



**HILTON WORLDWIDE MANAGE LIMITED**

**CANOPY  
CANOPY BY HILTON  
FRANCHISE DISCLOSURE DOCUMENT  
MEXICO**

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**ARTICLE 65. AS PROVIDED BY ARTICLE 142 OF THE INDUSTRIAL PROPERTY LAW, FRANCHISOR MUST DELIVER TO ANY POTENTIAL FRANCHISEE, BEFORE EXECUTION OF THE FRANCHISE AGREEMENT, AT LEAST THE FOLLOWING TECHNICAL, ECONOMICAL AND FINANCIAL INFORMATION:**

**I. NAME, CORPORATE NAME, CORPORATE PURPOSE AND NATIONALITY OF THE FRANCHISOR**

To simplify the language in this Disclosure Document, “we” or “us” means Hilton Worldwide Manage Limited, the Franchisor. “You” means the person who signs the Franchise Agreement as the “franchisee.” If you are a corporation, partnership, limited liability company, or other business entity, “you” includes both the business entity and its owners. The “Brand” refers to the name or names under which we will license you to operate a hotel. This Disclosure Document describes our franchise licenses for hotels which will operate under the “Canopy” brand in Mexico (“Canopy Brand”). Capitalized words not defined in this Disclosure Document have the meaning set forth in the Franchise Agreement.

We are a limited company formed on December 7, 2010, under the laws of England and Wales, with registered number 7462067. Our principal business and registered office address is Maple Court, Central Park, Reeds Crescent, Watford, Hertfordshire, WD24 4QQ UK and our telephone number is +44 207 856 8000. In connection with the offer of this franchise, we do business under the names “Canopy” and “Canopy by Hilton.”

We became the franchisor of hotels which operate under the Canopy Brand for all locations outside the United States of America, including the District of Columbia and its territories and possessions (“US”) in January 2018, except in Canada, China, Russia and a limited number of other territories.

Our parent company is Hilton Domestic Operating Company Inc., a Delaware corporation formed on July 12, 2016 (“Hilton”). Hilton’s parent company is Hilton Worldwide Holdings Inc., a Delaware corporation formed on March 18, 2010 (NYSE: HLT) (“Hilton Worldwide”). The principal business address of both companies is 7930 Jones Branch Drive, Suite 1100, McLean, Virginia 22102 USA.

Hilton became our parent company on January 4, 2017, as the successor to our previous parent company, Park Hotels & Resorts, Inc. (“Park”). Together, Hilton and Park have conducted a guest lodging business since 1946. Park was originally called Hilton Hotels Corporation (“HHC”) from May 29, 1946, to December 19, 2009. It changed its name to Hilton Worldwide, Inc. (“HWI”) on December 20, 2009, and to Park Hotels & Resorts Inc. on June 1, 2016. On January 4, 2017, Park became an independent company in a spin-off transaction. As a result of that spin-off, nearly all company-owned hotels were divested with Park. For convenience, all references to “Hilton” in this Disclosure Document include HHC, HWI, and Park during the relevant time frames for each, unless otherwise noted.

Our immediate predecessor, Hilton Worldwide Franchising LP, a limited partnership formed under the laws of England and Wales on March 12, 2014, with registered number LP015958 (“HWF”), was the franchisor of hotels which operate under the Canopy Brand for all locations outside the US from October 2014 through December 2017. HWF has remained the franchisor for Canopy Brand hotels in Canada, Russia, and a limited number of other territories since January 2018.

Hilton Worldwide, through its subsidiaries, currently owns the following principal marks and their related guest lodging systems: Hilton™, Canopy™, Conrad™, Curio™, DoubleTree™, Embassy™, Hampton™, Hilton Garden Inn™, Home2™, Homewood™, Motto™, LXR™, Signia by Hilton™, Tapestry™, Tempo™, Tru™, Waldorf Astoria™ (the “Hilton Worldwide Brands”). The Hilton Worldwide Brands may utilize name variations for suites hotels and may use the taglines “by Hilton” or “Collection by Hilton” in some markets or locations. The Hilton Worldwide Brands may have trademark registrations currently pending in some markets or locations.

Our affiliates may offer franchises for any of the Hilton Worldwide Brands at any time. As noted above, our affiliate, HWF, has remained the franchisor for Canopy Brand hotels in Canada, Russia, and a limited number of other territories since January 2018. Our affiliate, Hilton Franchise Holding LLC, a Delaware limited liability company formed in September 2007, has been the franchisor for Canopy Brand hotels in the US since October 15, 2014. Our affiliate, Hilton Hotel Management (Shanghai) Co., Ltd., a limited company formed on September 5, 2008, under the laws of the People’s Republic of China (“WFOE”), has offered franchises in China since October 29, 2012, and may offer brand franchises in the future. WFOE does not have any predecessors that have offered franchises in China. Our affiliate, Hilton Brazil Operações e Participações Ltda, formed on December 26, 2016, under the laws of Brazil (“HBOP”), has offered franchises in Brazil since August 1, 2020. Both we and HWF are HBOP’s predecessors in Brazil. HWF offered franchises in Brazil from July 1, 2014, to December 31, 2017, and we offered franchises in Brazil from January 1, 2018, to July 31, 2020. The brands currently offered by HBOP are Curio, LXR, Tapestry, Hampton, Motto, and Tru.

We have provided development and management services to selected hotels outside the US since July 2014 and will continue to do so in addition to our duties as the franchisor for all Hilton Worldwide Brands for all locations outside the US, except in Canada, Russia, and a limited number of other territories.

## **II. DESCRIPTION OF FRANCHISE**

This Disclosure Document describes our franchise licenses for hotels which will operate in Mexico under the Canopy Brand. Our affiliates offer franchises for hotels that will operate outside Mexico under the Canopy Brand under separate disclosure documents. Canopy Brand hotels compete in the market of upper upscale hotels and cater to families, vacationers, business travelers and groups depending on the market and location.

We license the Canopy system (“System”), which consists of the elements that we periodically designate to identify hotels operating worldwide under the Canopy Brand. You must follow the high standards we have established as the essence of the System. The System is designed to provide distinctive, high-quality lodging service at hotels licensed under the Canopy Brand. The System currently includes the Marks; access to a reservation service; advertising, publicity and other marketing programs and materials; training programs and materials; standards, specifications and policies for construction, furnishing, operation, appearance and service of the hotel; and other elements we refer to in the Franchise Agreement, in the Manual (as that term is defined in our Franchise Agreement) or in other communications to you, and programs for our inspecting your Hotel and consulting with you. We may periodically add, modify, alter or delete elements of the System. We franchise the non-exclusive right to use the System in the operation of your Canopy Brand hotel at a specified location. You may be required to make future investments.

The Franchise Agreement you sign will provide for new development, change of ownership, re-licensing, or conversion, depending on your situation. These situations are referred to in this Disclosure Document as “New Development,” “Change of Ownership,” “Re-licensing,” and “Conversion,” respectively. Adaptive Reuse is also identified as a category on the Franchise Application. It is a form of Conversion.

**COVID-19.** During 2020 and continuing through the date of this Disclosure Document, some of our franchised hotels have experienced business interruptions and other business effects as a result of the COVID-19 pandemic. These effects may have included, for example, in certain cases and for certain periods of time, reduced room rates, reduced occupancy and sales, reductions or changes in hotel operations (such as, for example, changes in food and beverage service), as well as temporary hotel closures. The types and extent of such business interruptions and other effects varied widely by the location and particular circumstances of each individual hotel. Accordingly, you should carefully review with your business advisors whether any government directives and/or business conditions related to the COVID-19 pandemic might affect your Hotel.

### **III. AGE OF THE ORIGINAL FRANCHISOR’S COMPANY AND, AS APPLICABLE, OF THE MASTER FRANCHISOR IN THE BUSINESS SUBJECT OF THE FRANCHISE**

Please refer to Items I and II above.

### **IV. INTELLECTUAL PROPERTY RIGHTS INVOLVED IN THE FRANCHISE**

#### **Trademark Use: Your Rights and Obligations**

We grant you a limited, nonexclusive right to use our System in the operation of a hotel at a specified location under one of the licensed Canopy Brand trademarks, namely "Canopy" or "Canopy by Hilton." As used in the Franchise Agreement and this Disclosure Document, the System includes the Marks, including the Principal Mark “Canopy.” The Marks include the Principal Mark and all other service marks, copyrights, trademarks, logos, insignia, emblems, symbols, and designs (whether registered or unregistered), slogans, distinguishing characteristics, trade names, domain names, and all other marks or characteristics associated or used with or in connection with the System, and similar intellectual property rights, that we designate to be used in the System.

You may use the Marks only in connection with the System and only in the manner we designate, as set out in the Franchise Agreement and the Standards. We may designate additional Marks, change the way Marks are depicted, or withdraw Marks from use at any time. We will not withdraw the Principal Mark. We reserve the right to limit what Marks the Hotel may use.

Your hotel will be initially known by the trade name set forth in the Franchise Agreement (“Trade Name”). We may change the Trade Name at any time, but we will not change the Principal Mark. You may not change the Trade Name without our specific written consent.

You must operate under and prominently display the Marks in your Hotel. You may not adopt any other names in operating your Hotel that we do not approve. You also may not use any of the Marks, or the words “Canopy” or “Hilton,” or any similar word(s) or acronyms: (a) in your corporate, partnership, business or trade name except as we provide in the Franchise Agreement or the Manual; (b) any internet-related name (including a domain name), except as we provide in the Franchise Agreement or in the Manual; or (c) any business operated separate from your Hotel,

including the name or identity of developments adjacent to or associated with your Hotel. Any unauthorized use of the Marks will be an infringement of our rights and a material breach of the Franchise Agreement.

Under the terms of the Franchise Agreement, you acknowledge and agree that you are not acquiring the right to use any service marks, copyrights, trademarks, logos, designs, insignia, emblems, symbols, designs, slogans, distinguishing characteristics, trade names, domain names or other marks or characteristics owned by us or licensed to us that we do not specifically designate to be used in the System. The Franchise Agreement does not grant you the right to use any other marks owned by us or our affiliates.

### **Registration and Ownership of the Trademarks and Other Intellectual Property**

We hold the rights to the Marks, including the trademarks and service marks listed in the table below, which are registered in Mexico. The Marks were assigned to us from Hilton International IP Holding Limited in June 2017.

<b>Mark</b>	<b>Registration Number</b>	<b>Registration Date</b>
HILTON (word)	470740	23/08/1994
HILTON (word)	523452	07/06/1996
CANOPY	1483634	30/09/2014
CANOPY	1483635	30/09/2014
CANOPY by Hilton	1640372	19/05/2016

In the future, we may transfer the Marks to other affiliates for administrative purposes periodically. If the Marks are transferred to any affiliates, we will obtain a license to use and sublicense the Marks in our business, and your license to use the Marks will not be disturbed.

### **Protection of the Marks**

We have the right to control any administrative proceedings or litigation involving a Mark licensed by us to you. We will have the sole right and responsibility to handle disputes with third parties concerning use of the Marks or the System. The protection of the Marks and their distinguishing characteristics as standing for the System is important to all of us. For this reason, you must immediately notify us of any infringement of or challenge to your use of any of the Marks. You may not communicate with any other person regarding any such infringement, challenge or claim. We will take the action we consider appropriate with respect to such challenges and claims and only we have the right to handle disputes concerning the Marks or the System. You must fully cooperate with us in these matters. Under the terms of the Franchise Agreement, you appoint us as your exclusive attorney-in-fact, to defend and/or settle all disputes of this type. You must sign any documents we believe are necessary to obtain protection for the Marks and the System and assign to us any claims you may have related to these matters. Our decision as to the prosecution, defense and settlement of the dispute will be final. All recoveries made as a result of disputes with third parties regarding the System or the Marks will be for our benefit.

### **Patents, Copyrights and Proprietary Information**

Our rights include all the intellectual property rights relating to the Canopy Brand in Mexico. You may use this intellectual property only in connection with the System and only in the manner we designate, as set out in the Franchise Agreement and the Standards. The Franchise Agreement

does not grant you the right to use any other intellectual property owned by us or any of our affiliates.

Except as noted below, neither we nor our affiliates own any rights in or licenses to any patents or registered copyrights nor have any pending patent applications which are material to our franchise business. Our proprietary information consists of the Manual and all other information or materials concerning the methods, techniques, plans, specifications, procedures, information, systems and knowledge of and experience in the development, operation, marketing and licensing of the System ("Proprietary Information"). You must treat the Proprietary Information as confidential. You must adopt and implement all reasonable procedures we may periodically establish to prevent unauthorized use or disclosure of the Proprietary Information, including restrictions on disclosure to your employees and the use of non-disclosure and non-competition clauses in agreements with your employees, agents and independent contractors who have access to the Proprietary Information.

The Standards for the hotel, as compiled in the Manual or set out in the Franchise Agreement or otherwise, detail our requirements and recommended practices and procedures regarding the specifications, requirements, criteria, and policies for design, construction, renovation, refurbishment, appearance, equipping, furnishing, supplying, opening, operating, maintaining, marketing, services, service levels, quality, and quality assurance of Canopy Brand hotel and inn operations and for hotel identification, advertising and accounting. Although neither we nor any predecessor have filed an application for a copyright registration for the Manual, we and they claim copyrights and the information is Proprietary Information. You must comply with our requirements concerning confidentiality of the Manual. You may not copy or distribute any part of the Manual to anyone who is not affiliated with the System. You must promptly notify us, in writing, when you learn of any unauthorized use of our Proprietary Information. We will respond as we think appropriate. We are not, however, obligated to participate in your defense or indemnify you for damages or expenses if you are a party to a proceeding involving the copyright on the Manual. This Disclosure Document further describes the limitations on the use of the Manual by you and your employees.

We or our affiliates own copyrights in our revenue management software. Although neither we nor any of our affiliates or predecessors have filed an application for copyright registration for the Hilton Information DataBase (HIDB), the Dashboard measurement system, Travel Agent Transmission Systems (TATS), PPIC call accounting system, and other systems and related documentation and materials, we or our affiliates claim a copyright and the information is Proprietary Information.

Although neither we nor any predecessor filed an application for copyright registration for the OnQ software (formerly System 21) and other Hilton systems (namely the Revenue and Customer Relationship Management Systems), we claim copyrights and the information is Proprietary Information. You may not copy or distribute any of the OnQ software, and you must notify us of any unauthorized use of the OnQ software.

If it becomes advisable at any time in our sole discretion to modify or discontinue the use of any current or future copyright and/or the use of one or more additional or substitute copyrights, you must comply with our instructions. We are not obligated to reimburse you for any costs, expenses or damages.

Although the copyrights are claimed by us, the copyrights may be transferred to another affiliate for administrative purposes periodically, and we will obtain a license to use them in connection with the System in our franchise business.

Your and our obligations to protect your rights to use our copyrights are the same as the obligations for the Marks described above.

All information that we provide to you, including but not limited to Personal Information, for your use in connection with operating the Hotel during the Term is our property. You may not use any such information after the Term, except as expressly permitted by us in writing in the Standards or otherwise. All Information that we obtain from you (except for Information you provide to us or our affiliates with respect to yourself and any of your affiliates, including your or your affiliates' respective officers, directors, shareholders, partners or members) and all revenues we derive from such Information will be our property, which we may use for any reason, including making a financial performance representation in our franchise disclosure documents. At your sole risk and responsibility, you may use Information that you acquire from third parties in connection with operating the Hotel, such as Personal Information (but not including any Personal Information obtained in connection with guest reservations or any loyalty or frequent guest program operated by us or our Affiliates), as permitted by Law.

You must abide by all applicable laws pertaining to the privacy and security of personal information, including, without limitation, local, regional and national requirements applicable to your Hotel ("Privacy Laws"). In addition, you must comply with our standards and policies pertaining to the privacy and security of personal information, customer relationships and Privacy Laws.

## **V. AMOUNTS AND TYPES OF PAYMENT THAT FRANCHISEE MUST PAY FRANCHISOR**

### **Initial Fees**

The following is a list of all initial fees charged by or payable to us or our affiliates. Unless otherwise stated, these are not refundable under any circumstances. All fees are stated in US Dollars.

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Franchise Application Fee – New Development, or Conversion	\$75,000, plus \$300 for each additional guest room or suite over 150.	Before we sign the Franchise Agreement.	See Notes 1 and 2.
Franchise Application Fee – Re-licensing	\$75,000	Before we sign the Franchise Agreement.	See Notes 1 and 2.
Franchise Application Fee – Change of Ownership	\$125,000	Before we sign the Franchise Agreement.	See Notes 1 and 2.
Property Improvement Plan ("PIP") Fee	\$10,000	Before PIP inspection is scheduled.	Payable to prepare a PIP for a Conversion, Change of Ownership, or Re-licensing of an existing hotel. In some circumstances, we may waive the PIP fee or apply the PIP fee towards the payment of the Franchise Application Fee, but we are not obligated to do so.



Type of Fee	Amount	Due Date	Remarks
Construction Work Extension Fee	\$10,000	With written request for extension.	You must start construction at your Hotel by the Construction Commencement Date ("CCD") specified in your Franchise Agreement. The CCD for a New Development is 16 months from the date we approve your Application. We establish CCDs for Conversions as well as for room additions on a project-by-project basis. Each CCD will be extended by 30 days on a rolling basis automatically without a fee unless we provide at least 60 days' notice to you that these automatic extensions will end. At that point, if you wish to request any further extension, you must submit a written request before the CCD. If we approve the request, you must pay this extension fee, and we will set the new CCD and project milestone dates.
Renovation Work Extension Fee	\$10,000	With written request for extension.	If you are converting your Hotel, you must complete the renovation by the date specified as the renovation work completion date ("RWCD") in your Franchise Agreement. Each RWCD will be extended by 30 days on a rolling basis automatically without a fee unless we provide at least 60 days' notice to you that these automatic extensions will end. At that point, if you wish to request any further extension, you must submit a written request before the RWCD. If we approve the request, you must pay this extension fee, and we will set the new RWCD and project milestone dates.
Training Program Fees	Currently, \$5,000 to \$20,000.	As agreed.	We provide required training programs and materials that your general manager and other key personnel must complete before opening a new Brand hotel. We may charge you for the training services and materials, including any Pre-Opening Training Resources. You must also bear the cost of wages, travel, lodging, food, and other expenses of your general manager and any other attendees.
OnQ Computer System Fees – Hardware, Software & Installation	Currently, between \$149,295 and \$256,740.	As agreed.	See Note 3.
OnQ Start-up, Delay and Rescheduling Fees	Currently, \$700 plus travel expenses per day per SIC due to a delay in the hotel opening date and \$2,000 re-scheduling fee if the delay resulted in departure and re-scheduling of the SIC's on-site service period.	When incurred.	You must have one or more Systems Implementation Consultants ("SICs") on site for your Hotel's opening. HSS determines the number of SICs and the number of days they will be on site based on size and type of hotel.
Digital Floor Plan	Currently, \$2,000.	On or before opening.	See Note 3.

Type of Fee	Amount	Due Date	Remarks
Opening Process Services Fee	\$20,000	Before opening.	See Note 4.
Procurement and Services Fees	Currently, 4% to 10% of project cost.	Within 10 days after billing.	See Note 5.
Miscellaneous Services	As agreed.	As agreed.	We or our affiliates may periodically offer you additional services. These could include additional training for you and your employees, assistance in recruiting various types of employees, and other services and programs. Most of these services and programs will be optional, but some, including systems upgrades and changes in System standards, which may require additional mandatory training or participation in additional programs, may be mandatory.

## NOTES

1. **Franchise Application.** You must provide all the information we ask for in your Franchise Application. We may approve your Franchise Application before you supply all of the information, but our approval will be conditioned on receiving the rest of the information within the time we specify. If you fail to provide the rest of the information within the specified time, we may withdraw our approval. If we approve your Franchise Application subject to certain requirements, we may withdraw our approval if you fail to meet those requirements. If you are applying for a franchise for a hotel that was previously operated as a System Hotel, we may require that you pay outstanding royalties and other fees due under the prior Franchise Agreement relating to the System Hotel as a condition of approving your Franchise Application. If you increase the proposed number of rooms/suites after your Franchise Application is approved and before the opening of the Hotel under the Brand, you must obtain our approval and pay any additional Franchise Application Fee owed as if you had included the additional rooms/suites in your original Franchise Application.

2. **Franchise Application Fee.** While we generally require payment of the Franchise Application Fee in a lump sum when before we execute the Franchise Agreement, we may occasionally allow payment of the Franchise Application Fee in installments over a limited time period before the start of construction work on the Hotel. If we do so, we will not charge interest or require a security interest over the installment period. You may prepay the unpaid amount of the Franchise Application Fee at any time. If there is a default under the Franchise Agreement, the outstanding installment payments are accelerated and become your immediate obligation, along with court costs and attorney's fees for collection. The Franchise Application Fee is non-refundable, but we and our predecessor have occasionally agreed to give full or partial refunds under unique circumstances. We will retain a \$7,500 processing fee if we agree to give a refund. The Franchise Application Fee is usually applied uniformly, but we may, in our sole discretion, elect to waive, reduce, or rebate a portion of it, or offer other incentives, either as part of a development incentive program available to a group of qualifying franchisees or as an incentive to a specific franchisee under certain circumstances. Among the factors and criteria we consider are: incentives for the development of additional or multiple hotels within the System, a particular hotel's market position, the property size or unique characteristics, the number of hotels in the System operated by a Franchisee, and other unique circumstances. We and our predecessor have not always waived or reduced the Franchise Application Fee or offered other incentives even for franchisees or prospects possessing the characteristics, and we may freely choose not

to reduce your Franchise Application Fee or negotiate with you, even if you possess some or all of these characteristics. We may modify or discontinue any development incentive program in our sole discretion.

In addition to the Franchise Application Fee, if you are applying for a franchise for a hotel that was previously operated as a System Hotel, we may require, as a condition of approving your Application, that you pay outstanding royalties and other fees due under the prior franchise agreement relating to that System Hotel.

3. Computer System Fees. You must use our required business computer system, which we may periodically change. Currently, we require you to use “OnQ<sup>®</sup>,” which connects System Hotels to Hilton’s reservation offices and travel planners worldwide. OnQ is comprised of proprietary components for reservations, property management, revenue management, rate & inventory management, forecast management, learning management, and other components we consider necessary to support the following activities: reservations, distribution, sales, customer relationship management, hotel operations, and business intelligence gathering and analysis. The complete OnQ package currently includes hardware, software, installation, and support.

OnQ Hardware and Software. You must use authorized hardware and the required software for the OnQ system. You may purchase the authorized hardware from HSS or its preferred providers, or you may purchase or lease it through other (non-preferred) third-party providers. If you acquire the hardware from another (non-preferred) third party, you must also pay HSS for its reasonable expenses in determining that it conforms to our specifications. You must also pay for all necessary communications vehicles for OnQ (wide area network connections, electronic mail, and internet connections), along with the installation and configuration costs, and travel and other expenses of the employees and vendors who perform the installation and configuration services. You are required to license the OnQ software from our affiliate, HSS. HSS is the only supplier of the OnQ software because of its proprietary nature. We are not able to determine a separate market price because there is no third-party market for this product. You must pay for the reasonable travel and other expenses of HSS employees and vendors who install and maintain the software. The costs shown here are for the standard OnQ package and include hardware, software, installation and certain other costs and fees, and is based on the size of the Hotel and number of workstations. These fees are not refundable.

About 90 to 120 days before your Hotel opens, you must sign the agreement for OnQ (HITS Agreement) and/or other related agreements we require, which will govern your access to and use of the OnQ system. You must also purchase certain software licenses such as Windows Server operating systems and related client access licenses, database applications, and virus detection and removal tools. Where applicable, these licenses must be purchased through existing enterprise agreements HSS has in place with vendors such as Microsoft. HSS will invoice the Hotel for such purchases. You may purchase other software not covered by enterprise agreements from other third-party suppliers. Costs of these licenses may vary based on the number of users or computers at your Hotel and other factors.

You must update and upgrade (“refresh”) the OnQ system at least every 3 years. We may also require you to refresh the OnQ system in connection with a Change of Ownership or Re-licensing, when a new franchise agreement is signed. We anticipate that cost of this to be the same or less than the cost of the original installations (but not including any elements that were needed for the original installation only).

You must install our “Connected Room” system, which enables streaming media and permits guests to use their smart phones and other personal mobile devices to control their guest room television and other conveniences such as lighting and temperature using the Hilton Honors App. The Connected Room system is not part of the OnQ system but the total estimated cost is included within the total estimated OnQ cost ranges shown here.

You must install our required Global Revenue Optimization (“GRO”) system. The GRO system is an online application that utilizes third-party software to provide pricing recommendations for your Hotel based on data analytics and forecasting. The GRO system integrates with the OnQ system for ease of operation. You are not required to adopt the pricing recommendations provided by GRO. The GRO system is not part of the OnQ system but the estimated cost is included within the total estimated OnQ cost ranges shown here.

You must pay for the preparation of a digital floor plan for your Hotel. HSS will have the digital floor plan prepared by a local vendor. The floor plan will be used by us and our affiliates, including Hilton Honors Worldwide, to allow Hilton Honors guests to choose their room from a map of the Hotel and enable digital check-in. This fee is paid to HSS before the opening of your Hotel, and is not refundable.

The costs shown above do not include certain costs payable to third parties in connection with the OnQ system. They also do not include costs payable to third parties in connection with our required Guest Internet Access system, or the costs of optional computer system components that we may recommend. Further details appear below in this Item V (see Other Fees and Estimate of Cost to Establish the Franchise). All computer system costs are subject to change, and normally are not refundable.

4. Opening Process Services Fee. You must pay an Opening Process Services Fee before opening. This fee is to help recoup our costs in providing numerous pre-opening visits to your Hotel that focus on Brand Performance Support, commercial activation consultations and other services to enable you to open your Hotel, as well as opening day approval and confirmation visits, and post-opening commercial activation meetings. This fee is not refundable.

5. Procurement and Services Fees. If we or our affiliates furnish, supply, service or equip your Hotel at your request before it opens, then you must pay or reimburse us or them for all costs incurred at your request, and related service fees. In particular, HSM negotiates with manufacturers and suppliers for the distribution of hotel furniture, furnishings, fixtures, equipment and supplies, certain food and beverage equipment supplies, and certain hotel services at a discount. We recommend you purchase these items from HSM, as we specify, but you are not obligated to do so. If you choose to buy from HSM, it will invoice you for the cost of the products, plus freight, sales tax and other actual costs, plus a procurement fee that ranges 4% to 10% of the project cost. HSM may offer you a payment plan. These payment plans are agreed with each franchisee individually based on the type of project, and specifically customized to the project's scope of work and overall timeline. Payment dates are also based on the project's timeline. The interest rate for late payments is 18.5% per year, compounded daily. Change orders must be paid in full, either in advance or with the next installment due.

## **Other Fees**

The following is a list of other fees charged by, or payable to, us or our affiliates. Unless otherwise indicated, these fees are not refundable under any circumstances, and other than the Royalty Fees and Liquidated Damages, are subject to change. All fees are stated in US Dollars.

Type of Fee	Amount	Due Date	Remarks
<b>General</b>			
Monthly Royalty Fee	5% of Gross Rooms Revenue.	Payable monthly by the 15 <sup>th</sup> day of the following month.	See Note 1.
Monthly Program Fee	4% of Gross Rooms Revenue.	Payable monthly by the 15 <sup>th</sup> day of the following month.	See Notes 1 and 2.
Room Addition Fee	Currently, \$400 per additional guest room/suite.	When we approve the request.	If you add or construct additional guest rooms at the Hotel after you open the Hotel under the Brand, you must pay us a Room Addition Fee and sign an amendment to the Franchise Agreement. The fee is non-refundable once we approve your Application.
<b>Conferences and Training</b>			
Brand Conference	Currently, \$3,000 per attendee.	Before attendance.	Your general manager and director of sales must attend the Brand conference, usually held annually. Dates, location and duration of the conference vary from year to year.
General Manager Training	Currently, up to \$1,200 per attendee.	Before attendance.	Your general manager must complete this virtual learning program within 180 days of hire or start date.
Commercial Leader Training	Currently, up to \$1,200 per attendee.	Before attendance.	Your director of sales or other commercial leaders must complete this virtual learning program within 180 days of hire or start date.
Hilton Core Sales Skills Training	Currently, up to \$850 per attendee.	Before attendance.	Your director of sales and sales managers must attend this mandatory virtual learning program.
Training Programs and Training Materials	Currently, up to \$5,000 per program per attendee.	Before attendance or materials are shipped.	Some training programs are required, and others are optional. We may provide some required training courses without a course fee. In some cases, you must also pay wages, travel, lodging, food, and miscellaneous expenses of your attendees, and/or the expenses of the trainers.
<b>Guest Assistance and Quality Assurance Programs</b>			
Guest Assistance Program: Customer Satisfaction Guarantee	Currently, \$300 per handled transaction for Hilton Honors Diamond members, \$250 per handled transaction for Hilton Honors Gold members, and \$200 per handled transaction for all other guests.	Within 48 hours of receipt of invoice.	Payable to resolve guest complaints. Our Guest Assistance Agent may offer the guest a cash refund (up to the full cost of the customer's stay), Hilton Honors point rebate, Hilton gift cards or complimentary return stay to resolve the complaint to the customer's satisfaction. You are billed the cost of the rebate plus the handling fee. We may change the maximum guest rebate amount or increase the handling fee.

