



## **HILTON WORLDWIDE FRANCHISING LP**

# **HILTON HOTELS & RESORTS FRANCHISE DISCLOSURE DOCUMENT MEXICO**

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## TABLE OF CONTENTS

I.	NAME, CORPORATE NAME, CORPORATE PURPOSE AND NATIONALITY OF THE FRANCHISOR .....	1
II.	DESCRIPTION OF FRANCHISE .....	2
III.	AGE OF THE ORIGINAL FRANCHISOR'S COMPANY AND, AS APPLICABLE, OF THE MASTER FRANCHISOR IN THE BUSINESS SUBJECT OF THE FRANCHISE .....	2
IV.	INTELLECTUAL PROPERTY RIGHTS INVOLVED IN THE FRANCHISE .....	2
V.	AMOUNTS AND TYPES OF PAYMENT THAT FRANCHISEE MUST PAY FRANCHISOR .....	6
VI.	TYPE OF TECHNICAL ASSISTANCE AND SERVICES THAT FRANCHISOR MUST PROVIDE TO FRANCHISEE .....	26
VII.	GEOGRAPHIC AREA IN WHICH FRANCHISEE WILL OPERATE .....	27
VIII.	FRANCHISEE'S RIGHT TO GRANT SUBFRANCHISES AND THE REQUIREMENTS THAT MUST BE SATISFIED IN ORDER TO DO SO .....	30
IX.	FRANCHISEE'S DUTIES IN CONNECTION WITH PROPRIETARY AND CONFIDENTIAL INFORMATION PROVIDED BY FRANCHISOR .....	30
X.	IN GENERAL, ANY OTHER RIGHTS AND OBLIGATIONS OF FRANCHISEE DERIVING FROM THE EXECUTION OF THE FRANCHISE AGREEMENT .....	30
EXHIBIT A – FRANCHISE AGREEMENT		
EXHIBIT B – GUARANTY OF FRANCHISE AGREEMENT		
EXHIBIT C – RECEIPT		

**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 Franchising LP, the franchisor. “You” means the person who signs the Franchise Agreement – the “franchisee.” If the franchisee will be a corporation, partnership, limited liability company or other entity, “you” also 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 “Hilton” Brand in Mexico. Capitalized words not defined in this Disclosure Document have the meaning set forth in the Franchise Agreement.

We are a United Kingdom limited partnership formed in March 2014. Our principal business and registered office address is Maple Court, Central Park, Reeds Crescent, Watford, Hertfordshire, UK WD24 4QQ and our telephone number is +44 (0)20 7850 4000. In connection with the offer of this franchise, we do business under the name "Hilton."

Our ultimate corporate parent is Hilton Worldwide Holdings Inc., a Delaware corporation formed in March 2010 (“Hilton Worldwide”), and publicly traded (NYSE: HLT) since December 2013. Our indirect corporate parent is Hilton Worldwide, Inc., a Delaware corporation f/k/a Hilton Hotels Corporation (“HHC”) that has conducted a guest lodging business since May 1946. HHC was acquired by BH Hotels LLC, a Delaware limited liability company (“BHH”) controlled by investment funds affiliated with The Blackstone Group L.P., a leading global alternative asset manager and provider of financial advisory services (NYSE: BX) (“Blackstone”) in July 2007. HHC changed its name to Hilton Worldwide, Inc. (“HWI”), effective December 10, 2009. The principal business address of our parents is 7930 Jones Branch Drive, Suite 1100, McLean, VA 22102 USA.

Our affiliate Hilton Franchise LLC, a Delaware limited liability company formed in September 2007, has been the franchisor of Hilton hotels within the fifty states of the United States of America, its Territories and the District of Columbia (“United States”) since October 27, 2007.

Our predecessor as the franchisor of Hilton brand hotels for all hotels outside the United States is Hilton International Franchise LLC, a Delaware limited liability company formed in September 2007 (“HIF”). HIF offered franchises for Hilton brand hotels for all locations outside the United States from October 2007 through June 2014.

