprietary rights notices from the Licensed Technology;

(12) Attempt to perform any action that is reasonably likely to (a) interfere with the proper working of the Licensed Technology or the Services, or (b) prevent access to or use of the Licensed Technology or the Services by other users;

(13) Incorporate into or combine with the Licensed Technology any other software or documentation that (a) would require the Licensed Technology to be disclosed or distributed in source code form, licensed for the purpose of making derivative works, or redistributable at no charge, or (b) otherwise through by Client's use of the other software or documentation result in the Licensed Technology's being disclosed or distributed in source code form, licensed for the purpose of making derivative works, or redistributable at no charge; or

(14) Use the Licensed Technology except as permitted in this Schedule.

8.2 Client must not (1) take any action inconsistent with the ownership described in *Section 7.3*, or (2) file any action, in any forum, that challenges the ownership of the Licensed Technology or the Services.

9 Confidentiality

9.1 Client must treat all information we give or make available to Client in connection with the Services (including the Licensed Technology) as confidential, unless it is already publicly available. Client may not disclose any of our confidential information (including the Licensed Technology) without our written permission, and Client may only use it to receive the Services. Client must safeguard our confidential information (including the Licensed Technology) using measures that are at least as rigorous as those Client uses to safeguard its own confidential information, and Client must always use at least reasonable care.

9.2 If any governmental or regulatory authorities require Client to disclose any of our confidential information, Client will use best efforts to notify us far enough in advance to allow us to seek appropriate protections.

9.3 When this Schedule terminates (or earlier, if we request it), Client will return or destroy all confidential information obtained in connection with the Services and provide us with written certification that return or destruction has occurred. If confidential information is to be destroyed, Client must use reasonable and appropriate procedures (based on the sensitivity of the confidential information) to destroy it so that it is permanently unreadable and unusable.

9.4 Client acknowledges that (1) our confidential information is a valuable and unique asset, (2) Client's use or disclosure of confidential information in violation of this Schedule will cause immediate, substantial, and irreparable harm to us, the value of which may be extremely difficult to determine, and (3) money damages may not be a sufficient remedy for Client's violation of this Schedule. Client agrees that we will be entitled to obtain equitable relief for violations of this Schedule without being required to post a bond or other undertaking.

10 Term and Termination

10.1 This Schedule begins on the latest date that appears in the signature block and continues in effect until (1) the Merchant Agreement expires or terminates, in which case, this Schedule will automatically terminate, or (2) this Schedule terminates as described in *Section 10.2* or *Section 10.3*. First Data may also suspend Client's access to either or both of the Services as described in *Section 10.3*. Regardless of the reason for termination or suspension, Client is responsible for paying all fees due through the date of termination or suspension.

10.2 Client or First Data may terminate this Schedule for convenience by giving the other party at least 30 days' advance written notice.

10.3 We will have the right to suspend all or part of the DCC Service or the Dynamic Pricing Service, to suspend our processing of any DCC Transaction or Dynamic Pricing Transaction, or to terminate this Schedule if:

(1) We determine that Client is using the DCC Service, Dynamic Pricing Service, or Licensed Technology for any fraudulent, illegal, or unauthorized purpose;

(2) We believe that Client is not complying with any Card Organization Rule that applies to Client's business or Client's transactions;

(3) We determine that the DCC Service or Dynamic Pricing Service does not comply with applicable laws or Card Organization Rules;

(4) Client fails to comply with any provision of this Schedule and fails to cure or satisfactorily remedy its non-compliance within 30 days of receiving written notice of non-compliance;

(5) Client fails to comply with any of its obligations under the Merchant Agreement and fails to cure the failure within the time period provided if any);

(6) We terminate our agreement with any GlobalChoice Service Provider, GlobalChoice Sponsor Bank, or other third parties that are involved in providing the Services; or

(7) We otherwise decide to discontinue providing either or both of the Services.

10.4 Except for the circumstances described in *Section 10.3(1)* through *Section 10.3(3)*, we will give Client 30 days' advance written notice of termination. Client acknowledges that if any of the circumstances described in *Section 10.3(1)* through *Section 10.3(3)* occur, Client may be in breach of the Merchant Agreement, giving First Data and Bank all of the rights and remedies described in the Merchant Agreement for a breach, which may include immediate termination of the Merchant Agreement and this Schedule without notice.

10.5 Termination of this Schedule or the Services will not relieve Client of any of its obligations under this Schedule or the Merchant Agreement.

11 Indemnification

11.1 Client will indemnify First Data and GlobalChoice Sponsor Bank, and hold us harmless, with respect to all transactions processed in connection with the Services to the same extent as Client indemnifies and holds harmless First Data and Bank under the Merchant Agreement.

11.2 Client will also indemnify First Data and GlobalChoice Sponsor Bank, and hold us harmless, from and against all losses, liabilities, damages, and expenses (including reasonable attorneys' fees and collection costs) arising out of or relating to:

(1) Client's failure to comply with all terms and conditions of this Schedule and all operating procedures, requirements, or guidelines in the User Guide;

(2) Client's acts or omissions in connection with any DCC Transaction or Dynamic Pricing Transaction, including any alleged misrepresentation, any deceptive or unlawful trade practice, or any alleged failure to obtain the cardholder's agreement to a DCC Transaction or Dynamic Pricing Transaction; or

(3) Client's failure to comply with any applicable law or Card Organization Rule.

11.3 Any provisions in the Merchant Agreement that limit Client's liability to First Data or Bank will not apply to Client's obligations under *Section 11.2*.

12 Limitation on Liability

In addition to the limitations on liability in the Merchant Agreement, neither First Data, nor First Data's affiliates, nor any GlobalChoice Sponsor Bank, nor any GlobalChoice Service Provider, will be liable under any circumstances or any theory of recovery for any exemplary, punitive, special, indirect, incidental, or consequential damages or any lost profits, lost revenues, damage to reputation, or loss of value.

13 Third Party Beneficiaries

First Data's affiliates, GlobalChoice Sponsor Banks, and GlobalChoice Service Providers are intended third party beneficiaries of this Schedule (including any part of the Merchant Agreement that relates to Client's obligations under this Schedule or Client's transactions processed in connection with either or both of the Services), and each of them may enforce its provisions. Except as described in the preceding sentence: (1) nothing in this Schedule is intended to confer on any individual or entity any rights or remedies with respect to this Schedule or the Merchant Agreement, and (2) neither we nor Client intends for any individual or entity to be third party beneficiaries of this Schedule.

14 Interpretation and Construction

Each defined word or phrase can be read as singular or plural. Section headings and topic headings are convenient reading aids only and do not have any legal significance. The word "including" (in its various forms) means "including but not limited to." No rule of strict construction can be applied against any party as the "drafter" of this Schedule.

Authorized Signers

[Client Legal Name]

By: _____

Name: _____

Title: _____

Date: _____

First Data Merchant Services LLC

By: _____

Name: _____

Title: _____

Date: _____

Wells Fargo Bank, N.A.

By: _____

(under limited powers of attorney granted to First Data)

Name: _____

Title: _____

Date: _____

PARTICIPATION AGREEMENT
IHG Secure Payment Solution (FP)

This Participation Agreement for the IHG Secure Payment Solution (FP), effective as of the date of last signature below, is entered into by and between Six Continents Hotels, Inc. ("IHG") and _____ for the hotel _____ located at _____, Inncode _____ ("Hotel").

By execution of this Participation Agreement, the parties hereto agree as follows:

1. Requirement for Participation Agreement. Hotel acknowledges that IHG and FreedomPay have entered into the Secure Payment Solution Agreement (the "SPS Agreement"), effective as of July ___, 2021. The SPS Agreement provides that an IHG-branded hotel or service company to such a hotel may, upon execution of a Participation Agreement, receive the benefit of the Secure Payment Solution services agreed by IHG and FreedomPay.

2. FreedomPay Services. FreedomPay will provide services in accordance with the terms of this Participation Agreement, including the FreedomPay Pass-Through Terms set forth on Attachment 1, which Hotel expressly agrees to and accepts. With respect to security, availability, and confidentiality, FreedomPay provides the statement set forth on Attachment 2. Hotel will sign the PIM Acknowledgement set forth on Attachment 3.

3. Relationship of Hotel, IHG, and FreedomPay. Hotel acknowledges that, although IHG will process the on-boarding of Hotel, administer payments related to the services, and facilitate support for Hotel, FreedomPay is the provider of services. Hotel will be accessing a single hosted environment configured for IHG, and Hotel does not have the right or ability to customize the hosted environment for its individual needs. The payment of fees and requests for service, and other interaction with FreedomPay will be routed through IHG, acting as a facilitator. Hotel will direct requests for service to IHG.

4. Fees. Hotel will pay IHG a fee of $0.06 per transaction, where "transaction" means each of (i) an on-line authorization request, (ii) a captured request that does not have a corresponding on-line authorization (examples include verbal authorizations, below floor limit or offline requests), (iii) a return request, and (vi) a void request. For most transactions, this fee will be collected by the merchant service provider as part of the settlement reconciliation. IHG reserves the right to lower (but not to increase) this transaction fee upon notice to Hotel. In addition, Hotel will pay IHG a support fee of $140 per month. IHG may modify this support fee by no more than 10% annually upon notice to Hotel.

5. Equipment. Hotel will use IHG-approved equipment purchased for use with Secure Payment Solution. Pricing will be set forth in the equipment order form.

6. Use of Equipment. Hotel shall (a) ensure that the equipment is kept in good and proper working condition, normal wear and tear excepted, (b) not make any alterations or improvements to the equipment without the prior written approval of the manufacturer, and (c) operate and maintain the goods in accordance with the user manuals and documentation, and any instructions issued by the manufacturer from time to time.

7. Equipment Warranty Pass-Through. Equipment is manufactured by a third party and is subject to a warranty provided by that third party, and without limiting any other representations, warranties or covenants of IHG, IHG hereby assigns such warranty to Hotel or, if such warranty cannot be so assigned, IHG shall pass through the benefit of such warranties to Hotel, and otherwise cooperate with Hotel in this respect.

8. Acknowledgement of IHG Data Access. Hotel acknowledges and agrees that IHG will have full access to the transactions and data processed on behalf of Hotel by FreedomPay. Such information may include names, services purchased, usage, billings, payment status, payment card data, and other information related to IHG's management of the service relationship with FreedomPay.

9. Ownership of and Restrictions on Use of Hotel Data. Subject to the rights granted to IHG in the IHG-FreedomPay SPS Agreement, FreedomPay acknowledges and agrees that all data provided by or on behalf of Hotel to FreedomPay under this Participation Agreement ("Hotel Data"), as between FreedomPay and Hotel, is and shall remain the property of Hotel. Hotel Data, constitutes Confidential Information of Hotel, may only be used, stored, or copied by FreedomPay (a) for assisting in completing a card transaction, (b) for fraud control services, (c) as otherwise permitted by Hotel, (d) as otherwise permitted by IHG, or (e) to perform FreedomPay's obligations under this Participation Agreement. When reporting its total count of transactions processed for all customers FreedomPay may include in such total the transactions processed under this Participation Agreement as long as the data so included is limited to Hotel Aggregated Data.. Hotel hereby further authorizes FreedomPay's use of Hotel Aggregated Data to improve the Solution and as expressly provided in this Participation Agreement. "Hotel Aggregated Data" means data collected or generated by FreedomPay as a result of FreedomPay providing Services that meets each of the following requirements: (a) Hotel's transactions cannot be identified or associated with Hotel directly or indirectly; (b) no personally identifiable data is included; and (c) no individual can be identified, contacted, or marketed to, directly or indirectly, from such data.

10. Return of Hotel Data; License to Use Hotel Data. Upon termination, Hotel may request, but subject to PCI DSS rules and all applicable laws (including statutes of limitation), and FreedomPay shall: (a) promptly provide to Hotel, in the format and on the media reasonably requested by Hotel, a copy of all or any part of the Hotel Data; (b) promptly return to Hotel, in the format and on the media reasonably requested by Hotel, all or any part of the Hotel Data that has exceeded established retention policies; and (c) erase or destroy all or any part of the Hotel Data in FreedomPay's or FreedomPay agents' possession that has exceeded established retention policies, and certify in writing to the Hotel that it and each of its Affiliates has performed the foregoing, in each case to the extent so requested by Hotel. Any archival tapes containing Hotel Data shall be used by Supplier and Supplier Agents solely for back-up purposes. Hotel hereby grants FreedomPay a perpetual, non-exclusive license to store, copy and use Hotel Data to the extent necessary to perform its obligations under this Participation Agreement and comply with applicable law and to use and disclose Hotel Aggregated Data for FreedomPay's business purposes. Hotel further acknowledges and agrees that IHG shall have full access to the transactions and data processed on behalf of Hotel by FreedomPay, including the Hotel Data. Such data and information may include names, services purchased, usage, billings, payment status, payment card data, and other information related to IHG's management of the service relationship with FreedomPay.

11. Right to Suspend Service. IHG reserves the right to suspend the services if Hotel violates any material term of this Participation Agreement.

12. Warranty. Hotel acknowledges that FreedomPay has provided to IHG the following terms on warranties and associated remedies:

12.1 Performance Warranty. FreedomPay represents, warrants and covenants that the Services will be performed (a) in a professional and timely manner and in accordance with the generally accepted industry best practices and (b) by adequate numbers of personnel with the education, experience, training and qualifications required to perform the tasks to which they are assigned, and (c) shall satisfy the Specifications set forth in the IHG-FreedomPay SPS Agreement, and perform in accordance with the related documentation. IHG's sole and exclusive remedy for breach of clause (a) shall be re-performance of such Services or, if FreedomPay cannot substantially correct such breach and re-perform the Services in a commercially reasonable manner, a refund of the Fees paid to FreedomPay for the defective Service. Non-performance by FreedomPay shall be excused if and to the extent resulting from non-performance by IHG or wrongful acts or omissions of IHG.

12.2 No Implied Warranties. EXCEPT AS EXPRESSLY SET FORTH HEREIN, FreedomPay MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, AS TO ANY GOODS OR SERVICES OR THE SYSTEM. ALL IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT, ARE HEREBY DISCLAIMED. FREEDOMPAY FURTHER DISCLAIMS ANY LIABILITY

FOR LOSS, DAMAGE OR INJURY TO HOTEL OR THIRD PARTIES AS A RESULT OF ANY DEFECT, LATENT OR OTHERWISE, IN THE GOODS WHETHER ARISING FROM THE APPLICATION OF THE LAWS OF STRICT LIABILITY OR OTHERWISE. FREEDOMPAY DOES NOT WARRANT THAT THE SERVICES WILL BE UNINTERRUPTED OR ERROR FREE.

13. No Indirect Damages. IHG SHALL HAVE NO LIABILITY WITH RESPECT TO THE PERFORMANCE OF THIRD-PARTY GOODS OR THIRD-PARTY SERVICES. THE LIABILITY OF IHG ARISING OUT OF OR RELATING TO THIS PARTICIPATION AGREEMENT AND THE DIRECT SERVICES SHALL BE LIMITED TO THE ACTUAL AMOUNT PAID BY HOTEL TO IHG FOR THE SERVICES GIVING RISE TO SUCH DAMAGES DURING THE PRIOR SIX MONTHS. Notwithstanding anything to the contrary contained in this Participation Agreement, IHG shall have no liability under this Participation Agreement or in any way related to the Secure Payment Solution for any incidental, indirect, exemplary, punitive or consequential damages, or any lost data, lost business, lost revenue or opportunity cost or damage to reputation or goodwill, howsoever arising (whether foreseeable or not, or within the contemplation of either Party) whether arising in contract or tort (including negligence and breach of statutory or other duty) or other form of equitable or legal theory. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH HEREIN, THE SOLE AND EXCLUSIVE REMEDY FOR ANY DEFECT IN THE SYSTEM OR DEFECT IN OR FAILURE TO PERFORM OR TIMELY PERFORM SERVICES UNDER THIS PARTICIPATION AGREEMENT SHALL BE A CREDIT FOR SERVICE PAYMENTS DUE UNDER THIS PARTICIPATION AGREEMENT.

14. Compliance. Hotel shall at all times be in material compliance with all applicable laws, regulations, and PCI DSS requirements relating to data security and privacy.

15. Co-Terminous Agreement. Hotel acknowledges and agrees that, if/when this Participation Agreement, the SPS Agreement, or Hotel's right to operate a hotel under an IHG brand expires or terminates for any reason, this Participation Agreement shall terminate and Hotel shall no longer be eligible to receive services under this Participation Agreement.