Type of Fee	Amount	Due Date	Remarks
Guest Assistance Program: Price Match Guarantee	Hotels must honor a 25% discount off the lower rate on all approved claims.	When the stay is consumed.	The discount applies if a guest finds a lower qualifying rate for a qualified booking at your Hotel. After the Guest Assistance Department confirms the lower rate is available for booking through a third-party channel, the claim is approved and the rate is adjusted.
Guest Assistance Program: First Contact Resolution	Currently, \$15 administrative fee.	Within 10 days of billing.	Payable if more than 5 files are created in a month by Guest Assistance to resolve guest complaints about products, services or cleanliness. You must pay the cost of any compensation we provide to any guest to resolve the complaint, even if the fee does not apply.
Guest Assistance Program: Online Complaints	\$25 per complaint administrative fee.	As invoiced.	If a hotel does not respond to a guest complaint or negative comment on certain designated websites or social media platforms within 24 hours, Guest Assistance will respond to the guest and this fee will be due. This program and fee are subject to change.
Quality Assurance Re-evaluation Fee	Currently, \$480 to \$3,000 per re-evaluation visit.	Within 10 days of billing.	Payable each time we conduct an on-site quality assurance evaluation after your Hotel has failed the previous quality assurance evaluation. The cost will be determined at \$15 per available room and capped at \$3,000. You must also provide complimentary lodgings for the quality assurance auditor during the evaluation.
Quality Assurance Special Re-evaluation Fee	Currently, \$3,000 per re-evaluation visit.	Within 10 days of billing.	Payable each time we conduct a special on-site quality assurance evaluation ("Special"). We may conduct a Special: (a) to verify a default has been cured; (b) to verify that a PIP has been completed; (c) any time after your Hotel has failed two quality assurance evaluations in any calendar year; (d) if your Hotel fails its opening inspection; or (e) if your Hotel fails its previous Special. You must also provide complimentary lodgings for the quality assurance auditor during the evaluation.
<b>Computer System Fees</b>			
OnQ Additional Rooms Fee	Currently, \$120 per additional guest room/suite.	When additional guest rooms/suites are completed.	If you add or construct additional guest rooms at the Hotel at any time after you sign the Franchise Agreement, you must pay Hilton or HSS the then current per guest room/suite software license fee charged to System Hotels multiplied

Type of Fee	Amount	Due Date	Remarks
			by the number of additional guest rooms.
OnQ Connectivity Fees	Currently, between \$1,485 and \$4,000 per month.	Billed monthly.	Fee is determined by the number of workstations and other OnQ equipment at your Hotel.
OnQ Interface Fees	Currently, \$1,000 per additional interface.	As agreed.	Payable if you add an additional OnQ interface after Hotel opening.
OnQ Hardware Maintenance Support Fees	Currently, \$1,200 to \$4,000 per month.	Billed monthly by the 15 <sup>th</sup> day of the following month.	This cost is determined by the number of workstations and other OnQ equipment at your Hotel. This range also includes the maintenance and support cost for the Connected Room system.
OnQ Software Maintenance Support Fees	Currently, \$1,200 to \$4,000 per month.	Billed monthly by the 15 <sup>th</sup> day of the following month.	Fee is determined on the number of rooms and OnQ interfaces at your Hotel.
OnQ Email Fees	Currently, \$7.92 per user per month for all users and \$12.50 per month for delivery to authorized mobile devices.	Billed quarterly.	Currently, you must have at least 3 accounts.
Delphi Sales and Events System	Currently \$858 per user per year.	Billed annually.	See Note 3.
Guest Internet Access Circuit	Currently, \$1,200 to \$4,900 per month.	Billed monthly.	You must install a Guest Internet Access Circuit that meets our specifications and pay for the ongoing cost of using the circuit from a preferred provider. You must arrange for procurement of the monthly service for the required dial-in line locally. The cost will depend on the circuit size, type and physical location of your Hotel. See Note 4.
Guest Internet Access Service	Currently \$750 to \$3,000 per month.	Billed monthly.	You must purchase this service from a preferred provider. The cost will depend on your Hotel's size and number of meeting rooms. This estimate includes the connection and monthly service for the required dial-in line, 24x7 call center support and equipment break-fix maintenance. See Note 4.
<b>Frequent Customer, Affiliation and Distribution Programs</b>			
Travel Clubs	Currently, \$0.30 per available room, plus 10% commission. Amount may vary by program.	Billed annually on DS/TC Invoice by second quarter.  For commissions: if invoiced, within 15 days or if billed through ACH, by the 12 <sup>th</sup> business day of each month.	Payable for consumed stays booked through our American Automobile Association ("AAA"), Canada Automobile Association ("CAA") and American Association of Retired Persons (AARP) programs. See Note 5.
Hilton Advance Program	Currently, 1.35% of eligible Digital Direct Revenue, not to exceed \$30 per stay.	If invoiced, within 15 days of billing. If through ACH, on the 12 <sup>th</sup>	This program is intended to help drive bookings through Hilton's online direct booking channels using lower-funnel marketing activities, search engine optimization, social

Type of Fee	Amount	Due Date	Remarks
		business day of the month.	media platforms, and other methods. Digital Direct Revenue is all Gross Rooms Revenue from bookings made through our online direct booking channels such as Hilton websites and mobile apps. See Note 1.
Group Preferred Partnership Program	\$1.50 per transaction, plus the applicable commission. If we increase this fee this year, it will not exceed \$2.50 per transaction, plus commission.	If invoiced, within 15 days of billing. If through ACH, on the 12 <sup>th</sup> business day of each month.	This optional program provides additional access to select top group intermediaries, including participation in marketing and promotions designed to drive incremental business. The participating intermediaries may change over time. See Note 5.
Frequent Traveler/Guest Reward Program	Currently, 4.3% of total eligible guest folio. This fee is waived for stays in which the guest is enrolled on-property in Hilton Honors.	10 days after billing.	You must participate in any brand specific or System-wide guest frequency or reward program. Currently, you must participate in Hilton Honors. These programs are subject to change. See Note 6.
Hilton Honors Event Planner Bonus Program	Currently, \$0.0025 to \$0.0050 per Hilton Honors bonus point awarded.	As incurred.	This is an optional commercial incentive program. It enables hotels to award Hilton Honors bonus points to an event planner for a group booking (or as otherwise specified in the group booking contract) in addition to points earned by individual guests in the group. Event planners can earn up to 3 points per \$1 of booking revenue. Currently, hotels must opt-in during an annual enrollment period to participate and new hotels may enroll on opening. In the future we may enroll hotels automatically and allow them to opt-out periodically, or make this program mandatory. Bonus point allocations and program terms are subject to change. See Note 5.
Online Group Event Booking Charges	Currently, up to 2% of GRR and up to \$25 for included meeting space, plus applicable commissions.	On demand.	You only pay this fee if you load inventory for group and event bookings at your Hotel through our designated online platform and the reservation actualizes. Participation is currently optional but may be required in the future. Optional add-on services may be made available at additional cost. See Notes 1, 5, and 7.
Centralized Payment Programs	Third-Party Reservation Charges: currently, up to \$5.45 per stay.  FastPay Program: currently, up to \$1.40 per transaction, plus commission.  Travel Planner Centralized Payment Program: currently,	If invoiced, within 15 days of billing. If through ACH, on the 12 <sup>th</sup> business day of each month (or for Third-party Reservation Charges, on the 20 <sup>th</sup> day of each month).	These required programs centralize and automate payments to third parties, including online travel agencies, group and meeting planners, travel planners, and other sales and distribution channels.  Third-Party Reservation Charges currently include the costs and fees incurred in connection with third-



Type of Fee	Amount	Due Date	Remarks
	<p>\$0.18 per transaction processing charge plus up to a 10% commission.</p> <p>Unlimited Rewards Program: currently, \$0.71 for a weekday stay (Monday -Thursday nights), \$1.42 for a weekend stay with 1 Fri/ Sat/Sun night, and \$2.13 for a weekend stay with 2 Fri/Sat/Sun nights. Double Dollars amounts increase to \$1.42, \$2.63, and \$3.84, respectively.</p>		<p>party reservation systems such as GDS, airline reservation services, internet and other service reservation providers for using their distribution systems. Certain third-party reservation services may not be subject to this fee.</p> <p>The FastPay Program is a centralized payment program for group intermediaries and meeting planners. We may determine the items that are commissionable, the third parties eligible to be paid, and the commission percentages that can be paid through FastPay. All eligible charges must be paid through FastPay. Currently FastPay will process commissions of up to 7% and customer rebates for designated segments.</p> <p>The Travel Planner Centralized Payment Program (TPCP) consolidates all commissionable consumed travel planner bookings and remits one payment per agency. The commission is payable on the total room rate and other commissionable charges, and a transaction charge is payable on commissionable and non-commissionable reservations, no-shows and cancellations.</p> <p>The Unlimited Rewards Travel Advisor Incentive and Loyalty Program remits funds to Avis Budget. A portion is paid to the travel planner, and Avis Budget retains the remaining amount as a processing charge.</p> <p>See Note 5.</p>
<b>Transfers, Re-licensing and Financing</b>			
Change of Ownership Application Fee	Currently, \$125,000.	Before we sign the Franchise Agreement.	Payable for any proposed transfer that does not qualify as a Permitted Transfer.
Permitted Transfer Processing Fee	Currently, \$5,500.	When you submit transfer consent request.	Payable for any proposed Permitted Transfer that requires our consent.
Re-licensing Application Fee	Currently, \$75,000.	Before we sign the Franchise Agreement.	Payable for Relicensing to an existing franchisee.
Lender Comfort Letter Processing Fee	Currently, \$3,500 for Lender Comfort Letters and \$1,500 for Lender Comfort Letter Assignments.	Before we issue the document.	We will only issue a Lender Comfort Letter or Assignment if you request it and the request meets our qualifications.

Type of Fee	Amount	Due Date	Remarks
Public Offering or Private Placement Processing Fee	Currently, \$5,000.	When you submit a request for our approval.	You must pay us for any additional costs we may incur in reviewing your documents, including reasonable attorneys' fees.
<b>Management Fees</b>			
Management Fees	Established by mutual agreement.	As incurred.	Payable if you enter into a management agreement with us or our affiliate. You may hire an outside management company with our approval.
<b>Remedies and Damages</b>			
Actual Damages Under Special Circumstances	Actual amount.	On demand in situations described in Remarks column.	Payable in lieu of liquidated damages if within 12 months of each other, 2 or more Franchise Agreements for the Brand between yourself (or any of your affiliates) and us (or any of our Affiliates) terminate before their expiration date as a result of your or your affiliate's breach, or an unapproved Transfer either to a Competitor or to a buyer that converts the Hotel to a Competitor hotel within 2 years after termination.
Audit	Actual amount of deficiency plus interest.	On demand.	Payable if an audit reveals that you understated or underpaid any payment due us which is not fully offset by overpayments. If willful or for 5% or more of the total amount owed for the inspection period, you must reimburse us for our costs.
Indemnification	Actual amount paid by us or our affiliates due to any claim, demand, tax, penalty, or judicial or administrative investigation or proceeding arising from any claimed occurrence at your Hotel.	On demand.	Payable if we incur expense to protect us, our subsidiaries or affiliates or to remedy your defaults under the Franchise Agreement. You must also defend us, Hilton Worldwide, and each of such affiliates' current and/or future subsidiaries, and affiliates and any of their officers, directors, employees, agents, successors and assigns.
Insurance	Actual amount.	On demand.	You must participate in our required insurance program to maintain the required insurance and policy limits described in the Manual.
Technology Suspension and Termination	Actual costs and fees, plus any applicable intervention, administrative, and termination fees.	On demand.	If we exercise our right to suspend service in the event of a default or if your HITS Agreement terminates you must pay, as applicable: (a) any unpaid fees; (b) the costs of the technology products and services provided to you that exceed what you paid; (c) the costs of suspending and/or restoring your access; (d) any intervention or administration fees set forth in the Manual; (e) any termination, penalty, or

Type of Fee	Amount	Due Date	Remarks
			administrative fee that would not be payable but for termination for cause; (f) the costs and fees of any technology product or service provided to you after the termination date; and/or (g) any termination fees identified in your Customer Order Document.
Liquidated Damages for Unauthorized Opening	\$5,000 per day that your Hotel is open without authorization.	On demand.	Payable if you open before we give you written authorization to open, plus our costs, including attorneys' fees.
Liquidated Damages for Pre-Opening Termination	\$3,600 multiplied by the number of approved Guest Rooms at the Hotel.	Within 30 days or on demand.	Payable if the Franchise Agreement is terminated: (1) before you begin Hotel Work and you or a Guarantor enter into an agreement for, or begin the construction or operation of, another hotel at the site within 1 year after termination; or (2) after you begin the Hotel Work but before you open (unless excused by Force Majeure).
Liquidated Damages for Post-Opening Termination	\$3,600 multiplied by the number of approved Guest Rooms at the Hotel.	Within 30 days or on demand.	Payable if the Franchise Agreement is terminated on or after the Opening Date but before the 2 <sup>nd</sup> anniversary of the Opening Date.
	The Hotel's Average Monthly Royalty Fees multiplied by 60.	Within 30 days or on demand.	Payable if the Franchise Agreement is terminated after the 2 <sup>nd</sup> anniversary of the Opening Date but before the last 60 months of the Term. See Note 8.
	The Hotel's Average Monthly Royalty Fees multiplied by the number of months remaining in the Term.	Within 30 days or on demand.	Payable if the Franchise Agreement is terminated within the last 60 months of the Term. See Note 8.
Liquidated Damages for Failure to Comply with Intellectual Property Obligations	\$10,000 for each day that you fail to comply with your intellectual property obligations.	On demand.	Payable if you fail to comply with the trademark, trade name, web site, or other intellectual property obligations in the Franchise Agreement, in addition to our costs and expenses of enforcement.
Liquidated Damages for Failure to Comply with Post Term Obligations	\$10,000 for each day that you fail to comply with post-term obligation.	On demand.	Payable if the Franchise Agreement terminates or expires and you fail or refuse to comply with your obligations within 30 days after termination or expiration.
Service Charges for Overdue Payments	1.5% per month or highest percentage permissible by law, whichever is less.	On demand.	You must pay service charges if you do not make any payment to us or our affiliates when due. Our acceptance of your payment of any deficiency will not waive our right to terminate the Franchise Agreement under its terms.
Taxes	Actual amount.	On demand.	If any sales, use, gross receipts, withholding or any other tax (excluding withholding on monthly royalty fee) is imposed on the receipt of any payments you are

Type of Fee	Amount	Due Date	Remarks
			required to make to us under the Franchise Agreement, then you must also make an additional payment to us such that, net of any sales, use, gross receipts, withholding or any other tax, the amount received by us is equal to the amount we would have received had no such tax been imposed. This does not apply to income taxes payable by us as a result of our net income relating to any fees collected under the Franchise Agreement.
Identity, Sales, and Distribution Non-Compliance Fee	Currently, \$500 per instance.	On demand.	This cost-recovery fee is payable if your Hotel uses a third-party intermediary for reservations or sales that is not accredited by Hilton. Also, failure to comply with the Identity, Sales and Distribution Standards may result in the loss of access to certain sales and distribution channels.
Franchise Agreement Non-Compliance Fee	1% of Gross Rooms Revenue.	On demand.	This charge will apply each month in which you fail to comply with the Franchise Agreement. See Notes 1 and 9.
FastPay Non-compliance Fee	Varies and escalates based on the number of violations. Currently, up to the greater of \$3,000 or 10% of gross group room revenue (not to exceed \$7,500) per violation.	On demand	Fees will apply for non-compliance with the FastPay program policies, rules or terms. See Note 5.
<b>Miscellaneous Services and Programs</b>			
Consultation and Service Fees	Set by us on a project-to-project basis.	When we request.	Payable if we make consultation and/or other voluntary services available to you on request.
Consortia Program	Currently, up to \$2.70 for each consumed night booked under the Consortia “parity” rate, plus applicable commission.	If invoiced, within 15 days. If ACH, on the 12 <sup>th</sup> business day of each month.	You must participate in BOTH or NEITHER of the Consortia Program and the TMC Pay-On-All-Pay-For Performance Program. The list of participating travel agencies may change over time. See Note 5.
TMC Pay-On-All-Pay-For Performance Program	Currently, \$1.03 plus up to 10% commission or fee, where applicable, for each consumed night booked by a TMC travel agency. If we increase this fee this year, it will not exceed \$1.15, plus commission.	If invoiced, within 15 days. If ACH, on the 12 <sup>th</sup> business day of each month.	You must participate in BOTH or NEITHER of the Consortia Program and the TMC Pay-On-All-Pay-For Performance Program. The list of participating agencies may change over time. See Note 5.
US Government Travel Agency Programs	Currently, up to \$2.30 and/or up to 10% of room revenue. Amount may vary by program.	Billed on TACS invoice. If invoiced, due within 15 days. If ACH, due on the 15th of the month.	We may enter into various government and military travel programs, which currently include FedRooms/StatesRates, CWTSato, DOD Preferred, Omega World Travel and ADTRAV Government. You are not required to participate, but if you participate in the DOD Preferred Program you must also participate in the FedRooms

Type of Fee	Amount	Due Date	Remarks
			Program at the same rate. See Note 5.
ResMax Program	Currently, 5.15% to 5.65% of consumed revenue from a ResMax booking with a 3-night maximum. If we change the pricing model this year, it will not exceed \$5.00 per call. This fee may vary due to hotel booking, volume, and other factors.	As required by us or our affiliate.	ResMax with Auto Attendant provides additional reservation call handling services by automatically transferring reservation calls to a ResMax Guest Engagement Specialist. If your Hotel is not enrolled in ResMax and accepts a referral, we may charge you the applicable fee on the booking. If your Hotel transfers reservation calls to HRCC outside of the ResMax service, you may be billed up to \$4.50 per call. ResMax is an optional, supplemental service. Program terms, eligibility, and fees are subject to change.
Revenue Management Consolidated Center (RMCC)	Category 1 – One Time Service Models, currently \$1,645.  Category 2 – Monthly Full Support Models, currently \$1,339.	Within 10 days of billing.	RMCC provides various types of support services for revenue management analysis, strategy, lead management, and coaching. Specific services or groups of services are called “service models,” and are grouped into the categories shown here. RMCC programs and services are subject to change. Your participation in RMCC is optional.
Procurement and Services Fees	Currently, 4% to 10% of project cost.	As agreed.	Payable if you buy from HSM, in addition to the product cost, freight, taxes and other actual costs incurred by HSM.

Unless otherwise indicated, all fees described in this Item V are payable to and imposed by us or our affiliates and are non-refundable. Other than the Monthly Royalty Fee, Liquidated Damages and Termination Fees, all fees are subject to change.

## NOTES

1. The Monthly Fees are calculated in accordance with the accounting methods of the then-current Uniform System of Accounts for the Lodging Industry, or as specified by us in the Manual. "Gross Rooms Revenue" means all revenues derived from the sale or rental of guest rooms (both transient and permanent) of the Hotel, including revenue derived from the redemption of points or rewards under the loyalty programs in which the Hotel participates, amounts attributable to breakfast (where the guest room rate includes breakfast), Mandatory Guest Fees, late cancellation fees, and guaranteed no-show revenue and credit transactions, whether or not collected, at the actual rates charged, less allowances for any Guest Room rebates and overcharges, and will not include taxes collected directly from patrons or guests. Group booking rebates, if any, paid by you or on your behalf to third-party groups for group stays must be included, and not deducted from, the calculation of Gross Rooms Revenue. The conversion of Gross Rooms Revenue into U.S. Dollars shall be daily and be based on WSJ.com rates that are reported by Reuters as blended rates by multiple banks that trade in excess of \$1 million daily.

“Mandatory Guest Fee” 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, as determined by us, that are passed through to a third party (such as tourism public improvement district fees, tourism or improvement assessments, and convention center fees).

The Monthly Fees must be paid to us at the place we designate on or before the 15th day of each month, and must be accompanied by our standard schedules showing the computation of the Monthly Fees. There may be an annual adjustment within 90 days after the end of each operating year so that the total Monthly Fees paid annually will be the same as the amounts determined by audit. The Monthly Fees are calculated according to the then-current Uniform System of Accounts for the Lodging Industry (or such other accounting method as we may specify). The conversion rate into U.S. Dollars is the daily rate of exchange reported by the Wall Street Journal in New York (or such other reference as we may specify). If your Hotel does not use our standard property management system, the conversion rate is the rate of exchange reported on the 15th day of the month after the month in which the revenues were generated.

We can require you to transmit the Monthly Fees and all other payments required under the Franchise Agreement by wire transfer or other form of electronic funds transfer. You must bear all costs of wire transfer or other form of electronic funds transfer. We may reduce the amount of any payment or credit to you by any amount that you owe us, and this includes your and our affiliates.

If there is a fire or other insured casualty at your Hotel that results in a reduction of Gross Rooms Revenue, the Monthly Program and Monthly Royalty Fees will be equal to the Monthly Program and Monthly Royalty Fees forecasted on the basis of the Gross Rooms Revenue amount you agree on with your insurer(s). However, we have the right to participate with you in negotiating the value of your Gross Rooms Revenue claim with your insurer(s).

2. We may change the amount of the Monthly Program Fee at any time. The Monthly Program Fee rate will not exceed the current rate plus 1% of Gross Rooms Revenue over the term of the Franchise Agreement. We do not apply this fee toward the cost, installation or maintenance of the computer reservation services equipment or training for your Hotel. The Monthly Program Fee pays for various programs to benefit the System, including (i) advertising, promotion, publicity, public relations, market research, and other marketing programs, (ii) developing and maintaining directories and internet sites for Canopy Brand hotels; (iii) developing and maintaining the Reservation Service systems and support; (iv) quality assurance programs; and (v) administrative costs and overhead related to the administration or direction of these projects and programs. We may create any programs, and allocate monies derived from Monthly Program Fees to any regions or localities. The Monthly Program Fee does not cover your costs of participating in any optional marketing programs and promotions periodically offered by us or our affiliates in which you voluntarily choose to participate. These fees also do not cover the cost of operating the Hotel in accordance with the standards in the Manual.

3. You must use Delphi.fdc, a cloud-based sales and events system powered by Amadeus Hospitality in a configuration we approve. For this service you will pay initial set-up costs to the vendor, and ongoing annual license fees to us. The set-up costs of this system are shown below (see Item V Estimate of Costs to Establish the Hotel). The annual license fees and maintenance costs are shown here and include a 10% mark-up. You will pay the license fees and maintenance costs to HSS, which are then passed-through to the vendor. We keep the mark-up as reimbursement for our costs in developing and maintaining Delphi.fdc for our Network Hotels.

You must maintain and update the system at your cost to remain in compliance with the Standards. There are no limits on the frequency or cost of this obligation. Delphi.fdc integrates with other Hilton business systems, including the MeetingBroker lead distribution platform.

4. You must provide internet access for all guest rooms, meeting rooms, and public spaces at your Hotel in accordance with our Standards ("Guest Internet Access"). Currently, our approved Guest Internet Access program is called "StayConnected." You must install certain hardware and software, an internet access circuit, and subscribe to an internet access service to meet this requirement. The installation costs are described below in this Item V (see Estimate of Cost to Establish the Franchise) and the ongoing monthly costs are shown here. You must obtain your Guest Internet Access circuit and Guest Internet Access service from our preferred providers. In the past we have permitted franchisees to acquire these services from either preferred providers or our affiliate, HSS, and may do so again in the future.

5. We may add, remove, or modify our sales and distribution programs at any time. These programs may have individual criteria for participation, as well as policies, terms, or rules that must be met for continued participation. We may require your Hotel to participate in certain programs or combinations of programs. We may also offer optional programs at an additional cost. Some programs may utilize automatic enrollment and if your Hotel does not wish to participate it may be required to opt-out as provided in the programs' policies, terms, or rules. Failure to pay fees or commissions when due, or failure to comply with the applicable program policies, terms, and rules may result in the loss of access to certain programs or individual sales and distribution channels.

6. You must participate in, and pay all charges related to, our marketing programs not covered by Monthly Program Fees, and all guest frequency programs we require, including the Hilton Honors Worldwide guest reward programs or any successor programs. You must also honor the terms of any discount or promotional programs (including any frequent guest program) that we or Hilton offer to the public on your behalf, any room rate quoted to any guest when the guest makes an advance reservation, and any award guest certificates issued to hotel guests participating in these programs. We and our affiliates' other hotel brands may also participate in these programs. These programs are subject to change. You pay your share of the costs of the programs.

Currently, these programs include the Hilton Honors™ guest reward program operated by Hilton Honors Worldwide, and airline and rental car company frequent user programs in which Hilton participates. The Hilton Honors™ guest reward program was originally called "Hilton HHonors®" and changed its name to Hilton Honors™ in February 2017.

Hilton Honors members may accumulate Hilton Honors points with most stays for all eligible dollars spent at participating Hilton Honors hotels. Hilton Honors members can obtain frequent flyer mileage credit in one participating airline's frequent flyer program per stay with most stays at participating Hilton Honors hotels. Hilton Honors members may earn both points and frequent flyer mileage credit for the same stay at participating hotels. Hilton Honors members may also earn additional points for using Hilton Honors car rental and/or other partners in conjunction with a stay and may periodically earn additional points and/or mileage bonuses through other promotional activities, programs, and initiatives. The only room rates that are not eligible for Hilton Honors point and/or mileage earnings are wholesale/tour operator packages, contracted airline crew rates, complimentary or barter rooms, stays on NET Group/Series Group/IT Group rates, contracted Entertainment or Encore rates, stays using airline percent-off award certificates, stays that are booked via third-party websites other than the websites of Hilton Honors airline partners.

Hilton Honors members may redeem their accumulated points for discounted and free hotel room nights and other rewards. Terms of the Hilton Honors program are subject to change. Pricing is subject to change and is reviewed annually.

These basic program fees are assessed on any stay for which a guest (a) earns Hilton Honors points or (b) earns both Hilton Honors points and airline mileage credit. Additional Hilton Honors bonus points that members earn as a result of promotional activities, programs, and initiatives that your Hotel participates in will result in an additional fee payable by your Hotel based on a set cost per point or a percentage of the eligible guest folio, depending on the type of promotional activity, program, or initiative. Similarly, bonus airline mileage credit that guests earn as a result of promotional activities, programs, and initiatives that your Hotel participates in will result in an additional fee payable by your Hotel – amount varies by participating airline partner program. All program costs are subject to change.

In addition to the basic program fees outlined above, hotels are also responsible for the cost of certain guest amenities provided to Hilton Honors members. Hotels must allocate a certain percentage of rooms inventory for free night reward redemption by Hilton Honors members as specified by the Hilton Honors program. Hotels will be reimbursed for these reward redemptions on the same basis as other similarly situated participating hotels as specified by the Hilton Honors program. If your Hotel is Relicensed and had paid a lower fee in the past, it will be assessed the then-current standard fee when your new franchise term begins.

7. We currently provide an online booking platform for group events that allows guests to check rates and availability and book guestrooms and event space (within certain limits on the number of rooms, room nights, and meeting space size). Guests may search for a hotel and rate and complete the booking contract online. We may pass-through all or a portion of this fee to third party vendors that help to provide or maintain the platform. This fee may be refunded or adjusted for certain cancellations or modifications. Terms and conditions of this program are subject to change.

8. The term “Hotel’s Average Monthly Royalty Fees” means: (a) if the Hotel has been operating for at least 24 months, the amount of all Monthly Royalty Fees due under the Franchise Agreement for the 24 month period before the month of termination (the “Measurement Period”) divided by 24; and (b) if the Hotel has not been operating for at least 24 months, the amount of all Monthly Royalty Fees due under the Franchise Agreement for the period between the Opening Date and the termination date divided by the number of months between the Opening Date and the termination date.

In calculating this average, any temporary financial accommodations and periods of Business Interruption are excluded. Temporary financial accommodations include any fee discounts, ramps, or waivers. Business Interruptions are periods of time in which a majority of the Guest Rooms were removed from service or regular hotel operations were suspended for more than 90 days. In the case of Business Interruptions, the Measurement Period will be adjusted earlier in time to account for the months in which the Business Interruption occurred.

9. If your Hotel is not in compliance with the Franchise Agreement, including failing to meet our quality assurance Standards or failing to complete a PIP by the required date, we may charge a Non-Compliance Fee for each month in which the non-compliance occurred or continued for one or more days, to compensate us for damage to the Brand’s reputation and for the additional work caused by your non-compliance. This fee is in addition to any other applicable fees.