Our predecessor as the franchisor of the Hilton brand hotels in Canada, Mexico, Central America, South America, and the Caribbean (collectively, “the Americas excluding the United States”) is Hilton Inns, Inc., a Delaware corporation incorporated in July 1962 (“Hilton Inns”). Hilton Inns granted licenses for Hilton hotels to be operated in the Americas excluding the United States between September 1965 and October 2007.

We and our affiliates engaged HWI to perform our respective duties and obligations under the Hilton Franchise Agreements. As long as the agreement is in effect, HWI will provide services to you on our behalf under the terms of your Franchise Agreement, either directly or through

other of our affiliates. However, as the Franchisor, we will always be responsible for fulfilling all our duties and obligations under your Franchise Agreement. If HWI fails to perform its obligations under the agreement, then HWI may be replaced as the franchise service provider.

## **II. DESCRIPTION OF FRANCHISE**

We license the Hilton System ("System"). The System consists of the elements, including know-how, that we periodically designate to identify hotels operating worldwide under the Brand and 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 current form of Franchise Agreement) or in other communications to you; and, programs for our inspecting the hotel and consulting with you. We may add, modify, alter or delete elements of the System. We franchise the non-exclusive right to use the System in the operation of your hotel, under the Brand, at a specified location. You must follow the high standards we have established as the essence of the System and you may be required to make future investments.

We also offer franchises for the eforea spa concept. An eforea spa features an exclusive menu of treatment journeys and innovative design elements, including unique zones that a spa guest passes through on their treatment journey. It is generally between 5,000 and 10,000 square feet depending on whether it is located in an urban or resort environment. If you elect to add an eforea branded spa to your hotel you must sign the eforea spa amendment ("Spa Amendment"). If you sign the Spa Amendment, the System will include the eforea spa and all of its elements and you must comply with the eforea spa Manual. In that case, references in this Disclosure Document to the Manual will also include the eforea spa Manual. If there is a conflict between the Manual, and the eforea Spa Manual, the eforea spa Manual will control. If you are operating a spa under a trademark other than eforea, the System will not include the eforea spa concept, but you still must comply with the System and our requirements related to spas generally, as found in our Manual. The franchisee of the eforea spa must be the franchisee under the Franchise Agreement for operation of the 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 the licensed trademark "Hilton." As used in the Franchise Agreement and this Disclosure Document, the System includes the Marks, including the Principal Mark "Hilton." 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. If you open an eforea branded spa, the Marks will include the eforea trademarks and service marks.

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 Brand of hotel may use.

Your hotel will be initially known by the trade name set forth in the Franchise Agreement (the "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 word "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**

Our affiliate, Hilton Worldwide Holding LLP ( "Trademark Owner"), holds the rights to the Marks, including the trademarks and service marks listed in the table below, which are registered in Mexico. We entered into a license agreement with Trademark Owner which grants us the right to use the Marks and other intellectual property in connection with the System in Mexico. The term of the agreement between us and Trademark Owner continues indefinitely so long as each party continues to be an affiliate of HWI. Trademark Owner has certain enforcement rights in the event we default under the license agreement, including the right to terminate the license agreement if we fail to cure a default within the time period specified in the license agreement. These enforcement rights or any other rights of Trademark Owners to terminate the license agreement will not affect your right to use the intellectual property assets licensed to you under the Franchise Agreement as long as you are in good standing under the Franchise Agreement (and, in the case of the eforea trademarks, as long as the Spa Amendment is in effect). The Marks may be transferred to another affiliate for administrative purposes periodically, and we will continue to have a license to use the Marks in connection with our franchise business.