16. Assignment. Hotel shall not assign its rights or delegate its obligations under this Participation Agreement to any third party without IHG's prior written consent. This Participation Agreement will be binding upon the parties' respective successors in interest and permitted assigns.

17. Governing Law. This Participation Agreement shall be governed by and construed in accordance with the laws of the state of New York, without giving effect to the principles thereof relating to the conflicts of laws.

18. Entire Agreement. This Participation Agreement represents the entire agreement between the parties with respect to its subject matter and supersedes all prior discussions and agreements between the parties with respect to such subject matter.

By executing this Participation Agreement in the space provided below, the parties agree to be legally bound by the terms and conditions of this Participation Agreement.

AGREED BY **Six Continents Hotels, Inc.**	**AGREED BY** **Hotel**:
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Date Signed:_____	Date Signed:_____

ATTACHMENT 1
FreedomPay Pass-Through Terms

Hotel acknowledges that FreedomPay, Inc. is the provider of the payment gateway services provided to Hotel under this Participation Agreement between IHG and Hotel. Hotel agrees to the following pass-through terms required by FreedomPay:

1. WARRANTIES

1.1. Hotel shall be responsible for procuring and maintaining, at its sole cost, all hardware, software and data communication and connectivity required to connect to the System. Delivery of PCI-Validated Point-to-Point Encryption Secure Switching is subject to Hotel's compliance with the PIM and Hotel's acknowledgement thereof in the form set forth on Attachment 3. In the event Hotel does not comply with any obligation under the PIM, IHG may, but shall not be obligated, to perform any such obligation or otherwise mitigate such non-compliance, in which event IHG may charge Hotel reasonable fees to compensate IHG therefor, including, without limitation, IHG's then current list price for the applicable services. Further, a failure to comply with the PIM or the requirements of Section 3 below will result in the disallowance of the benefits to Hotel described in the PIM.

1.2. FreedomPay makes no representations or warranties, express or implied, as to any third-party services that FreedomPay enables or provides, including but not limited to fraud protection, 3-D Secure, DCC, loyalty or discount programs and/or any other ancillary services enabled or provided by FreedomPay in the future.

1.3. Hotel understands that the services are designed and provided for the sole purpose of facilitating the sale of Hotel's products and services and that FreedomPay is not responsible for the quality or quantity or other aspects of Hotel's products and services or those of any third party not under FreedomPay's control.

1.4. Hotel shall be responsible for procuring from its acquiring bank any necessary PIN keys and KSNs needed to allow pin-debit payment card transactions.

1.5. Hotel agrees that FreedomPay shall have no liability or obligation to Hotel for any transactions not submitted or reported to FreedomPay for settlement within sixty (60) days after the actual date of the transaction. For transactions submitted or reported after such time limit, FreedomPay will attempt to settle such transactions if the data is available, but FreedomPay will have no liability to Hotel if it is unable to settle such transactions.

1.6. FreedomPay may implement a hosted update on the FreedomPay system at such time as it determines, and (b) Hotel shall have the flexibility to commence implementing non-hosted updates according to IHG's schedule, which implementation shall be commenced no later than twelve (12) months after notice from FreedomPay and completed no later than twenty-four (24) months after such notice, unless such non-hosted update is required by law, network requirements or PCI requirements, or other applicable authority, in such case Hotel shall implement such non-hosted update in accordance with the date required in such law or requirement. If Hotel fails to implement any non-hosted update when required as set forth herein, FreedomPay reserves the right to terminate operational support for the prior release (even if Hotel continues to rely on the prior release) and will not be deemed in breach for doing so.

1.7. Unless otherwise agreed in writing by IHG in its reasonable discretion, a FreedomPay update shall not degrade the performance, functioning or operation of the FreedomPay solution and shall not cause the performance, functioning or operation of the Services to fail to meet the requirements of this Participation Agreement; provided, however, that the foregoing shall not apply to any FreedomPay updates that are required by law, network requirements, PCI requirements, acquirer requirements, or a change introduced by, any governmental authority, any regulatory body, a processor or card brand.

1.8. FreedomPay maintains a status alerting system program to notify Hotel about any FreedomPay system status issues. It is strongly recommended that Hotel enroll at freedompay.statuspage.io in order to access FreedomPay system status alerts.

1.9. Hotel acknowledges and agrees that it shall be solely responsible for obtaining any and all consumer consents needed in connection with the provision of any Service offered by FreedomPay, including third-party services, as required by applicable law.

1.10. FreedomPay's systems require full SKU level data to be transmitted with each transaction, and accordingly, Client must configure its eCommerce system to pass through full SKU level data with each transaction. Failure to

provide such full SKU level data will adversely affect FreedomPay's systems and may result in suspension of Hotel's access to the FreedomPay system, unless Client remedies such failure within thirty (30) days.

1.11. Prohibition on Use of Production Data (live PANs) in Testing. PCI rules prohibit the use of production data (i.e., live PANs) in testing and/or development. Accordingly, to the extent applicable, Hotel shall not use any production data in testing or development.

2. LIMITATION OF LIABILITY

2.1. DISCLAIMERS OF LIABILITY FOR CERTAIN ACTIONS. IF ANY OF THE FOLLOWING ACTIONS ARE TAKEN BY OR ON BEHALF OF HOTEL, OR HOTEL REQUESTS THAT FREEDOMPAY TAKE ANY OF THE FOLLOWING ACTIONS ON BEHALF OF HOTEL, CERTAIN NEGATIVE CONSEQUENCES WILL FOLLOW AND FREEDOMPAY'S LIABILITY WILL BE FURTHER LIMITED, ALL AS DESCRIBED BELOW:

2.1.1. OFFLINE MODE DISABLEMENT DISCLAIMER. IF OFFLINE MODE IS DISABLED, INTERNAL NETWORKING ISSUES IN HOTEL'S SYSTEMS WILL MAKE SUCH SYSTEMS UNABLE TO ACCEPT CREDIT CARD TRANSACTIONS. FURTHER, IF FREEDOMPAY'S GATEWAY IS OFF-LINE OR OTHERWISE UNAVAILABLE, HOTEL WILL NOT BE ABLE TO ACCEPT CREDIT CARD TRANSACTIONS AT ALL (I.E., IN OFF-LINE MODE). FREEDOMPAY IS NOT RESPONSIBLE FOR FREEDOMPAY'S SYSTEMS DOWNTIME RESULTING FROM OFFLINE MODE BEING DISABLED, OR FOR ISSUES THAT ARE CAUSED BY HOTEL'S INTERNAL NETWORK OR SYSTEMS, CAUSING SUCH SYSTEMS TO GO OFFLINE, AND FREEDOMPAY'S SERVICE LEVELS WILL BE DEEMED NOT IMPACTED IN ANY WAY BY SUCH DOWNTIME. FOR CLARITY, IF OFFLINE MODE IS DISABLED, HOTEL WILL NOT BE ELIGIBLE FOR ANY REFUNDS OF FEES, AND FREEDOMPAY'S WARRANTIES ARE VOIDED.

2.1.2. CVV DISABLEMENT DISCLAIMER IF PROMPTING FOR THE CVV IS DISABLED (FOR MANUAL TRANSACTIONS ONLY), HOTEL ACKNOWLEDGES AND AGREES THAT ANY INTERCHANGE DOWNGRADES RESULTING FROM SUCH CVV DISABLEMENT, AND ANY LIABILITY FOR INCREASED INTERCHANGE CHARGES AND MERCHANT SERVICES CHARGES RESULTING FROM SUCH CVV DISABLEMENT ARE THE SOLE OBLIGATION OF HOTEL, AND FREEDOMPAY SHALL HAVE NO LIABILITY TO HOTEL FOR SUCH CHARGES.

2.1.3. PIN KEY DISCLAIMER. IF EITHER (a) HOTEL IS UNABLE TO OBTAIN THE PROPER KSN FROM THEIR ACQUIRING BANKS FOR ITS PIN KEY OR 2) FREEDOMPAY'S KEY INJECTION VENDOR DOES NOT HAVE THAT PIN KEY WITHIN ITS SYSTEM AND IT CANNOT BE OBTAINED PRIOR TO IMPLEMENTATION, ANY CONSUMER WHO PRESENTS A CHIP AND PIN CARD WILL BE REQUIRED TO UTILIZE CHIP AND SIGNATURE INSTEAD. CHIP AND SIGNATURE AND CHIP AND PIN ARE KNOWN AS "CARD VERIFICATION METHODS," OR CVMS. EACH ISSUED CREDIT CARD HAS A PREFERRED CVM. IF THAT PREFERRED CVM IS NOT USED, THAT SPECIFIC TRANSACTION FALLS UNDER THE EMV LIABILITY SHIFT, MEANING IF THAT CONSUMER DISPUTES THE TRANSACTION THEN HOTEL MAY BE LIABLE FOR FRAUD OR CHARGEBACKS, EVEN THOUGH IT WAS AN EMV TRANSACTION. FREEDOMPAY IS NOT LIABLE FOR ANY FRAUD OR CHARGEBACKS TO HOTEL IF A PIN KEY IS BE AVAILABLE FOR HOTEL'S IMPLEMENTATION.

2.1.4. CVM DISABLEMENT DISCLAIMER. HOTEL HEREBY ACKNOWLEDGES THAT IT HAS BEEN INFORMED AND FULLY UNDERSTANDS THAT ANY DISABLEMENT OF THE PREFERRED CVM REQUIREMENTS FOR CHIP CARDS; OR OTHER SUPPRESSING OF PREFERRED CVM REQUIREMENTS, IS AT HOTEL'S SOLE RISK AND FREEDOMPAY SHALL HAVE NO LIABILITY TO HOTEL OR ANY THIRD PARTY FOR FRAUD CLAIMS OR CHARGEBACKS; A FRAUD CLAIM WILL RESULT IN A LOST CHARGEBACK TO HOTEL DESPITE THE IMPLEMENTATION OF EMV BY FREEDOMPAY IN HOTEL'S SYSTEM, AND THAT AS SUCH, HOTEL ASSUMES ALL RISK THAT DISABLING PREFERRED CVM REQUIREMENTS ENTAILS, INCLUDING LIABILITY FOR THE CHARGEBACKS.

3. INTELLECTUAL PROPERTY RIGHTS

3.1. FreedomPay Technology. Hotel acknowledges that all right, title and interest in and to all patents, copyrights, trade secret, trademark and other intellectual property rights in the goods and services (other than third-party Goods and Third-Party services), together with all modifications, improvements, enhancements, updates, localizations and translations thereof (collectively, "FreedomPay Technology"), are, and at all times will remain, the sole and exclusive property of FreedomPay, the provider of the Secure Switching service. Nothing contained in this Participation Agreement may directly or indirectly be construed to assign or grant to Hotel or any third party any license, right, title or interest in or to the FreedomPay Technology except as necessary to use the goods or services or as otherwise expressly provided in this Participation Agreement. The license granted to Hotel to the software embedded in the Products and Secure Switching and granted to Hotel in its agreement with IHG is limited to facilitating the sale of Hotel's products and services and does not include any other rights of any type. FreedomPay owns all Remaining Rights. "Remaining Rights" means, except for the limited license granted to Hotel, all other rights in the software, including but not limited to, improvements, modifications, alterations, additions and deletions to any trademark, logo, copyright or other notices, legends, symbols, labels, displays, sounds, other media or characteristics on or in the FreedomPay Technology on the Products.

3.2. Restrictions. Hotel will only use the goods and services for its own business purposes and will not license, sell, resell, rent, lease, transfer, distribute or otherwise commercially exploit or make the goods and services available to any third party for any purpose or in any manner not authorized by IHG or FreedomPay. Hotel may not disassemble, decompile or reverse engineer any FreedomPay technology and shall not permit or enable any third party to do so. Hotel will use commercially reasonable efforts to prevent unauthorized access to or use of the goods or services and will notify FreedomPay immediately if it becomes aware of any unauthorized access to or use of the goods or services by any person and hereby permits IHG and FreedomPay to monitor the use of the goods and services by Hotel to confirm Hotel's compliance with this Participation Agreement and to assess the quality of the goods and services. Hotel agrees to comply with all applicable laws and regulations in using the goods and services, will not use the goods or services for any unlawful purpose, and will not engage in any activity that interferes with or disrupts the services.

3.3. Force Majeure. Except as otherwise provided herein, neither Hotel, IHG, nor FreedomPay is liable for failing to fulfill its obligations (except for payment obligations) due to acts of God, acts of war, failure of utility or communications infrastructure, or other causes beyond the non-performing party's reasonable control. FreedomPay will not be liable for failing to fulfill its obligations if it is prohibited from doing so by any security or other measures, imposed by Hotel, restricting access to any equipment.

ATTACHMENT 2
Security, Availability, and Confidentiality Statement

Overview
FreedomPay's commerce platform is designed to deliver transaction services to each of our customers. The FreedomPay infrastructure is physically located on servers in a dedicated or locked caged at one of the many data centers in the FreedomPay network. These data centers provide power, network and carrier services. FreedomPay owns, operates and is responsible for provisioning, monitoring, and managing the infrastructure, for providing support to FreedomPay customers.

Data Storage
Our platform was designed and optimized by us specifically to host transaction services and related applications and has multiple levels of redundancy built in. The applications and services themselves run on separate hardware nodes on which the data is stored. Application data that is collected is stored on separate storage devices with encryption employed for sensitive information.

Facilities
Access to the data centers is limited to authorized personnel only, as verified by identity verification measures. Physical security measures include: on-premises security guards, closed circuit video monitoring, and additional intrusion protection measures. Within the data centers, all equipment is stored securely with multiple security layers.

People and Access
Our support team maintains an account on all systems and applications for the purposes of maintenance and support. This support team accesses hosted applications and data only for purposes of application health monitoring and performing system or application maintenance, and upon customer request via our support system. Within FreedomPay, only authorized FreedomPay employees have access to application data. Authentication is done by only accepting incoming SSH connections from FreedomPay and internal data center IP addresses. Our transaction systems platform is designed to allow application data to be accessible only with appropriate credentials, such that one customer cannot access another customer's data without explicit knowledge of that other customer's login information. Customers are responsible for maintaining the security of their own login information.

Third Party Assurance
FreedomPay has successfully completed a SOC 2 Type II audit and has received an "unqualified" opinion from a third party attesting that FreedomPay's controls comply with the Trust Services Principles security, availability, and confidentiality framework issued by the American Institute of Certified Public Accountants (AICPA), and the Canadian Institute of Chartered Accountants (CICA) . FreedomPay's SOC 2 report provides information and independent assurance about our controls that affect the security, availability, and the confidentiality of the information processed by the systems that drive our products. The SOC 2 Type 2 report is the most stringent SOC type and includes a detailed description of our system; the evaluation criteria applicable to the principle(s) being reported on; our controls designed to meet these criteria; a written assertion by our management regarding the description and the design and operation of the controls; and the service auditor's opinion on whether the description is fairly presented and the controls are suitability designed and operating effectively. The report also includes the service auditor's description of tests performed and results of the tests.

Service Provider Obligations
FreedomPay is responsible for the merchant cardholder data that it possesses, processes, stores, or transmits on behalf of the customer, and will maintain compliance with all applicable PCI DSS requirements. Customers and clients are still responsible for the components of PCI compliance related to their location and related systems. Further, FreedomPay transmits cardholder and other sensitive authentication data to the customer's credit card processing provider to process transactions through the card networks. Customers are requested to notify us in the event that they experience issues that may affect the security, availability or confidentiality of the FreedomPay services they are utilizing.

ATTACHMENT 3
PIM Acknowledgement

ACKNOWLEDGMENT

The undersigned merchant hereby acknowledges that it has received, read and understood the FreedomPay P2PE Instruction Manual (PIM) and further acknowledges that continuing compliance with the FreedomPay PIM is a PCI requirement for SAQ P2PE-HW merchant scope reduction qualification. Capitalized terms in this Acknowledgment have the meanings set forth in the PIM.

Merchant acknowledges that: the PIM is provided solely for informational purposes and use as a program implementation guideline for PCI DSS scope reduction; the PIM is based on PCI P2PE and/or DSS guidelines in effect as of the date of this manual; nothing in the PIM is or may be construed as a representation or warranty of any nature whatsoever; that Freedom Pay, Inc. disclaims liability for any errors or omissions in the PIM; FreedomPay does not validate or warrant merchant compliance with PCI DSS or merchant eligibility for any validation or other accreditation standards; review or approval by FreedomPay of merchant systems or processes does not constitute a representation or warranty by FreedomPay of merchant system effectiveness or suitability and shall not be deemed to transfer risk or liability to FreedomPay; the use of any POI device other than a FreedomPay-approved POI device is at merchant's sole risk; FreedomPay has no duty to inspect data transmitted by merchant for unencrypted cardholder data introduced by the use of POI devices not supplied by FreedomPay; data processing by FreedomPay does not constitute a warranty that merchant is within the scope of the FreedomPay P2PE Solution; and that FreedomPay makes no warranties, express or implied, including warranties of merchantability or fitness for a particular purpose or otherwise.