## Estimate of Costs to Establish the Franchise

### YOUR ESTIMATED INITIAL INVESTMENT CANOPY HOTEL (200 ROOMS)

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Franchise Application Fee Note 1	\$90,000	Lump sum	Before we sign the Franchise Agreement	Us
Property Improvement Plan Note 2	\$0 to \$10,000	Lump Sum	Before we prepare PIP	Us
Market Study Note 3	Varies	As arranged	As Arranged	Supplier
Environmental Assessment Note 4	Varies	As arranged	As Arranged	Supplier
Real Property Note 5	Varies	As Arranged	As Arranged	Seller
Construction and Leasehold Improvements Note 6	\$27,000,000 to \$63,000,000	As Arranged	As Arranged	Contractors
Designer and Engineering Fees Note 6	\$720,000 to \$2,250,000	As Arranged	As Arranged	Suppliers
Furniture, Fixtures and Equipment Note 7	\$4,950,000 to \$11,250,000	As Arranged	Before Opening	Suppliers
Inventory and Operating Equipment Note 8	\$900,000 to \$1,800,000	As Arranged	Before Opening	Suppliers
Signage Note 9	\$45,000 to \$135,000	As Arranged	Before Opening	Suppliers
Computer Software and Hardware Costs Note 10	\$160,955 and \$292,740	As Arranged	45 days before opening	Affiliate or Supplier
Guest Internet Access Program Note 10	\$97,400 to \$117,400	As Arranged	45 days before opening	Affiliate or Supplier
Delphi Sales and Events System Note 10	\$2,500 to \$41,000	As required	As Incurred	Supplier
Required Pre-Opening Training Note 11	\$5,000 to \$20,000	As required	As Incurred	Us and Suppliers

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Accessibility Consultant Fee Note 12	\$2,500 to \$15,000	Lump Sum	On Request	Us or Supplier
Construction/ Renovation Extension Fees Note 13	\$0 to \$10,000	Lump Sum	When Requested	Us
Insurance Note 14	Varies	As Arranged	As Arranged	Suppliers
Organizational Expense Note 15	\$50,000 to \$228,300	As Agreed	As Agreed	Suppliers
Permits and Licenses Note 16	\$90,000 to \$630,000	Lump Sum	As Arranged	Suppliers
Miscellaneous Pre-Opening and Project Management Expenses Note 17	\$900,000 to \$2,700,000	As Arranged	As Arranged	Suppliers
Contingencies Note 18	\$2,700,000 to \$6,300,000	As Incurred	As Agreed	Suppliers
Additional Funds Note 19	\$250,000 to \$450,000	As Arranged	Before Opening	Suppliers
Other Required Pre-opening Service Fees Note 20	\$20,000	As Incurred	Before Opening	Us
<b>TOTAL</b> Note 21	<b>\$37,983,355 to \$89,359,440</b> THESE FIGURES DO NOT INCLUDE REAL ESTATE COSTS, MARKET STUDIES, INSURANCE, INTEREST OR SEPARATELY IDENTIFY THE COST OF IMPROVEMENTS UNDER A CONVERSION, RE-LICENSING OR CHANGE OF OWNERSHIP LICENSE.			

## NOTES

1. See Item V Initial Fees for more information about the Franchise Application Fee. The Franchise Application Fee in this table is based on the room count shown in this table.
2. If you apply to convert an existing hotel or apply for a Change of Ownership or Re-licensing, we charge an additional nonrefundable PIP fee to determine the upgrading requirements for the Hotel.
3. For all new Brand hotels, we recommend and may require a market study from a nationally recognized independent firm which discusses the competition for your proposed hotel, together with a minimum 5-year operating pro forma from you, based on the market study, showing your anticipated operating results. While we do not require prospective franchisees who are converting existing hotels to obtain a market study, occasionally we may encourage a prospective franchisee to commission a market study to evaluate the economic consequences of Conversion. Our acceptance of the market study with a pro forma is not a financial performance representation on our part or a ratification of the projections performed by the consultant.

4. Before you purchase the land, you should, at a minimum, consider obtaining an environmental assessment to determine the environmental condition of the land. Based on this report, additional investigations and tests may be necessary before you make your purchase decision. Many lenders will require an environmental assessment report before lending purchase money.

5. These estimates do not include the cost of the real property due to wide variations in costs among geographic areas and at different sites. The cost of land for a hotel varies depending on location, size, market prices in the area, accessibility, and special assessments, among other factors. If you are converting an existing hotel that you already own or lease, you may have no additional real property costs.

6. These estimates relate to a hotel with the elements we require (food and beverage, recreational, and other facilities as applicable). These estimates do not take into account local requirements such as earthquake requirements or impact fees. Your actual expenditures will depend on many variables, such as the size and location of the real property, the quantity and quality of the items being purchased, the terms on which the purchases are made, and fluctuations in material and labor costs. You may also elect to lease certain items such as the real property. In New Development, building construction costs vary greatly from region to region depending on material and labor costs and other variables. In Conversions, the renovation costs will vary depending on the age of the facility (including code compliance), performance-based requirements (including fire & life safety systems and strategy); the use of the existing facility (an existing hotel or an Adaptive Reuse), the condition of the facility (including the physical integrity of the structure and envelope), and the state of all accoutrements (including the furniture, fixtures, equipment, and finishes) in relationship to conformance with our Brand Standards. You are encouraged to independently investigate, before executing the Franchise Agreement, the cost of all such items as they will specifically affect your investment.

You must use an independent third-party design consultant that has been approved by us to design your Hotel's interior space, materials and furnishings. We maintain a list of approved designers that you may choose from. You may not use a designer that has not been approved. We may consider approving a designer that you recommend, but have no obligation to do so.

7. This is an estimate for the total cost of furnishing a Brand hotel in the size shown. The cost of furniture, fixtures and equipment will depend on the number and type of guest rooms (for example, double rooms versus king rooms), the extent of the food and beverage service offered, restaurants, lounges and supporting facilities. Estimates for new hotels include the cost of furniture, fixtures and equipment for guest rooms, corridors, restaurants, lounges, health clubs, all public areas, telephone systems, kitchen equipment, and laundry equipment. If you are converting an existing hotel, your costs will most likely be lower, but you must conform guest rooms, public areas, the exterior, and all other areas to the Brand Standards.

8. Inventory includes food and beverages and other immediately consumable items such as fuel, soap, cleansing material, matches, stationery and similar items. "Operating equipment" includes such items as chinaware, glassware, linens, silverware and uniforms.

9. Signs include freestanding signs and primary identification for the building. The amount includes installation, freight, foundation and wiring. You must install, display, and maintain signage displaying or containing the Brand and other distinguishing characteristics in accordance with plans, specifications and standards we establish for System Hotels. You must purchase exterior signage from a vendor currently licensed by us. You may contact us for a current list.

10. You must acquire and install hardware and software for the required computer systems, including the OnQ system, Guest Internet Access system, Connected Room system, GRO system, Guest Facing Workstations/Business Center, and the Delphi Sales and Events System. The amounts shown here are different than the amounts shown in Item V (Initial Fees) because the amounts shown here also include costs that are payable to third parties. See Item V (Initial Fees) for details.

OnQ Hardware and Software. You must use authorized hardware and the required software for the OnQ system. Details regarding the OnQ System appear above in this Item V (see Initial Fees and Other Fees).

For the operation of any other business computer systems outside of OnQ, including but not limited to financial or accounting systems, point of sale, telephone systems, inventory, spa and health club memberships, you are able to contract with the supplier of your choice for both the hardware and software, subject to meeting our Standards on features and functionality. The only restriction would be where such hardware and software need to interface to OnQ. In those instances, your choice of supplier would be restricted to those that have a working interface to OnQ. The hardware, software, and interfaces must be installed by, and fees must be paid to, the respective vendors you choose.

Guest Internet Access Hardware and Software. Currently, our approved Guest Internet Access program is called “StayConnected.” You must install certain hardware and software, an internet access circuit, and subscribe to an internet access service to meet this requirement. The hardware and software for Guest Internet Access will be provided by, installed by, and maintained by our preferred providers. You may purchase the necessary hardware from a preferred provider, or we may permit you to purchase or lease it through other (non-preferred) third-party vendors. In addition to the hardware and software costs, you must pay for all necessary communication vehicles (phone lines, network connections), installation and configuration costs, and travel and other expenses of the vendors who perform the installation and configuration services. The estimate shown here includes Guest Internet Access hardware, software, installation, and certain other costs and fees, excluding taxes or structured cable and cabling installation. If we permit you to acquire the hardware from another (non-preferred) third-party provider, you must also pay HSS for its reasonable expenses in determining that the hardware conforms to the required specifications.

You must refresh the Guest Internet Access system at least every 4 years. We may also require the Guest Internet Access system to be refreshed in connection with a Change of Ownership or Re-licensing, when a new franchise agreement is signed. We anticipate that cost of this to be the same or less than the cost of the original installation (but not including any elements that were needed for the original installation only).

Connected Room. You must install our “Connected Room” system, which enables streaming media and permits guests to use their smart phones and other personal mobile devices to control their guest room television and other conveniences such as lighting and temperature using the Hilton Honors App. This system requires a control module that is connected to each in-room television along with certain electrical fixtures such as light switches and thermostats, which you must purchase from us or our approved vendors. The cost of each control module is currently between \$205 and \$245 per guest room TV, and the cost of the electrical fixtures is competitive with equivalent standard fixtures. These costs are paid before opening. You must also have a maintenance and support contract from us or an approved vendor, which currently costs \$3.50 per room per month. The Connected Room system is not part of the OnQ system but the total

estimated cost per hotel is included within the total estimated cost ranges for the OnQ Hardware, Software, and Maintenance costs shown above as shown above in this Item V. These costs are normally not refundable.

Guest Facing Workstations/Business Center. Your Hotel must have computer workstations and printers available for guest use, free-of-charge, in either a traditional business center or in an open zone in the lobby, in accordance with our Standards. The number of required workstations varies by the size of the Hotel. You must obtain specified hardware, software and ongoing support from our approved suppliers. We are not obligated to provide any maintenance or updates for this center. You must maintain and update the center at your cost to remain in compliance with the Standards. There are no limits on the frequency or cost of this obligation. We will not have independent access to any information that will be generated by or communicated through this center.

GRO System. You must install our required Global Revenue Optimization (“GRO”) system. The GRO system is an online application that utilizes third-party software to provide pricing recommendations for your Hotel based on data analytics and forecasting. The GRO system integrates with the OnQ system for ease of operation. You are not required to adopt the pricing recommendations provided by GRO. Currently, the GRO system is based on a solution provided by Integrated Decisions and Systems, Inc. (“IDeaS”), which provides maintenance and customer support services for the application. We may provide additional support. There are no other approved vendors at this time. We are not obligated to provide any maintenance or updates for the GRO system. The system is updated and maintained centrally by IDeaS. We will have independent access to your Hotel’s information stored in this system. There are no contractual limitations on our right to access this information. You must pay for a portion of the installation costs of the GRO system at your Hotel, which is currently up to \$3,795. You are not required to pay an ongoing fee to use this system.

Delphi Sales and Events System. You must also use Delphi.fdc, a cloud-based sales and events system, powered by Amadeus Hospitality, a third-party vendor. The set-up costs of this system are shown here. Additional set-up costs may apply, depending on implementation approach you choose and the specific needs of your Hotel. You must also pay ongoing costs on a per-user basis as shown above in this Item V (Other Fees). The number of users varies by hotel and there is no established average. Therefore, we cannot estimate these ongoing costs during the initial period.

In addition, you must pay for the preparation of a digital floor plan for your Hotel (see Item V Other Fees).

11. We will provide the required training programs described in Items V and VI of this Disclosure Document. You are responsible for the costs of training materials, and travel and living expenses while training. We may charge additional training costs based on the number of personnel that require training. We anticipate that overall training costs will be reduced over time.

12. If you want to engage in a Permitted Transfer, Conversion, Re-licensing or Change of Ownership Transfer for your Hotel, you may be required to complete an independent survey conducted by a consultant to determine your Hotel’s compliance with accessibility requirements for disabled persons.

13. Your Franchise Agreement contains a deadline by which construction or renovation work must begin. After the expiration of any automatic extensions without a fee, you may request a further extension of this deadline and must pay the applicable fee if we approve your request.
14. You must maintain the minimum levels and types of insurance specified in the Manual at your expense. This insurance must be with insurers having minimum ratings we specify; name as additional insureds the parties we specify in the Manual; and carry the endorsements and notice requirements we specify in the Manual. Insurance premiums vary widely by reason of location, size of hotel and type of coverage purchased and cannot be estimated.
15. Actual cost depends on work done by an accountant and attorney, and standard regional rates.
16. The licenses and permits you must obtain to operate your Hotel vary depending on the region in which the Hotel is located.
17. You may incur pre-opening expenses for additional personnel training; sales; administrative and general expenses; project management; technical services; advertising; security deposits, utility deposits, and opening festivities. Because there are so many variables for an existing hotel, we cannot estimate these pre-conversion expenses for a franchisee converting an existing hotel.
18. "Contingencies" means unanticipated construction cost overruns and other unanticipated expenses. Because there are so many variables for an existing hotel, we cannot estimate these pre-conversion contingencies for a franchisee converting an existing hotel. You should assume it will be at least 10% of construction costs.
19. This estimates your initial operating expenses for 3 months after opening, including payroll costs. These figures are estimates only and you may have additional expenses starting the business. Your costs will depend on such factors as your management decisions, local economic conditions, competition, and how quickly occupancy rates increase after opening.
20. If applicable, see Item V (Initial Fees) for more information on required pre-opening services fees.
21. In compiling these estimates we relied on Hilton's 60+ years of experience in operating or franchising hotels. All amounts are stated in US Dollars and are current as of the date of the Disclosure Document but may have changed since that time. We cannot reasonably estimate the likelihood or magnitude of such changes. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. The expenses shown in these charts are for typical New Development and Conversion hotels of the type and size shown. In a Conversion, your costs will depend on the type and condition of your existing hotel, its age, physical structure and quality of furnishing. Because there are so many variables involving any particular existing hotel, we are unable to provide an estimate of costs.

## **VI. TYPE OF TECHNICAL ASSISTANCE AND SERVICES THAT FRANCHISOR MUST PROVIDE TO FRANCHISEE**

### **Franchisor's Obligations**

Except as listed below, we are not required to provide you with any assistance. We may provide any of these services through our employees and representatives, through our affiliates or through any third-party provider we designate.

### **PRE-OPENING PHASE OBLIGATIONS**

After we approve your Franchise Application and/or you sign the Franchise Agreement, but before you open your Hotel, we will:

1. Provide you with access to the Manual on the Hilton Intranet resources library. The Manual must remain confidential and is our property. References to the "Manual" include all written standards and requirements that have been and are periodically developed by us in connection with the construction, equipping, furnishing, supplying, operating, maintaining and marketing of Canopy Brand hotels, including your Hotel. We may provide these standards and requirements in one or more documents or guides. All of these items, as we periodically modify them, will be considered the Manual. We will periodically change the Manual. We will notify you at least 30 days before any change becomes effective. You are responsible for the costs of complying with the Manual, including any changes (Franchise Agreement, Section 4.6).
2. Review your selection, before you retain or engage an architect, interior designer, general contractor and major subcontractors, and you must obtain our prior written consent (Franchise Agreement, Section 6.1.1).
3. Review the plans, layouts and specifications, drawings and designs for constructing and furnishing your Hotel, including guest rooms, and grant or deny approval, which may be conditioned on your architect or other certified professional certifying to us that the Plans comply with all laws related to accessibility/accommodations/facilities for those with disabilities. You may not start construction until you receive our approval. Once you receive our approval, you may not make any changes to the plans without our advance consent (Franchise Agreement, Sections 6.1.2, 6.1.3 and 6.1.4).
4. Review and approve or disapprove your proposed management of the Hotel. (Franchise Agreement, Section 7.0). In evaluating the proposed management, we look at the proposed management organizational structure, prior experience and performance in managing similar first-class, focused-service hotels, as well as other relevant factors. If we do not approve your proposed management, then we will require you to hire a professional hotel management company satisfactory to us to manage the Hotel for at least the first year of operations. At the end of the year, if you request it, we will reevaluate this requirement.
5. Provide you with the HITS Agreement, countersigned by HSS, before you open your Hotel. The HITS Agreement governs your access to and use of OnQ, Hilton's proprietary computerized business system which is an integral part of the System we license to you. The HITS Agreement also governs the installation and on-going support and maintenance of your Guest Internet Access service.

6. Make available to you for use in your Hotel various purchase, lease, or other arrangements with respect to exterior signs, operating equipment, operating supplies and furnishings, which we or our affiliates may have and which we make available to other Canopy Brand franchisees (Franchise Agreement, Section 4.7).

7. Specify initial and ongoing required and optional training programs (Franchise Agreement, Section 4.1). You must pay a fee for these programs and the training materials. You must also pay for travel, lodging and other expenses associated with training.

We are not obligated to assist you with locating, purchasing, or leasing a site for your Hotel.

## **OPERATIONAL PHASE SERVICES**

During the operation of the franchised business we will:

1. Periodically publish (either in hard copy or electronic form or both) and make available to the traveling public a directory that includes System Hotels, including your Hotel. Additionally, we will include your Hotel, or cause your Hotel to be included, where applicable, in advertising of System Hotels and in international, national and regional marketing programs offered by us, subject to and in accordance with our general practice for System Hotels. (Franchise Agreement, Section 4.4).
2. Afford you access to the Reservation Service and Reservation System on the same basis as other System Hotels, so long as you are in full compliance with the material obligations set forth in the Franchise Agreement, including all standards set forth in the Manual. These services currently consist of a reservation system and database that connect your Hotel to the Reservations Service, and global distribution systems (including certain airline reservation systems). (Franchise Agreement, Section 4.2). However, if you are in default we may suspend our obligations to you under the Franchise Agreement, including removing the listing of your Hotel from any directories and advertising we publish, assessing any applicable non-compliance fee, and/or removing or suspending your Hotel from the Reservation System immediately on notice to you. (Franchise Agreement, Section 13.3).
3. Administer a quality assurance program for the System that may include conducting periodic inspections of the Hotel and guest satisfaction surveys and audits to ensure compliance with System Standards. (Franchise Agreement, Section 4.5).

In furnishing these benefits, facilities or services to you, neither we nor any of our affiliates will exercise control or supervision over you. Management and operation of the Hotel is your sole responsibility and obligation.

From time to time we may develop promotional programs with third-party companies that feature those companies' branded products or services being offered or used by our System Hotels. By way of example, we currently collaborate with Reckitt Benckiser and its Lysol® and Dettol® brands in connection with our Hilton CleanStay Program, and with Mars Petcare and its family of pet care brands in connection with our pet-friendly hotel programs. We may launch, modify, and end any such promotional programs at any time. We may require or permit your Hotel to participate in these promotional programs, which can involve: (1) offering specified promotional program products or services to guests; (2) participating in related marketing efforts; (3) following related operating Standards; (4) purchasing and using certain related equipment and supplies;



and (5) paying any fees or costs associated with the promotional programs (if any). We may designate approved suppliers for any such promotional programs or related products and services, and we and our affiliates may receive fees, rebates, and other revenues from your purchases related to these promotional programs.

## **VII. GEOGRAPHIC AREA IN WHICH FRANCHISEE WILL OPERATE**

### **Territory**

We grant franchisees a non-exclusive license to use the System during the term of the Franchise Agreement to operate a franchised hotel at a specified location. There are no provisions in the standard Franchise Agreement granting franchisees a protected area or territory. You will not receive an exclusive territory. You may face competition from other franchisees, from hotels that our affiliates own, or from other channels of distribution or competitive brands that we control. The standard Franchise Agreement permits us or our affiliates to own, license or operate any Other Business of any nature, whether in the lodging or hospitality industry or not, and whether under the Brand, a competitive brand, or otherwise. We and our affiliates have the right to engage in any Other Businesses, even if they compete with the Hotel, the System, or the Brand, and whether we or our affiliates start those businesses, or purchase, merge with, acquire, are acquired by, come under common ownership with, or associate with, such Other Businesses. We may also: (a) modify the System by adding, altering, or deleting elements of the System; (b) use or license to others all or part of the System; (c) use the facilities, programs, services and/or personnel used in connection with the System in Other Businesses; and (d) use the System, the Brand and the Marks in the Other Businesses. You acknowledge and agree that you have no rights to, and will not make any claims or demands for, damages or other relief arising from or related to any of the foregoing activities, and you acknowledge and agree that such activities will not give rise to any liability on our part, including, but not limited to, liability for claims for unfair competition, breach of contract, breach of any applicable implied covenant of good faith and fair dealing, or divided loyalty. "Other Businesses" means any business activity we or our affiliates engage in, other than the licensing of your Hotel.

We may, however, agree to give franchisees certain specific territorial restrictions ("Restricted Area Provision") for an area surrounding the franchised hotel and encompassing the immediate competitive market for the Hotel as may be agreed on by the parties ("Restricted Area"). If we agree to give you a Restricted Area Provision for your New Development or Conversion, it will normally be for an agreed-on time period, which is shorter than the term of the Franchise Agreement ("Restrictive Period"). We will not normally grant a Restricted Area Provision for a Change of Ownership or Re-licensing, although we will occasionally do so under certain unique circumstances. The following discussion applies where we agree to give you a Restricted Area Provision in your Franchise Agreement:

1. **Restricted Area.** The boundaries of the Restricted Area will normally depend on the relevant market in the immediate area and competitive circumstances in the relevant market when you sign the Franchise Agreement. The boundaries will vary in size and shape from hotel to hotel. Boundaries will not be delineated according to any standard formula, but may be delineated in various ways, including references to cities, metropolitan areas, counties or other political subdivisions, references to streets or highways, or references to an area encompassed within a radius of specified distance from the front door of the Hotel.

2. **Restricted Area Provision.** The Restricted Area Provision will typically restrict us and our affiliates from operating, or authorizing someone else to operate, another Canopy Brand hotel

during the Restrictive Period and within the Restricted Area (except as described in Paragraph 3 below). In the Restricted Area Provision, the term “Brand” means the name used to identify the chain of hotels operated under the same Chain Code and Standards. It excludes any other brands or product lines containing “Canopy” in the name. It also excludes Hilton Worldwide Holdings, Inc., its affiliates, and other chains of hotels that include the word “Hilton” as part of their brand name (such as “Hilton Garden Inn,” “DoubleTree by Hilton” or “Homewood Suites by Hilton”).

**3. Exclusions from the Restricted Area Provision.** The Restricted Area Provision will generally not apply to: (a) any hotel or motel that is currently open or under construction or has been approved for development or opening as a Canopy Brand hotel as of the Effective Date, or any hotel located or to be located within the Restricted Area that replaces such hotel under the Brand; (b) hotels or motels under brands other than the Brand; (c) hotels or motels that will not begin operating under the Brand until after the expiration of the Restrictive Period; (d) gaming-oriented hotels or facilities using the Brand; (e) shared ownership properties (commonly known as “vacation ownership” or “time share ownership” or similar real estate properties) under the Brand; and (f) any hotels, motels, or inns that are part of a chain or group of four (4) or more hotels, motels, or inns that we or our Affiliates, as a result of a single transaction or group of related transactions, own, operate, acquire, lease, manage, franchise, license, or join through a merger, acquisition or marketing agreement (or otherwise), whether under their existing name or the Brand name or any other name.

**4. Restrictive Period.** The Restrictive Period will normally be for an agreed-on time period. Generally, this period will be shorter than the term of the Franchise Agreement, usually tied to a specified number of years from the date your Franchise Application was approved. In some cases, the Restrictive Period may reduce in geographic scope after an agreed-on time period. The continuation of the Restrictive Period will not depend on your achieving any particular sales volume or market penetration. An increase in population in the Restricted Area will not affect it and there are no other circumstances when your Restricted Area may be altered. Historically, we have extended the Restrictive Period for the full term of the Franchise Agreement; however we do not intend to do so in the future. Those restrictions as to entities other than us may lapse if the Brand is no longer affiliated with Hilton Worldwide.

**IMPORTANT NOTES:** A Restricted Area Provision will not give you protection from previously existing hotels which are managed or licensed by us or an affiliate or our or their predecessors, or any hotel site for which we or an affiliate or its predecessor have approved an application and/or signed a franchise agreement, management agreement, lease or license agreement for a System Hotel to be developed. In addition, a Restricted Area Provision will not give you protection from any replacement hotel that replaces or will replace another such existing hotel or hotel site. **SOME STATE AND/OR OTHER LAWS PROVIDE THAT TERRITORIAL RESTRICTIONS AND/OR AREA RESTRICTIONS ARE VOID, VOIDABLE AND/OR SUPERSEDED BY LAW.**

There may currently be franchised or company-owned or company-managed Network Hotels situated in or near your area. We, Hilton Worldwide and our affiliates or subsidiaries may establish new franchised, company-owned or company-managed Network Hotels in or near your area.

You may compete with any Network Hotels in and near your area. There is no mechanism for resolving any conflicts that may arise between your Hotel and franchised or company-owned or company-managed Network Hotels. Any resolution of conflicts regarding location, customers, support or services will be entirely within the business judgment of Hilton Worldwide and us.

See Item I for a description of the hotel brands licensed, operated and managed by, or otherwise affiliated with Hilton Worldwide (the Hilton Worldwide Brands). You may compete with these guest lodging properties.

We and our affiliates engage in a wide range of business activities in lodging and related services, both directly and through the activities of our and their parents and affiliates. Some of these activities may be competitive with your Hotel and the System. We and/or our affiliates may own, operate, manage, franchise, license, lease, acquire, create or establish, or serve as franchisee or licensee for, competitive guest lodging facilities or networks anywhere, including within your Restricted Area, if any, under any brands or marks (but not a Brand hotel, within your Restricted Area, if any). We and/or our affiliates may also furnish services, products, advice and support to guest lodging facilities, networks, properties or concepts located anywhere, including in your Restricted Area, if any, in any manner we or our affiliates determine. We and/or any of our affiliates may be sold to or otherwise acquired by an existing competitor or newly formed entity which itself has established or may establish competitive guest lodging facilities located anywhere (provided that your Restricted Area protections, if any, will be observed). Further, we and/or our affiliates may purchase, merge, acquire, or affiliate in any other way with any franchised or non-franchised network or chain of guest lodging facilities or any other business operating guest lodging facilities regardless of the location of that network, chain or other business's facilities, including within your Restricted Area, if any, and that following such activity we may operate, franchise or license those other facilities under any brands or marks anywhere regardless of the location of those businesses and/or facilities (but not a Brand hotel, within your Restricted Area, if any). There is no mechanism for resolving any conflicts that may arise between your Hotel and other hotels described in this paragraph.

You may not register, own, maintain or use any domain names, World Wide Web or other electronic communications sites (each, a "Site" and collectively, "Sites"), relating to the Network or your Hotel or that includes the Marks. The only domain names, Sites, or Site contractors that you may use relating to your Hotel or the Franchise Agreement are those we assign or otherwise approve in writing. You must obtain our advance written approval for any third-party Site in which your Hotel will be listed, and any proposed links between the third-party Site and any other Sites ("Linked Sites") and any proposed modifications to all Sites and Linked Sites. The Franchise Agreement does not otherwise limit the channels through which you may solicit customers for your Hotel.

We do not permit the relocation of franchised hotels. You have no options, rights of first refusal or similar rights to acquire additional franchises.

#### **VIII. FRANCHISEE'S RIGHT TO GRANT SUBFRANCHISES AND THE REQUIREMENTS THAT MUST BE SATISFIED IN ORDER TO DO SO**

You may not grant subfranchises to third parties.

#### **IX. FRANCHISEE'S DUTIES IN CONNECTION WITH PROPRIETARY AND CONFIDENTIAL INFORMATION PROVIDED BY FRANCHISOR**

Please refer to Item IV above.

## **X. IN GENERAL, ANY OTHER RIGHTS AND OBLIGATIONS OF FRANCHISEE DERIVING FROM THE EXECUTION OF THE FRANCHISE AGREEMENT**

This table lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in these agreements and in other Items of this Disclosure Document.

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Item in Disclosure Document</b>
a. Site selection and acquisition/lease	1.0, 5.1.15 and 5.1.16; Addendum	V and VI
b. Pre-opening purchases/leases	1.0, 5.1.23, 6.1, 6.2 and 6.3; Addendum	V and VI
c. Site development and other pre-opening requirements	1.0, 5.1.16, 6.1, 6.2, 6.3, 6.4 and 6.5; Addendum; Shared Facilities Addendum	V and VI
d. Initial and ongoing training	4.1 and 5.1.5	V and VI
e. Opening	1 and 6.4; Addendum	V and VI
f. Fees	1.0, 4.1, 4.3, 4.5, 5.1.5, 5.1.8, 5.1.12, 5.1.19, 6.3.3, 6.4.2, 6.4.3, 6.6.3, 8.1, 8.2, 8.3, 8.4, 8.8, 12.2.1, 12.2.2, 12.3.2, 12.4.2, 13.3.2 and 16.14; Addendum	V
g. Compliance with standards and policies/Operating Manual	1.0, 4.6, 5.0, 6.2, 6.5 and 10.5.2	IV, VI, VII and VIII
h. Trademarks and Proprietary Information	1.0, 5.1.14 and 9.0; Addendum	IV and VII
i. Restrictions on products/services offered	5.1.3, 5.1.17, 5.1.18, 5.1.20, 5.1.22, 5.1.23, 5.1.25, 5.1.26, 5.1.27 and 5.1.28	VI
j. Warranty and customer service requirements	1.0, 5.1.2, 5.1.8, 5.1.13, 5.1.19, 5.1.20, 5.1.26 and 5.1.27	V
k. Territorial development and sales quotas	None	VII
l. Ongoing product/service purchases	5.1.3 and 5.1.6	V
m. Maintenance, appearance and remodeling requirements	1.0, 5.1.2, 5.1.4, 6.3 and 6.6; Shared Facilities Addendum	VI
n. Insurance	5.1.21 and 8.3.4	V
o. Advertising	1.0, 5.1.7, 5.1.13, 5.1.19 and 5.1.20; Addendum	V and VI
p. Indemnification	1.0, 12.3.5 and 14.0; Guaranty	V
q. Owner's participation/management/staffing	5.1.25.1.24 and 7.0; Addendum	None
r. Records and reports	1.0, 5.1.24, 10.1 and 10.2; Addendum; Guaranty	None
s. Inspections and audits	4.5 and 10.3; Addendum	V
t. Transfer	1.0, 12.0 and 19.0	V
u. Renewal	None	V
v. Termination and post-termination obligations	13.1, 13.2, 13.3, 13.4, 13.5, 13.6	None
w. Non-competition covenants	5.1.28, 7.3, and 13.2.15	None
x. Dispute resolution	9.4, 9.6.2, 16.0 and 17.0	None

Obligation	Section in Franchise Agreement	Item in Disclosure Document
y. Other: Guaranty of franchisee's obligations	1.0 and 5.1.15; Guaranty	X
z. Other: Liquidated Damages/Termination Fees	1.0, 6.4.4 and 13.4	V

## NOTES

1. An integral element of the System we license to you is Hilton's proprietary computerized business system which has the capability of providing support to you in accessing and/or using the Hilton Reservation Service, performance support or training, operations and management performance. You must enter into and comply with the terms and conditions of both the HITS Agreement and our Franchise Agreement when utilizing OnQ equipment and software.