<b>Name of Mark</b>	<b>Registration Number</b>	<b>Registration Date</b>	<b>Franchisor's Rights To Use Mark</b>
Hilton (word)	470740	08/23/1994	License
Hilton (word)	523452	06/07/1996	License
STYLIZED H (design)	587625	09/24/1998	License

<b>Name of Mark</b>	<b>Registration Number</b>	<b>Registration Date</b>	<b>Franchisor's Rights To Use Mark</b>
STYLIZED H (design)	585412	08/25/1998	License
eforea (word)	1174674	08/19/2010	License
eforea and butterfly sign	1181581	09/28/2010	License

### **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 or that of Trademark Owner.

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

We and our affiliates hold no patents that are material to this franchise.

Our license from Trademark Owner includes a license to all the intellectual property rights relating to the Hilton brands in Mexico. Our license from Trademark Owner includes a license to use all the intellectual property rights relating to the eforea brand. 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. Additionally, you may use the intellectual property related to the eforea brand only so long as you are operating an eforea spa. The Franchise Agreement does not grant you the right to use any other intellectual property owned by any of our affiliates.

Trademark Owner's proprietary information, which has been licensed to us, 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 System Hotel and inn operations and for hotel identification, advertising and accounting. HWI registered the copyrights for certain of the earlier versions of its Manual, and assigned its copyrights to Hilton Hospitality, Inc. ("Hilton Hospitality") effective June 28, 1999. These copyrights were assigned to Trademark Owner, and we and Trademark Owner claim copyrights in all versions of the Manual. 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. The Standards for the eforea spa are included in the eforea spa Manual. Trademark Owner claims copyright protection for that Manual.

Trademark Owner claims copyright in the Planning and Design Standards Manual. The Planning and Design Standards Manual sets forth the requirements and specifications for the construction, furnishing and equipping of a Hilton hotel. Trademark Owner has not registered this copyright, but may do so in the future.

Hilton Hospitality, as assignee from HWI, also registered copyrights for certain earlier versions of the Performance for Excellence training videotapes. These copyrights were also assigned to Trademark Owner, who claims copyrights in all versions of the Performance for Excellence videotapes.

HWI copyrighted its revenue management software in 1994. The copyright was assigned to Trademark Owner. Although neither Hilton Hospitality nor Trademark Owner has 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, Trademark Owner claims a copyright and the information is Proprietary Information. Although neither Trademark Owner nor any predecessor filed an application for copyright registration for the OnQ<sup>®</sup> software (formerly System 21) and other Hilton Systems (namely the Revenue and Customer Relationship Management Systems), Trademark Owner claims 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 Trademark Owner, the copyrights may be transferred to another affiliate for administrative purposes periodically, and we will continue to have a license to use them in connection with the System in our franchise business.

## 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.

Type of Fee	Amount	Due Date	Remarks
Franchise Application Fee – New Construction, Conversion or Change of Ownership	\$75,000 plus \$400 for each additional guest room or suite over 250	Before we sign the Franchise Agreement	All prospective franchisees must complete a Franchise Application to operate a Brand hotel. See Notes 1 and 2.
Franchise Application Fee – Relicensing	\$85,000	Before we sign the Franchise Agreement.	All prospective franchisees must complete a Franchise Application to operate a Brand hotel. See Notes 1 and 2.
Product Improvement Plan Fee	\$7,500	Before we schedule the PIP inspection.	Payable to determine the updating or conversion requirements if you desire to convert an existing hotel to the Brand, apply for a Change of Ownership or if we agree to Relicense an existing Brand hotel.
Construction Extension Fee – New Construction	\$10,000	After our approval of the extension of the construction commencement date (“CCD”).	You must start construction at your hotel by the CCD specified in your Franchise Agreement. If you want an extension, you must submit a written request before the CCD. If we approve the extension, we will set a new CCD and you must pay the extension fee.
Renovation Work Extension Fee – Conversion	\$10,000	After our approval of the extension of the renovation work completion date (“RWCD”).	You must complete the renovation by the date specified as the RWCD in your Franchise Agreement. If you want an extension, you must submit a written request before the RWCD. If we approve the extension, we will set a new RWCD and you must pay the extension fee.
Pre-Opening Training	Currently, \$10 to \$5,000 per program per attendee.	Before attendance.	We provide required training programs that key personnel must complete before certification for opening a hotel. You must pay wages, travel, lodging and miscellaneous expenses of your attendees or the expenses of our trainers. The fees are not refundable, and are subject to change.
Optional Spa Consulting Fee	Currently, \$75,000 at a minimum.	When engaged before any services are performed	Whether we require you to install a spa in your hotel or we approve your request to install a spa in your hotel, the spa must meet our specifications. If you will be installing an alternate spa concept, you must enter into a consulting services agreement with us, an affiliate of ours or a third-party spa management company we approve to provide consulting services to you in connection with the spa, including services related spa build-out and design, planning and concept development, business model creation, IT, construction and technical services,