ACKNOWLEDGED

Merchant: _____

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT I5

FORM IHG® DIRECT PARTICIPATION AGREEMENT

This Participation Agreement (this "Participation Agreement") is made between Six Continents Hotels, Inc., an InterContinental Hotels Group company ("IHG"), a Delaware corporation, and you ("Participating Property").

Whereas, IHG has negotiated contracts with certain suppliers of goods and services through relationships with group purchasing organizations, and numerous other suppliers and distributors of goods and services ("Suppliers");

Whereas, IHG and Suppliers have agreed in certain instances that IHG may provide these goods and services to Participating Properties and the vehicle for doing so shall be the entering into between IHG and Participating Property of this Participation Agreement.

Therefore, in consideration of the recitals above and the mutual covenants in this Agreement, IHG and Participating Property acknowledge and agree as follows:

- Services. IHG shall facilitate the provision to Participating Property of the Services identified on Exhibit 1 hereto and further described in this Participation Agreement in accordance with the terms of this Participation Agreement. Participating Property agrees that it shall use the Products and Services only as explicitly set forth herein or in Exhibit 1, including but not limited to limiting the use to the specific property set forth on Exhibit 1 only.

- Payments. Following installation and Acceptance by the Participating Property of the Services provided under this Participation Agreement, IHG shall deliver an invoice to Participating Property for the Charges due for such Services in accordance with Exhibit 1 of this Participation Agreement (which may include charges for installation and other required set up). Unless otherwise set forth on Exhibit 1, all invoiced amounts shall be due immediately upon receipt and payment shall be made to IHG within fifteen (15) days. IHG reserves the right in its sole discretion to assess a fee up to [3% percent] of all purchases made hereunder.

- Termination by IHG. IHG may immediately terminate this Participation Agreement at any time and for any reason, including the following:
  .1. Participating Property is in default of any provision of an IHG License Agreement;
  .2. there is any "Transfer" (as defined in the IHG License Agreement) by the Participating Property of the ownership of the Participating Property or change in ownership of the Participating Property that occurs without the prior written consent of IHG or is unauthorized under the IHG License Agreement;
  .3. Participating Property sells the Participating Property to a third party;
  .4. Participating Property fails to comply with and/or breaches the Confidentiality obligations set forth in Clause 4 below; or
  .5. Participating Property fails to make payments as required by the terms of this Participation Agreement or any agreement with a Supplier.

  Upon any expiry or termination of this Agreement for whatever reason:

  Participating Property shall immediately destroy or return all goods or documents in its possession that are the property of IHG or its affiliates, and any documents containing confidential information, together with all copies thereof as may be deemed reasonable by both parties, except for such copies as shall be required for Participating Property's taxation or accounting records or as otherwise required by law.

- Confidentiality. In consideration of IHG and Participating Property disclosing to each other the confidential information about the prices of goods and services negotiated by IHG with Suppliers and other confidential information pertaining to this Participation Agreement, the Participating Property agrees:
  .1. Not to use, disclose, share, or otherwise disseminate any information related to this Participation Agreement, including the confidential price information, for any purpose whatsoever other than strictly for the purpose of this Participation Agreement;
  .2. to disclose the price information only to those of its personnel who need access to the same for the purpose of this Agreement, and otherwise to keep the prices and all

confidential information strictly confidential and not permit any person access thereto;

.3. not to make any copies of documentation relating to this Participation Agreement, including price information, except strictly for the purpose of and to the extent necessary for the purpose of this Participation Agreement;

.4. upon termination of this Participation Agreement to return to IHG all documentation relating hereto, including pricing information, in the possession or control of the Participating Property (including recipient personnel) and any copies of the information except for such copies as shall be required for Participating Property's taxation or accounting records or as otherwise required by law;

.5. Participating Property shall ensure that its affiliated companies comply with the provisions of this Clause 4. THE BREACH BY PARTICIPATING OWNER OF THIS CLAUSE 4 SHALL BE DEEMED A MATERIAL BREACH OF THIS AGREEMENT INCAPABLE OF REMEDY ON THE PART OF PARTICIPATING OWNER;

.6. If Participating Property becomes aware of any breach of Clause 4, it shall immediately give formal notice to IHG, giving all available details of the breach and shall at its own cost take such steps as IHG may at IHG's discretion decide in order to minimize the loss which IHG may otherwise suffer as a result of such breach.

- Intellectual Property. Participating Property acknowledges that any intellectual property (both registered and unregistered) that is developed by IHG in the provision of the services shall remain the exclusive property of IHG and its affiliated companies and may not be used by Participating Property without the advance written consent of IHG.

- Assignment. Participating Property may not assign this Agreement, nor any of its rights and/or obligations under it, nor purport to do so, nor hold any such rights in trust for any other person.

- Release and Indemnity. PARTICIPATING PROPERTY, ITS PARENTS, SUBSIDIARIES, AND AFFILIATES, AND EACH OF THEIR RESPECTIVE HEIRS, REPRESENTATIVES, SUCCESSORS AND ASSIGNS HEREBY RELEASE, REMISE, AND FOREVER DISCHARGE IHG AND ITS PARENTS, SUBSIDIARIES AND AFFILIATES AND THEIR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS, AND ASSIGNS (EACH HEREINAFTER REFERRED TO AS AN "INDEMNIFIED PARTY") FROM ANY AND ALL CLAIMS, WHETHER KNOWN OR UNKNOWN, OF ANY KIND OR NATURE, ABSOLUTE OR CONTINGENT, AT LAW OR IN EQUITY, IN ANY WAY RELATING TO THE SERVICES OR THIS AGREEMENT. PARTICIPATING PROPERTY SHALL INDEMNIFY THE INDEMNIFIED PARTIES AND HOLD THEM HARMLESS FROM ANY LOSS, LIABILITY, DAMAGE, COST OR EXPENSE, AND PROMPTLY REIMBURSE THEM FOR ALL PAYMENTS OF MONEY (FINES, DAMAGES, LEGAL FEES, COSTS, PENALTIES AND EXPENSES) BY REASON OF ANY CLAIM OR LEGAL PROCEEDINGS ARISING FROM ANY ACT, OMISSION OR OBLIGATION OF PARTICIPATING PROPERTY OR ANYONE ASSOCIATED OR AFFILIATED WITH PARTICIPATING PROPERTY. This Clause 7 shall survive the termination of this Agreement.

- Defective Products. Participating Property acknowledges and agrees that IHG and its parents, subsidiaries, and affiliates (individually and collectively "IHG") shall not be liable for any defective or deficient products or services provided hereunder. Furthermore, Participating Property agrees to assert any warranty, liability, defect, injury, damages and/or indemnification claims directly against the applicable Supplier, manufacturer, vendor, or insurance company and not against IHG.

- Warranties Disclaimed. IHG, AND ON BEHALF OF ITS PARENTS, SUBSIDIARIES AND AFFILIATES, HEREBY DISCLAIMS ANY AND ALL REPRESENTATIONS, WARRANTIES, AND LIABILITIES WITH RESPECT TO ANY ASPECT OF ANY PRODUCTS OR SERVICES DELIVERED HEREUNDER, WHETHER EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. IHG MAKES NO REPRESENTATIONS OR WARRANTIES REGARDING AVAILABILITY, SERVICE QUALITY OR OTHERWISE. IHG IS NOT AN AGENT OF THE PARTICIPATING PROPERTY OR ANY SUPPLIER.

- No Other Promises. PARTICIPATING PROPERTY ACKNOWLEDGES AND AGREES THAT IHG HAS NOT MADE ANY PROMISES, REPRESENTATIONS, WARRANTIES OR GUARANTIES OF ANY KIND WHATSOEVER TO PARTICIPATING PROPERTY OR ANYONE ACTING ON PARTICIPATING PROPERTY'S BEHALF.

- Compliance with Law. Participating Property is responsible for complying with all federal, state, and local laws and regulations that may apply to this Participation Agreement and any product or service purchased hereunder.

- Choice of Law, Courts, and Dispute Resolution. This Agreement shall be construed under the laws of the State of Georgia, without application of the principles of conflicts of laws thereof, provided the foregoing shall not constitute a waiver of any of Participating Property's rights under any applicable franchise relationship laws. The parties agree to submit any disputes first to at least a Senior Vice President of each party, then to non-binding mediation, and if unsuccessful to the exclusive jurisdiction of the state courts of DeKalb County, Georgia or the United States District Court for the Northern District of Georgia.

- Power to Execute. The person signing this Participation Agreement on behalf of Participating Property has full power, authority, and legal right to execute, perform and timely observe all of the provisions of this Participation Agreement to be performed and observed by Participating Property. Participating Property's execution, delivery and performance of this Participation Agreement have been duly authorized by all necessary action on the part of Participating Property.

- No Waiver. The failure of either party to seek redress for the breach of, or to insist upon the strict performance of any term, clause, or provision of this Participation Agreement, shall not constitute a waiver, unless the waiver is in writing and signed by the party waiving performance.

- Severability. If any provision of this Participation Agreement or the application of any provision hereof is held invalid, the remainder of this Participation Agreement and the application of such provision shall not be affected unless the provision held invalid shall substantially impair the benefits of the remaining portions of this Participation Agreement.

- Survival. Except as otherwise specifically stated herein, any terms of this Participation Agreement that by their nature extend beyond its termination shall remain in effect until fulfilled after any such termination, and shall apply to the parties' respective successors and assigns.

- No Effect on Other Documents. This Participation Agreement does not modify or in any way amend any IHG License Agreement. This Agreement has no bearing on, and in no way supersedes or affects any current or future Default and Termination Notice concerning any IHG License Agreement, if any, issued by IHG or any of its affiliated companies relative to any Participating Property, nor does it affect Participating Property's obligation to comply at all times with the minimum quality and service requirements of IHG.

- Publicity. IHG may use the name of the Participating Properties and may include such names in aggregate information in connection with materials released to the public and to other third parties in connection with this Participation Agreement and for other purposes without the prior approval of Participating Property.

- Entire Agreement. This Participation Agreement comprises the entire understanding of the parties and supersedes and cancels any previous oral or written agreements between the parties with respect to the subject matter hereof. Further, any and all prior representations or agreements by any agent or representative of either party shall be null and void. Any waiver, modification or amendment to this Participation Agreement must be in writing and signed by officers of both parties. Any attempted waiver, modification or amendment not in writing and signed by officers of both parties shall be null and void.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, each Party, through its duly authorized representative, hereby agree to the terms and conditions of this Participation Agreement.

Signed for and on behalf of **Participating Property** by:

_____
InnCode

_____
Signature

_____
Name

_____
Position

_____
Date

Signed for and on behalf of **Six Continents Hotels, Inc.** by:

_____
Signature

_____
Name

_____
Position

_____
Date

Exhibit 1

Order Details

IHG Brand Standards for Bandwidth:

- For room counts up to 119, the port speed must be a minimum 30MB with a minimum access connection of 100MB.
- For room counts of 120-159, the port speed must be a minimum of 40MB with a minimum access connection of 100MB.
- For room counts of 160-199, the port speed must be a minimum 50MB with a minimum access connection of 100MB.
- For room counts of 200-249, the port speed must be a minimum 70MB with a minimum access connection of 100MB.
- For room counts 250 and higher, the port speed must be a minimum of 100MB with a minimum access connection of 1GB.
- A managed synchronous circuit is required.
- Circuits must be provided by IHG® Approved Vendors

    - Port Speed: The minimum consistent download and upload speed provided from Internet Service provider (ISP) to the hotel.
    - Minimum Access Connection: The minimum total bandwidth circuit size that the hotel should have in place supplied by an ISP.

Payment:

- Invoicing for the services ordered will commence 30 days after the circuit turn-up date
- Services ordered will be billed monthly via the participating property's franchise statement
- All invoiced amounts shall be due immediately upon receipt and payment shall be made to IHG within fifteen (15) days.

Term:

Services Installed	**Percent of Monthly Service Fee Due Upon Termination Prior to Completion of Minimum Payment Period**	**Minimum Service Period per Services Installed**
All Services Installed	100%	_____

- ____ month term
- In the event the hotel wishes to terminate service, hotel must contact the IHG AMER Technology Deployment team at 770-604-5800 to issue a disconnect order of service. Termination is not confirmed until receipt of confirmation from IHG. Termination is subject to termination charges and applicable minimum payment periods.
- The minimum payment period per the services installed is _____ months
- If hotel "de-flags" (leaves the IHG system) and wishes to keep the circuit, the hotel must enter into a direct agreement with _____ for the transition of the service to a separate agreement.

Monthly Rate

_____*plus applicable taxes and VOIP Channels fees (if ordered) determine by local your zip code.

Port Speed

_____

Port Access

_____

IHG Direct Provider

_____

EXHIBIT I6

PARTICIPATION AGREEMENT

This Participation Agreement is entered into as of this __ day of _____, 201_ (the "**Participation Effective Date**"), by and between _____ (the "**Hotel**") and Supplier ("**Supplier**") (each, a "**Party**" and collectively, the "**Parties**"), and is entered into pursuant to and governed by the terms and conditions of the Master Services Agreement entered into by and between Six Continents Hotels, Inc. ("**IHG**") and Supplier dated _____, 201_ (the "**Agreement**"). The capitalized terms used in this Participation Agreement without definition shall have the meanings ascribed to them in the Agreement.

The Parties acknowledge and agree that the terms and conditions of this Agreement are hereby incorporated into this Participation Agreement and shall be binding on the Hotel and Supplier and shall govern the Services purchased hereunder.

PARTICIPATION AGREEMENT TERM. Unless earlier terminated in accordance with this Agreement, this Participation Agreement shall commence on the Participation Effective Date and shall continue thereafter for a period of _____(_____) months following installation and Acceptance of the Services provided hereunder.

PROVISION OF SERVICES. Supplier shall provide to Hotel the Services identified in a relevant Statement of Work and further described in this Agreement in accordance with the terms of this Participation Agreement and the delivery schedule set forth in the Services Addendum.

INVOICING AND PAYMENT. Following installation and Acceptance by the Hotel of the Services provided under this Participation Agreement, Supplier shall deliver an invoice to Hotel for the Charges due for such Services in accordance with **Section 3** (**Charges**) of this Agreement.

RIGHT TO VALIDATE INVOICES. Hotel authorizes and Supplier agrees to provide IHG with a copy of the invoices for Services provided under this Participation Agreement in order to permit IHG to review and validate that the invoices provided are current, accurate and complete. In the event that IHG's review of an invoice identifies an error or overcharge, Supplier will promptly correct the error or refund the amount of the overcharge to Hotel.

AUTHORIZATION TO NOTIFY OF DEFAULT. Hotel authorizes IHG to notify Supplier in the event that Hotel is in default of its obligations under this Agreement. Supplier shall use this information solely to evaluate the Hotel's default and shall not disclose such information to any third party or use such information for any other purpose.

WAIVER AND RELEASE. Hotel and Supplier acknowledge and agree that IHG has no obligations under this Participation Agreement and hereby waive and release IHG from and against any and all present and future claims arising out of or related to this Participation Agreement.

IN WITNESS WHEREOF, each Party, through its duly authorized representative, hereby agree to the terms and conditions of this Participation Agreement.

Signed for and on behalf of **Hotel** by:		_____ Signature _____ Name _____ Position _____ Date	
Signed for and on behalf of **Supplier** by:		_____ Signature _____ Name _____ Position _____ Date	

–Statement of Work

This schedule outlines the Statement of Work (the "SOW") that will be performed for _____ "IHG" and Program Participants by _____ (the "Supplier") as part of the Master Service Agreement dated ____ day of _____ 2015_____:

NOW THEREFORE IT IS HEREBY AGREED as follows:

1. INCORPORATION AND INTERPRETATION

1.1.1 This SOW sets forth details of Supplier's provision of certain Services to Program Participant as described herein. This SOW incorporates the Master Services Agreement between Six Continents Hotels, Inc. and Supplier dated [ ] (the "**Agreement**") and sets forth the specific terms and conditions whereby Supplier shall provide IHG and Program Participants with Services set forth in this SOW.