2. After a review of the financial information submitted with your Franchise Application and the proposed ownership of the Hotel and real property, we determine guaranty requirements. Each required guarantor, who may include the spouse of a participant in the franchise, must sign a Guaranty, by which the guarantor assumes and agrees to discharge certain of your obligations under the Franchise Agreement. If we send you a written notice of default, we may also require you to provide a Guaranty from a third party acceptable to us covering all of your obligations under the Franchise Agreement. A copy of the current form of Guaranty is attached as Exhibit B.

3. We may, in our sole discretion, offer incentives for new hotels ("Incentives"). An Incentive is a financial contribution that we make to assist with the development or conversion of your Hotel. To receive an Incentive, you and your principals must sign a development incentive note ("Note") when you sign the Franchise Agreement. An Incentive does not have to be repaid, unless the franchise terminates before the end of the Term or a transfer occurs as described below. The Incentive will be disbursed to you within 30 days after the Hotel opens with our consent, as long as: a) there have been no material adverse changes in the business, legal, litigation, bankruptcy status or finances of you, any guarantors, or the project since we granted approval; (b) you have completed any required PIP; and (c) you have paid the Franchise Application Fee.

An Incentive is not a loan, it is a contingent liability. If your franchise terminates before the end of the Term you must pay us the then-current repayable amount of the Incentive. If you transfer your Hotel you must also pay us the then-current repayable amount of the Incentive, unless we permit the transferee to assume your obligations under the Note. In that case we may require the transferee to provide us with such additional security as we deem appropriate. The repayable amount of the Incentive decreases over time. For each year that the Hotel is open, the repayable amount is reduced by an equal annual percentage of the Term. For example, if the franchise has a 10-year Term, the repayable amount is reduced by 1/10<sup>th</sup> of the original amount annually. If the franchise has a 20-year term, the repayable amount is reduced by 1/20<sup>th</sup> of the original amount annually. An Incentive bears no interest. However, if an Incentive becomes repayable and payment is not made in full when due, the outstanding amount is subject to interest at 1.5% per month or the highest rate allowed by law. We may reduce the amount of the Incentive that we disburse to you by any amount that you or your affiliates owe to us or our affiliates, and this will not affect the calculation of the amount repayable to us. We may grant renewals, extensions, modifications, compositions, compromises, releases or discharges of other parties without notice to any guarantor or co-maker. You may not use any portion of the Incentive to make, offer, or authorize any Improper Payment or engage in any act violating any Anti-Corruption Law. If we reasonably believe that you have used the Incentive in violation of any Anti-Corruption Law, you

must cooperate with our reasonable requests for information and permit us to inspect all books and records pertaining to your Hotel. We generally do not offer any other financing or guarantee any note, lease, or other obligations. However, in unique or rare circumstances we may choose to offer other types of financing such as, for example, a mezzanine loan or a guaranty of your note, lease, or other obligations. In that event, the arrangements we offer would be subject to the unique circumstances and financial situation of your Hotel. As a result, we cannot determine in advance the key terms such as, for example, the amount, term, repayment obligations, interest, fees, costs, penalties, security interests, default provisions, and other conditions or requirements. We also cannot determine in advance the type of documentation that would be required such as, for example, notes, guarantees, security agreements, mortgages, deeds, assignments, equity pledges, credit letters, intercreditor agreements, and other agreements or instruments. We do not have sample forms of these types of documents. These documents and each of their terms would be agreed at the time of origination.

### **Acknowledgement of Receipt**

Attached to this Disclosure Document as Exhibit C are duplicate Acknowledgements of Receipt. Please complete both forms. Retain one for your files and return the other to us at the address indicated.

# EXHIBIT A

# **FRANCHISE AGREEMENT**

CLICK HERE AND ENTER HOTEL NAME



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ADDENDUM TO FRANCHISE AGREEMENT

EXHIBIT \_\_\_\_ - PROPERTY IMPROVEMENT PLAN

EXHIBIT \_\_\_\_ - RESTRICTED AREA MAP [ONLY IF GRANTED AND NOT A RADIUS]

[IF KEY MONEY EXHIBIT \_ – DEVELOPMENT INCENTIVE NOTE]

[IF APPLICABLE EXHIBIT \_ – SHARED FACILITIES ADDENDUM]

## FRANCHISE AGREEMENT

This Franchise Agreement is entered between Hilton Worldwide Manage Limited (“**we**,” “**us**,” “**our**” or “**Franchisor**”) and the Franchisee set forth in the Addendum (“**you**,” “**your**” or “**Franchisee**”), and is dated as of the Effective Date. We and you may collectively be referred to as the “**Parties**.”

### INTRODUCTION

We are an Affiliate of Hilton Worldwide. Hilton Worldwide and its Affiliates own, license, lease, operate, manage and provide various services for the Network. We are authorized to grant licenses for selected, first-class, independently owned or leased hotel properties, to operate under the Brand. You have expressed a desire to enter into this Agreement with us to obtain a license to use the Brand in the operation of a hotel at the address or location described in the Addendum.

NOW, THEREFORE, in consideration of the premises and the undertakings and commitments of each Party to the other Party in this Agreement, the Parties agree as follows:

#### 1.0 DEFINITIONS

The following capitalized terms will have the meanings set forth after each term:

“**Affiliate**” means any natural person or firm, corporation, partnership, limited liability company, association, trust or other entity which, directly or indirectly, Controls, is Controlled by, or is under common Control with, the subject entity.

“**Agreement**” means this Franchise Agreement, including any exhibits, attachments and addenda.

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

“**Brand**” means the brand name set forth in the Addendum.

“**Chain Code**” means the code that we use to identify the Brand within our Reservation Service. We may modify, remove, or replace the Chain Code for the Brand at any time in our discretion.

“**Change of Ownership Application**” means the application that is submitted to us by you or the Transferee for a new franchise agreement in connection with a Change of Ownership Transfer.

“**Change of Ownership Transfer**” means any proposed Transfer that results in a change of Control of Franchisee, the Hotel, or the Hotel Site and is not otherwise permitted by this Agreement, all as set out in Subsection 12.2.2.

“**Competing Brand**” means a hotel brand or trade name that, in our sole business judgment, competes with the System, or any System Hotel or Network Hotel.

“**Competitor**” means any individual or entity that, at any time during the Term, whether directly or through an Affiliate, owns in whole or in part, or is the licensor or franchisor of a Competing Brand, irrespective of the number of hotels owned, licensed or franchised under such Competing Brand name. A Competitor does not include an individual or entity that: (i) is a franchisee of a Competing Brand; (ii) manages a Competing Brand hotel, so long as the individual or entity is not the exclusive manager of the Competing Brand; or (iii) owns a minority interest in a Competing Brand, so long as neither that individual or entity nor any of its Affiliates is an officer, director, or employee of the Competing Brand, provides services (including as a consultant) to the Competing Brand, or exercises, or has the right to exercise, Control over the business decisions of the Competing Brand.

**“Construction Commencement Date”** means the date set out in the Addendum, if applicable, by which you must commence construction of the Hotel. For the Hotel to be considered under construction, you must have begun to pour concrete foundations for the Hotel or otherwise satisfied any site-specific criteria for “under construction” set out in the Addendum.

**“Construction Work”** means all necessary action for the development, construction, renovation, furnishing, equipping and implementation of the Plans and Designs for the Hotel.

**“Construction Work Completion Date”** means the date set out in the Addendum, if applicable, by which you must complete construction of the Hotel.

**“Control”** means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, or of the power to veto major policy decisions of an entity, whether through the ownership of voting securities, by contract, or otherwise.

**“Controlling Affiliate”** means an Affiliate that directly or indirectly Controls the Hotel and/or Controls the entity that Controls the Hotel.

**“Designs”** means your plans, layouts, specifications, drawings and designs for the proposed furnishings, fixtures, equipment, signs and décor of the Hotel that use and incorporate the Standards.

**“Effective Date”** means the date set out in the Addendum on which this Agreement becomes effective.

**“Equity Interest”** means any direct or indirect legal or beneficial interest in the Franchisee, the Hotel and/or the Hotel Site.

**“Equity Owner”** means the direct or indirect owner of an Equity Interest.

**“Expiration Date”** has the meaning set forth in Section 3.

**“Force Majeure”** means an event causing a delay in our or your performance that is not the fault of or within the reasonable control of the Party claiming Force Majeure. Force Majeure includes fire, floods, natural disasters, Acts of God, war, civil commotion, terrorist acts, any governmental act or regulation beyond such Party’s reasonable control. Force Majeure does not include your financial inability to perform, inability to obtain financing, inability to obtain permits, licenses, zoning variances or any other similar events unique to you or the Hotel or to general economic downturn or conditions.

**“Government” or “Government Entity”** means any: (i) agency, instrumentality, subdivision or other body of any national, regional, local or other government; (ii) commercial or similar entities owned or controlled by such government, including any state-owned and state-operated companies; (iii) political party; and (iv) public international organization.

**“Government Official”** means: (i) officers and employees of any Government; (ii) officers and employees of companies in which a Government owns an interest; (iii) any private person acting in an official capacity for or on behalf of any Government or Government Entity (such as a consultant retained by a government agency); (iv) candidates for political office at any level; (v) political parties and their officials; (vi) officers, employees, or official representatives of public (quasi-governmental) international organizations (such as the United Nations, World Bank, or International Monetary Fund).

**[INSERT FOR HFS: “Gross Food and Beverage Revenue”** means all revenues (including credit transactions whether or not collected) derived from food and beverage-related operations of the Hotel and associated facilities, and all banquet, reception and meeting room rentals, including all restaurants (unless leased from third-party operators), dining, bar, lounge and retail food and beverage services, at the actual rates charged, less allowances for any rebates and overcharges, and excluding any sales, hotel, entertainment or similar taxes collected from patrons or guests.

**“Gross Receipts Tax”** means any gross receipts, sales, use, excise, value added or any similar tax.

**“Gross Rooms Revenue”** means all revenues derived from the sale or rental of Guest Rooms (both transient and permanent) of the Hotel, including revenue derived from the redemption of points or rewards under the loyalty programs in which the Hotel participates, amounts attributable to breakfast (where the guest room rate includes breakfast), Mandatory Guest Fees, late cancellation fees, and guaranteed no-show revenue and credit transactions, whether or not collected, at the actual rates charged, less allowances for any Guest Room rebates and overcharges, and will not include taxes collected directly from patrons or guests. Group booking rebates, if any, paid by you or on your behalf to third-party groups for group stays must be included in, and not deducted from, the calculation of Gross Rooms Revenue.

**“Guarantor”** means the person or entity that guaranties your obligations under this Agreement or any of Your Hotel Agreements.

**“Guest Rooms”** means each rentable unit in the Hotel generally used for overnight guest accommodations, the entrance to which is controlled by the same key, provided that adjacent rooms with connecting doors that can be locked and rented as separate units are considered separate Guest Rooms. The initial number of approved Guest Rooms is set forth in the Addendum.

**“Hilton Worldwide”** means Hilton Worldwide Holdings Inc., a Delaware corporation (NYSE:HLT).

**“Hotel”** means the property you will operate under this Agreement and includes all structures, facilities, appurtenances, furniture, fixtures, equipment, and entry, exit, parking and other areas located on the Hotel Site we have approved for your business or located on any land we approve in the future for additions, signs, parking or other facilities.

**“Hotel Site”** means the real property on which the Hotel is located or to be located, as approved by us.

**“Hotel Work”** means Construction Work and/or Renovation Work, as the case may be, and the context requires.

**“Hotel’s Average Monthly Royalty Fees”** means: (a) if the Hotel has been operating for at least twenty-four (24) months, the quotient of all Monthly Royalty Fees due under this Agreement for the twenty-four (24) month period immediately preceding the month of termination (the **“Measurement Period”**) divided by twenty-four (24); and (b) if the Hotel has not been operating for at least twenty-four (24) months, the quotient of all Monthly Royalty Fees due under this Agreement for the period between the Opening Date and the termination date divided by the number of months between the Opening Date and the termination date. Any temporary financial accommodations (including but not limited to any Monthly Fee discounts, fee ramps, or fee waivers) are excluded from the calculation of Hotel’s Average Monthly Royalty Fees.

With respect to subsection (a) above, if a majority of the Guest Rooms were removed from service or regular Hotel operations were suspended during the Measurement Period for ninety (90) or more consecutive days (for any reason whatsoever, including Force Majeure) (a **“Business Interruption”**), the calendar month(s) in which the Business Interruption(s) occurred will be removed from the Measurement Period, and the Measurement Period will be extended earlier in time by one full calendar month for every whole or partial calendar month in which the Business Interruption(s) occurred. For the avoidance of doubt, if the application of this clause would lead to the Measurement Period being reduced to less than twenty-four (24) full calendar months, then the calculation in subsection (b) will apply.

**“Improper Payment”** means: (a) any payment, offer, gift or promise to pay or authorization of the payment or transfer of other things of value, including without limitation any portion of the compensation, fees or reimbursements received hereunder or the provision of any service, gift or entertainment, directly or indirectly to (i) a Government Official; (ii) any director, officer, employee or commercial partner of a Party or its Affiliates; or, (iii) any other person at the suggestion, request or direction or for the benefit of any of the above-described persons and entities, for purposes of obtaining or influencing official actions or decisions or securing any improper advantage in order to obtain, retain or direct business; (b) payments

made and expenses incurred in connection with performance of obligations under this Agreement that are not made and recorded with sufficient accuracy, detail, and control to meet the standards in applicable Anti-Corruption Laws; or (c) any other transaction in violation of applicable Anti-Corruption Laws.

**"Indemnified Parties"** means us and our Affiliates and our and their respective predecessors, successors and assigns, and our and their respective officers, directors, members, managers, employees and agents.

**"Information"** means all information we obtain from you or about the Hotel or its guests or prospective guests under this Agreement or under any agreement ancillary to this Agreement, including agreements relating to the computerized reservation, revenue management, property management, and other systems we provide or require, or otherwise related to the Hotel. Information includes, but is not limited to, Operational Information, Proprietary Information, and Personal Information.

**"Interim Remedy"** has the meaning set forth in Subsection 13.3.

**"Laws"** means all public laws, statutes, ordinances, orders, rules, regulations, permits, licenses, certificates, authorizations, directions and requirements of all Governments and Government Entities having jurisdiction over the Hotel, Hotel Site or over Franchisee to operate the Hotel, which, now or hereafter, may apply to the construction, renovation, completion, equipping, opening and operation of the Hotel.

**"License"** has the meaning set forth in Subsection 2.1.

**[SELECT FOR ALL BRANDS EXCEPT OL: "Liquidated Damages"** has the meaning set forth in Subsections 6.4.4 and 13.4. **[SELECT FOR OL: "Liquidated Damages"** has the meaning set forth in Subsection 6.4.4.

**"Management Company"** has the meaning set forth in Subsection 7.1.

**"Mandatory Guest Fee"** 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, as determined by us, that are passed through to a third party (such as tourism public improvement district fees, tourism or improvement assessments, and convention center fees).

**"Manual"** means all written compilations of the Standards. The Manual may take the form of one or more of the following: one or more loose-leaf or bound volumes; bulletins; notices; videos; CD-ROMS and/or other electronic media; online postings; e-mail and/or electronic communications; facsimiles; or any other medium capable of conveying the Manual's contents.

**"Marks"** means the Brand and all other business names, copyrights, designs, distinguishing characteristics, domain names, emblems, insignia, logos, slogans, service marks, symbols, trademarks, trade dress and trade names (whether registered or unregistered) used in the System.

**"Monthly Fees"** means, collectively, **[INSERT FOR HFS: the Monthly Food and Beverage Fee,]** the Monthly Program Fee and the Monthly Royalty Fee, each of which is set forth in the Addendum.

**[INSERT FOR HFS: "Monthly Food and Beverage Fee"** means the fee we require from you in Subsection 8.2, which is set forth in the Addendum.]

**"Monthly Program Fee"** means the fee we require from you in Subsection 8.2 which is set forth in the Addendum.

**"Monthly Royalty Fee"** means the fee we require from you in Subsection 8.2 which is set forth in the Addendum.

**“Network”** means the hotels, inns, conference centers, timeshare properties and other operations that Hilton Worldwide and its subsidiaries own, license, lease, operate or manage now or in the future.

**“Network Hotel”** means any hotel, inn, conference center, timeshare property or other similar facility within the Network.

**“Opening Date”** means the day on which we first authorize the opening of the facilities, Guest Rooms or services of the Hotel to the general public under the Brand.

**“Operational Information”** means all information concerning the Monthly Fees, other revenues generated at the Hotel, room occupancy rates, reservation data and other financial and non-financial information we require.

**“Other Business(es)”** means any business activity we or our Affiliates engage in, other than the licensing of the Hotel.

**“Other Hotels”** means any hotel, inn, lodging facility, conference center or other similar business, other than a System Hotel or a Network Hotel.

**[INSERT FOR RU: “Package”** means any specific grouping or selection of furniture, furnishings, fixtures, equipment, amenities, services and/or other supplies that we designate, which must be acquired together as one package, installed and used at the Hotel.

**“Permitted Transfer”** means any Transfer by you or your Equity Owners that does not result in a change of Control of you, the Hotel, or the Hotel Site, as specified in Section 12.2 of this Agreement.

**“Person(s)”** means a natural person or entity.

**“Personal Information”** means any information that: (i) can be used (alone or when used in combination with other information within your control) to identify, locate or contact an individual; or (ii) pertains in any way to an identified or identifiable individual. Personal Information can be in any media or format, including computerized or electronic records as well as paper-based files.

**“PIP”** means property improvement plan.

**“PIP Fee”** means the fee we charge for creating a PIP.

**“Plans”** means your plans, layouts, specifications, and drawings for the Hotel that use and incorporate the Standards.

**“Principal Mark”** is the Mark identified as the Principal Mark in the Addendum.

**“Privacy Laws”** means any international, national, federal, provincial, state, or local law, code, rule or regulation that regulates the processing of Personal Information in any way, including data protection laws, laws regulating marketing communications and/or electronic communications, information security regulations and security breach notification rules.

**“Proprietary Information”** means all information or materials concerning the methods, techniques, plans, specifications, procedures, data, systems and knowledge of and experience in the development, operation, marketing and licensing of the System, including the Standards and the Manuals, whether developed by us, you, or a third party.

**“Publicly Traded Equity Interest”** means any Equity Interest that is traded on any securities exchange or is quoted in any publication or electronic reporting service maintained by the National Association of Securities Dealers, Inc., or any other comparable organization or entity in which your shares are listed or traded, or any of their successors.



**“Quality Assurance Re-Evaluation Fee”** has the meaning set forth in Subsection 4.5.

**“Renovation Commencement Date”** means the date set out in the Addendum, if applicable, by which you must commence Renovation Work.

**“Renovation Work”** means the renovation and/or construction work, as the context requires, including purchasing and/or leasing and installation of all **[INSERT FOR RU: Packages,]** fixtures, equipment, furnishings, furniture, signs, computer terminals and related equipment, supplies and other items that would be required of a new System Hotel under the Manual, and any other **[INSERT FOR RU; Packages,]** equipment, furnishings and supplies that we may require for you to operate the Hotel as set out in any PIP applicable to the Hotel.

**“Renovation Work Completion Date”** means any date set out in the Addendum by which you must complete Renovation Work.

**“Reports”** mean daily, monthly, quarterly and annual operating statements, profit and loss statements, balance sheets, and other financial and non-financial reports we require.

**“Reservation Service”** means the reservation service we designate in the Standards for use by System Hotels.

**[INCLUDE ONLY IF RESTRICTED AREA PROVISION INCLUDED: “Restricted Area Provision”** has the meaning set forth in the Addendum.]

**“Room Addition Fee”** means a sum equal to the then-current Room Addition Fee charged for new System Hotels multiplied by the number of Additional Guest Rooms you wish to add to the Hotel in accordance with Subsection 6.6.3.

**“Royalty Withholdings”** has the meaning set forth in Subsection 8.5.

**“Sanctioned Person”** means any person, entity, or Government, including those with Control over such persons or entities, or acting on behalf of such persons or entity, who is subject to Trade Restrictions that prohibit or restrict the Parties’ performance of the Parties’ obligations under this Agreement

**“Securities”** means any public offering, private placement or other sale of securities in you, the Hotel or the Hotel Site.

**“Site”** means domain names, the World Wide Web, the Internet, computer network/distribution systems, or other electronic communications sites, including mobile applications.

**“Standards”** means all standards, specifications, requirements, criteria, and policies that have been and are in the future developed and compiled by us for use by you in connection with the design, construction, renovation, refurbishment, appearance, equipping, furnishing, supplying, opening, operating, maintaining, marketing, services, service levels, quality, and quality assurance of System Hotels, including the Hotel, and for hotel advertising and accounting, whether contained in the Manual or set out in this Agreement or other written communication. The Standards do not include any personnel policies or procedures that we may, at our option, make available to you in the Manual or other written communication. You may, in your sole judgment, determine to what extent, if any, any such personnel policies or procedures might apply to the Hotel or Hotel Site.

**“System”** means the elements, including know-how, that we designate to distinguish hotels operating worldwide under the Brand (as may in certain jurisdictions be preceded or followed by a supplementary identifier such as “by Hilton”) that provide to the consuming public a similar, distinctive, high-quality hotel service. The System currently includes: the Brand, the Marks, the Trade Name, and the Standards; access

to a reservation service; advertising, publicity and other marketing programs and materials; training programs and materials; and programs for our inspection of the Hotel and consulting with you.

**“System Hotels”** means hotels operating under the System using the Brand name and the Standards.

**“Taxes”** means any and all withholding, sales, use, excise, consumption, VAT and other similar taxes or duties, levies, fees or assessments of whatsoever nature.

**“Term”** has the meaning set forth in Section 3.0.

**[INSERT FOR OL: “Termination Fee”** has the meaning set forth in Subsection 13.4.]

**“Territory”** means Mexico.

**“Trade Name”** means the name of the Hotel set forth in the Addendum.

**“Trade Restrictions”** means trade, economic or investment sanctions, export controls, anti-terrorism, non-proliferation, anti-money laundering and similar restrictions in force pursuant to laws, rules and regulations imposed under Laws to which the Parties are subject.

**“Transfer”** means in all its forms, any sale, lease, assignment, spin-off, transfer, or other conveyance of a direct or indirect legal or beneficial interest.

**“Transferee”** means the proposed new franchisee resulting from a Transfer.

**“Your Hotel Agreements”** means any other agreement between you, or any of your Affiliates, and us or any of our Affiliates, related to this Agreement, the Hotel and/or the Hotel Site.

**[INSERT FOR OL, QQ, UP: “Your Marks”** means any brand names, business names, copyrights, service marks, trademarks or trade names (whether registered or unregistered) developed or owned by you or your Affiliates, or licensed to you or your Affiliates by a third party other than us or our Affiliates, that are used as part of the Trade Name. **[OR OPTIONAL INSERT FOR OL, QQ, UP TO IDENTIFY SPECIFIC OWNER MARK: Your Marks includes [ ]]**]

## **2.0 GRANT OF LICENSE**

**2.1 Non-Exclusive License.** We grant to you and you accept a limited, non-exclusive License to use the Marks and the System during the Term at, and in connection with, the operation of the Hotel in accordance with the terms of this Agreement. **[INSERT FOR CONVERSION DEALS ONLY** Provided, however, that 1) your right to operate the Hotel under the Brand will not become effective until after any existing third-party franchise, management or similar agreement for the Hotel has terminated or expired; and 2) you are solely responsible for ensuring that any existing third-party franchise, management or similar agreement has terminated or expired on or before the Opening Date.]

## **2.2 Reserved Rights**

**2.2.1** This Agreement does not limit our right, or the right of our Affiliates, to own, license or operate any Other Business of any nature, whether in the lodging or hospitality industry or not, and whether under the Brand, a Competing Brand, or otherwise. We and our Affiliates, have the right to engage in any Other Businesses, even if they compete with the Hotel, the System, or the Brand, and whether we or our Affiliates, start those businesses, or purchase, merge with, acquire, are acquired by, come under common ownership with, or associate with, such Other Businesses.

**2.2.2** We may also:

**2.2.2.1** add, alter, delete or otherwise modify elements of the System;

**2.2.2.2** use or license to others all or part of the System;

**2.2.2.3** use the facilities, programs, services and/or personnel used in connection with the System in Other Businesses; and

**2.2.2.4** use the System, the Brand and the Marks in the Other Businesses.

**2.2.3** You acknowledge and agree that you have no rights to, and will not make any claims or demands for, damages or other relief arising from or related to any of the foregoing activities, and you acknowledge and agree that such activities will not give rise to any liability on our part, including liability for claims for unfair competition, breach of contract, breach of any applicable implied covenant of good faith and fair dealing, or divided loyalty (as such terms are known in the United States).

**[INCLUDE ONLY IF RESTRICTED AREA PROVIDED:**

**2.3 Restricted Area Provision.** The Restricted Area Provision is set forth in the Addendum.]

### **3.0 TERM**

The Term shall begin on the Effective Date and will end, without further notice, on the Expiration Date set forth in the Addendum, unless terminated earlier under the terms of this Agreement. You acknowledge and agree that this Agreement is non-renewable and that this Agreement confers on you absolutely no rights of license renewal or extension whatsoever following the Expiration Date.

### **4.0 OUR RESPONSIBILITIES**

We have the following responsibilities to you under this Agreement. We reserve the right to fulfill some or all of these responsibilities through one of our Affiliates, or through unrelated third parties, in our sole business judgment. We may require you to make payment for any resulting services or products directly to the provider.

**4.1 Training.** We may specify certain required and optional training programs and provide these programs at various locations. We may charge you for required training services and materials and for optional training services and materials we provide to you. You are responsible for all travel, lodging and other expenses you or your employees incur in attending these programs.

**4.2 Reservation Service.** We will furnish you with the Reservation Service. The Reservation Service will be furnished to you on the same basis as it is furnished to other System Hotels, subject to the provisions of Section 13 below.

**4.3 Consultation.** We may offer consultation services and advice in areas such as operations, facilities, and marketing, but you will always remain responsible for hiring your employees and the terms and conditions of their employment. We may establish fees in advance, or on a project-by-project basis, for any consultation service or advice you request. Any consultation services and advice that you request will be given in the United States.

#### **4.4 Marketing**

**4.4.1** We will publish (either in hard copy or electronic form) and make available to the traveling public a directory that includes System Hotels. We will include the Hotel in advertising of System Hotels and in international, national and regional marketing programs in accordance with our general practice for System Hotels.

**4.4.2** We will use your Monthly Program Fee to pay for various programs to benefit the System, including:

**4.4.2.1** advertising, promotion, publicity, public relations, market research, and other marketing programs;

**4.4.2.2** developing and maintaining directories of and Internet sites for System Hotels;

**4.4.2.3** developing and maintaining the Reservation Service systems and support; and

**4.4.2.4** administrative costs and overhead related to the administration or direction of these projects and programs.

**4.4.3** We will have the sole right to determine how and when we spend these funds, including sole control over the creative concepts, materials and media used in the programs, the placement and allocation of advertising, and the selection of promotional programs.

**4.4.4** We may enter into arrangements for development, marketing, operations, administrative, technical and support functions, facilities, programs, and/or other services with any other entity, including any of our Affiliates or third parties.

**4.4.5** You acknowledge that Monthly Program Fees are intended for the benefit of the System and will not simply be used to promote or benefit any one System Hotel or market. We will have no obligation in administering any activities paid for with the Monthly Program Fee to make expenditures for you that are equivalent or proportionate to your payments or to ensure that the Hotel benefits directly or proportionately from such expenditures.

**4.4.6** We may create any programs and allocate monies derived from Monthly Program Fees to any regions or localities, as we consider appropriate in our sole business judgment. The aggregate of Monthly Program Fees paid to us by System Hotels does not constitute a trust or “advertising fund” and we are not a fiduciary with respect to the Monthly Program Fees paid by you and other System Hotels.

**4.4.7** We are not obligated to expend funds in excess of the amounts received from System Hotels. If any interest is earned on unused Monthly Program Fees, we will use the interest before using the principal. The Monthly Program Fee does not cover your costs of participating in any optional marketing programs and promotions offered by us in which you voluntarily choose to participate. These Monthly Program Fees do not cover the cost of operating the Hotel in accordance with the Standards.