Type of Fee	Amount	Due Date	Remarks
			equipment selection and procurement, operational guidelines, menu development and sales and marketing services related to the spa. This fee is nonrefundable.
eforea Spa Initial Fee	Currently, \$75,000	If / when you sign the Spa Amendment	We recommend that you install our eforea branded spa in your hotel, but you do not have to use this concept. If you install our eforea spa concept in your hotel, you must complete a Franchise Application and sign the Spa Amendment. We or one of our affiliates will provide you with eforea design and construction guidelines, a collateral suite, spa menus, and access to required training provided by suppliers. The fee is nonrefundable.
OnQ Up-Front Hardware and Software Installation	Currently, \$100,000 to \$250,000, based on size of hotel and number of workstations	About 45 days before Opening.	You must pay HWI or HSS the up-front, software and installation fees and charges. The up-front computer costs are not refundable. You must also pay the reasonable travel related and other expenses of HWI's employee(s) (Note 3).
Fee to Evaluate Conforming OnQ Hardware and Software	Currently, \$5,000 to \$10,000	On invoice.	If you choose to, you may purchase the hardware described in Note 3 from a third party vendor, but if you do you must pay the vendor the cost of the equipment in addition to the monthly fee you pay HWI (see Other Fees below), and you must pay HWI or HSS for all its reasonable expenses in determining that the hardware meets the exact specifications provided by its Implementation Department. plus configuration costs; installation costs; reasonable travel and other expenses of HWI' or HSS's employees and vendors who perform installation services; necessary communication vehicles (phone lines, network connections) and installation fees for connection to communication vehicles.
Hardware & Software Cost Real Estate Investment Trust (a "REIT" or "REIT Hotel")	Currently, \$50,000 to \$250,000 in addition to the OnQ Up-Front Hardware and Software Installation Cost	On invoice.	If your hotel is owned by an entity that qualifies under the Internal Revenue Code as a REIT, the OnQ requirements will apply but you will only pay a fee based pricing program fee of 0.45% of your hotel's Gross Rooms Revenue per month ("REIT FBPP Fee") . The REIT FBPP Fee covers upgrades for certain certified third party software, proprietary hotel operations management systems software, OnQ Revenue Management, e-mail, CRM, OnQ Insider, as well as software maintenance and certain system support services. REIT hotels pay installation, training and initial software license costs for proprietary Hilton software on the same basis as non-REIT hotels. However, the REIT FBPP Fee does not cover the required hardware and equipment. REIT Hotels may purchase all the required hardware and equipment from us or from a third-party vendor. If you purchase the hardware and equipment from a third-party vendor, the hardware and equipment must meet our exact specifications and you must pay HWI or HSS for all its reasonable expenses in determining that