1.1.2 Any terms or phrases defined in the Agreement shall have the same meaning in this SOW.

2. SERVICES

The Services to be performed by Supplier are:

- Site Survey
- Implementation of the approved solution including installation, configuration, integration and testing
- Ongoing support including:
  - Remote Call Center Support and Helpdesk Services
  - Remote Network Operation Center (NOC) services, including remote network monitoring, logs, maintenance and reports
  - On-site support if problem cannot be solved remotely
  - Remote and/or on-site MACD (Move, Add, Change, Delete) support
  - On-site pre-convention/meeting/conference support (optional service)

3. CHARGES

	Quantity	Cost
Access Point		$
Switch ● 24 Port ● 48 Port		$
Gateway/ Firewall/ Security Device		$
UPS		$
Heatmap / Final site survey		$
Post install documentation		$
Training		$
Post survey Tuning		$
Project Management		$
NOC set up fee / Meraki dashboard		$

5. **Project Workflow.** The anticipated project workflow is attached as Exhibit E for reference.

6. **System Installation**

Program Participant shall provide the following at Program Participant's expense:

a. ***System Location.*** The room in which the System is to be located shall be secure from unauthorized access and the location intended for the System shall have adequate rack provisioning. Adequate access must be available for moving the System from the delivery truck into the installation room. Access to a table of at least 0.6 meters by 0.6 meters is to be provided for use by staff during the term of this Agreement. (Typically Supplier would be able to share the Hotels Computer/PBX room facility, known as "Communications Center"). In the case of new-build properties, Supplier will review and approve the project Communications Center drawing, as and when requested by Program Participant. In the case of existing properties, Supplier will inspect the facility, then supply a diagram of requirements/layout and seek approval of Program Participant.|

b. ***Power Supply.*** IHG Program Participant will provide power access plugs, supported by the property generator and protected with surge protection, in the Communications Center and the Risers assigned to the System at-least 14 days prior to installation of network equipment. In the case of New Hotels, IHG Program Participant will install UPS coverage for all computer components installed within the communications room and to all Floor Distributor locations. In the case of Existing Hotels, Supplier shall conduct a survey of both the Communications Center and all Riser locations as part of the Site Survey Report and submit recommendations to IHG Program Participant on the required enhancements for UPS coverage to meet Standards.

c. ***Civil Works.*** Program Participant agrees to undertake at its cost any civil work related to the deployment of infrastructure not outlined in drawings, such as core drilling, returning ceiling tiles and making good of surfaces. Supplier shall document scope of civil work in advance to Program Participant as part of the Site Survey Report.

d. ***Billing Configuration(When Required)***. Program Participant will define billing options for the configuration of the System to Supplier for initial configuration of billing options for the System. In accordance with IHG brand standards.

e. ***PMS***. Program Participant shall be liable for the installation fees of the PMS interface license and any ongoing maintenance or upgrade fees charged by the IHG Program Participant's PMS vendor. Program Participant will ensure that the record or folio description posted to the bill shall read: "IHG Connect"

f. ***Design.*** Program Participant will provide timely input to the design of the property specific configuration of the system as required by Supplier. This includes, but is not limited to, system configuration, portal design and manufactured, printed or electronic instruction materials.

g. ***Access to Installed Locations.*** Program Participant will ensure reasonable access to any installed rooms within the property for installation and maintenance purposes.

h. ***Status Updates.*** Program Participant will inform Supplier at all times of any issues that may impact construction and/or the ongoing operation of the hotel

i. ***Delivery of hardware components.*** In the event that the hardware components of the System are to be procured by a third party pursuant to the Bill of Materials Program Participant shall ensure that such hardware is delivered to the property by the date stated in the project timeline.

j. ***Internet Circuit/Bandwidth Provider.*** Program Participant shall be responsible for contracting and paying for internet connectivity for the System on a timely basis (in no event lesser than five (5) days prior to the Scheduled Start Date from an IHG Approved ISP. Program Participant shall appoint Supplier as its authorized agent in managing the local internet Supplier and shall ensure that the local ISP shall have received sufficient directions and instructions (and vice versa) so that they will perform their services in accordance with the instructions provided by the Supplier. Without prejudice to the generality of the foregoing, Program Participant shall provide such assistance as may be reasonably required by the Supplier in working with the local ISP. Circuits will be installed and operational prior to Supplier's arrival for installation activities.

k. ***Cabling Network Responsibility.*** Program Participant shall be responsible for premise wiring (horizontal and vertical cabling) unless included as part of this SOW. Based on the findings of the site-survey If Supplier is responsible for cable remediation; all cable remediation will be performed before installation of Guest Internet System. Cable infrastructure will be installed at a minimum CAT6 and terminated in patch panels in accordance with industry labeling standards.

Deliverable Materials

The following items will be delivered to the property under this SOW.

Project Status Report

a. Network Design and Site Survey Report
b. Property Completion Report and System Acceptance Checklist (includes As Built documentation)
c. Post-installation Site Survey Report
d. Monthly Operations Report, specifically, Supplier system generated report will include the following information in an agreed-to format:
e. LAN Interface Transmit Utilization
f. LAN Interface Receive Utilization
g. LAN Interface Transmit Traffic (Bytes, Packets)
h. LAN Interface Receive Traffic (Bytes, Packets)
i. LAN Interface Transmit Errors
j. LAN Interface Receive Errors

Completion Criteria

Supplier shall have fulfilled its installation obligations under this SOW when the Program Participant has signed the Acceptance Checklist indicating that the System is fully installed and

any outstanding items, if any, have been remediated or resolved. Until such time as the Acceptance Checklist is signed, the System has **not** been accepted and the Program Participant has the right to withhold any monthly payments due until the System has been accepted. Acceptance shall not be unreasonably withheld, delayed or conditioned. Acceptance shall also deemed to have occurred ten (10) days after the first commercial use of the Services unless Supplier is provided notice that the System is not accepted.

1. Supplier shall provide the Services from the following locations:

   [To be agreed between IHG Program Participant and Supplier on a case by case basis]

2. Supplier shall perform the Services and provide the Deliverables by the following dates:
   [To be agreed between IHG Program Participant and Supplier on a case by case basis]

If any Services provided by Supplier to IHG Program Participant under this Services Addendum have not been approved in writing by IHG Program Participant (by signature of this Services Addendum in the manner required below) before such Services commence, IHG Program Participant shall not be liable for any Charges, costs or expenses in relation to such Services.

The Parties signify their agreement to the terms of this Services Addendum and intention to be bound by the contents of it by signing below.

Signed for and on behalf
of _____
by:

_____
Signature

_____
Name

_____
Position

_____
Date

Signed for and on behalf
of **Supplier** by:

_____
Signature

_____
Name

_____
Position

_____
Date

EXHIBIT I7

Oracle America, Inc.	Salesperson:	Bill-To Taxpayer ID Number (TIN/EIN)
Customer Account Set-up Form	_____	_____

Business Profile

Legal / Bill-To Information – Required

Dun & Bradstreet (DUNS) #

Reason for Customer Account Set-up:

- ☐ New Customer Account
- ☐ Change of Ownership (merger, stock sale, asset sale)
- ☐ Change of Form of Doing Business (e.g. incorporation of a sole proprietorship)
- ☐ Change of Flag w/o Change of Ownership (XYZ, Inc. dba ABC Hotel becomes XYZ, Inc. dba DEF Hotel)
- ☐ Change of Business Name w/o Change of Ownership (e.g. ABC, Inc. dba the Corner Café *becomes* ABC, Inc. dba the Café on the Hill)
- ☐ Change of Legal Name w/o Change of Ownership – Requires certificate of Name Change / Amended Articles of Incorporation
- ☐ Other (explain):

Full Legal Name of Company

Business Type:
☐ Sole Proprietorship ☐ Non-Profit ☐ Partnership ☐ Corporation ☐ Subsidiary ☐ Division ☐ LLC ☐ Management Company

Legal Entity Address* (this will be used as the Bill To address unless an alternate address is provided)

City	County	State	Zip	Business Phone
			-	( ) -

Accounts Payable Contact Name	Accounts Payable Contact Phone #	Accounts Payable Contact email address:
	( ) - ext	

ALTERNATE Bill To Address: (i.e. PO Box)* ***OPTIONAL – If not needed, leave blank***

City	County	State	Zip	Alternate Bill To Phone
			-	( ) -

Site Information - Required

Site Name / Trade Name	Site Identifier (store #, inn code)

SITE Address (Ship To Address - where support would be dispatched)

City	County	State	Zip	Site Phone #
			-	( ) -

Site Contact Name (please select Mr., Ms., Mrs., Dr., ect…)	Site Contact Title (i.e. Owner, General Manager, Controller, etc…)
Select One	
Site Contact Phone #	**Site Contact email address:**
( ) - ext	

Information Provided By:

Name	Title	Date

EXHIBIT J

EXHIBIT J
STATE ADDENDA

CONNECTICUT ADDENDUM TO THE DISCLOSURE DOCUMENT

ITEM 3

LITIGATION

Except as otherwise shown in Item 3 of the Disclosure Document, neither Holiday Hospitality Franchising, LLC. nor any person named in Item 1 or 2 of the Disclosure Document: (A) has, at any time during the previous ten fiscal years, been convicted of a felony or pleaded nolo contendere to a felony charge if such felony involved fraud, including but not limited to, a violation of any business opportunity law, franchise law, securities law or unfair or deceptive practices law, embezzlement, fraudulent conversion, misappropriation of property or restraint of trade; (B) has, at any time during the previous ten fiscal years, been held liable in a civil action resulting in a final judgment, has settled out of court any civil action, is a party to any civil action, or is or was a principal, director, executive officer or partner of any other person that was so held liable, settled or is a party to such action where the civil action (i) involved allegations of fraud, including but not limited to, a violation of any business opportunity law, franchise law, securities law or unfair or deceptive practices law, embezzlement, fraudulent conversion, misappropriation of property, or restraint of trade, or (ii) which was brought by a present or former purchaser-investor and which involves or involved the business opportunity relationship; (C) is subject to any currently effective state or federal agency or court injunctive or restrictive order, is a party to a proceeding currently pending in which such order is sought, or is or was a principal, director, executive officer or partner of any other person that is subject to such order or is a party to any such currently pending proceeding relating to or affecting business opportunity activities or the seller-purchaser-investor relationship, or involving fraud, including but not limited to, a violation of any business opportunity law, franchise law, securities law or unfair or deceptive practices law, embezzlement, fraudulent conversion, misappropriation of property or restraint of trade.

ITEM 4

BANKRUPTCY

Except as otherwise shown in Item 4 of the Disclosure Document, neither Holiday Hospitality Franchising, LLC nor any person named in Item 1 or 2 of the Disclosure Document have, at any time during the previous ten fiscal years has: (A) Filed for bankruptcy protection; (B) been adjudged bankrupt; (C) been reorganized due to insolvency; or (D) been a principal, director, executive officer or partner of any other person that has so filed or was so adjudged or reorganized, during or within one year after the period that such person held such position with such other person. The statement required by this subdivision shall include the name and location of the person having so filed or having been so adjudged or reorganized, the date and any other material facts.

ITEM 5

INITIAL FEES

With regard to any non-fundable fees, if the seller fails to deliver the products, equipment or supplies or fails to render the services necessary to begin substantial operation of the business with forty-five days of the delivery date stated in the contract, you may notify the seller in writing and demand that the contract be cancelled.

ITEM 11

FRANCHISOR'S OBLIGATIONS

With regard to any non-fundable fees, if the seller fails to deliver the products, equipment or supplies or fails to render the services necessary to begin substantial operation of the business within forty-five (45) days of the delivery date stated in your contract, you may notify the Seller/Franchisor in writing and demand that the contract be canceled.

HAWAII ADDENDUM TO THE DISCLOSURE DOCUMENT

THESE FRANCHISES WILL BE OR HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE LICENSE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

A. This proposed registration is exempt from the registration requirements of the states of California, Illinois, Indiana, Maryland, New York, North Dakota, Rhode Island, and Washington.

B. This proposed registration is or will shortly be on file in the states of Hawaii, Minnesota, Virginia and Wisconsin, and the states of Connecticut, Florida, Georgia, Kentucky, Louisiana, Maine, Michigan, Minnesota, Nebraska, North Carolina, Oklahoma, South Carolina, South Dakota, Texas, Utah, Virginia and Wisconsin.

C. No states have refused, by order or otherwise, to register these franchises.

D. No states have revoked or suspended the right to offer these franchises.

E. The proposed registration of these franchises has not been withdrawn in any state.

F. No release language set forth in the License Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Hawaii.

ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT

Notwithstanding anything to the contrary set forth in the Franchise disclosure document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Illinois:

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

1. Notice Required By Law

   THE TERMS AND CONDITIONS UNDER WHICH YOUR FRANCHISE CAN BE TERMINATED AND YOUR RIGHTS UPON NON-RENEWAL MAY BE AFFECTED BY ILLINOIS LAW, 815 ILCS 705/19 AND 705/20.

2. The provisions of the License Agreement and all other agreements concerning governing law, jurisdiction, venue and choice of law will not constitute a waiver of any right conferred upon Franchisee by the Illinois Franchise Disclosure Act. The Illinois Franchise Disclosure Act will govern the License Agreement with respect to Illinois franchisees.

3. Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void".

MARYLAND ADDENDUM TO THE DISCLOSURE DOCUMENT

1. The general release language contained in the License Agreement shall not relieve the Licensor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Maryland.

2. The License Agreement provides that it may be terminated immediately upon, among other things, the Licensee commencing any case, proceeding or other action seeking reorganization, etc. under any law relating to bankruptcy, etc. This provision may not be enforceable under federal law relating to bankruptcy.

3. The laws of the State of Maryland may supersede the License Agreement, including the areas of termination and renewal of the License.

4. Any claims arising under the Maryland Franchise Registration and Disclosure Laws must be brought within three years after the grant of the License.

MICHIGAN ADDENDUM TO THE DISCLOSURE DOCUMENT

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the License Agreement and to cure such failure after being given written notice thereof and a reasonably opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a Franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the Franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising of other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of Franchisor's intent not to renew the franchise.

(e) A provision that permits the Franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a Franchisor to refuse to permit a transfer or ownership of a franchise, except for good cause. This subdivision does not prevent a Franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to

(h) The failure of the proposed transferee to meet the Franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the Franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay an sums owing to the Franchisor or to cure any default in the License Agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the Franchisor items that are not uniquely identified with the Franchisor. This subdivision does not prohibit a provision that grants to a Franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide

third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the Franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the License Agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the Franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual service.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE ATTORNEY GENERAL.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE OFFICE OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN.: FRANCHISE, 670 LAW BLDG., LANSING, MICHIGAN 48913, (517) 373-7117.

MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document or License Agreement, the following provisions will supersede and apply:

ITEM 13 TRADEMARKS

1. The Minnesota Department of Commerce requires that the Licensor (i.e. Holiday) indemnify Minnesota licensees against liability to third parties resulting from claims by third parties that the Licensee's use of Holiday's trademark infringes trademark rights of the third party. Holiday does not indemnify against the consequences of Licensee's use of the Holiday's trademark except in accordance with the requirements of the License, and, as a condition to indemnification, Licensee must provide notice to Holiday of any such claim within ten (10) days and tender the defense of the claim to Holiday. If Holiday accepts the tender of defense, Holiday has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

1. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit the Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

2. No release language set forth in the franchise disclosure document, in Section 13.H. of the License Agreement or anywhere else in the License Agreement will relieve Holiday or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota.

3. With respect to franchises governed by Minnesota law, Holiday will comply with Minnesota Statutes, Section 80C.14, subdivisions 3, 4, and 5 which require, except in certain specified cases, that a licensee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the License.

5. Liquidated damages and termination penalty provisions are deleted from Licenses issued in the State of Minnesota.

RHODE ISLAND ADDENDUM TO THE DISCLOSURE DOCUMENT

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Rhode Island.

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

§19-28.1.-14 of the Rhode Island Franchise Investment Act provides that "A provision in a License Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

Any provision in the License which designates the governing law as that of any state other than the State of Rhode Island is deleted from Licenses issued in the State of Rhode Island.

VIRGINIA ADDENDUM TO THE DISCLOSURE DOCUMENT

In recognition of the restrictions contained in Article 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17. h

Pursuant to Article 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the License Agreement do not constitute “reasonable cause” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON ADDENDUM TO THE DISCLOSURE DOCUMENT

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Washington:

1. If any of the provisions in the franchise disclosure document or License Agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the franchise disclosure document and License Agreement with regard to any franchise sold in Washington.

2. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the License Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

3. A release or waiver of rights executed by a Franchisee will not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the License Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, and rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

4. The state of Washington has a statute, RCW 19.100.180 which may supersede the License Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the License Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.

5. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

6. Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

7. The Franchisor will have no obligation upon the termination of the License Agreement to offer the Franchisee a continued right to operate its Vignette Collection™ Business, and the Franchisee may be required at that time to stop operating its hotel as a Vignette Collection™ Hotel and to comply with all post-termination obligations.

8. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the License Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

9. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the License Agreement or elsewhere are void and unenforceable in Washington.

WISCONSIN ADDENDUM TO DISCLOSURE DOCUMENT

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Wisconsin:

1. **REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF SECURITIES OF THE STATE OF WISCONSIN.**

2. The following shall apply to Franchise Agreements in the State of Wisconsin:

   a. The Wisconsin Fair Dealership Act, Wisconsin Statutes, Chapter 135 shall apply to and govern the provisions of Franchise Agreements issued in the State of Wisconsin.

   b. That Act's requirement, including the requirements that, in certain circumstances, a franchisee receives ninety (90) days' notice of termination, cancellation, non-renewal or substantial change in competitive circumstances, and sixty (60) days to remedy claimed deficiencies, shall supersede the requirements of Article 11 of the License Agreement ("Termination") to the extent they may be inconsistent with the Act's requirements.

EXHIBIT K

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

California	
Connecticut	
Florida	
Georgia	
Hawaii	
Illinois	
Indiana	
Kentucky	
Louisiana	
Maine	
Maryland	
Michigan	
Minnesota	
Nebraska	
New York	
North Carolina	
North Dakota	
Oklahoma	
Rhode Island	
South Carolina	
South Dakota	
Texas	
Utah	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT L

EXHIBIT L
RECEIPT
Vignette Collection™ HOTELS

This disclosure document summarizes certain provisions of the license agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Holiday Hospitality Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Rhode Island requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Holiday Hospitality Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit E.

The franchisor is Holiday Hospitality Franchising, LLC, located at Three Ravinia Drive, Suite 100, Atlanta, Georgia 30346. Its telephone number is (770) 604-2000.

Issuance date: September 13, 2021

The franchise seller for this offering is [name]_____, [title]_____, Holiday Hospitality Franchising, LLC, Three Ravinia Drive, Suite 100, Atlanta, Georgia 30346, (770) 604-2000.

Holiday Hospitality Franchising, LLC authorizes the respective state agencies identified on Exhibit D to receive service of process for it in the particular state.

I received a disclosure document dated September 13, 2021 that included the following Exhibits:

- A Application Letter Form
- B License Agreement and State Addenda
- C Master Technology Services Agreement & Joinder Agreements
- D Agents for Service of Process
- E State Franchise Administrators
- F List of Franchisees
- G1 Financial Statements of Holiday Hospitality Franchising, LLC
- G2 Financial Statements of Six Continents Hotels, Inc.
- H IHG Merlin Terms and Conditions
- I Ancillary Agreements
  - I1 IHG Voice Reservation Service Agreement
  - I2 Revenue Management for Hire Agreement
  - I3 Coca-Cola Participation Agreement
  - I4 SPS Participation Agreements
  - I5 Form IHG Direct Hotel Participation Agreement
  - I6 Form IHG Wi-Fi Connect Agreement
  - I7 Oracle New Account Setup Form
- J State Addenda to Disclosure Document
- K State Effective Dates Page
- L Receipts

Dated: _____

PROSPECTIVE FRANCHISEE:

_____
Signature

_____
City and State of Hotel To Be Licensed

_____
Company Name

_____
Print Name

_____
Title with Company

_____
Address

_____
Address

Please return the signed receipt by completing all of the blanks above and mailing it to Attn. Franchise Sales, Holiday Hospitality Franchising, LLC, Three Ravinia Drive, Suite 100, Atlanta, Georgia 30346, (770) 604-2000.

September 13, 2021 *(_____)*
Location # - Internal Use Only

EXHIBIT L
RECEIPT
Vignette Collection™ HOTELS

This disclosure document summarizes certain provisions of the license agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Holiday Hospitality Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Rhode Island requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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If Holiday Hospitality Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit E.

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Issuance date: September 13, 2021

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- H IHG Merlin Terms and Conditions
- I Ancillary Agreements
  - I1 IHG Voice Reservation Service Agreement
  - I2 Revenue Management for Hire Agreement
  - I3 Coca-Cola Participation Agreement
  - I4 SPS Participation Agreements
  - I5 Form IHG Direct Hotel Participation Agreement
  - I6 Form IHG Wi-Fi Connect Agreement
  - I7 Oracle New Account Setup Form
- J State Addenda to Disclosure Document
- K State Effective Dates Page
- L Receipts

Dated: _____

PROSPECTIVE FRANCHISEE:

_____
Signature

_____
City and State of Hotel To Be Licensed

_____
Company Name

_____
Print Name

_____
Title with Company

_____
Address

_____
Address

Please return the signed receipt by completing all of the blanks above and mailing it to Attn. Franchise Sales, Holiday Hospitality Franchising, LLC, Three Ravinia Drive, Suite 100, Atlanta, Georgia 30346, (770) 604-2000.

September 13, 2021 *(_____)*
Location # - Internal Use Only

Radisson Hotels International, Inc. v. Kaanam, LLC et al Doc. 50

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

RADISSON HOTELS INTERNATIONAL, INC., a Delaware corporation, Plaintiff, v. KAANAM, LLC, a New York limited liability company, and MILIND K. OZA, an individual, Defendants.	Case No. 09-CV-1575 (PJS/JJK) ORDER

Kirk W. Reilly and Jason J. Stover, GRAY, PLANT, MOOTY, MOOTY & BENNETT, P.A., for plaintiff.

Michael A. Weber, WEBER LAW GROUP, P.A., for defendants.

Plaintiff Radisson Hotels International, Inc. ("Radisson") brings this breach-of-contract action against a franchisee, defendant KaanAm, LLC, and the franchisee's owner and guarantor, defendant Milind K. Oza. Radisson seeks summary judgment that defendants must pay past-due franchise fees, liquidated damages for lost future revenue, and attorney's fees. For the reasons that follow, the Court grants summary judgment to Radisson on its claims against Oza. But because KaanAm filed for Chapter 11 bankruptcy protection after the hearing on Radisson's motion, the Court cannot grant summary judgment to Radisson on its claims against KaanAm.

I. BACKGROUND

The essential facts are few and undisputed. Radisson is a franchisor whose franchisees operate hundreds of Radisson hotels around the world. KaanAm and Radisson entered into a 20-year license agreement in October 2007 under which KaanAm would operate a Radisson hotel in

Dockets.Justia.com

Jamestown, New York. Compl. Ex. A ("License Agmt.") [Docket No. 1]. Oza signed a personal guarantee in which he agreed to be personally liable for KaanAm's payment obligations under the license agreement. Compl. Ex. B. Both Oza and KaanAm were represented by counsel when KaanAm executed the license agreement. Reilly Aff. Ex. 3 at 2 (answer to Radisson's request for admission 2) [Docket No. 38].

The Jamestown hotel began operating under the Radisson name in November 2007. Reilly Aff. Ex. 3 at 1-2 (answer to Radisson's request for admission 1). A year later, in November 2008, Radisson notified Oza that KaanAm was in default under the license agreement because almost $70,000 in license fees were overdue. Compl. Ex. D. When KaanAm did not pay the overdue amount by the ten-day deadline established by the license agreement, Radisson extended the deadline to December 31, 2008. Compl. Ex. E. KaanAm did not meet the extended deadline, and on January 6, 2009, Radisson notified Oza that the license agreement was terminated and directed him to stop using Radisson's name and marks in connection with the hotel. Compl. Ex. F.

In March 2009, Radisson again directed KaanAm and Oza to stop using Radisson's name and marks in connection with the hotel. Compl. Ex. G. Radisson also asked them to pay $307,464.85 by the end of March, representing $185,357.67 in past-due fees and $122,107.18 in liquidated damages. Neither KaanAm nor Oza paid Radisson the requested amounts, so Radisson brought this suit.

II. DISCUSSION

A. Standard of Review and Governing Law

Summary judgment is appropriate "if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a). A dispute over a fact is "material" only if its resolution might affect the outcome of the lawsuit under the substantive law. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). A dispute over a fact is "genuine" only if "the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Id.* "The evidence of the non-movant is to be believed, and all justifiable inferences are to be drawn in his favor." *Id.* at 255.

The parties agree, and the Court does not doubt, that under the license agreement, New York law governs Radisson's claims. License Agmt. ¶ 25.3 (choice-of-law clause selecting law of the state in which the hotel is located).

A. Radisson's Claims

1. Past-Due Fees

By Radisson's calculations, when it terminated the license agreement, KaanAm owed Radisson $185,357.67 in past-due fees under the agreement. Compl. ¶ 50; Compl. Ex. G. Oza admits that Radisson's calculations are correct. Reilly Aff. Ex. 3 at 3 (answer to Radisson's request for admission 7). Further, Oza admits that he personally guaranteed KaanAm's obligations under the agreement. Reilly Aff. Ex. 3 at 4 (answer to Radisson's request for admission 9). Nonetheless, Oza denies that he owes these past-due fees to Radisson. He makes a miscellany of arguments ranging from the specious to the frivolous.

First, Oza argues that because the license agreement includes a liquidated-damages clause, Radisson can recover only liquidated damages, and not its past-due fees. Defs. Opp. Pl. Mot. S.J. ("Def. SJ Opp.") at 5-7 [Docket No. 41]. (Oza separately argues that Radisson cannot recover liquidated damages, an argument that the Court rejects below.) Oza contends, in effect, that Radisson would receive an impermissible double recovery if it were awarded both past-due fees and liquidated damages. To support this contention, Oza quotes *U.S. Fidelity & Guaranty Co. v. Braspetro Oil Services Co.*, which held that liquidated damages are forbidden when "the contract provides for the full recovery of actual damages, because liquidated and actual damages are mutually exclusive remedies under New York law." 369 F.3d 34, 71 (2d Cir. 2004).

What Oza ignores, however, is that the license agreement's liquidated-damages provision is a substitute for Radisson's actual damages in the *future*, not for its actual damages in the *past.* To borrow *U.S. Fidelity & Guaranty*'s language, the license agreement does not "provide for the *full* recovery of actual damages"; it provides for the *partial* recovery of actual damages and a supplemental recovery of liquidated damages. Thus, in collecting both (1) fees that were due in the past and (2) liquidated damages as a substitute for fees that would have been due in the future, Radisson does not receive a double recovery. Rather, Radisson receives one part of its actual damages (past-due fees) and a substitute for the other part of its actual damages (liquidated damages). "There is no reason why parties competent to contract may not agree that certain elements of damage difficult to estimate shall be covered by a provision for liquidated damages and that other elements shall be ascertained in the usual manner." *J. E. Hathaway & Co. v. United States*, 249 U.S. 460, 464 (1919); *see also Creative Waste Mgmt., Inc. v. Capitol Envtl. Servs., Inc.*, 495 F. Supp. 2d 353, 359 (S.D.N.Y. 2007) ("[T]he award of liquidated damages will

not preclude the recovery of actual damages when the former does not subsume the latter."); *Wechsler v. Hunt Health Sys., Ltd.*, 330 F. Supp. 2d 383, 426 (S.D.N.Y. 2004) (citing *J.E. Hathaway & Co.*); *Town of N. Hempstead v. Sea Crest Constr. Corp.*, 501 N.Y.S.2d 156, 158 (N.Y. App. Div. 1986) (allowing plaintiff to proceed with claims for both liquidated and actual damages for different types of harms).

Second, Oza argues that Radisson has failed to establish, based on the undisputed facts, that KaanAm breached the license agreement. But Oza does not deny that KaanAm failed to pay tens of thousands of dollars in license fees that it owed under the license agreement — a failure that is undisputably a material breach of the agreement. Instead, Oza says (without citing any legal authority) that "because [Radisson] breached the Agreement first, Defendants would be excused from their obligations under the Agreement." Def. SJ Opp. at 10. Oza is mistaken.

If Radisson materially breached the license agreement and failed to cure the breach — which, for argument's sake, the Court will assume Radisson did — KaanAm could have terminated the agreement and sued for breach. But KaanAm did not terminate the agreement. Indeed, KaanAm did not even notify Radisson of the alleged breach as required by ¶ 18.1 of the license agreement, which provides: "[KaanAm] has the right to terminate this Agreement by notice to Radisson if Radisson fails to perform any of Radisson's material obligations contained in this Agreement, and such failure continues for a period of 30 days after notice to Radisson setting out the failure in reasonable detail." License Agmt. ¶ 18.1.

Instead, KaanAm continued to operate as a Radisson hotel — and continued to enjoy the benefits of the license agreement — until Radisson later terminated that agreement. It is black-letter contract law that when a nonbreaching party responds to the other party's breach by

choosing to keep the contract in force, "the nonbreaching party, by electing to continue receiving benefits pursuant to the agreement, cannot then refuse to perform his or her part of the bargain." Richard A. Lord, 13 *Williston on Contracts* § 39:32 (4th ed. 2010).[1] KaanAm operated its hotel as a Radisson hotel until Radisson terminated the license agreement, and Oza (KaanAm's guarantor) must now pay for KaanAm's having done so.

Third, Oza argues that Radisson has not sufficiently proved that it suffered actual damages. Oza is wrong. The license agreement obligated KaanAm to make certain payments to Radisson, KaanAm missed those payments, and KaanAm admits that Radisson properly calculated the amount of the missed payments. Such missed payments are the quintessence of actual damages.

Finally, Oza makes two frivolous one-sentence arguments, neither of which is supported by citation to any authority. First, Oza says that Radisson "has not demonstrated sufficient efforts to mitigate damages." Def. SJ Opp. at 10. But it is Oza who must produce evidence of Radisson's *failure* to mitigate; Radisson has no burden to prove that it *did* mitigate. *See Air et Chaleur, S.A. v. Janeway*, 757 F.2d 489, 494 (2d Cir. 1985) ("[D]efendant bore the burden of introducing evidence to prove that plaintiffs could have lessened their damages.").

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[1]*See also ARP Films, Inc. v. Marvel Entm't Grp., Inc.*, 952 F.2d 643, 649 (2d Cir. 1991) (holding that when one party affirmed contract by continuing to accept benefits under the contract after the other party's repudiation, the affirming party was required to "perform its end of the bargain"); *Nat'l Westminster Bank USA v. Ross*, 130 B.R. 656, 675 (S.D.N.Y. 1991) ("It is well-established that where a party to an agreement has actual knowledge of another party's breach and continues to perform under and accepts the benefits of the contract, such continuing performance constitutes a waiver of the breach. It is equally well-settled that a party to an agreement who believes it has been breached may elect to continue to perform the agreement rather than terminate it, and later sue for breach; this is true, however, only where notice of the breach has been given to the other side." (citations omitted)).

Second, Oza complains that "any damages that [Radisson] may have incurred (including loss of future revenues) occurred after [Radisson] chose to terminate the License Agreement." Def. SJ Opp. at 10. For one thing, this is false: Radisson terminated the license agreement because KaanAm was overdue in paying tens of thousands of dollars in license fees. For another thing, this is irrelevant: Radisson rightfully terminated the license agreement because of KaanAm's material breach. In terminating the agreement, Radisson did not (as Oza seems to think) give up its right to collect damages for KaanAm's breach.

2. Liquidated Damages

Paragraph 17.4 of the license agreement provides that if Radisson terminates the license agreement with cause, KaanAm "will pay to Radisson as liquidated damages, and not as a penalty, a reasonable estimate of the probable damages that Radisson would suffer for the loss of prospective fees and other amounts payable . . . ." License Agmt. ¶ 17.4. Under the license agreement, liquidated damages are determined pursuant to a formula that takes into account whether and for how long the franchisee operated as a Radisson hotel before termination. Because KaanAm had been operating as a Radisson hotel for more than a year when Radisson terminated the agreement, KaanAm was obligated to pay "5% of daily Gross Room Revenue for the immediately preceding 12 months multiplied by two" — or, in effect, two years' worth of royalty fees. License Agmt. ¶¶ 5.2 (setting ordinary royalty fee at "5% of daily Gross Room Revenue"), 17.4.

Based on the formula in ¶ 17.4, Radisson calculates that KaanAm owes $122,107.18 in liquidated damages. Oza does not dispute Radisson's calculations. Instead, he argues that under

New York law, the liquidated-damages clause is an unenforceable penalty. Def. SJ. Opp. at 7-9. Oza is again incorrect.