**4.5 Inspections/Compliance Assistance.** We will administer a quality assurance program for the System that may include conducting pre-opening and periodic inspections of the Hotel and guest satisfaction surveys and audits to ensure compliance with the Standards. You will permit us to inspect the Hotel without prior notice to you to determine if the Hotel is in compliance with the Standards. You will cooperate with our representatives during these inspections. You will then take all steps necessary to correct any deficiencies within the times we establish. You may be charged a Quality Assurance Re-Evaluation Fee as set forth in the Standards. You will provide complimentary accommodations for the quality assurance auditor each time we conduct a regular inspection or a special on-site quality assurance re-evaluation after the Hotel has failed a regular quality assurance evaluation or to verify that deficiencies noted in a quality assurance evaluation report or PIP have been corrected or completed by the required dates.

**4.6 Manual.** We will issue to you or make available in electronic form the Manual and any revisions and updates we may make to the Manual during the Term. You agree to ensure that your copy of the Manual is, at all times, current and up to date. If there is any dispute as to your compliance with the provisions of the Manual, the master copy of the Manual maintained at our principal office will control.

**4.7 Equipment and Supplies.** We will make available to you for use in the Hotel various purchase, lease, or other arrangements for exterior signs, operating equipment, operating supplies, **[INSERT FOR RU: Packages]** and furnishings, which we make available to other System Hotels.

## **5.0 YOUR RESPONSIBILITIES**

### **5.1 Operational and Other Requirements. You must:**

**5.1.1** operate the Hotel twenty-four (24) hours a day after the Opening Date;

**5.1.2** operate the Hotel using the System, in compliance with this Agreement and the Standards, and in such a manner to provide courteous, uniform, respectable and high quality lodging and other services and conveniences to the public. You acknowledge and agree that: (a) you have exclusive day-to-day control of the business and operation of the Hotel (including hiring your employees and the terms and conditions of their employment); (b) although we provide the Standards, we do not in any way possess or exercise day-to-day control of the business and operation of the Hotel; (c) we do not dictate nor control labor or employment matters for you or your employees, and (d) we are not responsible for the safety and security of your employees or guests;

**5.1.3** comply with the Standards, including our specifications for all supplies, products and services. We may require you to purchase a particular brand of product or service to maintain the common identity and reputation of the Brand, and you will comply with such requirements. Unless we specify otherwise, you may purchase products from any authorized source of distribution; however, we reserve the right, in our business judgment, to enter into exclusive purchasing arrangements for particular products or services and to require that you purchase products or services from approved suppliers or distributors;

**5.1.4** install, display, and maintain signage displaying or containing the Brand name and other distinguishing characteristics in accordance with Standards we establish for System Hotels;

**5.1.5** comply with Standards for the training of persons involved in the operation of the Hotel, including completion by key personnel of the Hotel of a training program for operation of the Hotel under the System, at a site we designate. You will pay us all fees and charges, if any, we require for your personnel to attend these training programs. You are responsible for all travel, lodging and other expenses you or your personnel incur in attending these programs;

**5.1.6** purchase and maintain property management, revenue management, in-room entertainment, telecommunications, high-speed internet access, and other computer and technology systems that we designate for the System or any portion of the System based on our assessment of the long-term best interests of System Hotels, considering the interest of the System as a whole;

**5.1.7** advertise and promote the Hotel and related facilities and services on a local and regional basis in a first-class, dignified manner, using our identity and graphics Standards for all System Hotels, at your cost and expense. You must submit to us for our approval samples of all advertising and promotional materials that we have not previously approved (including any materials in digital, electronic or computerized form or in any form of media that exists now or is developed in the future) before you produce or distribute them. You will not begin using the materials until we approve them. You must immediately discontinue your use of any advertising or promotional material we disapprove, even if we previously approved the materials;

**5.1.8** participate in and pay all charges in connection with all required System guest complaint resolution programs, which programs may include chargebacks to the Hotel for guest refunds or credits and all required System quality assurance programs, such as guest comment cards, customer surveys and mystery shopper programs. You must maintain minimum performance Standards and scores for quality assurance programs we establish;

**5.1.9** honor all nationally recognized credit cards and credit vouchers issued for general credit purposes that we require and enter into all necessary credit card and voucher agreements with the issuers of such cards or vouchers;

**5.1.10** participate in and use the Reservation Service, including any additions, enhancements, supplements or variants we develop or adopt, and honor and give first priority on available rooms to all confirmed reservations referred to the Hotel through the Reservation Service. The only reservation service or system you may use for outgoing reservations referred by or from the Hotel to other Network Hotels will be the Reservation Service or other reservation services we designate;

**5.1.11** comply with Laws and, on request, give evidence to us of compliance;

**5.1.12** participate in, and promptly pay all fees, commissions and charges associated with, all travel agent commission programs and third-party reservation and distribution services (such as airline reservation systems), all as required by the Standards and in accordance with the terms of these programs, all of which may be modified;

**5.1.13** not engage, directly or indirectly, in any cross-marketing or cross-promotion of the Hotel with any Other Hotel or related business, without our prior written consent. You agree to refer guests and customers, wherever reasonably possible, only to System Hotels or Network Hotels. We may require you to participate in programs designed to refer prospective customers to Other Hotels. You must display all material, including brochures and promotional material we provide for System Hotels and Network Hotels, and allow advertising and promotion only of System Hotels and Network Hotels on the Hotel Site, unless we specifically direct you to include advertising or promotion of Other Hotels;

**5.1.14** treat as confidential the Standards, the Manual and all other Proprietary Information. You acknowledge and agree that you do not acquire any interest in the Proprietary Information other than the right to utilize the same in the development and operation of the Hotel under the terms of this Agreement. You agree that you will not use the Proprietary Information in any business or for any purpose other than in the development and operation of the Hotel under the System and will maintain the absolute confidentiality of the Proprietary Information during and after the Term. You will not make unauthorized copies of any portion of the Proprietary Information; and will adopt and implement all procedures we may periodically establish in our business judgment to prevent unauthorized use or disclosure of the Proprietary Information, including restrictions on disclosure to employees and the use of non-disclosure and non-competition clauses in agreements with employees, agents and independent contractors who have access to the Proprietary Information;

**5.1.15** own fee simple title (or long-term ground leasehold interest for a term equal to the Term) to the real property and improvements that comprise the Hotel and the Hotel Site, or alternatively, at our request, cause the fee simple owner, or other third party acceptable to us, to provide its guaranty covering all of your obligations under this Agreement in form and substance acceptable to us;

**5.1.16** maintain legal possession and control of the Hotel and Hotel Site for the Term and promptly deliver to us a copy of any notice of default you receive from any mortgagee, trustee under any deed of trust, or ground lessor for the Hotel, and on our request, provide any additional information we may request related to any alleged default;

**5.1.17** not directly or indirectly conduct, or permit by lease, concession arrangement or otherwise, gaming or casino operations in or connected to the Hotel or on the Hotel Site, or otherwise engage in any activity which, in our business judgment, is likely to adversely reflect upon or affect in any manner, any gaming licenses or permits held by us or our Affiliates, or the then-current stature of us or any of our Affiliates with any gaming commission, board, or similar governmental or regulatory agency, or the reputation or business of us or any of our Affiliates;

**5.1.18** not directly or indirectly conduct or permit the marketing or sale of timeshares, vacation ownership, fractional ownership, condominiums or like schemes at, or adjacent to, the Hotel. This restriction will not prohibit you from directly or indirectly conducting timeshare, vacation ownership, fractional ownership, or condominium sales or marketing at and for any property located adjacent to the Hotel that is owned or leased by you so long as you do not use any of the Marks in such sales or marketing

efforts and you do not use the Hotel or its facilities in such sales and marketing efforts or in the business operations of the adjacent property;

**5.1.19** participate in and pay all charges related to our marketing programs (in addition to programs covered by the Monthly Program Fee), all loyalty or frequent guest programs we require, and any optional programs that you opt into;

**5.1.20** honor the terms of any discount or promotional programs (including any loyalty or frequent guest program) that we offer to the public on your behalf, any room rate quoted to any guest at the time the guest makes an advance reservation, and any award certificates issued to Hotel guests participating in these programs;

**5.1.21** after the Effective Date, comply with all insurance requirements specified in the Manual at your expense (which includes participating in any insurance program we designate, if applicable), and, maintain, at your expense, insurance of the types and in the minimum amounts we specify in the Standards. All such insurance must be with insurers having the minimum ratings we specify, name as additional insureds the parties we specify in the Standards, and carry the endorsements and notice requirements we specify in the Standards. If you fail or neglect to obtain or maintain the insurance or policy limits required by this Agreement or the Standards, we have the option, but not the obligation, to obtain and maintain such insurance without notice to you, and you will immediately on our demand pay us the premiums and cost we incur in obtaining this insurance;

**5.1.22** not share the business operations and Hotel facilities with any Other Hotel or other business;

**5.1.23** provide to us information we reasonably request about any proposed lease or sublease of commercial space, or other concession arrangements, in the Hotel in the ordinary course of business, so that we may review and approve the nature of the proposed business, including the proposed brand and concept, in compliance with our then-current Standards for System Hotels;

**5.1.24** promptly provide to us all information we reasonably request about you and your Affiliates (including your respective beneficial owners, officers, directors, shareholders, partners or members) and/or the Hotel, title to the property on which the Hotel is constructed and any other property used by the Hotel;

**5.1.25** not engage in any tenant-in-common syndication or Transfer of any tenant-in-common interest in the Hotel or the Hotel Site;

**5.1.26** not, and ensure that your Equity Owners with controlling Equity Interests, Affiliates, employees, and Management Company do not, engage in any conduct which we reasonably determine is likely to adversely reflect upon or affect in any manner the reputation, goodwill, or business of the Hotel, the System, us and/or any of our Affiliates;

**5.1.27** obtain our approval to charge any Mandatory Guest Fees at the Hotel in accordance with the Standards and subject to our requirements for granting such approval; and

**5.1.28** not become a Competitor, or permit your Affiliate to become a Competitor, in the [INSERT FOR OL: luxury [INSERT FOR PY, ES, HFS, QQ: upper upscale [INSERT FOR DT, HGI, HWS, PO, UP: upscale [INSERT FOR HAM, HIS, H2, UAB: upper midscale [INSERT FOR RU: midscale ] hotel market segment, or any substantially equivalent market segment, as determined by STR, LLC and its affiliates (collectively "STR") (or, if STR is no longer in existence, STR's successor or other such industry resource that is as equally as reputable as STR). [FOR OL, QQ, UP, REPLACE "." WITH: ; and ]

**5.1.29** [INSERT FOR OL, QQ, UP: not, and ensure that your Affiliates do not, allow any Competitor to use Your Marks without our prior written approval.]



## **6.0 HOTEL WORK**

### **6.1 Necessary Consents**

**6.1.1** You must obtain our prior written consent before retaining or engaging any architect, interior designer, general contractor and major subcontractors for the Hotel, which consent will not be unreasonably withheld.

**6.1.2** Plans and Designs must be submitted to us in accordance with the schedule specified in the Addendum or any PIP attached to this Agreement.

**6.1.3** You shall not commence any Hotel Work unless and until we have issued our written consent in respect of the Plans and Designs, which consent will not be unreasonably withheld.

**6.1.4** Before we approve your Plans, your architect or other certified professional must certify to us that the Plans comply with all Laws related to accessibility/accommodations/facilities for those with disabilities. You are solely responsible for ensuring that the Plans and Designs (including Plans and Designs for Hotel Work) comply with our then-current Standards, the Manual, **[INSERT FOR RU: our Package requirements]**, and all Laws.

**6.1.5** Once we have provided our consent to the Plans and Designs, no change may be made to the Plans or Designs without our prior written consent. By consenting to the Plans and Designs or any changes or modifications to the Plans and Designs, we do not warrant the depth of our analysis or assume any responsibility or liability for the suitability of the Plans and Designs or the resulting Hotel Work.

**6.2 Initial Hotel Work.** You will perform or cause the Hotel Work to be performed in accordance with this Agreement, the approved Plans and Designs, **[INSERT FOR RU: the approved Package]**, the Manual and, any PIP attached to this Agreement. You will bear the entire cost of the Hotel Work, including the cost of the Plans and Designs, professional fees, licenses, permits, **[INSERT FOR RU: Packages]**, equipment, furniture, furnishings and supplies. You are solely responsible for obtaining all necessary licenses, permits and zoning variances required for the Hotel Work and for ensuring that all Hotel Work complies with the Standards, the Manual, any PIP, and all Laws.

### **6.3 Commencement and Completion of the Hotel Work**

**6.3.1** You will commence the Hotel Work on or before the Construction Commencement Date or Renovation Commencement Date specified in the Addendum or any PIP. You must promptly provide to us evidence satisfactory to us that the Construction Work or Renovation Work has commenced. Once commenced, the Hotel Work will continue uninterrupted except to the extent continuation is prevented by events of Force Majeure. You must give written notice to us specifying the nature and duration of any event of Force Majeure promptly after becoming aware of the event of Force Majeure, and specifying that you have used, and continue to use, reasonable endeavours to mitigate the effects of such event of Force Majeure until such event of Force Majeure ceases to exist.

**6.3.2** The Hotel Work must be completed and the Hotel must be furnished, equipped, and otherwise made ready to open in accordance with the terms of this Agreement no later than the Construction Work Completion Date or Renovation Work Completion Date specified in the Addendum or any PIP, as the applicable date may be extended.

**6.3.3** Despite your obligation to commence and complete Hotel Work by the agreed deadlines, we agree that the Construction Commencement Date, Renovation Commencement Date, Construction Work Completion Date, or Renovation Work Completion Date specified in the Addendum or any PIP will be automatically extended by thirty (30) days on a rolling basis, unless we provide at least sixty (60) days' notice to you that these automatic extensions of the applicable deadline no longer apply. You must obtain our approval for any further extension of the applicable deadline after receipt of our notice. We may, in our sole discretion, grant or deny approval, or condition our approval of your extension request on



(a) your payment of our then-current extension fee; (b) your prompt submission of a written status of the project, including such information as we might reasonably request; and/or (c) any other conditions we consider appropriate under the circumstances.

#### **6.4 Opening the Hotel**

**6.4.1** If the Hotel is not open under the Brand on the Effective Date, you will open the Hotel on the Opening Date. You will not open the Hotel unless and until you receive our written consent to do so pursuant to Subsection 6.4.2 or 6.4.3.

**6.4.2** You will give us at least fifteen (15) days advance notice that you have complied with all the terms and conditions of this Agreement and the Hotel is ready to open. We will use reasonable efforts within fifteen (15) days after we receive your notice to visit the Hotel and to conduct other investigations as we deem necessary to determine whether to authorize the opening of the Hotel, but we will not be liable for delays or loss occasioned by our inability to complete our investigation and to make this determination within the fifteen (15) day period. If you fail to pass our initial opening site visit, we may, in our sole business judgment, charge you reasonable fees associated with any additional visits.

**6.4.3** We shall be entitled to withhold our consent to the opening of the Hotel until:

**6.4.3.1** your architect, general contractor or other certified professional provides us with a certificate stating that the as-built premises comply with all Laws relating to accessibility/accommodations/facilities for those with disabilities;

**6.4.3.2** you have complied with all the terms and conditions in this Agreement;

**6.4.3.3** your staff has received adequate training and instruction in the manner we require;

**6.4.3.4** you have received authorization to open the Hotel from the relevant governmental authority for the jurisdiction in which the Hotel is located, if applicable; and

**6.4.3.5** all fees and charges you owe to us or our Affiliates have been paid.

**6.4.4** Opening the Hotel before the Opening Date is a material breach of this Agreement.

**6.4.4.1** You will pay us Liquidated Damages in the amount of Five Thousand Dollars (\$5,000) per day if you open the Hotel before the Opening Date to compensate us for the damage caused by such breach. You must also reimburse us for all of our costs and expenses, including legal fees, incurred in enforcing our rights under this Agreement.

**6.4.4.2** These Liquidated Damages for damage to our Marks shall not limit or exclude any other remedies we may have at law or in equity. You acknowledge and agree that the Liquidated Damages payable under this Subsection represent a reasonable estimate of the minimum just and fair compensation for the damages we will suffer as the result of the opening of the Hotel before the Opening Date in material breach of this Agreement.

**6.5 Performance of Agreement.** You must satisfy all of the terms and conditions of this Agreement, and equip, supply, staff and otherwise make the Hotel ready to open under our Standards. As a result of your efforts to comply with the terms and conditions of this Agreement, you will incur significant expense and expend substantial time and effort. You acknowledge and agree that we will have no liability or obligation to you for any losses, obligations, liabilities or expenses you incur if we do not authorize the Hotel to open or if we terminate this Agreement because you have not complied with the terms and conditions of this Agreement.

#### **6.6 Hotel Refurbishment and Room Addition.**

**6.6.1** We may periodically require you to modernize, rehabilitate and/or upgrade the Hotel's **[INSERT FOR RU: Package]**, fixtures, equipment, furnishings, furniture, signs, computer hardware and software and related equipment, supplies and other items to meet the then-current Standards. You will make these changes at your sole cost and expense and in the time frame we require.

**6.6.2** You may not make any significant changes (including major changes in structure, design or décor) in the Hotel. **[INSERT FOR RU: As long as they do not change or affect Package requirements, [m/M]]** minor redecoration and minor structural changes that comply with our Standards will not be considered significant.

**6.6.3** You may not make any change in the number of approved Guest Rooms in the Addendum without our prior consent. If you wish to add additional Guest Rooms to the Hotel after the Opening Date, you must submit an application to obtain our consent, pay our then-current Room Addition Fee and execute an amendment to this Agreement in the form required by us. As a condition to our granting approval of your application, we may require you to modernize, rehabilitate or upgrade the Hotel in accordance with Subsection 6.6.1 of this Agreement, and to pay us our then-current PIP Fee to prepare a PIP to determine the renovation requirements for the Hotel. The Room Addition Fee is consideration for services rendered in the U.S. by us and/or our Affiliates in connection with the evaluation and processing of such application.

## **7.0 STAFF AND MANAGEMENT OF THE HOTEL**

**7.1** You are solely responsible for the management of the Hotel's business. You will provide qualified and experienced management ("**Management Company**") **[IF APPLICABLE:]** at least six (6) months before the Opening Date]. Your Management Company must be approved by us in writing. We have the right to communicate directly with the Management Company and managers at the Hotel. We may rely on the communications of such managers or Management Company as being on your behalf. Any Management Company and its employees must have the authority to perform all of your obligations under this Agreement. The engagement of a Management Company does not reduce your obligations under this Agreement. In the case of any conflict between this Agreement and any agreement with the Management Company, this Agreement prevails.

**7.2** You represent and agree that you have not, and will not, enter into any lease, management agreement or other similar arrangement for the operation of the Hotel or any part of the Hotel without our prior written consent. To be approved by us as the operator of the Hotel, you or any proposed Management Company must be qualified to manage the Hotel. We may refuse to approve you, or any proposed Management Company that is a Competitor or which, in our business judgment, is inexperienced or unqualified in managerial skills or operating capability or is unable or unwilling to adhere fully to your obligations under this Agreement.

**7.3** If your approved Management Company becomes a Competitor, resigns or is terminated by you, or otherwise becomes unsuitable or unqualified, in our sole business judgment, to manage the Hotel during the Term, you will have ninety (90) days to retain a substitute Management Company that is acceptable to us.

## **8.0 PAYMENT OF FEES**

**8.1 Franchise Application Fee.** You must pay to us a Franchise Application Fee in the amount specified on the Addendum. We must receive the Franchise Application Fee after expiration of the applicable waiting period as a condition to our execution of the Franchise Agreement.

**8.2 Monthly Fees.** Beginning on the Opening Date, you will pay to us for each month (or part of a month, including the final month you operate under this Agreement) the Monthly Fees, each of which is set forth in the Addendum. The Monthly Program Fee is consideration for services rendered in the U.S. by us and/or our Affiliates.

### **8.3 Calculation and Payment of Fees**

**8.3.1** The Monthly Fees will be calculated in accordance with the accounting methods of the then-current Uniform System of Accounts for the Lodging Industry, or as specified by us in the Manual. For purposes of this Agreement, the conversion rate into U.S. Dollars for hotels utilizing our then-current proprietary property management system shall be the daily rate of exchange reported by the Wall Street Journal in New York (or such other reference source as we may periodically specify). For hotels not utilizing our then-current proprietary property management system, the conversion rate into U.S. Dollars shall be the rate of exchange reported by the Wall Street Journal in New York (or such other reference source as we may periodically specify) for the purchase of U.S. Dollars as of the 15th day of the month after the month in which the revenues were generated.

**8.3.2** The Monthly Fees will be paid to us at the place and in the manner we designate on or before the fifteenth (15th) day of each month and will be accompanied by our standard schedule setting forth in reasonable detail the computation of the Monthly Fees for such month.

**8.3.3** We may require you to transmit the Monthly Fees and all other payments required under this Agreement by wire transfer or other form of electronic funds transfer and to provide the standard schedule in electronic form. You must bear all costs of wire transfer or other form of electronic funds transfer or other electronic payment and reporting.

**8.3.4** In the event of fire or other insured casualty that results in a reduction of Gross Rooms Revenue **[INSERT ONLY FOR HFS: and Gross Food and Beverage Revenue]**, you will determine and pay us, from the proceeds of any business interruption or other insurance applicable to loss of revenues, an amount equal to the forecasted Monthly Fees, based on the Gross Rooms Revenue **[INSERT ONLY FOR HFS: and Gross Food and Beverage Revenue]** amounts agreed on between you and your insurance company that would have been paid to us in the absence of such casualty.

**8.3.5** **[INSERT ONLY FOR HFS:** If Hotel accommodations are bundled with food and beverage arrangements or other services when charged to the customer, you will make a good faith reasonable allocation of the resulting revenue between Gross Rooms Revenue and Gross Food and Beverage Revenue, consistent with the Uniform System of Accounts for the Lodging Industry, or such other accounting methods specified by us in the Manual.

**8.4 Other Fees.** You will timely pay or fund all amounts due us or any of our Affiliates for any invoices or for goods or services purchased by or provided to you or paid by us or any of our Affiliates on your behalf, including pre-opening sales and operations training or extension fees as specified on the Addendum.

### **8.5 Taxes**

**8.5.1** All fees and charges payable to us or any of our Affiliates under this Agreement, including the Franchise Application Fee and the Monthly Program Fee (but not the Monthly Royalty Fee), shall be exclusive of Taxes. The Monthly Royalty Fees payable under this Agreement shall be exclusive of any Taxes, except for any taxes in the nature of income tax imposed on measurement of net income with respect to the Monthly Royalty Fees ("**Royalty Withholdings**").

**8.5.2** If we are required by any applicable law to make any deduction or withholding on account of Taxes or otherwise, excluding any Royalty Withholdings, from any payment payable to us or any of our Affiliates, you shall, together with such payment, pay such additional amount as will ensure that we or any of our Affiliates receive a net amount (free from any deduction or withholding in respect of such additional amount itself) free and clear of any such Taxes or other deductions or withholdings and equal to the full amount which we would otherwise have received as if no such Taxes or other deductions or withholdings, except any Royalty Withholding, had been required. We or our appropriate Affiliate may provide an invoice to you for any Taxes, deductions or withholdings (excluding Royalty Withholdings) that

were deducted or withheld from any payment made to us or any of our Affiliates under this Agreement, which invoice you must promptly pay. Where appropriate, we or our Affiliates shall provide you with a copy of a tax residency certificate or tax exemption documentation or any other required documentation that permits a reduced withholding tax rate to apply for payments to us or any of our Affiliates, and you agree to withhold tax at the applicable reduced withholding tax rate.

**8.5.3** You shall forward to us, promptly after payment (1) copies of official receipts or other evidence reasonably satisfactory to us showing the full amount of Taxes, including Royalty Withholdings, and/or any other deduction or withholding that has been paid to the relevant tax authority; and (2) a statement in English (in a form we require) listing the full amount of Taxes, including Royalty Withholdings, and/or any other deduction or withholding that has been paid in local currency and U.S. Dollars. Such tax receipts and statements should be sent to us Attention: Withholding Tax Coordinator, at the address specified under Subsection 16.7.3 below.

**8.6 Application of Fees.** We may apply any amounts received from you to any amounts due under this Agreement.

**8.7 Guaranty.** If we send you a written notice that you are in default of this Agreement for your failure to timely pay or fund all amounts due us or any of our Affiliates, then we may require, as an additional condition of curing the default, that you cause a third party that is acceptable to us to provide a guaranty covering all of your obligations under this Agreement in a form and substance that is acceptable to us.

**8.8 Set-off.** We may, without prior notice to you, set off any amounts due to us or any of our Affiliates by you or any of your Affiliates against any amounts that we or our Affiliates owe to you or your Affiliates, whether such amounts arise under this Agreement or any of Your Hotel Agreements, without waiving any other rights and remedies we or any of our Affiliates may have available under this Agreement or any of Your Hotel Agreements or otherwise.

## **9.0 PROPRIETARY RIGHTS**

### **9.1 Our Proprietary Rights.**

**9.1.1** You will not contest, either directly or indirectly during or after the Term:

**9.1.1.1** our (and/or any of our Affiliates') ownership of, rights to and interest in the System, Brand, Marks and any of their elements or components, including present and future distinguishing characteristics and agree that neither you nor any design or construction professional engaged by you may use our Standards, our Manual or your approved Plans and Designs for any hotel or lodging project other than the Hotel;

**9.1.1.2** our sole right to grant licenses to use all or any elements or components of the System;

**9.1.1.3** that we (and/or our Affiliates) are the owner of (or the licensee of, with the right to sub-license) all right, title and interest in and to the Brand and the Marks used in any form and in any design, alone or in any combination, together with the goodwill they symbolize; or

**9.1.1.4** the validity or ownership of the Marks.

**9.1.2** You acknowledge that these Marks have acquired a secondary meaning or distinctiveness which indicates that the Hotel, Brand and System are operated by or with our approval. All improvements and additions to, or associated with, the System, all Marks, and all goodwill arising from your use of the System and the Marks, will inure to our benefit and become our property (or that of our applicable Affiliates), even if you develop them.

**9.1.3** You agree not to directly or indirectly dilute the value of the goodwill attached to the Marks, the Brand or the System. You will not apply for or obtain any trademark or service mark registration of any of the Marks or any confusingly similar marks in your name or on behalf of or for the benefit of anyone else. You acknowledge that you are not entitled to receive any payment or other value from us or from any of our Affiliates for any goodwill associated with your use of the System or the Marks, or any elements or components of the System.

## **9.2 Trade Name, Use of the Marks.**

### **9.2.1 Trade Name.**

**9.2.1.1** The Hotel will be initially known by the Trade Name set forth in the Addendum. We may change the Trade Name, the Brand name and/or any of the Marks (but not the Principal Mark), or the way in which any of them (including the Principal Mark) are depicted, at any time at our sole option and at your expense. You may not change the Trade Name without our specific prior written consent.

**9.2.1.2** You acknowledge and agree that you are not acquiring the right to use any business names, copyrights, designs, distinguishing characteristics, domain names, emblems, insignia, logos, slogans, service marks, symbols, trademarks, trade dress, trade names or any other marks or characteristics owned by us or licensed to us that we do not specifically designate to be used in the System.

**9.3 Use of Trade Name and Marks.** You will operate under the Marks, using the Trade Name, at the Hotel. You will not adopt any other names or marks in operating the Hotel without our approval. You will not, without our prior written consent, use any of the Marks, or the word "Hilton," or other Network trademarks, trade names or service marks, or any similar words or acronyms, in:

**9.3.1** your corporate, partnership, business or trade name;

**9.3.2** any Internet-related name (including a domain name);

**9.3.3** or any business operated separately from the Hotel, including the name or identity of developments adjacent to or associated with the Hotel.

## **9.4 Trademark Disputes.**

**9.4.1** You will immediately notify us of any infringement or dilution of or challenge to your use of any of the Marks and will not, absent a court order or our prior written consent, communicate with any other person regarding any such infringement, dilution, challenge or claim. We will take the action we deem appropriate with respect to such challenges and claims and have the sole right to handle disputes concerning use of all or any part of the Marks or the System. You will fully cooperate with us and our applicable Affiliates in these matters. We will reimburse you for expenses incurred by you as the direct result of activities undertaken by you at our prior written request and specifically relating to the trademark dispute at issue. We will not reimburse you for any other expenses incurred by you for cooperating with us or our Affiliates.

**9.4.2** You appoint us as your exclusive attorney-in-fact, to prosecute, defend and/or settle all disputes involving our Marks at our sole option. You will grant to the persons designated by us a special power of attorney, as broad as it may be necessary and required by law, for such purposes. You will sign any documents we or our applicable Affiliate believe are necessary to prosecute, defend or settle any dispute or obtain protection for the Marks and the System, including the granting to us and/or our designees the necessary powers of attorney as required by applicable law, and will assign to us any claims you may have related to these matters. Our decisions as to the prosecution, defense or settlement of the dispute will be final. All recoveries made as a result of disputes with third parties regarding use of all or part of the System or the Marks will be for our account.

## **9.5 Web Sites.**

**9.5.1** You may not register, own or maintain any Sites that relate to the Network or the Hotel or that include the Marks. The only domain names, Sites, or Site contractors that you may use relating to the Hotel or this Agreement are those we assign or otherwise approve in writing. You acknowledge that you may not, without a legal license or other legal right, post on your Sites any material in which any third party has any direct or indirect ownership interest. You must incorporate on your Sites any information we require in the manner we deem necessary to protect our Marks.

**9.5.2** Any use of the Marks on any Site must conform to our requirements, including the identity and graphics Standards for all System hotels. Given the changing nature of this technology, we have the right to withhold our approval, and to withdraw any prior approval, and to modify our requirements.