Type of Fee	Amount	Due Date	Remarks
			the hardware and equipment conforms to its specifications; configuration costs; installation costs; reasonable travel and other expenses of HWI's or HSS employees and vendors who perform installation services; necessary communication vehicles (phone lines, network connections); and installation fees for connection to communication vehicles. REIT Hotels pay installation, training and initial software license costs for proprietary Hilton software on the same basis as non-REIT hotels.
OnQ Start-up Costs – Additional Rooms	Currently, \$120 per additional guest room or suite.	As incurred.	If you add or construct additional guest rooms at the hotel at any time after you sign the Franchise Agreement, you must pay HWI or HSS an additional software fee, based on the then current per guest room software fee multiplied by the number of additional guest rooms or suites.
OnQ Start-up Costs – Delays in Opening	Currently, \$700 per SIC per day due to a delay in opening and \$2,000 re-scheduling fee if the delay results in the departure and re-scheduling of the SIC's on-site service period.	As incurred.	You must pay HWI or HSS for services it provides in connection with the start up of OnQ. HWI determines the number of Systems Implementation Consultants ("SIC") and number of days on site for your hotel's opening based on size and type of hotel. Once the SIC is on-site, any delays in your hotel's opening will result in additional fees and expenses.
OnQ Start-up Costs – Rescheduling and Cancellation Fees	Currently, \$500 to \$2,000 depending on circumstances and vendors.	As incurred.	You must provide the communications vehicles necessary for the support and operation of OnQ, currently including wide area network connections to the Reservations Service, electronic mail and Internet via OnQ connectivity and/or on-line connections, routers, and CSU/DSU equipment. You are responsible for any fees that are assessed by the OnQ connectivity installation vendor, including rescheduling or cancellation fees.
OnQ Start-up Costs – Electronic Mail Service	Currently, \$120 initial set-up fee.	As incurred.	HWI currently utilizes Microsoft Exchange for electronic mail service. The OnQ fee based pricing includes seven e-mail accounts.
Guest Internet Access Computer Hardware and Software	\$95,000 to \$200,000, depending on the type of solution you deploy, including hardware, software, installation and certain other costs and fees with the exception of structured cable and cabling installation (Category 5e or Category 6)	As incurred.	You must provide internet access for all guest rooms and meeting rooms at your hotel in accordance with brand standards ("Guest Internet Access"). You must purchase and install hardware and software to meet this requirement from HSS (or its designee) in addition to the hardware and software for OnQ. The hardware, software and support must meet our requirements and specifications. The hardware will be provided by third parties chosen by us, installed by us or our agents, and maintained by HSS or its agents. You must provide a dial-in-line for out-of-band equipment management at your cost.

Type of Fee	Amount	Due Date	Remarks
Fee to Evaluate Conforming Guest Internet Access Hardware and Software	\$10,000 to \$30,000	On invoice	Under rare circumstances, we may permit you to purchase the hardware from a third party vendor, but if you do, you must pay HWI or HSS for all its reasonable expenses in determining that the equipment conforms to its specifications including configuration costs; installation costs; reasonable travel and other expenses of HWI's or HSS's employees and vendors who perform installation services; necessary communication vehicles (phone lines, network connections); and installation fees for connection to communication vehicles. Cost varies depending on your location, local connection charges and the amount of equipment purchased for the hotel.
Procurement Fee	Up to 10% of product cost.	Within 10 days after billing.	Payable if we or our affiliates furnish, supply, service or equip your hotel at your request before it opens, HSM distributes hotel furniture, furnishings, fixtures, equipment and supplies, and certain food and beverage supplies. You may purchase these items from HSM, but you are not obligated to do so. If you buy from HSM, it will invoice you for the cost of the products acquired for you, freight and taxes and the procurement fee. The procurement fee is subject to periodic change.