Under New York law, a contractual liquidated-damages provision is enforceable if: (1) the amount of actual loss is difficult or impossible to estimate precisely; and (2) the liquidated damages are reasonably proportionate to the probable actual loss. *See, e.g.*, *Truck Rent-A-Center, Inc. v. Puritan Farms 2nd, Inc.*, 41 N.Y.2d 420, 425 (N.Y. 1977) ("A contractual provision fixing damages in the event of breach will be sustained if the amount liquidated bears a reasonable proportion to the probable loss and the amount of actual loss is incapable or difficult of precise estimation."); *see also JMD Holding Corp. v. Cong. Fin. Corp.*, 4 N.Y.3d 373, 380 (N.Y. 2005) (quoting *Truck Rent-A-Center*). Both conditions are met in this case.

First, liquidated damages under ¶ 17.4 are intended to compensate Radisson for losses it will sustain in the future, after a licensee's breach. Because Radisson cannot foretell the future, its future losses cannot be estimated with certainty. Second, the amount of liquidated damages is reasonably proportionate to Radisson's probable actual loss. A Radisson executive asserts in an affidavit that "it routinely takes upwards of two to four years or more for Radisson to recruit, identify, evaluate, approve, and train a qualified Radisson hotel franchisee to replace a terminated franchisee." Rana Aff. ¶ 12 [Docket No. 39]. The executive also asserts that when one franchisee replaces another, "it typically takes an additional period of time for that franchisee to reach the level of profitability achieved by the former franchisee." *Id.* ¶ 14. Further, the license agreement had a 20-year term, and Radisson terminated it a little over one year into that term. Finally, Oza — who has a law degree, Reilly Aff. Ex. 1 — actively negotiated the liquidated-damages provision and proposed the very formula that he now objects to. Rana Aff. ¶¶ 15-17; *id.*

Ex. 1 at 15. Under these circumstances, Radisson has established that the license agreement's liquidated-damages provision is not a penalty and is enforceable.[2]

3. Attorney's Fees and Costs

Under ¶ 25.13 of the license agreement, KaanAm and Radisson agreed that, if they were to become involved in litigation over their obligations under the agreement, the prevailing party would pay "[a]ll reasonable and necessary costs and expenses, including attorneys' fees, incurred . . . in enforcing" the agreement. License Agmt. ¶ 25.13. In its summary-judgment brief, Radisson cites this provision in a footnote and asks for leave, if the Court grants its summary-judgment motion, "to submit an affidavit of counsel demonstrating the amount of fees and costs [Radisson] has incurred in this matter." Mem. Supp. Pl. Mot. S.J. at 7 n.1 [Docket No. 37].

Oza says nothing about attorney's fees in his memorandum opposing Radisson's summary-judgment motion. The Court finds that Radissson is a prevailing party and, in the absence of any argument to the contrary, the Court further finds that ¶ 25.13 of the license agreement is unambiguous and enforceable. Accordingly, Oza — as KaanAm's guarantor — must pay Radisson's "reasonable and necessary" attorney's fees and costs in this litigation.

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[2] *Cf., e.g., Ramada Franchise Sys., Inc. v. Cusack Dev., Inc.*, No. 96 Civ. 8085, 1999 U.S. Dist. LEXIS 7422, at *21-22, 1999 WL 165702, at *8 (S.D.N.Y. Mar. 24, 1999) (holding, in hotel-franchise case, that liquidated-damages clause based on two years of franchise payments is enforceable and is not a penalty); *Travelodge Hotels, Inc. v. Kim Shin Hospitality, Inc.*, 27 F. Supp. 2d 1377, 1383 (M.D. Fla. 1998) (holding, in hotel-franchise case, that liquidated-damages clause "based on five years worth of franchise payments is not unreasonable considering the License Agreement's unexpired term of eighteen years").

Local Rule 54.3 governs motions for attorney's fees such as Radisson's. Under Local Rule 54.3(b)(2), a party may file a "notice of intent to claim an award of attorney's fees" within 14 days after the entry of judgment, and ordinarily the Court then issues a briefing schedule.

The Court treats the footnote in Radisson's summary-judgment brief as its "notice of intent to claim an award of attorney's fees" under Local Rule 54.3(b)(2) and establishes in this order a post-judgment briefing schedule with respect to that claim. Because the Court can address Radisson's claim for attorneys' fees and costs after the entry of judgment, and because the Court finds under Fed. R. Civ. P. 54(b) that there is no just reason to delay the entry of judgment with respect to Oza, the Court will immediately enter judgment on Radisson's claims against Oza.

ORDER

Based on the foregoing and on all of the files, records, and proceedings herein, IT IS HEREBY ORDERED THAT:

1. The motion of plaintiff Radisson Hotels International, Inc. for summary judgment [Docket No. 35] is GRANTED IN PART with respect to its claims against defendant Milind K. Oza. There being no just reason for delay, the Court directs entry of final judgment in favor of Radisson Hotels International, Inc. and against Milind K. Oza for:

    i. $185,357.67 in past-due license fees;

    ii. $122,107.18 in liquidated damages; and

    iii. an amount to be determined for attorney's fees and costs.

LET JUDGMENT BE ENTERED ACCORDINGLY.

2. The motion of plaintiff Radisson Hotels International, Inc. for summary judgment [Docket No. 35] with respect to defendant KaanAm, LLC is DENIED WITHOUT PREJUDICE. That motion may be renewed after the stay arising from KaanAm's bankruptcy case is lifted.

3. With respect to Radisson's attorney's fees and costs, the Court sets the following deadlines:

   a. Radisson must serve and file a memorandum of no more than 4,000 words supporting its request for attorney's fees and costs, together with appropriate documentation, by January 27, 2011.

   b. Oza may serve and file a response of no more than 4,000 words by February 5, 2011.

   c. Unless the Court orders otherwise, Radisson will not be permitted to file a reply.

Dated: January 12, 2011

s/Patrick J. Schiltz
Patrick J. Schiltz
United States District Judge

Accor Franchising North America, LLC v. Elohim Ent. Inc. et al Doc. 26

IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF CALIFORNIA

ACCOR FRANCHISING NORTH AMERICA, LLC,

Plaintiff, No. 2:12-cv-0762 GEB CKD

vs.

ELOHIM ENT. INC., et al.,

Defendants. FINDINGS & RECOMMENDATIONS

_____/

Presently before the court is plaintiff's motion for default judgment against defendant Elohim Ent. Inc. This matter is submitted without oral argument. The undersigned has fully considered the briefs and record in this case and, for the reasons stated below, will recommend that plaintiff's motion for default judgment be granted.

In this action, plaintiff seeks damages for breach of contract-franchise agreement, breach of contract--guaranty, audit demand/accounting and unjust enrichment. Plaintiff's claims arise out of a franchise agreement for operation of a Motel 6 at 3240 Mather Field Road in Rancho Cordova, California. The record reflects that defendant Elohim Ent. Inc. was properly served with process by personally serving the summons and complaint on the California Secretary of State on July 12, 2012 pursuant to California Corporations Code section 1702(a) and

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the order of the District Judge filed June 6, 2012. Default against defendant Elohim Ent. Inc was entered on December 21, 2012. Plaintiff seeks an entry of default judgment in the total amount of $114,805.63, comprising $20,060.78 for past due franchise fees, $75,000.00 for liquidated damages, prejudgment interest of $7,129.55 and $12,615.30 for attorneys fees and costs.

Entry of default effects an admission of all well-pleaded allegations of the complaint by the defaulted party. Geddes v. United Financial Group, 559 F.2d 557 (9th Cir. 1977). The court finds the well pleaded allegations of the complaint state a claim for which relief can be granted. Anderson v. Air West, 542 F.2d 1090, 1093 (9th Cir. 1976). The application for default judgment and the exhibits and affidavits attached thereto also support the finding that plaintiff is entitled to the relief in the form of monetary damages requested in the prayer for default judgment, which does not differ in kind from the relief requested in the complaint. Henry v. Sneiders, 490 F.2d 315, 317 (9th Cir.), cert. denied, 419 U.S. 832 (1974). The amount sought is supported by the affidavits submitted in support of the motion for default judgment. Savas Declaration; Complaint, Exhibit A, Franchise Agreement, ¶ 13.6 (provision allowing for liquidated damages in the amount of $75,000.00). Plaintiff also requests prejudgment interest at the rate of 6%, calculated under Texas law. Complaint, Exhibit A, Franchise Agreement, ¶ 4.7. The franchise agreement provides for the application of Texas law; prejudgment interest should therefore be awarded pursuant to the terms of the contract. Plaintiff is also entitled to attorneys fees under the franchise agreement at issue here and the amount claimed is reasonable. Ganzberger Declaration; Complaint, Exhibit A, Franchise Agreement, ¶ 22.8. There are no policy considerations which preclude the entry of default judgment of the type requested. See Eitel v. McCool, 782 F.2d 1470, 1471-1472 (9th Cir. 1986) (factors that may be considered by the court are possibility of prejudice to the plaintiff, merits of plaintiff's substantive claim, sufficiency of the complaint, sum of money at stake in the action; possibility of a dispute concerning material facts; whether the default was due to excusable neglect, and strong policy underlying the Federal Rules of Civil Procedure favoring decisions on the merits).

For the foregoing reasons, IT IS HEREBY RECOMMENDED that plaintiff's motion for default judgment (dkt. nos. 19, 24) against defendant Elohim Ent. Inc. be granted in the amount of $114,805.63.

These findings and recommendations are submitted to the United States District Judge assigned to this action, pursuant to the provisions of Title 28 U.S.C. § 636(b)(l). Within fourteen days after being served with these findings and recommendations, any party may file written objections with the court and serve a copy on all parties. Such a document should be captioned "Objections to Magistrate Judge's Findings and Recommendations." Any reply to the objections shall be served and filed within seven days after service of the objections. The parties are advised that failure to file objections within the specified time may waive the right to appeal the District Court's order. Martinez v. Ylst, 951 F.2d 1153 (9th Cir. 1991).

Dated: January 24, 2013

CAROLYN K. DELANEY
UNITED STATES MAGISTRATE JUDGE

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accor0762.def

USALI

12th Revised Edition

Presenting the USALI 12th Revised Edition

Insight on Changes and Additions

Agnes DeFranco, *Professor and Conrad N. Hilton Distinguished Chair*

Conrad N. Hilton College, University of Houston

A service of HFTP

Summary of Changes

Major Changes:

- Part I Operating Statements
  - Rooms – Schedule 1
  - Executive/Club Lounge Subschedule – 1-1, NEW
  - Energy, Water, & Waste – Schedule 9, NEW
  - Payroll FTE – Schedule 15, NEW
  - Annual Schedule of Mandatory Brand & Operator Costs – Schedule 16, NEW
- Part II All Inclusive, New
- Part VI Revenue and Expense Guide, Moved Online

Summary of Changes

Clarifications and Updates:

- Part I Operating Statements
  - Miscellaneous Income – Schedule 4
  - Sales and Marketing – Schedule 7
  - Non-operating Income and Expenses – Schedule 11
- Part III Other Reporting Guidance
- Part IV Financial Statements
- Part V Metrics, Ratios, and Optional Schedules

Summary of Changes

Minor Changes:

- Part I Operating Statements
  - Food and Beverage – Schedule 2
  - Other Operated Departments – Schedule 3
  - Administrative and General – Schedule 5
  - Information and Telecommunications Systems – Schedule 6
  - Property Operation & Maintenance – Schedule 8
  - Payroll Related Expenses – Schedule 14

Summary of Changes

No Changes:

- Part I Operating Statements
  - Management Fees – Schedule 10
  - House Laundry – Schedule 12
  - Staff Dining – Schedule 13

Publication:

- E-book – July 2024
- Soft Cover Book – Q3, 2024

Effective Date: January 1, 2026

Uniform System of Accounts for the Lodging Industry

USALI does not define the accounting principles generally accepted in the United States (GAAP), or internationally under the International Financial Reporting Standards (IFRS).

USALI provides guidance for standardized financial reporting and analysis, critical for effective management and benchmarking, that is intended to be consistent with GAAP with reference to IFRS.

USALI Reporting includes many non-GAAP terms, such as:

- Gross Operating Profit (GOP)
- Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA)

USALI

12th Revised Edition

Global Finance Committee

The Global Finance Committee (GFC) was formed by HFTP and AHLA to update and maintain the USALI based on U.S. GAAP with consideration of IFRS.

The GFC is comprised of financial leaders from the largest U.S. and international hotel brands, operators, and owners.

<u>Diverse and balanced membership:</u>

- Owners, owner representatives, and asset managers
- Brands, operators, and management companies
- Educators, public practice, consultants, and reporting firms

HFTP

AHLA
AMERICAN HOTEL & LODGING ASSOCIATION

USALI Development Process

Updates initiated by:

- Formal changes in accounting pronouncements (U.S. GAAP, IFRS, Regulatory Environment) and industry stakeholder input
- GFC meetings began in 2019
- Industry exposure drafts period began in December 2021
- Publication of 12th Revised Edition e-book and soft cover book is scheduled for Q3, 2024
- Effective date is January 1, 2026

Major Changes
Part I Operating Statements

Rooms – Schedule 1

Guest Loyalty Program Costs

The definitions for each of the rate categories used to segment Rooms Revenue have been expanded.

Expanded guest loyalty program accounts:

- Loyalty Program Member Benefits (Rooms – Schedule 1) – Cost incurred by hotels to provide member benefits (e.g., concierge lounge F&B, labor)
- Service Recovery (A&G – Schedule 5) – Points to guests to remediate service issues
- Loyalty Program Costs (Sales and Marketing – Schedule 7) – Assessments to hotels for points earned from purchases and opting out of services (e.g., housekeeping)
- Loyalty Promotion Costs (Sales and Marketing – Schedule 7) – Cost of points for specific promotions (e.g., double points, airline promotions)

Guest Loyalty Program Costs

Loyalty Program Member Benefits:

- Includes on-property costs to deliver benefits to loyalty program members pursuant to the terms of the loyalty program (e.g., complimentary items such as water, breakfast, concierge lounge access as outlined herein, incremental payment to third parties for benefits provided such as parking)
- If a guest opts to receive points instead of other on-property benefits, the cost of those points is recorded in this account
- Costs of services and amenities that are available to all guests, such as items required by brand standards, should be reflected in their relevant operating departments and accounts

Executive Lounge – Subschedule 1-1

- New schedule to provide greater visibility of the costs associated with maintaining an executive lounge program
- The Executive Lounge schedule is similar in detail to the Food and Beverage department, outlet, or venue schedule

Executive Lounge Subschedule 1-1

Costs

	Period of											
	Current Period						Year-to-Date					
	Actual		Forecast/ Budget		Prior Year		Actual		Forecast/ Budget		Prior Year	
	$	%	$	%	$	%	$	%	$	%	$	%
Expenses												
Cost of Food & Beverage												
Cost of Food												
Cost of Beverage												
Total Cost of Food & Beverage												
Compensation and Related Expenses												
Compensation												
Salaries and Wages												
Management												
Non-Management												
Kitchen												
Service												
Sub-Total: Salaries and Wages												
Service Charge Distribution												
Contracted, Leased and Outsourced Labor												
Bonuses and Incentives												
Total Compensation												
Payroll-Related Expenses												
Government-Mandated Payroll Taxes												
Supplemental Pay												
Employee Benefits												
Total Payroll-Related Expenses												
Total Compensation and Related Expenses												

Executive Lounge Subschedule 1-1

Costs *(cont.)*

(continued)

	Period of											
	Current Period						Year-to-Date					
	Actual		Forecast/ Budget		Prior Year		Actual		Forecast/ Budget		Prior Year	
	$	%	$	%	$	%	$	%	$	%	$	%
Other Expenses												
China												
Cleaning Supplies												
Contract Services												
Corporate Office Reimbursables												
Decorations												
Dishwashing Supplies												
Dues and Subscriptions												
Entertainment — In-House												
Equipment Rental												
Flatware												
Glassware												
Ice												
Kitchen Fuel												
Kitchen Smallwares												
Laundry and Dry Cleaning												
Licenses and Permits												
Linen												
Miscellaneous												
Operating Supplies												
Paper and Plastics												
Printing and Stationery												
Training												
Travel — Meals and Entertainment												
Travel — Other												
Uniform Costs												
Uniform Laundry												
Utensils												
Total Other Expenses												
Total Expenses												
Allocations												
Allocation to Executive Lounge Expenses												
Allocation to Loyalty Program												
Member Benefits												
Total Allocations												
Net Recovery												

Energy, Water, and Waste (EWW) – Schedule 9

Interested Parties

- Corporate travel planners and individual travelers increasingly are asking the question of what a hotel is doing to reduce its carbon footprint
- Disclosure is required in many RFPs, impacting large, medium, or small operations (MICE, SMERF, government and corporate travel)
- Impacts both brand and independent operators
- Government agencies for regulatory purposes

The Need to Advance

- Energy, Water, and Waste (EWW) need to be consolidated in one place for hotels to accurately record all related expenses.
- Consumption tracking necessary to support Scope 1 and Scope 2 reporting included in Part V, Metrics, Ratios, and Optional Schedules
- Standardized metrics for hotels of all sizes.