## **9.6 Covenant.**

**9.6.1** You agree, as a direct covenant with us and our Affiliates, that you will comply with all of the provisions of this Agreement related to the manner, terms and conditions of the use of the Marks and the termination of any right on your part to use any of the Marks. Any non-compliance by you with this covenant or the terms of this Agreement related to the Marks, or any unauthorized or improper use of the System or the Marks, will cause irreparable damage to us and/or our Affiliates and is a material breach of this Agreement.

**9.6.2** If you engage in such non-compliance or unauthorized and/or improper use of the System or the Marks during or after the Term, we and any of our applicable Affiliates, along with the successors and assigns of each, will be entitled to both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies we or our Affiliates may have at law. You consent to the entry of such temporary and permanent injunctions. You must pay all costs and expenses, including reasonable attorneys' fees, expert fees, costs and other expenses of litigation that we and/or our Affiliates may incur in connection with your non-compliance with this covenant. In addition, you agree, in the event of any non-compliance with any of your obligations in this Section 9, to pay to us, as liquidated damages, the amount of \$10,000 U.S. Dollars for each day that you fail or delay in complying with your obligations until full compliance therewith is given to our satisfaction, in addition to the payment of all costs and expenses, including reasonable attorneys' fees, which we or our Affiliates may incur in connection with such non-compliance.

## **10.0 REPORTS, RECORDS, AUDITS, AND PRIVACY**

### **10.1 Reports.**

**10.1.1** At our request, you will prepare and deliver to us the Reports containing the Operational Information (and any other information we reasonably require) in the form, manner and time frame we require. At a minimum, by the fifteenth (15th) day of each month, you will submit to us the Operational Information for the previous month and reflecting the computation of the amounts then due under Section 8, in the form, manner and time frame we require.

**10.1.2** At our request, you will certify the Reports as accurate in the manner we require. You must permit us to inspect your books and records at all reasonable times.

**10.2 Maintenance of Records.** You will prepare, on a current basis, and preserve for no less than the greater of four (4) years or the time period stated in our record retention requirements, complete and accurate records concerning Gross Rooms Revenue and all financial, operating, marketing and other aspects of the Hotel. You will maintain an accounting system that fully and accurately reflects all financial aspects of the Hotel and its business. These records will include books of account, tax returns, governmental reports, register tapes, daily reports, and complete quarterly and annual financial statements (including profit and loss statements, balance sheets and cash flow statements) and will be prepared in the form, manner and time frame we require.

### **10.3 Audit**

**10.3.1** We may require you to have the Gross Rooms Revenue, fees or other monies due to us computed and certified as accurate by a certified public accountant. During the Term and for two (2) years thereafter, we and our authorized agents have the right to verify Operational Information required under this Agreement by requesting, receiving, inspecting and auditing, at all reasonable times, any and all records referred to above wherever the records may be located (or elsewhere if we request).

**10.3.2** If any inspection or audit reveals that you understated or underpaid any payment due to us, you will promptly pay to us the deficiency plus interest from the date each payment was due until paid at the interest rate set forth in Section 16.15 of this Agreement.

**10.3.3** If the audit or inspection reveals that the underpayment is willful, or is for five percent (5%) or more of the total amount owed for the period being inspected, you will also reimburse us for all inspection and audit costs, including reasonable travel, lodging, meals, salaries and other expenses of the inspecting or auditing personnel. Our acceptance of your payment of any deficiency will not waive any rights we may have as a result of your breach, including our right to terminate this Agreement. If the audit discloses an overpayment, we will credit this overpayment against your future payments due under this Agreement, without interest, or, if no future payments are due under this Agreement, we will promptly pay you the amount of the overpayment without interest.

**10.4 Ownership of Information.** All information that we provide to you, including but not limited to Personal Information, for your use in connection with operating the Hotel during the Term is our property. You may not use any such information after the Term, except as expressly permitted by us in writing in the Standards or otherwise. All Information we obtain from you and all revenues we derive from such Information will be our property that we may use for any reason, including making a financial performance representation in our franchise disclosure documents. At your sole risk and responsibility, you may use Information that you acquire from third parties in connection with operating the Hotel, such as Personal Information (but not including any Personal Information obtained in connection with guest reservations or any loyalty or frequent guest program operated by us or our Affiliates), at any time during or after the Term, to the extent that your use is permitted by Law.

### **10.5 Privacy and Data Protection.** You will:

**10.5.1** comply with all applicable Privacy Laws;

**10.5.2** comply with all Standards that relate to Privacy Laws and the privacy and security of Personal Information;

**10.5.3** refrain from any action or inaction that could cause us or our Affiliates to breach any Privacy Laws;

**10.5.4** do and execute, or arrange to be done and executed, each act, document and thing we deem necessary in our business judgment to keep us and our Affiliates in compliance with the Privacy Laws; and

**10.5.5** immediately report to us the theft or loss of Personal Information (other than the Personal Information of your own officers, directors, shareholders, employees or service providers).

## **11.0 CONDEMNATION AND CASUALTY**

**11.1 Condemnation.** You must immediately inform us of any proposed taking of any portion of the Hotel by eminent domain. If, in our business judgment, the taking is significant enough to render the continued operation of the Hotel in accordance with the Standards and guest expectations impractical, then we may terminate this Agreement on written notice to you and you will not pay us Liquidated Damages

[SELECT FOR OL or a Termination Fee]. If such taking, in our business judgment, does not require the termination of this Agreement, then you will make all necessary modifications to make the Hotel conform to its condition, character and appearance immediately before such taking, according to Plans and Designs approved by us. You will take all measures to ensure that the resumption of normal operations at the Hotel is not unreasonably delayed.

## **11.2 Casualty**

**11.2.1** You must immediately inform us if the Hotel is damaged by fire or other casualty or event of Force Majeure. If the damage or repair requires closing the Hotel, you may choose to repair or rebuild the Hotel according to the Standards, provided you: begin reconstruction within six (6) months after closing and reopen the Hotel for continuous business operations as soon as practicable (but in any event no later than eighteen (18) months after the closing of the Hotel) and give us at least thirty (30) days' notice of the projected date of reopening. Once the Hotel is closed, you will not promote the Hotel as a System Hotel or otherwise identify the Hotel using any of the Marks without our prior written consent.

**11.2.2** You and we each have the right to terminate this Agreement if you elect not to repair or rebuild the Hotel as set forth above in Subsection 11.2.1, provided the terminating Party gives the other Party sixty (60) days written notice. You are not required to pay Liquidated Damages [SELECT FOR OL or a Termination Fee] unless you or one of your Affiliates own and/or operate a hotel at the Hotel Site within three (3) years of the termination date under a lease, license or franchise from a Competitor.

**11.3 No Extensions of Term.** Nothing in this Section 11 will extend the Term.

## **12.0 TRANSFERS**

### **12.1 Our Transfer**

**12.1.1** We may assign or Transfer this Agreement or any of our rights, duties, or assets under this Agreement, by operation of law or otherwise, to any person or legal entity without your consent, provided that any such person or legal entity shall be required to assume all of our obligations to permit you to operate the Hotel under the Brand after such assignment. Any of our Affiliates may transfer, sell, dispose of, or otherwise convey, their ownership rights in us or any of our Affiliates, by operation of law or otherwise, including by public offering, to any person or legal entity without your consent.

**12.1.2** If we assign this Agreement to a third party who expressly assumes our obligations under this Agreement, we will no longer have any performance or other obligations to you under this Agreement and your right to use any programs, rights or services provided to you by us or our Affiliates under this Agreement will terminate.

**12.2 Your Transfer.** You understand and acknowledge that the rights and duties in this Agreement are personal to you and that we are entering into this Agreement in reliance on your business skill, financial capacity, and the personal character of you and your Equity Owners. A Transfer by you (or by an Equity Owner named in the Addendum as of the Effective Date, or by a transferee Equity Owner we later approve) of any Equity Interest, or this Agreement, or any rights or obligations under this Agreement, is prohibited other than as expressly permitted in this Agreement. In any Transfer by you or any Equity Owner under this Subsection 12.2, the proposed Transferee may not be a Sanctioned Person or a Competitor.

**12.2.1 Permitted Transfers.** We will permit you or any Equity Owner to engage in the Permitted Transfers set forth in this Subsection 12.2.1 if the Permitted Transfer meets the listed requirements. If a Permitted Transfer under Subsection 12.2.1.2 (requiring notice and our consent) otherwise qualifies as a Permitted Transfer under Subsection 12.2.1.1 (not requiring notice or our consent), the less restrictive provisions of Subsection 12.2.1.1 will control.

#### **12.2.1.1 Permitted Transfers That Do Not Require Notice or Our Consent.**



The following Permitted Transfers are permitted without giving notice or obtaining our consent if the Permitted Transfer meets the listed requirements.

**12.2.1.1.1 Publicly Traded Equity Interests.** A Publicly Traded Equity Interest may be Transferred.

**12.2.1.1.2 Privately Held Equity Interests: Less than 35% Change.** An Equity Interest that is not publicly traded may be Transferred if the transferee Equity Owner will own less than thirty-five percent (35%) of the Equity Interests, in total, immediately after the transaction(s) as a result of the transaction(s).

**12.2.1.1.3 Institutional Investment Funds. [IF APPLICABLE]** You may Transfer Equity Interests within **[Insert Fund Entities]** (collectively, the “Fund Entities”) and Equity Interests in you to new fund entities or new managed accounts (collectively, “Future Funds”) if **[Insert Name of Asset Manager]** (“Asset Manager”) directly or indirectly, controls the Fund Entities or Future Funds.

**12.2.1.2 Permitted Transfers That Require Notice and Our Consent.** We will permit you or any Equity Owner to engage in the following Permitted Transfers if the Permitted Transfer meets the listed requirements. For Permitted Transfers under this Subsection, you must: (a) give us at least sixty (60) days’ advance written notice of the proposed Permitted Transfer (including the identity and contact information for any proposed transferee); (b) pay to us on request our then-current nonrefundable processing fee; (c) follow our then-current procedure for processing Permitted Transfers, including providing any information we may require in order to review the proposed Transfer and completing our then-current compliance process; and (d) execute our then-current standard documents required for processing Permitted Transfers.

**12.2.1.2.1 Affiliate Transfer.** You or any Equity Owner may Transfer an Equity Interest or this Agreement to an Affiliate.

**12.2.1.2.2 Transfers to a Family Member or Trust.** If you or any Equity Owner as of the Effective Date are a natural person, you and such Equity Owner may Transfer an Equity Interest or this Agreement to an immediate family member (i.e., spouse, children, parents, siblings) or to a trust for your benefit or the benefit of the Equity Owner or the Equity Owner’s immediate family members.

**12.2.1.2.3 Transfer on Death.** On the death of Franchisee or an Equity Owner who is a natural person, this Agreement or the Equity Interest of the deceased Equity Owner may Transfer in accordance with such person’s will or, if such person dies intestate, in accordance with laws of intestacy governing the distribution of such person’s estate, provided that: (i) the transfer on death is to an immediate family member or to a legal entity formed by such family member(s); and (ii) within one (1) year after the death, such family member(s) or entity meet all of our then-current requirements for an approved Transferee.

**12.2.1.2.4 Privately Held Equity Interests: 35% or Greater Change.** You or any Equity Owner may Transfer Equity Interests even though, after the completion of such Transfer, thirty-five percent (35%) or more of the Equity Interests will have changed hands since the Effective Date of this Agreement.

**12.2.2 Change of Ownership Transfer.** A Change of Ownership Transfer is any Transfer that will result in a change of Control of you, the Hotel or the Hotel Site, or is not otherwise described in Subsection 12.2.1. We will have sixty (60) days from our receipt of the completed and signed franchise application to consent or withhold our consent to any proposed Change of Ownership Transfer. Our consent will not be unreasonably withheld. You consent to our communication with any third party we deem necessary about the Hotel in order for us to evaluate the proposed Change of Ownership Transfer. Our consent to the Change of Ownership Transfer is subject to the following conditions, all of which must be satisfied at or before the date of closing the Change of Ownership Transfer (“Closing”):

**12.2.2.1** Transferee submits a completed and signed Change of Ownership Application, pays our then current franchise application fee, executes our then-current form of franchise agreement, and all required ancillary documents. If all conditions to our consent are fulfilled, the date of Closing will be the termination date of this Agreement, and the effective date of Transferee's franchise agreement;

**12.2.2.2** you are not in default of this Agreement or any other agreements with us or our Affiliates;

**12.2.2.3** you or Transferee pay to us, on or before the date of Closing, the PIP Fee, and all amounts due to us and our Affiliates through the date of the Closing. We will estimate the amounts due to us through the date of Closing, which you and the Transferee may agree to escrow, to be disbursed to us at Closing to fulfil this obligation. If our estimate of the amounts due to us exceeds the amount actually owed to us, we will refund the difference to you, generally within thirty (30) days after the date of Closing;

**12.2.2.4** you conclude to our satisfaction, or provide adequate security for, any suit, action, or proceeding pending or threatened against you, us or any of our Affiliates with respect to the Hotel, which may result in liability on the part of us or any of our Affiliates;

**12.2.2.5** you, Transferee and/or Equity Owner(s) of Transferee, submit to us all information related to the Transfer that we require;

**12.2.2.6** Transferee meets our then-current business requirements for new franchisees; and

**12.2.2.7** Transferee agrees to indemnify, hold harmless, and defend us and our Affiliates against any inquiry, investigation, suit, action, or proceeding arising out of or in connection with any fees or costs charged to patrons or guests by you.

### **12.3 Public Offering or Private Placement**

**12.3.1** Any offering by you of Securities requires our review if you use the Marks, or refer to us or this Agreement in your offering. All materials required by any Law for the offer or sale of those Securities must be submitted to us for review at least sixty (60) days before the date you distribute those materials or file them with any governmental agency, including any materials to be used in any offering exempt from registration under any securities laws.

**12.3.2** You must submit to us a non-refundable Five Thousand Dollar (\$5,000) processing fee with the offering documents and pay any additional costs we may incur in reviewing your documents, including reasonable attorneys' fees.

**12.3.3** We have the right to approve any description of this Agreement or of your relationship with us, or any use of the Marks, contained in any prospectus, offering memorandum or other communications or materials you use in the sale or offer of any Securities. You may not use any of the Marks except as legally required to describe the Hotel in these documents. Our review of the documents will not in any way be considered our agreement with any statements contained in those documents, including any projections, or our acknowledgment or agreement that the documents comply with any Laws.

**12.3.4** You may not sell any Securities unless you clearly disclose to all purchasers and offerees that we, our Affiliates, and our or their respective officers, directors, agents or employees: (a) will not in any way be deemed an issuer or underwriter of the Securities, as those terms are defined in applicable securities laws; and (b) have not assumed and will not have any liability or responsibility for any financial statements, prospectuses or other financial information contained in any prospectus or similar written or oral communication. You may not state, represent, or imply that we Hilton Worldwide, or any other of our Affiliates, participate in or endorse any Securities or any Securities offering in any manner whatsoever.

**12.3.5** You must indemnify, defend and hold the Indemnified Parties free and harmless of and from any and all liabilities, costs, damages, claims or expenses arising out of or related to the sale or offer of any of your Securities to the same extent as provided in Section 14 of this Agreement.

## **12.4 Mortgages and Pledges to Lending Institutions**

**12.4.1** You or an Equity Owner may mortgage or pledge the Hotel or an Equity Interest to a lender that finances the acquisition, development or operation of the Hotel, without notifying us or obtaining our consent.

**12.4.2** You may request a "lender comfort letter" on behalf of your lender, which we will issue in a form satisfactory to us, subject to our right to charge our then-current non-refundable processing fee.

## **13.0 TERMINATION**

**13.1 Termination with Opportunity to Cure.** We may terminate this Agreement by written notice to you and opportunity to cure at any time before its expiration on any of the following grounds:

**13.1.1** You fail to pay us any sums due and owing to us or our Affiliates under this Agreement or to pay or fund any amounts due under any of Your Hotel Agreements within the cure period set forth in the notice, which shall not be less than ten (10) days;

**13.1.2** You fail to commence or complete the Hotel Work by the applicable deadline date, including any extensions, or fail to open the Hotel on the Opening Date, and do not cure that default within the cure period set forth in the notice, which shall not be less than ten (10) days;

**13.1.3** You do not purchase or maintain insurance required by this Agreement or do not reimburse us for our purchase of insurance on your behalf within the cure period set forth in the notice, which shall not be less than ten (10) days; or

**13.1.4** You fail to comply with any other provision of this Agreement, the Manual or any Standard and do not cure that default within the cure period set forth in the notice, which shall not be less than thirty (30) days.

**13.2 Immediate Termination by Us.** We may immediately terminate this Agreement on written notice to you and without any opportunity to cure the default if:

**13.2.1** after curing any material breach of this Agreement or the Standards, you engage in the same non-compliance within any consecutive twenty-four (24) month period, whether or not the non-compliance is corrected after notice, which pattern of non-compliance in and of itself will be deemed material;

**13.2.2** you receive three (3) notices of material default in any twelve (12) month period, even if the defaults have been cured;

**13.2.3** you fail to pay debts as they become due or admit in writing your inability to pay your debts or you make a general assignment for the benefit of your creditors;

**13.2.4** you have an order entered against you appointing a receiver for the Hotel or a substantial part of your or the Hotel's assets or you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, or dissolution under any law, or you admit or fail to contest the material allegations of any such pleading filed against you or the Hotel, and the action results in the entry of an order for relief against you under the Bankruptcy Code, the adjudication of you as insolvent, or the abatement of the claims of creditors of you or the Hotel under any law;

**13.2.5** you or your Guarantor lose possession or the right to possession of all or a significant part of the Hotel or Hotel Site for any reason other than those described in Section 11;

**13.2.6** you fail to operate the Hotel for five (5) consecutive days, unless the failure to operate is due to an event of Force Majeure, provided that you have taken reasonable steps to minimize the impact of such events;

**13.2.7** you contest in any court or proceeding our ownership of the System or any part of the System or the validity of any of the Marks;

**13.2.8** you or any Equity Owner with a controlling Equity Interest, or any of your Affiliates, employees, or Management Company, engage in conduct that we reasonably determine is likely to adversely reflect upon or affect in any manner the reputation, goodwill, or business of the Hotel, the System, us and/or any of our Affiliates;

**13.2.9** you conceal revenues, maintain false books and records of accounts, submit false reports or information to us or otherwise attempt to defraud us;

**13.2.10** any Transfer is not in compliance with Section 12 and its subparts;

**13.2.11** you, your Affiliate or any Guarantor become a Sanctioned Person or are owned or controlled by a Sanctioned Person or fail to comply with the provisions of Subsection 16.13;

**13.2.12** information is disclosed involving you or your Affiliates, which, in our business judgment, is likely to adversely reflect on or affect in any manner, any gaming licenses or permits held by us or our Affiliates or the then-current stature of us or any of our Affiliates with any gaming commission, board, or similar governmental or regulatory agency;

**13.2.13** any Guarantor breaches its guaranty to us;

**13.2.14** a threat or danger to public health or safety results from the construction, maintenance, or operation of the Hotel;

**13.2.15** you, your Affiliate, or a Guarantor becomes a Competitor except as otherwise permitted by Subsection 5.1.28; or

**13.2.16** any of Your Hotel Agreements is terminated based on a breach or default by you or your Affiliates.

**13.3 Interim Remedies.** If we send you a written notice that you are in default of this Agreement, we may elect to impose an Interim Remedy, including the suspension of our obligations under this Agreement and/or our or our Affiliates' obligations under Your Hotel Agreements.

**13.3.1** We may suspend the Hotel from the Reservation Service and any reservation and/or website services provided through or by us. We may remove the listing of the Hotel from any directories or advertising we publish. If we suspend the Hotel from the Reservation Service, we may divert reservations previously made for the Hotel to other System Hotels or Network Hotels.

**13.3.2** We may disable all or any part of the software provided to you under Your Hotel Agreements and/or may suspend any one or more of the information technology and/or network services that we provide or support under Your Hotel Agreements. We may charge you for costs related to suspending or disabling your right to use any software systems or technology we provided to you, together with intervention or administration fees as set forth in the Standards.

**13.3.3** We may revoke any financial accommodations (including but not limited to any Monthly Fee discounts, fee ramps or fee waivers) that we have granted and charge you the then-current standard fee or charge that would have otherwise applied absent the temporary financial accommodation.

**13.3.4** You agree that our exercise of the right to Interim Remedies will not result in actual or constructive termination or abandonment of this Agreement and that our right to Interim Remedies is in addition to, and apart from, any other right or remedy we may have in this Agreement. If we exercise the right to Interim Remedies, the exercise will not be a waiver of any breach by you of any term, covenant or condition of this Agreement. You will not be entitled to any compensation, including repayment, reimbursement, refund or offsets, for any fees, charges, expenses or losses you may directly or indirectly incur by reason of our exercise and/or withdrawal of any Interim Remedy.

**[SELECT THE APPROPRIATE SUBPARAGRAPH 13.4; DELETE ALL HIGHLIGHTED LANGUAGE AND UPDATE THE TABLE OF CONTENTS]**

**[SELECT FOR ALL BRANDS EXCEPT OL:]**

#### **13.4 Liquidated Damages on Termination.**

**13.4.1 Calculation of Liquidated Damages.** You acknowledge and agree that the premature termination of this Agreement will cause substantial damage to us. You agree that Liquidated Damages are not a penalty, but represent a reasonable estimate of the minimum just and fair compensation for the damages we will suffer as the result of your failure to operate the Hotel for the Term. If this Agreement terminates before the Expiration Date, you will pay us Liquidated Damages as follows:

**13.4.1.1 [DELETE IF COO/RL/CV and insert: INTENTIONALLY DELETED]** If termination occurs before you begin the Hotel Work, and you or any Guarantor (or your or any Guarantor's Affiliates) directly or indirectly, enter into a franchise, license, management, lease and/or other similar agreement for or begin construction or commence operation of a hotel, motel, inn, or similar facility at the Hotel Site within one (1) year after termination, then you will pay us Liquidated Damages in an amount equal to \$3,600 multiplied by the number of approved Guest Rooms at the Hotel.

**13.4.1.2 [DELETE IF COO/RL and insert: INTENTIONALLY DELETED]** If termination occurs after you begin the Hotel Work but before the Opening Date, you will pay us Liquidated Damages in an amount equal to \$3,600 multiplied by the number of approved Guest Rooms at the Hotel, unless your failure to complete the Hotel Work was the result of Force Majeure.

**13.4.1.3** If termination occurs after the Opening Date but before the second anniversary of the Opening Date, you will pay us Liquidated Damages in an amount equal to \$3,600 multiplied by the number of approved Guest Rooms at the Hotel.

**13.4.1.4** If termination occurs after the second anniversary of the Opening Date but before the final sixty (60) calendar months of the Term, you will pay us Liquidated Damages in an amount of the Hotel's Average Monthly Royalty Fees multiplied by sixty (60).

**13.4.1.5** If there are fewer than sixty (60) months remaining in the Term on the date of termination, you will pay us Liquidated Damages in an amount equal to the Hotel's Average Monthly Royalty Fees multiplied by the number of months remaining in the Term.

**13.4.2 Payment of Liquidated Damages.** Payment of Liquidated Damages is due thirty (30) days following termination of this Agreement or on demand.

**[SELECT FOR OL:]**

#### **13.4 Termination Fee on Termination**

**13.4.1 Termination Fee.** You agree that if this Agreement is terminated by us under this Section 13, you will pay a termination Fee equal to:

- (a) \$15,000 multiplied by the number of approved guest Rooms at the Hotel if termination occurs (i) before you begin the Hotel Work, and you or any Guarantor (or your or any Guarantor's Affiliates) directly or indirectly, enter into a franchise, license, management, lease and/or other similar agreement for or begin construction or commence construction operation of a hotel, motel, inn, or similar facility at the Hotel Site within one (1) year after termination, or (ii) after you begin the Hotel Work but before the Opening Date, unless your failure to complete the Hotel Work was the result of Force Majeure;
- (b) The greater of: (i) the Hotel's Average Monthly Royalty Fees multiplied by sixty (60); or (ii) an amount equal to \$15,000 multiplied by the number of approved Guest Rooms at the Hotel, if termination occurs on or after the Opening Date but before the second anniversary of the Opening Date; or
- (c) The Hotel's Average Monthly Royalty Fees (i) multiplied by sixty (60) if termination occurs after the second anniversary of the Opening Date but before the final sixty (60) calendar months of the Term, or (ii) multiplied by the number of months remaining in the Term if there are fewer than sixty (60) months remaining in the Term on the date of termination.

You acknowledge and agree that this Termination Fee is an agreed fee and does not represent a penalty or liquidated damages. You further acknowledge and agree that this Termination Fee does not constitute or create, expressly or impliedly, any right or option for you to terminate this Agreement before the Expiration Date.

**13.4.2 Payment of Termination Fee.** You must pay the Termination Fee within (30) days after termination of this Agreement or on demand.

**13.5 Actual Damages Under Special Circumstances.** **[SELECT FOR ALL BRANDS EXCEPT OL:** You acknowledge that the Liquidated Damages described in Subsection 13.4 may be inadequate to compensate us for additional harm we may suffer, by reason of greater difficulty in re-entering the market, competitive damage to the System or the Network, damage to goodwill of the Marks, and other similar harm, as we reserve the right to seek actual damages in lieu of Liquidated Damages under the following circumstances: **[SELECT FOR OL:** You agree that we may elect to seek actual damages in lieu of the Termination Fee under Section 13.4 above, in our sole and absolute discretion, under the following circumstances:

**13.5.1** within twelve (12) months of each other, **[SELECT FOR PY, QQ, DT, OL, ES, HFS]** two (2) **[SELECT FOR HGI, H2, HWS, PO, UP:** five (5)] **[SELECT FOR HAM, HIS, RU, UAB:** seven (7)] or more franchise agreements for the Brand between yourself (or any of your Affiliates) and us (or any of our Affiliates) terminate before their expiration date as a result of a breach by you or your Affiliate; or

**13.5.2** this Agreement terminates due to an unapproved Transfer; (a) to a Competitor, or (b) to a buyer that converts the Hotel to a Competing Brand within two (2) years from the date this Agreement terminates.

**13.6 Your Obligations on Termination or Expiration.** On termination or expiration of this Agreement, you will immediately:

**13.6.1** pay all sums due and owing to us or any of our Affiliates, including any expenses incurred by us in obtaining injunctive relief for the enforcement of this Agreement;

**13.6.2** cease operating the Hotel as a System Hotel and cease using the System;

**13.6.3** cease using the Marks, the Trade Name, and any confusingly similar names, marks, trade dress systems, insignia, symbols, or other rights, procedures, and methods. You will deliver

all goods and materials containing the Marks to us and we will have the sole and exclusive use of any items containing the Marks. You will immediately make any specified changes to the location as we may reasonably require for this purpose, which will include removal of the signs, custom decorations, and promotional materials;

**13.6.4** cease representing yourself as then or formerly a System Hotel or affiliated with the Brand or the Network;

**13.6.5** return all copies of the Manual and any other Proprietary Information to us;

**13.6.6** cancel all assumed name or equivalent registrations relating to your use of any Mark, notify the telephone company and all listing agencies and directory publishers including Internet domain name granting authorities, Internet service providers, global distribution systems, and web search engines of the termination or expiration of your right to use the Marks, the Trade Name, and any telephone number, any classified or other telephone directory listings, Internet domain names, uniform resource locators, website names, electronic mail addresses and search engine metatags and keywords associated with the Hotel, and authorize their transfer to us;

**13.6.7** irrevocably assign and transfer to us (or to our designee) all of your right, title and interest in any domain name listings and registrations that contain any reference to our Marks, System, Network or Brand; notify the applicable domain name registrars of the termination of your right to use any domain name or Sites associated with the Marks or the Brand; and authorize and instruct the cancellation of the domain name, or transfer of the domain name to us (or our designee), as we specify. You will also delete all references to our Marks, System, Network or Brand from any Sites you own, maintain or operate beyond the expiration or termination of this Agreement; and

**13.6.8** If, within thirty (30) days after termination or expiration of this Agreement, you fail to comply with your obligations under Section 13.6, you agree to pay to us, as Liquidated Damages for failing to perform your obligations when due, the amount of \$10,000 U.S. Dollars for each day that you fail or delay in complying with your obligations until full compliance is given to our satisfaction, in addition to the payment of all costs and expenses, including reasonable attorneys' fees, which we and/or our Affiliates may incur in connection with your non-compliance.

## **14.0 INDEMNITY**

**14.1** Beginning on the Effective Date, you must indemnify the Indemnified Parties against, and hold them harmless from, all losses, costs, liabilities, damages, claims, and expenses, including reasonable attorneys' fees, expert fees, costs and other expenses of litigation arising out of or resulting from:

**14.1.1** any breach by you of this Agreement, the Manual or the Standards;

**14.1.2** any act or omission of you or your officers, employees, Affiliates, associates or agents in any way arising out of or relating to this Agreement;

**14.1.3** any claimed occurrence at the Hotel including personal injury, death or property damage;

**14.1.4** your alleged or actual infringement or violation of any copyright, industrial design, patent, service mark, trademark or other proprietary right owned or controlled by third parties;

**14.1.5** your alleged or actual violation or breach of any contract (including any group sales agreement for the System), any Law, or any industry standard;

**14.1.6** any business conducted by you or a third party in, on or about the Hotel or Hotel Site and;

**14.1.7** your failure to comply with Subsection 16.13, including a breach of the representations set forth therein; and

**14.1.8** any inquiry, investigation, suit, action, or proceeding arising out of or in connection with any fees or costs charged to patrons or guests by you, and if you acquired the Hotel in a Change of Ownership Transfer, by the previous owner (your transferor) before you acquired ownership of the Hotel.