Significant Changes

- Reclassifying waste expenses from the Property Operations and Maintenance Schedule to the Energy, Water, and Waste (EWW) Schedule
- Expanding Energy, Water, and Waste with more detailed accounts and descriptions
- New EWW metrics to record and align consumption reporting with Scope 1 and Scope 2 Green House Gas emission reporting requirements

EWW Schedule 9

	Period of											
	Current Period						Year-to-Date					
	Actual		Forecast/ Budget		Prior Year		Actual		Forecast/ Budget		Prior Year	
	$	%	$	%	$	%	$	%	$	%	$	%
Expense												
Energy												
Electricity												
Fuels, Gases and District Energy												
Renewable Energy												
Vehicle Fuels												
Total Energy Expense												
Water and Sewer												
Municipal Water												
Other Water												
Sewer												
Total Water and Sewer Expenses												
Waste												
Landfill or Incinerated												
Recycled Waste												
Composted Waste												
Other Diverted												
Total Waste Expense												
Contract Services												
Total Expenses												

Metrics

- Hotels come in different sizes, and resources to monitor and understand all regulations vary from property to property
- Metrics such as energy consumption per occupied room (POR), water consumption POR, and waste production POR are important to understand and reduce a hotel's utilities cost and environmental impact
- Establish a baseline from which to monitor and track the environmental components necessary to understand its impact
- For hotels that are part of a brand, these companies will typically support the calculation within their global brand databases and are being contacted by clients for information on hotels within their respective brand

Cost and Consumption Metrics

- **Cost Metrics**
  1. Energy Cost per kWh
  2. Water Cost per gal or m^3
  3. Waste Cost per lb or kg
- **Consumption Metrics**
  1. Energy (kWh) used per square feet/meter ("Energy PSF" or "Energy PSM")
  2. Water (gal or m^3) consumed "Water POR" or "Water PAR"
  3. Waste (lb or kg) generated "Waste lb POR" or "Waste kg POR", or "Waste lb PAR" or "Waste kg PAR"
- **Carbon Emissions, Carbon Footprint, or Green House Gases**

Payroll FTE - Schedule 15

Increased Transparency

- Intended to provide greater visibility of FTEs in each department
- Categorizing management versus non-management

Payroll FTE Schedule 15

Full-Time Equivalent — Schedule 15

	Current Period				Year-to-Date			
	Actual	Prior	Change	%	Actual	Prior	Change	%
Rooms Available								
Occupancy								
Total Operating Revenue								
Rooms Revenue								
Food & Beverage Revenue								
Standard Work Week in Hours Used to Calculate FTEs								

	Current Period									Year-to-Date								
	Total FTEs			Management			Non-Management			Total FTEs			Management			Non-Management		
	Actual	Fore-cast/ Budget	Prior Year	Actual	Fore-cast/ Budget	Prior Year	Actual	Fore-cast/ Budget	Prior Year	Actual	Fore-cast/ Budget	Prior Year	Actual	Fore-cast/ Budget	Prior Year	Actual	Fore-cast/ Budget	Prior Year
Total Hotel																		
Rooms																		
Complimentary																		
Food & Beverage																		
Front Office																		
Guest Services																		
Housekeeping:																		
Room Attendant																		
Housekeeping — Other																		
Laundry																		
Reservations																		
Transportation																		
Contract Labor																		
Other																		
Rooms																		
Food & Beverage																		
Banquet/Conference/ Catering Service																		
In-Room Dining																		
Kitchen — Other																		
Kitchen — Stewarding																		
Venues																		
Contract Labor																		
Other																		
Food & Beverage																		
Administrative & General																		
Accounting																		
General Support																		
Human Resources																		
Purchasing / Receiving																		
Security																		
Contract Labor																		
Other																		
Administrative & General																		

Payroll FTE Schedule 15

(cont.)

Full-Time Equivalent — Schedule 15

	Current Period									Year-to-Date								
	Total FTEs			Management			Non-Management			Total FTEs			Management			Non-Management		
(continued)	Actual	Fore-cast/ Budget	Prior Year	Actual	Fore-cast/ Budget	Prior Year	Actual	Fore-cast/ Budget	Prior Year	Actual	Fore-cast/ Budget	Prior Year	Actual	Fore-cast/ Budget	Prior Year	Actual	Fore-cast/ Budget	Prior Year
Information and Telecommunications Systems																		
Information Technology																		
Contract Labor																		
Other																		
Information and Telecommunications Systems																		
Sales and Marketing																		
Sales																		
Marketing																		
Contract Labor																		
Other																		
Sales and Marketing																		
Property Operation and Maintenance																		
Property Operation and Maintenance																		
Contract Labor																		
Other																		
Property Operation and Maintenance																		
Executive Lounge																		
Staff Dining																		
House Laundry																		

Annual Mandatory Brand and Operator Costs – Schedule 16

Annual Mandatory Brand and Operator Costs– Schedule 16

Intended to provide greater visibility of costs required by a brand or operator

- Prepared once a year in conjunction with the fiscal year-end reporting package
- Includes non-negotiable costs for mandatory programs, systems, and services
- Prepared for information purposes; costs may not be comparable to similarly titled classifications and should not be relied upon for benchmarking

Annual Mandatory Brand and Operator Costs– Schedule 16

- Brands and operators often combine reservation, marketing, central information system, and administrative support assessments into bundled program charges
- Preparer should seek guidance from the brand or operator regarding the estimated allocation of the bundled program charges
- Unallocated bundled program charges go to Franchise and Affiliation Marketing
- Excludes third party ‘pass-through’ costs, such as travel agent commissions, business intelligence services, etc.

Annual Mandatory Brand and Operator Costs – Schedule 16

	Brand						Operator						Total					
	Current Year		Prior Year		Change		Current Year		Prior Year		Change		Current Year		Prior Year		Change	
	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Total Operating Revenue																		
Rooms																		
Reservations																		
Other Rooms																		
Sub-total Rooms																		
Sales and Marketing																		
Revenue Management Services																		
Franchise and Affiliation Marketing																		
Franchise and Affiliation Fees: Royalties																		
Loyalty Program Costs																		
Loyalty Program Promotion Costs																		
E-Commerce and Digital Marketing																		
Other Sales and Marketing																		
Sub-total Sales and Marketing																		
Information and Technology																		
On-property Revenue Systems																		
Property IT Support																		
Centralized Information Systems																		
Information Security Program																		
Other Information Technology																		
Sub-total Information and Telecommunication Systems																		
Programs, Systems and Services																		
HR and Payroll Systems																		
Risk Management Program																		
Procurement																		
Other HR Services																		
Base Management Fees																		
Incentive Management Fees																		
Centralized Accounting																		
Ancillary Accounting Services																		
Other Programs, Systems and Services																		
Sub-total Programs, Systems and Services																		
Total Annual Mandatory Brand and Operator Costs																		

Annual Mandatory Brand and Operator Costs– Schedule 16

- Costs are separated into four sections
  - Rooms
  - Sales and Marketing
  - Information Technology
  - Programs, Systems and Services
- Costs may not be compatible to similarly titled classifications and should not be relied upon for benchmarking purposes

Annual Mandatory Brand and Operator Costs– Schedule 16

Rooms includes:

- Reservations (includes mandated costs for brand or operator central reservation system)
- Other (including complimentary food and beverage and on-property costs for loyalty program member benefits)

Annual Mandatory Brand and Operator Costs– Schedule 16

Sales and Marketing includes:

- Revenue management services
- Franchise and affiliation marketing and royalties
- Loyalty program costs and promotional costs
- E-commerce and digital marketing
- Other sales and marketing

Annual Mandatory Brand and Operator Costs– Schedule 16

Information and Technology includes:

- On-property revenue systems
- Property IT support
- Centralized information systems
- Information security programs
- Other information technology costs

Annual Mandatory Brand and Operator Costs– Schedule 16

Programs, Systems and Services includes:

- Human resource and payroll systems
- Risk management program
- Procurement
- Other HR services
- Base and incentive management fees
- Centralized accounting services
- Ancillary accounting services
- Other programs, systems, and services

Major Changes
Part II All Inclusive

All-Inclusive Properties

True or False

Hotels that sell all-inclusive packages are to follow this new section for reporting guidance.

All-Inclusive Properties

FALSE!!

All-Inclusive Properties

- Overall, AI guidance is conceptually consistent with EP Hotels. Al hotels charge a package rate that includes the room, food and beverage, and entertainment for a set rate. EP hotels offer room-only rates, plus options to purchase food and beverage and other services à la carte, or as a package at the guest's discretion
- Required for hotels with AI package revenue greater than 50% of Total Revenue calculated on a 3-year rolling average, and newly opened hotels forecasting AI package revenue greater than 50% of Total Revenue
- Hotels not meeting this threshold report using existing EP guidance
- AI and EP services charges are treated differently

All-Inclusive Properties

Schedules:

- Package Revenue – AI 1
- Rooms Expense – AI 2
- Food and Beverage Expense – AI 3
- Entertainment – AI 4
- Non-Package Revenue and Expense Summary – AI 5
  - Food and Beverage – AI 5-1
  - Weddings – AI 5-2

All-Inclusive Properties

Metrics:

- Package ADR
- Package RevPAR
- Total Guests in House
- Package Revenue per Guest
- Average Package Room Rate

For purposes of the financial ratios and metrics, all guests are counted equally (e.g., adults and children)

Package Revenue Schedule AI 1

Package Revenue — Schedule AI 1

	Period of												Period of											
	Current Period						Year-to-Date						Current Period						Year-to-Date					
	Actual		Forecast/ Budget		Prior Year		Actual		Forecast/ Budget		Prior Year		Actual Per Guest		Forecast/ Budget Per Guest		Prior Year Per Guest		Actual Per Guest		Forecast/ Budget Per Guest		Prior Year Per Guest	
	$	%*	$	%*	$	%*	$	%*	$	%*	$	%*	$	%*	$	%*	$	%*	$	%*	$	%*	$	%*
Package Revenue																								
Transient Package Revenue																								
Retail																								
Discount																								
Negotiated																								
Qualified																								
Wholesale																								
Total Transient Package Revenue																								
Group Package Revenue																								
Corporate																								
Association/ Convention																								
Government																								
Tour/ Wholesalers																								
SMERF																								
Total Group Package Revenue																								
Contract Package Revenue																								
Other Package Revenue																								
Less: Allowances																								
Total Package Revenue																								

* Operating Revenues and Operating Expenses should be shown on a per guest basis. All other revenues and expenses should be shown as a percentage of Total Operating Revenue.

Major Changes
Part VI Revenue and Expense Guide

USALI

12th Revised Edition

Revenue and Expense Guide

"Alpha" sort by Item included in the text

Supported by a dedicated, searchable, online platform

Clarifications and Updates

Part I Operating Statements

Miscellaneous Income – Schedule 4

Clarifications and Updates

- Enhanced guidance regarding proper classification of lease revenue received from food and beverage outlets
- Resort Fees has been changed to Destination, Resort, and Urban Fees
- Enhanced guidance and reporting are provided for:
  - ✓Cleaning Fees for hotel rooms
  - ✓Guest-Related Foreign Currency Transaction Gains (Losses)
  - ✓Pet Fees (should be the same as Cleaning Fees for Hotel Rooms)
  - ✓Promotional Credits
  - ✓Space Rental and Concessions

Miscellaneous Income Schedule 4

	Period of											
	Current Period						Year-to-Date					
	Actual		Forecast/ Budget		Prior Year		Actual		Forecast/ Budget		Prior Year	
	$	%	$	%	$	%	$	%	$	%	$	%
Attrition Fees												
Cancellation Fees												
Cash Discounts Earned												
Commissions												
Destination/Resort/Urban Fees												
Extraordinary Cleaning Fees												
Guest-Related Foreign Currency Transaction Gains (Losses)												
Guest Laundry and Dry Cleaning												
Interest Income												
Net Revenue from Renting Mixed-Ownership Units												
Other Breakage												
Package Breakage												
Proceeds from Business Interruption Insurance												
Space Rental and Concessions												
Specialized Room Types (Pet and Other)												
Other												
Subtotal: Miscellaneous Income												
Less: Promotional Credits												
Total Miscellaneous Income												

Sales and Marketing – Schedule 7

Significant changes:

- Modernized to incorporate recent changes and emerging trends in marketing systems and tools, CRM systems, and sales channels
- Various clarifying changes for new types of expenses and to address user questions and feedback as well as conforming changes for common expense categories.
- New job titles and accounts added to reflect increased use of digital marketing roles and tools such as director of commercial services, social media coordinator, social media analyst, and sales coordinator

Sales and Marketing – Schedule 7

New accounts:

- Advertising, Print, Radio, and Television
- Digital – Paid Search
- Digital – Display
- Digital – Social
- Loyalty Program Costs
- Loyalty Program – Promotion Costs
- Marketing Agency Fees
- Photography and Videography
- Printed Collateral

Sales and Marketing – Schedule 7

Expanded guest loyalty program accounts:

- Loyalty Program Costs (Sales and Marketing – Schedule 7) — Assessments to hotels for points earned from purchases and opting out of services (e.g., housekeeping)
- Loyalty Promotion Costs (Sales and Marketing – Schedule 7) — Cost of points for specific promotions (e.g., double points, airline promotions)
- Loyalty Program Member Benefits (Rooms – Schedule 1) — Cost incurred by hotels to provide member benefits (e.g., concierge lounge F&B, labor)
- Service Recovery (A&G – Schedule 5) — Points to guests to remediate service issues

Sales and Marketing – Schedule 7

Clarification example:

- Marketing Agency Fees. Includes fees paid to advertising, digital, social or public relations agencies
- Marketing Agency Fees. Includes fees paid to advertising, digital, social or public relations agencies. This does not include the cost of the item or product purchase such as the ad, brochure, PPC, etc.

Non-operating Income and Expenses – Schedule 11

Significant changes:

- The addition of Leasing Income to capture lease income generated by the facility that is associated with leasing activity managed by the Owner (including common area maintenance (CAM) recoveries)
- Clarification that Cost Recovery Income represents income collected from third parties for the recovery of CAM and out-of-pocket expenses for leases managed by the operator. Similarly, Costs Recovery Expenses was clarified to relate to recoverable expenses under leases managed by the operator
- Clarification that Business and Occupation Taxes include gross receipts taxes on revenues and other direct taxes

Non-operating Income and Expenses – Schedule 11

Significant changes:

- Pre-opening Expenses has been added as an Other expense to be consistent with the requirements of U.S. GAAP
- Unrealized Investment Gains or Losses has been added as a caption to record the associated unrealized gains or losses for (1) Investment properties electing the fair value model under IFRS and (2) Equity investments that have readily determinable fair values consistent with the requirements of U.S. GAAP.
- Rent was updated to reflect the changes in lease accounting under U.S. GAAP and IFRS

Clarifications and Updates

Part III Other Reporting Guidance

Part III Other Reporting Guidance

- Decision Trees and Flowcharts
  - Food and Beverage Venue vs. Other Operated
  - Other Operated vs. Minor Operated
  - Contracted, Leased and Outsourced; Cluster; Contract Services
- Gross vs. Net Reporting
- Forgivable Loans
- Wage Subsidies and Grants
- Lease Accounting – Right of Use Assets
- Embedded Lease Arrangements

Decision Tree

Contracted, Leased and Outsourced Labor, Cluster Services, and Contract Services

1. Is this payment to be paid on the payroll system, with the property responsible for remitting employer taxes and withholding?
   - YES → Record salaries- and wages-expense
   - NO ↓

2. Is the payment made for a shared staffing arrangement between hotels, supported by a formal agreement (e.g., Cluster Services) where the labor cost is identifiable?
   - YES → Record salaries- and wages-expense
   - NO ↓

3. Is the payment made to an agency supplying workers, and are these workers supervised by hotel employees, where the labor component can be determined (e.g., banquet servers)?
   - YES → Record as Contracted, Leased, and Outsourced Labor
   - NO ↓

4. Is the payment made to a third party for workers who are filling positions normally and frequently held by hotel employees, and are these workers supervised by hotel employees on the property so that the cost can be easily identified?
   - YES → Record as Contracted, Leased, and Outsourced Labor
   - NO ↓

5. Is the payment made on a maintenance agreement material enough to be granted a separate expense line (e.g., Elevator Maintenance)
   - YES → Record in the related department to the appropriate expense category, such as "Elevators & Escalators"
   - NO ↓

6. Is the payment made for a shared staffing arrangement between hotels, supported by a formal agreement (e.g., Cluster Services) whereby the labor cost cannot be identified separately?
   - YES → Record in Cluster Services
   - NO ↓

7. Labor services that do not fall under the above categories will go to Contract Services. This will include costs such as those on a negotiated price arrangement, which could be a monthly fee, or on a per transaction basis (e.g., Accounts Payable per invoice processed). In this case the property does not control work, but requires the completion of agreed-upon tasks.
   - YES → Record as Contract Services in the appropriate department

Part III Other Reporting Guidance

Gross vs. Net Reporting

Forgivable Loans

Wage Subsidies and Grants

Embedded Lease Arrangement

Lease Accounting

Part III Other Reporting Guidance

Gross vs. Net Reporting

Updated to take into consideration ASC 606 Revenue Recognition and IFRS 15 Revenue from Contracts with Customers.

- Based on Principal or Agency relationship
- Specific goods or services
- Who controls the specific goods or services before they are transferred to the customer

Part III Other Reporting Guidance

Forgivable Loans and Wage Subsidies and Grants

- Based on the Supplemental Guidance developed during the Covid pandemic
- Continued relevance in the face of natural disasters, international armed conflict, other states of emergency or economic downturn
- Recognition is based on determination of Principal vs. Agency and Foreseeability
- Reporting considerations

Lease Accounting

Updated to take into consideration ASC 842 Leases and considers IFRS 16 Leases

- Applicable to all Right of Use Assets
- Lease (Right of Use) Liability reported on the balance sheet, and amortized based on effective interest rate
- Lease (Right of Use) Assets reported on balance sheet, and amortized as appropriate to Depreciation and Amortization, or Non-operating Income and Expenses – Schedule 11, Rental Costs
- ASC 842 considers Operating and Financing Leases, whereas IFRS 16 considers a single lease model

Embedded Lease Arrangement

Embedded leases may exist in a service contract or contractual obligation when the contractual obligation provides for or includes the exclusive use of identifiable assets through the contract period.

Determination of the existence of an embedded lease arrangement:

- Determination of an identified asset
- Flow of economic benefits
- Right to direct use

If there is an embedded lease, payments must be allocated between operating costs and the rent to use the identified asset on a market value basis.

Clarifications and Updates

Part IV Financial Statements

Balance Sheet

Balance Sheet

Significant changes:

- A general reminder was added to highlight that not all assets and liabilities are accounted for by the hotel manager and that delineation of responsibility between hotel manager and hotel owner is of paramount importance
- Deferred Income Taxes – Current assets and liabilities have been removed to be consistent with the requirements of U.S. GAAP. All Deferred Income Tax assets and liabilities are to be reflected as noncurrent under U.S. GAAP
- Unrealized Gains or Losses has been added as a caption to record the associated unrealized gains or losses for (1) Investment properties electing the fair value model under IFRS , and (2) Equity investments that have readily determinable fair values, consistent with the requirements of U.S. GAAP

Balance Sheet

Significant changes:

- Right of Use (ROU) Asset, Lease Liability – Current and Lease Liability – Noncurrent are added as balance sheet captions to reflect the changes in lease accounting under U.S. GAAP and IFRS
- Pre-opening Expenses has been removed to be consistent with the requirements of U.S. GAAP
- Key Money was added as an Other Long-term Liability caption given its increased occurrence in practice
- Cash Surrender Value of Life Insurance was eliminated as a separate balance sheet caption given its limited occurrence in practice

Clarifications and Updates

Part V Metrics, Operating Ratios, and Optional Schedules

Energy, Waste and Water

Cost Metrics

- Energy Cost per kWh
- Water Cost per gal or m^3
- Waste Cost per lb or kg

Consumption Metrics

- Energy (kWh) used per sq. ft./m. ("Energy PSF" or "Energy PSM")
- Water (gal or $m^{3)}$ consumed per available room night ("Water PAR")
- Water (gal or $m^{3)}$ consumed per occupied room night ("Water POR")
- Waste (lb or kg) per available room night ("Waste lb PAR" or "Waste kg PAR")
- Waste (lb or kg) per occupied room night ("Waste lb POR" or "Waste kg POR")

New Metrics

- Overtime Salaries and Wages — Management
- Overtime Hours — Management
- Overtime Salaries and Wages — Non-management
- Total Payroll Related Expenses as a % of Total Salaries and Wages
- Hourly Average Wage Rate
- Loyalty Member Contribution Rate
- Day Use Rooms Sold
- Turns and Turns Per Meal Period by Venue
- Food and Beverage Revenue Per Hour Worked
- Spa Occupancy (Utilization)
- Average Treatment Rate (ATR)
- Revenue Per Available Treatment Hour (RevPATH)

Transient Rooms Revenue by Segment

Optional Reporting

Offers management and owners more detailed categorization of the sources of their transient revenues. Five categories:

1. Retail

- OTA — Retail Model
- OTA — Merchant Model
- Loyalty Member Retail Discount
- Consortia
- Other

Transient Rooms Revenue by Segment

2. Discount

- Advanced Purchase
- Packages
- Promotions
- OTA Opaque
- Other

3. Qualified

- Government
- Membership Clubs
- Loyalty Member Redemptions
- Employee, Friend and Family Rate
- Other

4. Negotiated

5. Wholesale

Transient Rooms Revenue by Segment

	Period of											
	Current Period						Year-to-Date					
	Actual		Forecast/ Budget		Prior Year		Actual		Forecast/ Budget		Prior Year	
	$	%	$	%	$	%	$	%	$	%	$	%
Transient Rooms Revenue												
Retail												
OTA — Retail												
OTA — Merchant												
Loyalty Member Retail Discount												
Consortia												
Other												
Total Retail												
Discount												
Advance Purchase												
Packages												
Promotions												
OTA — Opaque												
Other												
Total Discount												
Negotiated												
Qualified												
Government												
Membership Clubs												
Loyalty Member Redemptions												
Employee or Friends and Family												
Other												
Total Qualified												
Wholesale												
Total Transient Rooms Revenue												

Rooms Revenue by Channel

Optional Reporting

Concentrates on the booking mechanisms by which our guests select their stay with our properties.

Eight Channels

* Brand.com/Brand Mobile Apps
* Mirrored Brand Direct
* Global Distribution System
* Online Travel Agents
* Property Direct
* Voice
* Wholesale Direct Connect
* Other

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Rooms Revenue by Channel

	Period of											
	Current Period						Year-to-Date					
	Actual		Forecast/ Budget		Prior Year		Actual		Forecast/ Budget		Prior Year	
	$	%	$	%	$	%	$	%	$	%	$	%
Rooms Revenue												
Brand.com / Brand Mobile Apps												
Mirrored Brand Direct												
Global Distribution System												
Online Travel Agents (OTA)												
Property Direct												
Voice												
Wholesale Direct Connect												
Other												
Total Retail												

Minor Changes
Part I
Operating Statements

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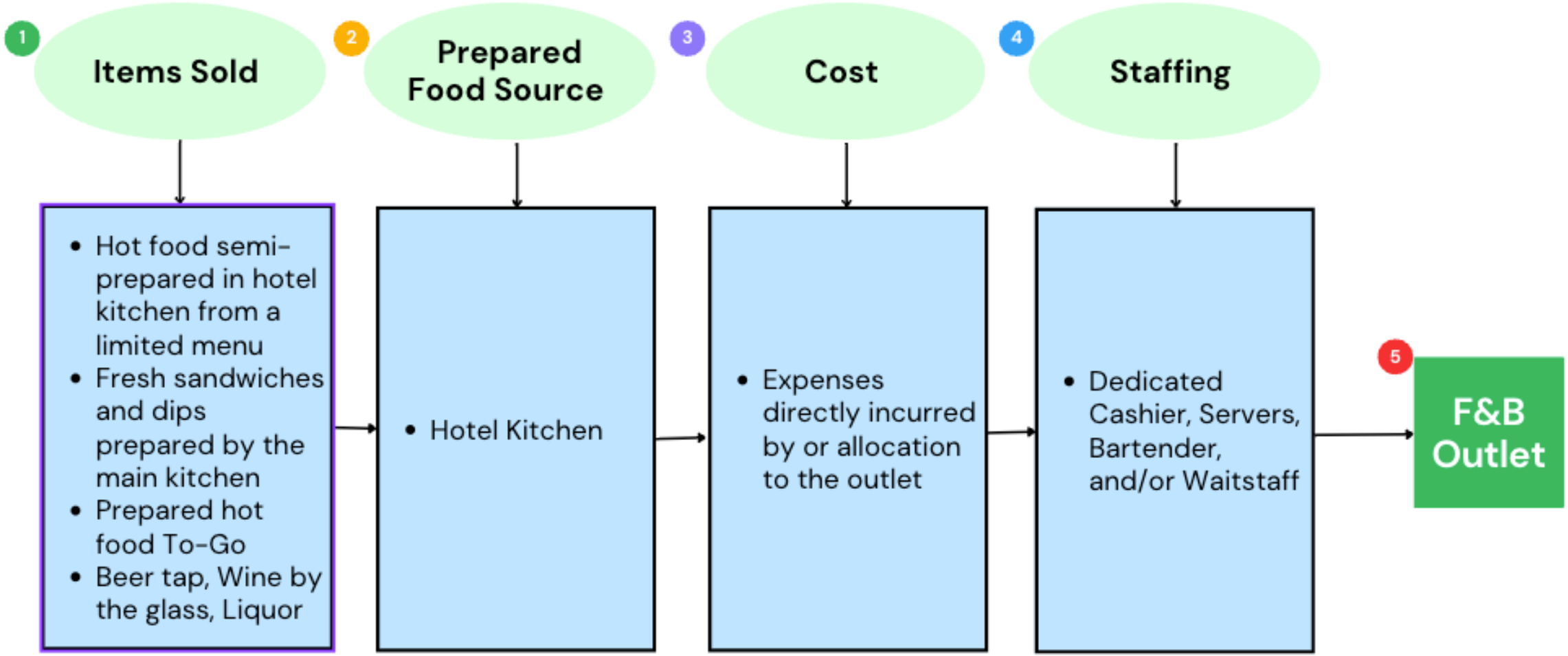
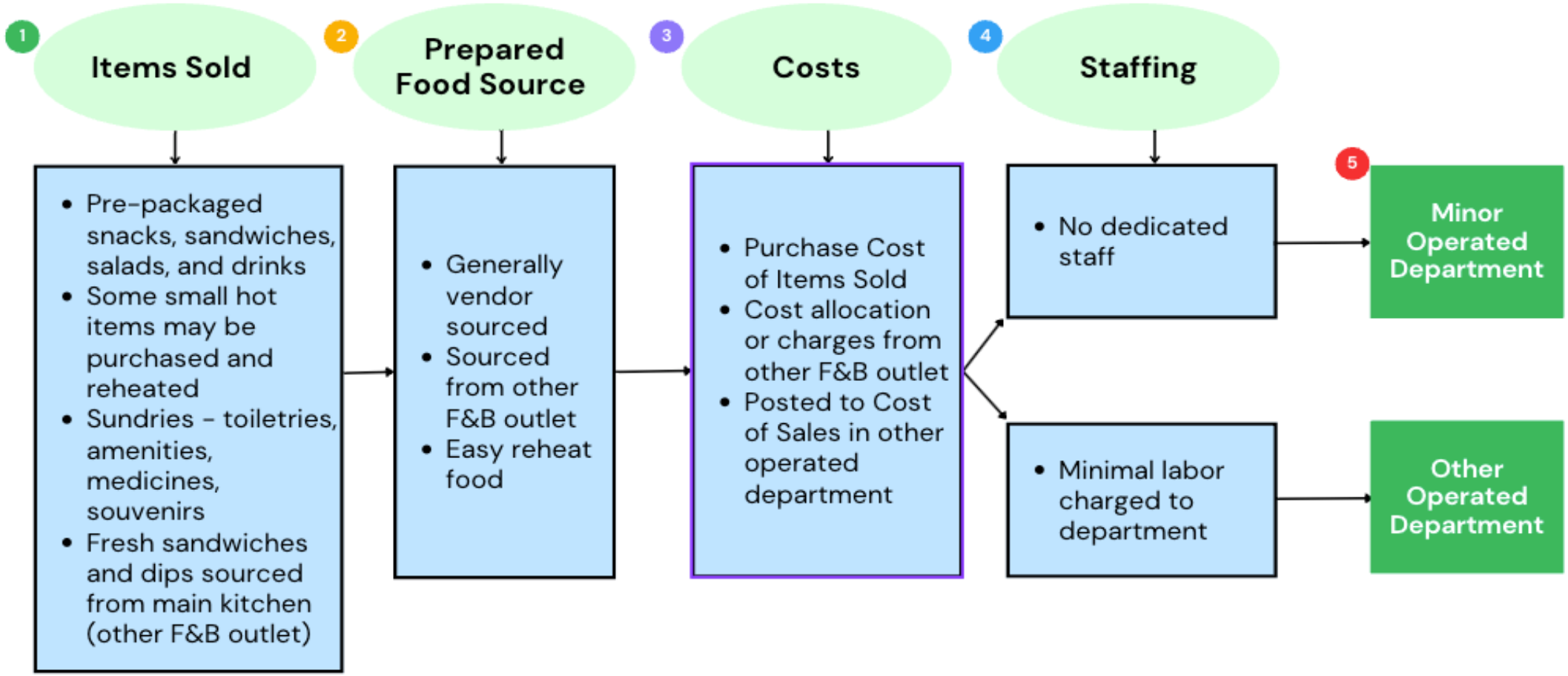
Food and Beverage Outlet Determination



Other vs. Minor Operated Departments



Administrative and General

Changes and Clarifications

New Accounts

- Human Resources – Recruitment/Relocation
- Human Resources – Employee Relations
- Provision for Doubtful Accounts
- Service Recovery

Information and Telecommunication Systems

Changes and Clarifications

In-room Entertainment Systems. In-room Entertainment Systems expense previously in Rooms was moved to Information and Telecommunication Systems.

Cost of Complimentary In-Rooms/ Media Entertainment. Includes the cost of providing media services (e.g., cable, music, games, satellite video) to guest rooms. It does not include the cost associated with pay-for-a-fee media, which is recorded to Other Operated Departments or netted against revenue in Miscellaneous Income, whichever is appropriate.

Information and Telecommunication Systems

System Expenses Captions Enhanced

Administrative and General. Includes any expenses of an accounting system and security system (e.g., forecast and budgeting system and business intelligence (BI) fees) for the property.

Hardware. Includes any expenses for non-capitalized equipment (e.g., keyboards, computer mouse, credit card machines).

Human Resources. Includes any expenses of a human resources system (e.g., payroll, HRIS, time clocks, labor management system, electronic timecards) for the property.

Information Security. Includes any expenses of the Information and Telecommunications Systems department that are for the purpose to secure information data (e.g., PCI compliance software, GDPR and affiliated costs).

Changes and Clarifications

Relocation of Waste Removal, to Energy, Waste, and Water under the section of Waste.

Payroll Related Expenses

Changes in Account Names

- Recognizing that the USALI is a multiple jurisdictional publication, state and national payroll taxes have been combined into Government-mandated Payroll Taxes
- Parental Leave is added as a new expense item
- Contributory Savings Plan now includes Profit Sharing

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Payroll FTE and Annual Mandatory Brand and Operator Costs
August 8, 2024 · 11:00 a.m. CT

All-Inclusive Hotels
August 22, 2024 · 11:00 a.m. CT

Other Reporting Guidance
August 5, 2024 · 11:00 a.m. CT

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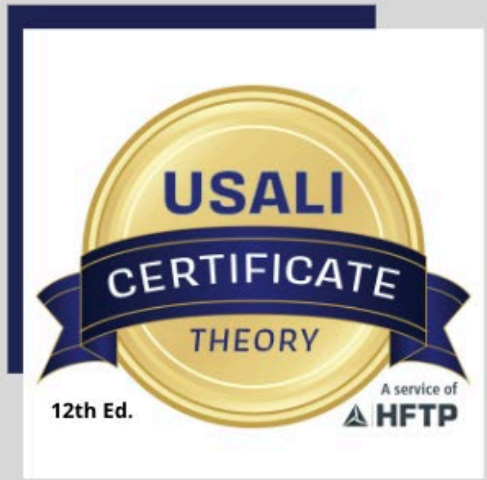

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