**14.2** You do not have to indemnify an Indemnified Party to the extent damages otherwise covered under this Section 14 are adjudged by a final, non-appealable judgment of a court of competent jurisdiction to have been solely the result of the gross negligence or willful misconduct of that Indemnified Party, and not any of the acts, errors, omissions, negligence or misconduct of you or anyone related to you or the Hotel. You may not rely on this exception to your indemnity obligation if the claims were asserted against us or any other Indemnified Party on the basis of theories of imputed or secondary liability, such as vicarious liability, agency, or apparent agency, or our failure to compel you to comply with the provisions of this Agreement, including compliance with Standards, Laws or other requirements.

**14.3** You will give us written notice of any action, suit, proceeding, claim, demand, inquiry or investigation involving an Indemnified Party within five (5) days of your knowledge of it. At our election, you will defend us and/or the Indemnified Parties against the same. If you fail to defend us and/or the Indemnified Parties, we may elect to assume (but under no circumstance will we be obligated to undertake) the defense and/or settlement of the action, suit, proceeding, claim, demand, inquiry or investigation at your expense and risk.

**14.4** If we think our respective interests conflict, we may obtain separate counsel of our choice. This will not diminish your obligation to indemnify the Indemnified Parties and to hold them harmless. You will reimburse the Indemnified Parties on demand for all expenses, including reasonable attorneys' fees, expert fees, costs and other expenses of litigation, the Indemnified Parties incur to protect themselves or to remedy your defaults. The Indemnified Parties will not be required to seek recovery from third parties or otherwise mitigate their losses to maintain a claim against you, and their failure to do so will not reduce the amounts recoverable from you by the Indemnified Parties.

**14.5** Your obligations under this Section 14 will survive expiration or termination of this Agreement.

## **15.0 RELATIONSHIP OF THE PARTIES**

**15.1 No Agency Relationship.** You are an independent contractor. Neither Party is the legal representative or agent of the other Party. Neither Party has the power to obligate the other Party for any purpose. You acknowledge that: (a) we do not direct, supervise, manage, dictate, control, or have the right to control labor or employment matters for you or your employees; (b) we do not set or have the right to set any terms or conditions of employment for your employees; (c) the training we require is for the purpose of enabling you to ensure that your Hotel operates in compliance with our Standards; and (d) you have exclusive control over your daily affairs. You expressly acknowledge that the Parties have a business relationship based entirely on, and defined by, the express provisions of this Agreement and that no partnership, joint venture, agency, fiduciary, employment, or joint-employment relationship is intended or created by reason of this Agreement.

**15.2 Notices Concerning Your Independent Status.** All contracts for the Hotel's operations and services at the Hotel will be in your name or in the name of your Management Company. You will not enter into or sign any contracts in our name or any of our Affiliates' names or use the Marks or any acronyms or variations of the Marks. You will disclose in all dealings with the public and your employees, agents, contractors, suppliers and other third parties that: (a) you are the Hotel's owner; (b) you are an independent entity; (c) you are the employer, principal, or contracting party (as applicable); and (d) we are not responsible for your liabilities or debts in any manner whatsoever.

## **16.0 MISCELLANEOUS**



## **16.1 Severability and Interpretation.**

**16.1.1** If any provision of this Agreement is held to be unenforceable, void or voidable, that provision will be ineffective only to the extent of the prohibition, without in any way invalidating or affecting the remaining provisions of this Agreement, and all remaining provisions will continue in effect, unless the unenforceability of the provision frustrates the underlying purpose of this Agreement. If any provision of this Agreement is held to be unenforceable due to its scope, but may be made enforceable by limiting its scope, the provision will be considered amended to the minimum extent necessary to make it enforceable.

**16.1.2** This Agreement will be interpreted without interpreting any provision in favor of or against either Party by reason of the drafting of the provision, or either of our positions relative to the other.

**16.1.3** Any covenant, term or provision of this Agreement that provides for continuing obligations after the expiration or termination of this Agreement will survive any expiration or termination.

## **16.2 Governing Law, Jurisdiction and Venue.**

**16.2.1** The Parties agree that, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. ¶ 1050 et seq.), as amended, this Agreement will be governed by the laws of the State of New York without recourse to New York choice of law or conflicts of law principles. Nothing in this Section is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant," unfair competition, fiduciary or any other doctrine of law of the State of New York or any other Territory that would not otherwise apply absent this Subsection 16.2.1.

**16.2.2** The Parties agree that any action brought pursuant to this Agreement or the relationship between them must be brought in the U.S. District Court for the Eastern District of Virginia, in Alexandria, Virginia, or if that court lacks subject matter jurisdiction, then in a court of competent jurisdiction whose jurisdiction includes either Fairfax County, Virginia or New York, New York, or in the Territory where the Hotel is located. You consent to personal jurisdiction and venue in each of these jurisdictions and waive, and agree not to assert, move or otherwise claim that the venue in any of these jurisdictions is for any reason improper, inconvenient, prejudicial or otherwise inappropriate. Notwithstanding the foregoing, the parties agree that actions initiated or maintained by us for temporary remedies, injunctive or other equitable relief (or the equivalent thereof under the laws of the Territory) may be brought in any competent court or other governmental agency or authority. In addition, we may, in our sole discretion, bring any other cause of action relating to this Agreement in the competent courts located in the Territory. Notwithstanding such election, the choice of substantive law made by the parties pursuant to this Subsection 16.2 shall continue to apply

**16.3 Exclusive Benefit.** This Agreement is exclusively for our and your benefit, and none of the obligations of you or us in this Agreement will run to, or be enforceable by, any other party (except for any rights we assign or delegate to one of our Affiliates or covenants in favor of our Affiliates, which rights and covenants will run to and be enforceable by our Affiliates or their successors and assigns) or give rise to liability to a third party, except as otherwise specifically set forth in this Agreement.

**16.4 Entire Agreement.** This Agreement and all of its attachments, documents, schedules, exhibits, and any other information specifically incorporated into this Agreement by reference (including any representations in any franchise disclosure document that we provided to you for the Brand in connection with the offer of this License) will be construed together as the entire agreement between you and us with respect to the Hotel and any other aspect of our relationship and will supersede and cancel any prior and/or contemporaneous discussions or writings between you and us.

## **16.5 Amendment and Waiver**

**16.5.1** No change, termination, or attempted waiver or cancellation of any provision of this Agreement will bind us unless it is in writing, specifically designated as an amendment or waiver, and signed by one of our officers. We may condition our agreement to any amendment or waiver on receiving from

you, in a form satisfactory to us, an estoppel and general release of claims that you may have against us, our Affiliates, and related parties.

**16.5.2** No failure by us or by any of our Affiliates to exercise any power given us under this Agreement or to insist on strict compliance by you with any of your obligations, and no custom or practice at variance with the terms of this Agreement, will be considered a waiver of our or any of our Affiliates' right to demand exact compliance with the terms of this Agreement.

## **16.6 Consent; Business Judgment**

**16.6.1** Wherever our consent or approval is required in this Agreement, unless the provision specifically indicates otherwise, we have the right to withhold our approval at our option, in our business judgment, taking into consideration our assessment of the long-term interests of the System overall. We may withhold any and all consents or approvals required by this Agreement if you are in default or breach of this Agreement. Our approvals and consents will not be effective unless given in writing and signed by one of our duly authorized representatives.

**16.6.2** You agree not to make a claim for money damages based on any allegation that we have unreasonably withheld or delayed any consent or approval to a proposed act by you under the terms of this Agreement. You also may not claim damages by way of set-off, counterclaim or defense for our withholding of consent. Your sole remedy for the claim will be an action or proceeding to enforce the provisions of this Agreement by specific performance or by declaratory judgment.

## **16.7 Notices.** All notices under this Agreement must be in writing.

**16.7.1 Principal Legal Correspondent ("PLC").** You must designate a single Person to be your duly authorized representative to issue and receive notices as described in Subsection 16.7.2. Your designee will be your PLC under this Agreement. You may have only one PLC. The notice address for your PLC may not be a P.O. Box, and the notice address for your PLC may not be the same as the Hotel address. The notice address for your PLC will be set forth initially on the Addendum to this Agreement. If you want to change the person designated as your PLC, or the address or email for notice to your PLC, you may do so at any time by sending a notice to us in accordance with Subsection 16.7.3 or as otherwise directed by us.

**16.7.2 Notices of Default and Termination, or Threatened Litigation.** Any notice from you or from us declaring default of a provision of this Agreement, or potential or final termination of this Agreement, must be delivered in person, or by prepaid overnight courier delivery service, or by prepaid overnight United States mail, or by prepaid certified United States mail, return-receipt requested, if overnight delivery is not available to the notice address. We will send notices under this Subsection only to your PLC. You must send notices to us under this Subsection as follows: Hilton Worldwide Manage Limited, Attention: General Counsel, Maple Court, Central Park, Reeds Crescent, Watford, Hertfordshire, UK WD24 4QQ. Notice sent under this Subsection will be deemed effective on the earlier of: (a) receipt, or first refusal of delivery; (b) one (1) day after posting, if sent by overnight commercial delivery service; or (c) three (3) days after placement in Territory mail if overnight delivery is not available, return receipt requested.

**16.7.3 Other Notices:** If a Party wishes to send a notice to the other Party regarding any issue other than those issues specified in Subsection 16.7.2, the Party may send the notice by any method described in Subsection 16.7.2, or by email. You may send notices under this Subsection to us to: [Legal.Development@hilton.com](mailto:Legal.Development@hilton.com) or such other email address as we may periodically designate by notice to you. You may periodically designate additional Persons to receive other types of notices from us by the methods we periodically specify. We may send notices to you under this Subsection to the email address designated for your PLC, or to the email address for other persons you designate for these notices.

**16.8 General Release.** You, on your own behalf and on behalf of, as applicable, your officers, directors, managers, employees, heirs, administrators, executors, agents and representatives and their respective successors and assigns hereby release, remise, acquit and forever discharge us and our Affiliates and our and their respective officers, directors, employees, managers, agents, representatives

and their respective successors and assigns from any and all actions, claims, causes of action, suits, rights, debts, liabilities, accounts, agreements, covenants, contracts, promises, warranties, judgments, executions, demands, damages, costs and expenses, whether known or unknown at this time, of any kind or nature, absolute or contingent, existing at law or in equity, on account of any matter, cause or thing whatsoever that has happened, developed or occurred relating to this Agreement or the relationship between you and us on or before the Effective Date of this Agreement. This release will survive the termination of this Agreement.

**16.9 Remedies Cumulative.** The remedies provided in this Agreement are cumulative. These remedies are not exclusive of any other remedies that you or we may be entitled to in case of any breach or threatened breach of the terms and provisions of this Agreement.

**16.10 Economic Conditions Not a Defense.** Neither general economic downturn or conditions nor your own financial inability to perform the terms of this Agreement will be a defense to an action by us or one of our Affiliates for your breach of this Agreement.

**16.11 Representations and Warranties.** You warrant, represent and agree that all statements in your franchise application in anticipation of the execution of this Agreement, and all other documents and information submitted to us by you or on your behalf are true, correct and complete as of the date of this Agreement. You further represent and warrant to us that:

**16.11.1** you have independently investigated the risks of operating the Hotel under the Brand, including current and potential market conditions and competitive factors and risks, and have made an independent evaluation of all such matters and reviewed our franchise disclosure document, if applicable;

**16.11.2** neither we nor our representatives have made any promises, representations or agreements other than those provided in the Agreement or in our franchise disclosure document provided to you in connection with the offer of this Agreement, if applicable, and you acknowledge that you are not relying on any promises, representations or agreements about us or the franchise not expressly contained in this Agreement in making your decision to sign this Agreement;

**16.11.3** you have the full legal power authority and legal right to enter into this Agreement;

**16.11.4** this Agreement constitutes a legal, valid and binding obligation and your entry into, performance and observation of this Agreement will not constitute a breach or default of any agreement to which you are a party or of any Law;

**16.11.5** if you are a corporation, limited liability company, or other entity, you are, and throughout the Term will be, duly formed and validly existing, in good standing in the Territory in which you are organized, and are and will be authorized to do business in the Territory in which the Hotel is located;

**16.11.6** no Equity Interest has been issued, converted to, or is held as, bearer shares or any other form of ownership, for which there is no traceable record of the identity of the legal and beneficial owner of such Equity Interest; and

**16.11.7** you hereby indemnify and hold us harmless from any breach of these representations and warranties, which will survive the termination of this Agreement.

**16.12 Counterparts.** This Agreement may be signed in counterparts, each of which will be considered an original, and the Parties agree to conduct the transaction by electronic means.

**16.13 Sanctioned Persons and Anti-bribery Representations and Warranties**

**16.13.1** You represent, warrant and covenant to us and our Affiliates, on a continuing basis, that:

**16.13.1.1** neither you, nor any Person having Control over you or the Hotel, is a Sanctioned Person;

**16.13.1.2** you have not and will not obtain, receive, transfer or provide any funds, property, debt, equity, or other financing related to this Agreement and the Hotel or Hotel Site to/from a Sanctioned Person;

**16.13.1.3** neither you nor any Person having Control over you or the Hotel, has been convicted of, pleaded guilty to, or 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;

**16.13.1.4** any funds received or paid in connection with entry into or performance of this Agreement have not been and will not be derived from illegal sources or activities, or commingled with illegal funds, and that you are not engaging in this transaction in furtherance of a criminal act;

**16.13.1.5** in preparation for and in entering into this Agreement, neither you nor any Person having Control over you or the Hotel, has made any Improper Payment or engaged in any acts or transactions otherwise in violation of any applicable Anti-Corruption Laws, and, in connection with this Agreement or the performance of your obligations under this Agreement, neither you nor any Person having Control over you or the Hotel will directly or indirectly make, offer to make, or authorize any Improper Payment or engage in any acts or transactions otherwise in violation of any applicable Anti-Corruption Laws;

**16.13.1.6** neither you, nor any Person having Control over you or the Hotel who may be considered a Government Entity or Government Official, improperly uses their status or position to influence official actions or decisions or to secure any improper advantages to or for the benefit of the Hotel or us; and

**16.13.1.7** you will assure that your respective appointed agents (including any Management Company) in relation to this Agreement comply in all material respects with the representations, warranties, and covenants described in this Subsection 16.13.

**16.13.2** You will notify us in writing immediately on the occurrence of any event which would render the foregoing representations and warranties of this Subsection 16.13 incorrect.

**16.13.3** If we believe that you may not be in compliance with any of the covenants, representations and warranties set forth in this Subsection 16.13, we will advise you of our belief, and you must (a) cooperate with any and all reasonable information and documentation requests and inquiries, including requests for execution of certificates of compliance, and (b) permit, on reasonable prior notice, at all reasonable times, inspection of the books and records pertaining to the development, ownership, management, and use of the Hotel.

**16.14 Attorneys' Fees and Costs.** If either Party is required to employ legal counsel or to incur other expenses to enforce any provision of this Agreement or defend any claim by the other, then the prevailing Party in any resulting dispute will be entitled to recover from the non-prevailing Party the amount of all reasonable fees of attorneys and experts, court costs, and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding.

**16.15 Interest.** Any sum owed to us or our Affiliates by you or paid by us or our Affiliates on your behalf will bear interest from the date due until paid by you at the rate of eighteen percent (18%) per annum or, if lower, the maximum lawful rate.

**16.16 Successors and Assigns.** The terms and provisions of this Agreement will inure to the benefit of and be binding on the permitted successors and assigns of the Parties.

**16.17 Our Delegation of Rights and Responsibility.** In addition to the rights granted to us in Section 4 and Subsection 12.1 of this Agreement, we reserve the right to delegate to one or more of our Affiliates at any time, any and all of our rights, obligations or requirements under this Agreement, and to require that you submit any relevant materials and documents otherwise requiring approval by us under this Agreement to such Affiliates, in which case approval by such Affiliates will be conclusively deemed to be approval by us. During the period of such delegation or designation, any act or direction by such Affiliates with respect to this Agreement will be deemed the act or direction of us. We may revoke any such delegation or designation at any time. You acknowledge and agree that such delegation may result in one or more of our Affiliates which operate, license, or otherwise support brands other than the Brand, exercising or performing on our behalf any or all rights, obligations or requirements under this Agreement or performing shared services on our behalf.

**16.18 Currency.** Unless otherwise expressly specified, all references to amounts in this Agreement are deemed to be references to U. S. Dollars (legal currency of the United States of America). Furthermore, all amounts payable hereunder will be paid in U. S. Dollars, unless we specify otherwise.

**16.19 English Language.** This Agreement is entered into in English. In the event any party translates this Agreement into any other language, the English version shall control for all purposes.

**16.20 Confidentiality of Negotiated Terms.** You agree that you will not disclose to any Person the content of any negotiated terms of this Agreement or Your Hotel Agreements without our prior consent except: (1) as required by Law; (2) as may be required in any legal proceedings; and (3) to those of your officers, directors, managers, members, shareholders, employees, attorneys, accountants, agents or lenders to the extent necessary for the operation or financing of the Hotel, and only if you inform such Persons of the confidentiality of the negotiated provisions. Any disclosure of negotiated terms by you, or by any such Persons, without our consent will be deemed a default under this Agreement.

## **17.0 WAIVER OF JURY TRIAL AND PUNITIVE DAMAGES**

**17.1** IF EITHER PARTY INITIATES LITIGATION INVOLVING THIS AGREEMENT OR ANY ASPECT OF THE RELATIONSHIP BETWEEN THE PARTIES (EVEN IF OTHER PARTIES OR OTHER CLAIMS ARE INCLUDED IN SUCH LITIGATION), ALL THE PARTIES WAIVE THEIR RIGHT TO A TRIAL BY JURY.

**17.2** IN ANY DISPUTE BETWEEN THE PARTIES, ARISING OUT OF OR RELATED TO THIS AGREEMENT, ANY BREACH OF THIS AGREEMENT, OR THE RELATIONSHIP BETWEEN THE PARTIES, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, ALL PARTIES WAIVE ANY RIGHT THEY MAY HAVE TO PUNITIVE OR EXEMPLARY DAMAGES FROM THE OTHER. NOTHING IN THIS SECTION LIMITS OUR RIGHT OR THE RIGHT OF AN INDEMNIFIED PARTY TO BE INDEMNIFIED AGAINST THE PAYMENT OF PUNITIVE OR EXEMPLARY DAMAGES TO A THIRD PARTY. **[SELECT FOR ALL BRANDS EXCEPT OL: THE PARTIES ACKNOWLEDGE THAT LIQUIDATED DAMAGES PAYABLE BY YOU UNDER THIS AGREEMENT (WHETHER PRE-OPENING LIQUIDATED DAMAGES OR LIQUIDATED DAMAGES FOR EARLY TERMINATION) ARE NOT PUNITIVE OR EXEMPLARY DAMAGES.] [SELECT FOR OL: THE PARTIES ACKNOWLEDGE THAT ANY LIQUIDATED DAMAGES OR TERMINATION FEE PAYABLE BY YOU UNDER THIS AGREEMENT (WHETHER PRE-OPENING LIQUIDATED DAMAGES OR A TERMINATION FEE FOR EARLY TERMINATION) ARE NOT PUNITIVE OR EXEMPLARY DAMAGES.]**

## **18.0 ARTICLE 142 OF THE INDUSTRIAL PROPERTY LAW OF MEXICO**

**18.1** The geographical zone in which you shall perform the activities which constitute the subject matter of the Agreement are described in Section 1 (definition of Hotel and Territory), Section 2 and the Addendum, subject to those rights retained by us in Section 2 of this Agreement.

**18.2** The ideal site from which you shall perform the activities that are the subject of this Agreement shall generally be located in a major metropolitan area, tourist center, business district, a

location specifically zoned for the operation of a hotel, or in close proximity to an international airport, and shall have: (i) at least one restaurant facility; (ii) the initial number of guest rooms specified on the Addendum; (iii) the agreed minimum amount of meeting or conference space; and (iv) the minimum infrastructure and design specifications as set forth in Sections 5.1.4, 5.1.18, 6.1.2, 6.2, 6.3, 6.5, 6.6 and 9.2 of this Agreement and the Manual, as periodically modified by us. However, we evaluate proposed sites on a case-by-case basis and may, in our discretion, approve a site that deviates from these ideal characteristics if business circumstances warrant.

**18.3** The policies with respect to inventory and provisions in connection with merchandise supply and engagement of vendors are set forth in Sections 4.7, 5.1.3, 6.1.1 and 6.5 and are further established in the Manual, as periodically modified by us. Our policies with respect to marketing and advertising are set forth in Sections 4.4, 5.1.7, 5.1.13, 5.1.18, 5.1.20, 5.1.28, 9.3, 9.5, and 12.0, and as further established in the Manual, as periodically modified by us.

**18.4** The policies and procedures and terms in relation to reimbursements, financing and other consideration to be paid by the parties are set forth in Sections 5.1.8, 5.1.12, 5.1.19, 5.1.20, 6.4.2, 6.4.3, 6.4.4, 6.6.3, 8.1, 8.2, 8.3, 8.4, 8.5, 10.3, 12.2, 12.3 and 13.4, 13.5, and the Franchise Application and the Addendum, and as further established in the Manual, as periodically modified by us. We do not provide any financing to you.

**18.5** We do not have any policies and procedures pursuant to which we govern the profit margin or commissions earned by you. Your ability to earn commission or generate a profit margin is determined by the manner in which you operate the Hotel and the prevailing market forces where the Hotel is located (e.g., expenses you incur and prices you charge in your market). We do not have any restrictions on "commissions" or "profit margins" and you are able to earn as much as the relevant market will allow, so long as you are operating the Hotel in compliance with the terms of this Agreement and the Manual, as periodically modified by us.

**18.6** The technical and operational training specifications for your personnel and the method whereby we will provide technical assistance are set forth in Section 4 of this Agreement and in the Manual, as periodically modified by us.

**18.7** The criteria, methods and procedures for supervision, information, evaluation and rating performance and quality of services of the parties are as follows:

**18.7.1** Our rights with respect to the supervision, information, evaluation and rating performance and quality of services are provided for in Sections 4.3, 4.5, 6.4.2, 10.1, and 10.3 of this Agreement.

**18.7.2** You may, but are not obligated to, perform an informational evaluation of the services provided by us under this Agreement within fifteen (15) calendar days after each anniversary of the date of the Effective Date of this Agreement. The results of our evaluation and supervision shall be for informational purposes only and may be used by us, in our discretion, to assist us in improving our franchise system generally and/or our working relationship with you. We are not obligated to respond or react to the information received from you. The results of your evaluation and supervision shall not constitute evidence of a breach by us of any of our obligations under this Agreement nor shall they entitle you to terminate or rescind this Agreement for any reason.

**18.8** You do not have the right to sublicense or subfranchise the right to use the Marks or any other right or benefit derived from this Agreement.

**18.9** The parties acknowledge that the causes set forth in Section 14 shall be good and just causes for termination or rescission of this Agreement.

**18.10** This Agreement may only be revised and/or amended in accordance with Sections 16.4 and 16.5 of the Agreement.

## 19.0 NOTICE OF INTENT TO MARKET

Except in the case of a Transfer governed by Subsection 13.2.1 of this Agreement, if you or a Controlling Affiliate want to Transfer any Equity Interest, you must give us written notice, concurrently with beginning your marketing efforts.

## [20.0 KEY MONEY/DEVELOPMENT INCENTIVE NOTE

You and any co-makers must execute the Development Incentive Note attached to this Agreement as Exhibit [ ] contemporaneously with your execution of this Agreement. We will pay to you [ ] Dollars (\$ ) as a development incentive within thirty (30) days after you open the Hotel with our consent if: (a) there have been no material adverse changes in your business, finances, legal, litigation, or bankruptcy status since approval; (b) you have completed any PIP; and (c) you paid the Franchise Application Fee.

In connection with this Agreement or the performance of its obligations under this Agreement, you will not use any portion of the development incentive to make, provide, offer to make, or authorize, directly or indirectly, an Improper Payment or engage in any acts or transactions otherwise violating any Anti-Corruption Laws. If we have any basis for a reasonable belief that you have used the development incentive in violation of any Anti-Corruption Laws, we will advise you of this belief and you will cooperate with any and all reasonable information and document requests and inquiries, including requests for execution of certificates of compliance, and permit, on reasonable prior notice, at all reasonable times, inspection of the books and records pertaining to the development, ownership, management and use of the Hotel.

This Agreement continues with an Addendum, which is part of the Agreement.

## ADDENDUM TO FRANCHISE AGREEMENT

Effective Date:

Facility Number:

Franchisor Name:

**HILTON WORLDWIDE MANAGE LIMITED**

Brand:

**[SELECT:**

**Canopy**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards. The Brand does not mean Hilton Worldwide, its Affiliates, or any other brands, product lines, or chains of hotels that include the words “Canopy” or “Hilton” as any part of their brand name.

**Canopy by Hilton**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards. The Brand does not mean Hilton Worldwide, its Affiliates, or any other brands, product lines, or chains of hotels that include the words “Canopy” or “Hilton” as any part of their brand name.

**Curio Collection by Hilton**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards. The Brand does not mean Hilton Worldwide, its Affiliates, or any other brands, product lines, or chains of hotels that include the words “Curio,” “Collection,” or “Hilton” as any part of their brand name.

**DoubleTree by Hilton**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards. The Brand does not mean Hilton Worldwide, its Affiliates, or any other brands, product lines, or chains of hotels that include the words “DoubleTree” or “Hilton” as any part of their brand name.

**DoubleTree Suites by Hilton**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards. The Brand does not mean Hilton Worldwide, its Affiliates, or any other brands, product lines, or chains of hotels that include the words “DoubleTree,” “Suites,” or “Hilton” as any part of their brand name.

**Embassy Suites**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards. The Brand does not mean Hilton Worldwide, its Affiliates, or any other brands, product lines, or chains of hotels that include the words “Embassy,” “Suites,” or “Hilton” as any part of their brand name.

**Embassy Suites by Hilton**, as that name is used to identify the chain of hotels operated under the same Chain Code and



Standards. The Brand does not mean Hilton Worldwide, its Affiliates, or any other brands, product lines, or chains of hotels that include the words “Embassy,” “Suites,” or “Hilton” as any part of their brand name.

**Hampton Inn by Hilton**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards. The Brand does not mean Hilton Worldwide, its Affiliates, or any other brands, product lines, or chains of hotels that include the words “Hampton” or “Hilton” as any part of their brand name.

**Hampton Inn & Suites by Hilton**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards. The Brand does not mean Hilton Worldwide, its Affiliates, or any other brands, product lines, or chains of hotels that include the words “Hampton,” “Suites,” or “Hilton” as any part of their brand name.

**Hilton**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards. The Brand does not mean Hilton Worldwide, its Affiliates, or any other brands, product lines, or chains of hotels that include the word “Hilton” as any part of their brand name.

**Hilton Garden Inn**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards. The Brand does not mean Hilton Worldwide, its Affiliates, or any other chains of hotels that include the word “Hilton” as any part of their brand name.

**Home2 Suites by Hilton**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards. The Brand does not mean Hilton Worldwide, its Affiliates, or any other brands, product lines, or chains of hotels that include the words “Home,” “Suites,” or “Hilton” as any part of their brand name.

**Homewood Suites by Hilton**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards. The Brand does not mean Hilton Worldwide, its Affiliates, or any other brands, product lines, or chains of hotels that include the words “Home,” “Suites,” or “Hilton” as any part of their brand name.

**LXR**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards. The Brand does not mean Hilton Worldwide, its Affiliates, or any other brands, product lines, or chains of hotels that include the initials or words “LXR” or “Hilton” as any part of their brand name.

**Motto by Hilton**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards.

The Brand does not mean Hilton Worldwide, its Affiliates, or any other brands, product lines, or chains of hotels that include the words "Motto" or "Hilton" as any part of their brand name.

**Tapestry Collection by Hilton**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards. The Brand does not mean Hilton Worldwide, its Affiliates, or any other brands, product lines, or chains of hotels that include the words "Tapestry," "Collection," or "Hilton" as any part of their brand name.

**Tempo by Hilton**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards. The Brand does not mean Hilton Worldwide, its Affiliates, or any other chains of hotels that include the word "Tempo" or "Hilton" as any part of their brand name.

**Tru by Hilton**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards. The Brand does not mean Hilton Worldwide, its Affiliates, or any other brands, product lines, or chains of hotels that include the words "Tru" or "Hilton" as any part of their brand name.

Initial Approved Hotel Name (Trade Name):

Principal Mark in Brand:

**SELECT**  
**Canopy**

**Curio**

**DoubleTree**

**Embassy**

**Hampton**

**SELECT FOR HFS HGI: Hilton**

**Home2**

**Homewood**

**LXR**

**Motto**

**Tapestry**

**Tempo**

**Tru**

Franchisee Name and Address  
(Attn: Principal Legal  
Correspondent):

Address of Hotel:

Initial Number of Approved Guest  
Rooms:

Plans Submission Dates:

Preliminary Plans:

[Due four (4) months from the Effective Date]

Design Development (50%)  
Plans and Specifications:

[Due eight (8) months from the Effective Date]

Final (100%) Plans and  
Specifications:

[Due twelve (12) months from the Effective Date]

Construction Commencement Date:

[HAM, HGI, H2, HWS, PO, RU, UAB] [Due Fifteen (15)  
months from the Effective Date]

[DT, ES, HFS, OL, PY, QQ, UP] [Due Sixteen (16) months  
from the Effective Date]

**[If Adaptive Reuse, include:**

For the Hotel to be considered under construction, you must have: (a) submitted final plans to us, (b) received our approval of your final plans, (c) submitted to us a building permit for Hotel construction, and (d) substantially completed, to our satisfaction: (i) exterior demolition, if applicable, and (ii) interior demolition and construction of new permanent interior walls.

Construction Work Completion  
Date:

HAM, H2, RU UAB [Due twenty-seven (27) months from  
the Effective Date]

HGI, HWS, PO [Due thirty (30) months from the Effective  
Date]

DT, ES, HFS, OL, PY, QQ, UP [Due thirty-six (36) months  
from the Effective Date]

Renovation Commencement Date:

[

Renovation Work Completion Date:

[

Expiration Date:

**SELECT:**

New Construction – At midnight on the last day of the month [HAM, HGI, H2, HWS, PO, UAB RU: twenty-two (22) years from the [SELECT: Effective Date] [Opening Date] [DT, ES, HFS, OL, PY, QQ, UP: twenty-three (23) years from the [SELECT: Effective Date] [Opening Date]

Conversion – At midnight on the last day of the month  
**SELECT:** ten (10) to twenty (20) years from the Opening  
Date

**Change of Ownership – Remaining Term under the existing franchise agreement**

Franchise Application Fee:

Monthly Fees:

Monthly Program Fee:

**Four percent (4%) of the Hotel's Gross Rooms Revenue for the preceding calendar month.**

**ONLY FOR HWS**

**Three and one half percent (3.5%) of the Hotel's Gross Rooms Revenue for the preceding calendar month.**

**ONLY FOR RU**

**Three percent (3%) of the Hotel's Gross Rooms Revenue for the preceding calendar month.**

**ALWAYS INCLUDE:** The Monthly Program Fee is subject to change by us. Any change may be established in the Standards, but the rate will not exceed the standard Monthly Program Fee as of the Effective Date plus one percent (1%) of the Hotel's Gross Rooms Revenue during the Term.

Monthly Food and Beverage Fee:

**ONLY FOR HFS**

**Three percent (3%) of the Hotel's Gross Food and Beverage Revenue for the preceding calendar month**

Monthly Royalty Fee:

**[ALL BRANDS EXCEPT HGI and HWS] Five percent (5%) of the Hotel's Gross Rooms Revenue for the preceding calendar month.**

**ONLY FOR HGI**

**Five and one-half percent (5.5%) of the Hotel's Gross Rooms Revenue for the preceding calendar month.**

**ONLY FOR HWS**

**Four percent (4%) of the Hotel's Gross Rooms Revenue for the preceding calendar month.**

**Additional Requirements/Special Provisions [Section #]:**

**Restricted Area Provision**

Notwithstanding the provisions of Section 2 of this Agreement, from the Effective Date until midnight on the day before the \_\_\_\_ anniversary of the **[SELECT: Effective Date (being \_\_\_\_\_)] OR [Opening Date, but in no event later than \_\_\_\_\_]** ("Restrictive Period"), neither we nor any of our Affiliates will open, or allow to open, a hotel or motel under the Brand, as such Brand name may be periodically changed by us, within a **[SELECT \_\_\_\_\_]** mile radius of the Hotel, the center point of which is the front door of the Hotel ("Restricted Area"). **[SELECT \_\_\_\_\_]** Restricted Area described as follows, and as set forth on Exhibit [\_\_]: **[INSERT DESCRIPTION.]**

This restriction does not apply to any hotel or motel that is currently open or under construction or has been approved for development or opening as a Brand hotel as of the Effective Date ("**Existing Hotel**"). The term Existing Hotel also includes any hotel located or to be located within the Restricted Area that replaces

such Existing Hotel under the Brand. The restrictions also do not apply to any: (1) hotel(s) or motel(s) under brands other than the Brand; (2) hotel(s) or motel(s) that will not begin operating under the Brand until after the expiration of the Restrictive Period; (3) gaming-oriented hotels or facilities using the Brand; (4) shared ownership properties (commonly known as “vacation ownership” or “time share ownership” or similar real estate properties) under the Brand; and (5) hotel(s), motel(s), or inn(s) that are part of a chain or group of four (4) or more hotels, motels, or inns that we or our Affiliates, as a result of a single transaction or group of related transactions, own, operate, acquire, lease, manage, franchise, license, or join through a merger, acquisition or marketing agreement (or otherwise), whether under their existing name or the Brand name or any other name. **[INSERT FOR HFS: You acknowledge and agree that this restriction does not apply to any “Signia Hilton” or “Signia by Hilton” brand hotel.]**

**[IF HAM/HIS USE THIS RAB LANGUAGE INSTEAD]**

**Restricted Area Provision**

Notwithstanding the provisions of Section 2 of this Agreement, from the Effective Date until midnight on the day before the \_\_\_\_ anniversary of the **[SELECT: Effective Date (being \_\_\_\_\_)]** **OR [Opening Date, but in no event later than \_\_\_\_\_]** (“Restrictive Period”), neither we nor any of our Affiliates will open, or allow to open, a hotel or motel under the Hampton, Hampton Inn or Hampton Inn & Suites brands (collectively, “Restricted Brands”), as such Restricted Brands’ names may be periodically changed by us, within a **[SELECT \_\_\_\_\_]** mile radius of the Hotel, the center point of which is the front door of the Hotel (“Restricted Area”). **[SELECT \_\_\_\_\_]** Restricted Area described as follows, and as set forth on Exhibit [\_\_\_\_]: **[INSERT DESCRIPTION.]**

This restriction does not apply to any hotel or motel that is currently open or under construction or has been approved for development or opening as a Restricted Brands hotel as of the Effective Date (“Existing Hotel”). The term Existing Hotel also includes any hotel located or to be located within the Restricted Area that replaces such Existing Hotel under the Restricted Brands. The restrictions also do not apply to any: (1) hotel(s) or motel(s) under brands other than the Restricted Brands; (2) hotel(s) or motel(s) that will not begin operating under the Restricted Brands until after the expiration of the Restrictive Period; (3) gaming-oriented hotels or facilities using the Restricted Brands; (4) shared ownership properties (commonly known as “vacation ownership” or “time share ownership” or similar real estate properties) under the Restricted Brands; and (5) hotel(s), motel(s), or inn(s) that are part of a chain or group of four (4) or more hotels, motels, or inns that we or our Affiliates, as a result of a single transaction or group of related transactions, own, operate, acquire, lease, manage, franchise, license, or join through a merger, acquisition or marketing agreement (or otherwise), whether under their existing name or the Restricted Brands name or any other name.

**[IF SITE CONTROL NOT CONFIRMED ON EFFECTIVE DATE: Before commencement of Construction Work, but not later than the Construction Work Completion Date, you must submit to us evidence satisfactory to us showing your title to, or long term possessory interest in, the real property on which the Hotel will be sited (i.e. a conformed copy of the deed, or ground lease submitted for recording, or like document) in accordance with Subsections 5.1.15 and 5.1.16 of the Agreement.**

**[IF TIC: You acknowledge and agree that: (1) each of you is jointly, severally, individually and collectively responsible for the Franchisee’s obligations under this Agreement; (2) your obligations and liability to us is not limited by your tenant-in-common structure; (3) the transfer provisions of this Agreement apply to each of you; (4) [\_\_\_\_\_] is deemed to be your Controlling Affiliate; and (5) the Hotel has a single designated Principal Legal Correspondent, as named above, whom we will notify for all purposes under this Agreement.**

**FOR CONVERSION ONLY:**

**Existing Third-Party Agreement.** You acknowledge and agree that (i) your right to operate the Hotel under the Brand will not become effective until after the existing third-party franchise (or similar) agreement for this Hotel, if any, has terminated or expired and (ii) you are solely responsible for ensuring that any such agreement has terminated or expired on or before the Opening Date.

**FOR RE-LICENSING ONLY:**

**Amendment and Restatement.** This Agreement replaces that certain franchise agreement dated as of **[INSERT DATE]** (as amended, collectively, the “**Original Agreement**”) by and between us (or our Affiliate) and you (or your Affiliate) with respect to the Hotel. The Original Agreement will be superseded and have no further force or effect as of the Effective Date of this Agreement except those provisions expressly intended to survive termination or expiration of the Original Agreement. To the extent there are outstanding obligations to us or our Affiliates under the Original Agreement, you acknowledge and agree that you are directly responsible, jointly and severally, for all such obligations under the Original Agreement existing at or accruing after the execution of this Agreement.

**FOR CHANGE OF OWNERSHIP TRANSACTIONS ONLY:**

**Obligations of Prior Franchisee.** You acknowledge and agree that you are directly responsible for, and will pay on demand, all fees and charges due and owing us and our Affiliates related to the prior franchise agreement for the Hotel if any such fees and charges remain outstanding as of or accrue after the Effective Date of this Agreement.

**Your Ownership Structure: See Attached Schedule 1**

**TO BE ADDED IF FRANCHISEE'S AFFILIATE IS THE FEE TITLE OWNER, LESSOR OR SUBLESSOR OF THE HOTEL OR THE HOTEL SITE:**

**Ownership Structure of Affiliate Fee Owner or Lessor/Sublessor of the Hotel or Hotel Site:**  
**See Attached Schedule 2**

**[IF APPLICABLE EXHIBIT – PROPERTY IMPROVEMENT PLAN**

**[ONLY IF GRANTED AND NOT A RADIUS EXHIBIT \_ RESTRICTED AREA MAP**

**[IF KEY MONEY EXHIBIT – DEVELOPMENT INCENTIVE NOTE**

**[IF APPLICABLE EXHIBIT – SHARED FACILITIES ADDENDUM TO FRANCHISE AGREEMENT**

**IN WITNESS WHEREOF**, the Parties have executed this Agreement, which has been entered into and is effective as of the Effective Date set forth above.

**FRANCHISEE:**

[INSERT FRANCHISEE ENTITY],  
a [INSERT TYPE OF ENTITY]

**FRANCHISOR:**

HILTON WORLDWIDE MANAGE LIMITED,  
a limited company formed under the laws of  
England and Wales

Name: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Executed on: \_\_\_\_\_

Executed on: \_\_\_\_\_

**SCHEDULE 1**

**Your Ownership Structure:**

<b>Name (Shareholder, Partner, Member and Manager)</b>	<b>Nature of Ownership Interest</b>	<b>% Interest</b>	<b>% Interest</b>	<b>% Interest</b>	<b>% Interest</b>



## SCHEDULE 2

### Ownership Structure of Affiliate Fee Owner or Lessor/Sublessor of the Hotel or Hotel Site:

<b>Name (Shareholder, Partner, Member and Manager)</b>	<b>Nature of Ownership Interest</b>	<b>% Interest</b>	<b>% Interest</b>	<b>% Interest</b>	<b>% Interest</b>

EXHIBIT - \_\_\_\_

**SHARED FACILITIES ADDENDUM TO FRANCHISE AGREEMENT**

You and we are parties to a franchise agreement dated \_\_\_\_\_ (“**Agreement**”), which provides, among other things, for the operation of the (proposed) [Insert Hotel #1 name \_\_\_\_\_] hotel located or to be located at [Insert Hotel #1 address \_\_\_\_\_] (“**Hotel**”).

You (or your Affiliate) and we are also parties to a franchise agreement dated \_\_\_\_\_ (“[Insert Brand #2 \_\_\_\_\_] **Agreement**”) for the operation of the (proposed) [Insert Hotel #2 name \_\_\_\_\_] hotel located or to be located at [Insert Hotel #2 address \_\_\_\_\_] (“[Insert Brand #2 \_\_\_\_\_] **Hotel**”).

You requested that the Hotel and the [Insert Hotel #2 \_\_\_\_\_] Hotel (collectively, “**Sharing Hotels**”), which are [or, will be] [Select: part of the same building structure or located in buildings adjacent to one another,] be permitted to jointly utilize certain shared hotel facilities and offer to their guests the use of certain shared amenities (“**Shared Facilities**”) in accordance with the terms of this Addendum (“**Shared Facilities Arrangement**”).

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, you and we agree that the following provisions are incorporated into and made a part of the Agreement:

- 1) We give our consent for the Hotel and the [Hotel #2] Hotel to jointly utilize the Shared Facilities identified during our review and approval of the Plans and Designs for the Hotel and the [Hotel #2] Hotel.
- 2) Our consent is contingent upon you (or your Affiliate) executing a Shared Facilities Addendum to the [Hotel #2] Agreement on the same terms contained in this Addendum.
- 3) We expressly reserve the right to withdraw our consent and, on notice, require you to discontinue the Shared Facilities Arrangement if:
  - a) we determine that such participation is detrimental to the operation of the Hotel, the guest experience, or the goodwill and reputation of the Brand and/or the Marks;
  - b) any of the Shared Facilities fail to meet System Standards as set forth under the Agreement and/or the [Hotel #2] Agreement;
  - c) either the Agreement or the [Hotel #2] Agreement is terminated for any reason;
  - d) You Transfer a controlling Equity Interest in you, the Hotel Site, or the Agreement, without simultaneously selling, leasing, assigning, or Transferring a controlling Equity Interest in you (or your Affiliate controlling [Hotel # 2] Hotel), the [Hotel # 2] Hotel Site, or the [Hotel # 2] Agreement, to the same transferee or a transferee under common control with such transferee. Any Transfers are subject to the Transfer provisions of the Agreement. Failure to comply with the Transfer provisions is a material breach of the Agreement.

If we withdraw our consent pursuant to this paragraph, to the extent that the Shared Facilities are part of Standards, you shall immediately make arrangements to either procure the Shared Facilities, or to construct comparable facilities and amenities, for the exclusive use of the Hotel. Your failure to procure the Shared Facilities or construct comparable facilities and amenities to meet Standards is deemed to be a default that may result in the termination of the Agreement. If the Shared Facilities are no longer a part of the Hotel, you are responsible for immediately removing any Marks or distinctive System features associated with the Brand from any of the Shared Facilities that are accessible to or visible by Hotel guests, and removing all other indicia that the Hotel had joint possession or use of the Shared Facilities with the [Hotel # 2] Hotel.

- 4) So long as the Shared Facilities Arrangement is in place, any new franchise agreement executed in connection with a Transfer, or any successor franchise agreement executed between you and us must contain the provisions set forth in this Addendum. You acknowledge and agree that your refusal to include these restrictions in a successor franchise agreement will constitute a valid and reasonable basis for us to refuse to grant such successor franchise agreement. You acknowledge and agree that a proposed transferee's refusal to include these restrictions in a new franchise agreement will constitute a valid and reasonable basis for us to deny our consent to such Change of Ownership Transfer.
- 5) You acknowledge and agree that any Default under the [Hotel #2] Agreement shall constitute a simultaneous Default of the Agreement, and termination of the [Hotel #2] Agreement pursuant to such Default shall constitute a valid basis for termination of the Agreement.
- 6) All questions with respect to the construction of this Addendum and the rights and liabilities of the parties under this Addendum shall be governed by the internal laws of the state designated in the Agreement. A breach of any provision of this Addendum is a breach of the Agreement. Any action or proceeding related to or arising out of this Addendum shall be submitted and resolved exclusively by a court of competent jurisdiction located in the forum designated in the Agreement.
- 7) All capitalized terms not expressly defined in this Addendum shall have the meanings set forth in the Agreement. Except as expressly modified by this Addendum, the Agreement remains unmodified and in full force and effect.
- 8) This Addendum may be executed in counterparts, and delivered by facsimile or other electronic transmission, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**FRANCHISEE:**

[INSERT FRANCHISEE ENTITY],  
a [INSERT TYPE OF ENTITY]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Executed on: \_\_\_\_\_

**FRANCHISOR:**

HILTON WORLDWIDE MANAGE LIMITED,  
a limited company formed under the laws of  
England and Wales

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: Authorized Signatory

Executed on: \_\_\_\_\_

# **EXHIBIT B**

## GUARANTY OF FRANCHISE AGREEMENT

[INSERT Hotel Name]

[THE BRACKETED LANGUAGE IS INSERTED FOR A SITE RELATED GUARANTY WITH TENANT-IN-COMMON (TIC) OWNERSHIP]

THIS GUARANTY OF FRANCHISE AGREEMENT (“**Guaranty**”) is executed as of [insert date] (“**Effective Date**”) by \_\_\_\_\_, [SELECT ONE: a[ n ] [insert jurisdiction of formation and type of entity] [ individually ] (“**Guarantor**”) [IF INDIVIDUAL, SELECT ONE: herein represented by \_\_\_\_\_, its attorney-in-fact, OR by his own right ], in favor of HILTON WORLDWIDE MANAGE LIMITED, a limited company formed under the laws of England and Wales (“**Franchisor**”), [confirm Franchisor entity] as consideration of and as an inducement to Franchisor to execute the franchise agreement with an Effective Date of [insert date] (with all applicable amendments, addenda, riders, supplemental agreements and assignments collectively referred to as the “**Franchise Agreement**”), by and between Franchisor and [INSERT FRANCHISEE ENTITY NAME], a[ n ] [insert jurisdiction of formation and type of entity] (“**Franchisee**”), whereby Franchisor will grant or has granted Franchisee a non-exclusive license to use the Marks and the System to operate a Brand Hotel. Capitalized terms not otherwise defined in this Guaranty shall have the same meaning as in the Franchise Agreement. Guarantor hereby represents and agrees as follows:

[WHEREAS, Guarantor has represented that it owns a tenant-in-common interest in the real property and improvements comprising (or that will comprise) the Hotel (the “**Property**”);]

**1. Guaranty.** Guarantor hereby unconditionally and irrevocably [, jointly, severally, individually and collectively,] guaranties to Franchisor: (a) the full and prompt payment of all sums owed by Franchisee to Franchisor and to Franchisor’s Affiliates under the Franchise Agreement, any related agreements, and otherwise relating to the Hotel, including, but not limited to, all fees and charges, interest, default interest, and other costs and fees (including, without limitation, attorneys’ fees in connection with enforcement of the Franchise Agreement; and (b) the performance of all other obligations of Franchisee arising under the Franchise Agreement and any related agreements (collectively, the “**Obligations**”). On default by Franchisee and notice from Franchisor to Guarantor, Guarantor will immediately make payment in full of all amounts due and owing to Franchisor or Franchisor’s Affiliates, and perform each Obligation of Franchisee.

**2. Waivers of Certain Rights and Defenses.** Each Guarantor waives any and all: (a) rights Guarantor may have to require that an action be brought against Franchisee or any other person as a condition of Guarantor’s liability under this Guaranty; (b) rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of Guarantor’s execution of and performance under this Guaranty; (c) laws or statutes which requires that Franchisor make demand on, assert claims against or collect from Franchisee or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any others before making any demand on, collecting from or taking any action against Guarantor under or with respect to this Guaranty; (d) counterclaims or offsets to which Guarantor might be entitled; (e) challenges to the validity of this Guaranty or the Franchise Agreement; (f) defenses, offsets or claims arising from any governmental action or intervention brought about by a fault or negligence of Guarantor or Franchisee, which wholly or partially frustrates the performance of the Franchise Agreement by Franchisee, or frustrates the purposes for which the Franchise Agreement were entered into; (g) benefits of order, discussion and division and other benefits embodied in articles 2812, 2813, 2814, 2815, 2820, 2823, 2824, 2826, 2844, 2845, 2846, 2847, 2848, 2849 and 2220 of the Civil Code for the Federal District (as they may be amended, replaced, and superseded) and similar articles of the Civil Codes for all other federal states of the Republic of Mexico; and (h) other notices and legal or equitable defenses to which Guarantor may be entitled.

**3. Information Requests.** Guarantor agrees to periodically deliver to Franchisor: (a) complete and current financial information about Guarantor as Franchisor may reasonably request; and (b) any other information about Guarantor that Franchisor reasonably requests.

#### 4. Additional Provisions.

(a) Notices must be in writing and delivered in person, by prepaid overnight commercial delivery service, or by prepaid overnight United States mail, certified, with return-receipt requested, to the following addresses:

If to Franchisor: HILTON WORLDWIDE MANAGE LIMITED  
Maples Court, Central Park,  
Reeds Crescent,  
Watford, Hertfordshire WD24 4QQ UK

If to Guarantor: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Phone: (\_\_\_\_) \_\_\_\_\_  
Fax: (\_\_\_\_) \_\_\_\_\_

If Guarantor wants to change the notice address set forth above, Guarantor shall notify Franchisor in writing in accordance with the delivery procedure set forth in this Subsection. A Notice will be deemed effective on the earlier of: (1) receipt or first refusal of delivery; or (2) one (1) day after posting if sent by overnight commercial delivery service or overnight United States Mail, certified, return receipt requested.

(b) If any provision of this Guaranty is determined by a court of competent jurisdiction to be unenforceable, all of the other provisions will remain effective.

(c) Each Guarantor jointly and severally agrees to hold harmless, indemnify, defend and protect Franchisor from any actions, causes of action, liabilities, damages, losses and fees (including attorneys' fees) and all other claims of every nature which may arise as a result of any dispute between or among any of Guarantors and any other persons or entities.

**[INSERT FOR TIC AND DELETE THE ABOVE 5(c)]** - Guarantor, jointly, severally, individually and collectively, agrees to defend, protect, indemnify and hold harmless, Franchisor from any actions, causes of action, liabilities, damages, losses, and fees (including attorneys' fees) and all other claims of every nature which may arise as a result of any dispute between or among any of Guarantors and any other persons or entities.]

(d) Franchisor may assign this Guaranty without in any way affecting Guarantor's liability. This Guaranty will inure to the benefit of Franchisor and its successors and assigns and will bind Guarantor and Guarantor's heirs, executors, administrators, successors, and assigns.

(e) Each Guarantor warrants and represents to Franchisor that Guarantor has the requisite power to execute, deliver and perform the terms and provision of this Guaranty; that Guarantor has sufficient assets and means to grant and cover the guaranty contained herein; and that this Guaranty is a valid, binding and legally enforceable obligation of each Guarantor in accordance with its terms.

(f) If there is more than one Guarantor named in this Guaranty, any reference to Guarantor will mean any one or all Guarantors. Each Guarantor agrees that all obligations of each Guarantor are joint and several.

(g) No failure or delay on Franchisor's part in exercising any power or privilege under this Guaranty will impair any such power, right or privilege or will not constitute a waiver of its rights under this Guaranty.

(h) Guarantor agrees that Franchisor may, without notice to or consent of Guarantor, and without affecting Guarantor's liability to Franchisor under this Guaranty, on any terms as Franchisor deems advisable: (1) release, exchange, modify or extend, in whole or in part, any period, time or duration of payment or performance on the part of Franchisee under the Franchise Agreement;

(2) reduce, forgive or compromise any claim against Franchisee; or (3) novate or renew the Franchise Agreement. Guarantor hereby ratifies and affirms any such release, exchange, modification, extension, reduction, forgiveness, compromise, novation or renewal, and all such acts shall be binding on Guarantor.

(i) Guarantor represents, warrants and covenants to Franchisor that Guarantor, including its directors, officers, senior management, shareholders and other persons having a controlling interest in Guarantor: (i) is not, and is not owned or controlled by, or acting on behalf of, Sanctioned Persons or, to Guarantor's actual knowledge, otherwise the target of Trade Restrictions; (ii) have not and will not obtain, receive, transfer or provide any funds, property, debt, equity or other financing related to the Franchise Agreement and the Hotel or Hotel Site to/from any entity that qualifies as a Sanctioned Person or, to Guarantor's actual or constructive knowledge, is otherwise the target of any applicable Trade Restrictions; (iii) Guarantor is familiar with the provisions of applicable Anti-Corruption Laws and shall comply with applicable Anti-Corruption Laws in performance of its obligations under or in connection with this Guaranty or the Franchise Agreement; (iv) any funds received or paid in connection with entry into or performance of this Guaranty 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 Territory or the United States, and that Guarantor is not engaging in this transaction in furtherance of a criminal act, including acts in violation of applicable Anti-Corruption Laws; (v) in preparation for and in entering into this Guaranty, Guarantor has not made any Improper Payment or engaged in any acts or transactions otherwise in violation of any applicable Anti-Corruption Laws, and, in connection with this Guaranty or the performance of Guarantor's obligations under this Guaranty, Guarantor will not directly or indirectly make, offer to make, or authorize any Improper Payment or engage in any acts or transactions otherwise in violation of any applicable Anti-Corruption Laws; (vi) except as otherwise disclosed in writing to Franchisor, neither Guarantor, nor any of its direct or indirect shareholders (including legal or beneficial shareholders), officers, directors, employees, agents or other persons designated by Guarantor to act on its behalf or receive any benefit under this Guaranty, is a Government Official; (vii) any statements, oral, written, electronic or otherwise, that Guarantor submits to Franchisor or to any third party in connection with the representations, warranties, and covenants described in this Subsection 5(i) are truthful and accurate and do not contain any materially false or inaccurate statements; (viii) Guarantor will make reasonable efforts to assure that its respective appointed agents in relation to this Guaranty comply in all material respects with the representations, warranties, and covenants described in this Subsection 5(i); and (ix) will notify Franchisor in writing immediately on the occurrence of any event which would render the foregoing representations and warranties of this Subsection 5(i) incorrect.

(j) This Guaranty embodies the entire agreement between Franchisor and Guarantor with respect to the matters set forth in this Guaranty and supersedes all prior agreements with respect to the matters set forth in this Guaranty.

**5. Currency.** All references to money in this Guaranty, unless otherwise specified, shall be in U.S. Dollars, and all amounts payable under this Guaranty shall be paid in U.S. Dollars or such other currency as Franchisor directs.

**6. Governing Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. ¶ 1050 et seq.), as amended, this Guaranty and any and all disputes relating to this Guaranty will be governed by the laws of the State of New York without recourse to New York choice of law or conflicts of law principles; provided, however, that nothing in this Section is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant," unfair competition, fiduciary or any other doctrine of law of the State of New York or any other state that would not otherwise apply absent this Section.

**7. Jurisdiction and Venue.** The parties agree that any action related to this Guaranty shall be brought in the U.S. District Court for the Eastern District of Virginia, in Alexandria, Virginia or, if that court lacks subject matter jurisdiction, then in a court of competent jurisdiction whose jurisdiction includes either Fairfax County, Virginia or New York, New York, or in the county or state where the Hotel is located. Guarantor consents to personal jurisdiction and venue in each of these jurisdictions and waives and agrees not to assert, move or otherwise claim that the venue in any of these jurisdictions is for any reason improper, inconvenient, prejudicial or otherwise inappropriate.

**8. WAIVER OF JURY TRIAL.** GUARANTOR HEREBY WAIVES ITS RIGHT TO A TRIAL BY JURY WITH RESPECT TO THE ENFORCEMENT OF THIS GUARANTY. THIS WAIVER WILL APPLY TO ALL CAUSES OF ACTION THAT ARE OR MIGHT BE INCLUDED IN SUCH ACTION, INCLUDING BUT NOT LIMITED TO CLAIMS RELATING TO THE ENFORCEMENT OR INTERPRETATION OF THIS GUARANTY, ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR SIMILAR CAUSES OF ACTION, AND A CONNECTION WITH ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES ARISING UNDER THIS GUARANTY.

**9. FULL KNOWLEDGE.** EACH GUARANTOR ACKNOWLEDGES THAT GUARANTOR HAD THE OPPORTUNITY TO REVIEW THE FRANCHISE AGREEMENT AND FRANCHISEE'S ABILITY TO PERFORM UNDER THE FRANCHISE AGREEMENT AND THAT FRANCHISOR HAS NO DUTY TO DISCLOSE TO GUARANTOR ANY INFORMATION PERTAINING TO FRANCHISEE. GUARANTOR ACKNOWLEDGES THAT GUARANTOR HAD THE OPPORTUNITY TO READ THIS GUARANTY AND TO REVIEW IT WITH AN ATTORNEY OF GUARANTOR'S CHOICE BEFORE SIGNING; AND THAT GUARANTOR READ AND UNDERSTOOD THE MEANING AND EFFECT OF THIS GUARANTY BEFORE SIGNING IT.

**[INSERT THIS CLAUSE FOR EACH SITE-RELATED GUARANTY (TIC OR OTHERWISE):**

**9. [Possible Termination of Guaranty.** Franchisor will offer Guarantor its then-current standard form termination of guaranty agreement releasing Guarantor from future Obligations under this Guaranty if the following conditions are met: (a) Franchisor receives a copy of the deed evidencing that Franchisee owns fee simple title to the real property on which the Hotel is or will be sited or a copy of a ground lease to which Franchisee is a party with an unrelated third-party ground lessor for a term at least equal to the term of the Franchise Agreement; (b) Guarantor sends a written request to Franchisor to terminate the Guaranty; and (c) at the time of Guarantor's request, Franchisee is in good standing under the Franchise Agreement and has not been in default under the Franchise Agreement at any time during the twenty-four (24) month period before Guarantor's request.]

**IN WITNESS WHEREOF,** [each] Guarantor has executed this Guaranty in triplicate in [INSERT location] as of the Effective Date.

**GUARANTOR:**

[INSERT ENTITY NAME]

a[n] [insert jurisdiction of formation] [insert type of entity]

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**GUARANTOR:**

\_\_\_\_\_

Printed Name: \_\_\_\_\_

**[SELECT ONE:** As Attorney-in-fact ☐ By his/her own right ☐ \_\_\_\_\_



# EXHIBIT C