## 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.

3. **Computer System Fees.** You must agree to have installed and to use our required business software and hardware system, currently known as OnQ, which we may periodically change. Currently, OnQ is a business system comprised of software that includes a proprietary property management component, reservations component, revenue management component, rate and inventory component, Hilton University component and other components we consider necessary to support the following activities: reservations, sales, distribution, customer relationship management ("CRM"), hotel operations, and business intelligence gathering and analysis. The OnQ system is linked to a communications network which connects System Hotels to HWI's reservation offices and travel planners worldwide. Because of its proprietary nature HWI is the only supplier of the OnQ software, including the property management component, CRM, Key Hotel Marketing Reports and the revenue management component. All franchisees must use the OnQ software. The OnQ proprietary software is not available from any other source. We are not able to determine and disclose a separate market price because there is no third party market for this product. The OnQ system also includes specific hardware required to operate the software system. We may choose to change the way in which the OnQ data is delivered to the property in our sole judgment as changes are made to the architecture of the OnQ product. About 90 to 120 days before your hotel opens, you must sign the Hilton Information Technology System Agreement ("HITS Agreement") and/or other related agreements we require, which will govern your access to and use of the OnQ system. The package currently includes hardware, software, installation and support. Certain post-opening fees under the HITS Agreement are described in the Other Fees table below. For a required monthly fee, HWI provides you with hardware and software components (the program fee does not include the proprietary hotel operations management system software), hardware maintenance, software maintenance and technical support for both hardware and software under the OnQ fee based pricing program. This hardware will be provided by third parties, installed by HWI, and maintained by HWI or its agents. You may only acquire the required software and hardware for OnQ through our fee based pricing program. Under the OnQ program you do not need to purchase the software (except the proprietary property management component software), hardware or maintenance.

### **Other Fees**

The following is a list of other fees charged by, or payable to, the franchisor or its affiliates. Unless otherwise noted, these fees are not refundable under any circumstances.

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 Food and Beverage Fee	3% of Gross Food and Beverage Revenue.	Payable monthly by the 15 <sup>th</sup> day of the following month.	See Note 1.
Monthly Spa Royalty Fee	5% of Gross Spa Revenue.	Payable monthly by the 15 <sup>th</sup> day of the following month	Payable if Spa Amendment is in effect. See Note 1.
Monthly Program Fee	4% of Gross Rooms Revenue.	Payable monthly by the 15 <sup>th</sup> day of the following month.	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. We may change the Monthly Program Fee. (See Notes 1 and 2).
Room Addition Fee	Currently, \$400 per guest room or suite multiplied by the number of additional guest rooms.	With your request for our approval.	Payable if you add or construct additional guest rooms after you open the hotel under the Brand. You must submit the request and obtain our approval before you enter into an agreement to add any guest rooms.
<b>Guest Assistance and Quality Assurance Programs</b>			
Guest Assistance Program--Customer Satisfaction Guarantee Reimbursement	Currently, \$150 for HHonors Gold, \$200 for HHonors Diamond, and \$100 for all others, plus actual costs to compensate a guest	Within 48 hours of receipt of invoice.	The actual cost of compensation may include the cost of the guest's stay and any other payments made to insure the guest's satisfaction. We may change the intervention fee or maximum guest reimbursement amount. The fees are subject to change.
Guest Assistance Program--Our Best Rates. Guaranteed.	Currently, \$100 intervention fee includes the cost of the American Express Gift Cheque and other fees.	Within 10 days of billing.	If a guest finds a lower qualifying rate for a qualified booking at your Hotel and submits an on-line claim form that is verified by the Guest Assistance Department, the Guest Assistance Department will 1) adjust the rate to the lower rate; 2) issue a \$50 American Express Gift Cheque to the guest; and 3) notify the hotel that an intervention fee will be charged to the hotel. Guest Assistance invoices are processed and faxed to the hotels weekly. The fees are subject to change.
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 a guest to resolve the complaint, even if the fee does not apply. The fee is subject to periodic change.

Type of Fee	Amount	Due Date	Remarks
Quality Assurance Re-evaluation Fee	Currently, \$2,500 per re-evaluation visit.	Within 10 days of billing.	Payable each time we conduct a special on-site quality assurance evaluation after your hotel has failed a follow-up 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, or for any additional evaluations exceeding two annually, whether required or requested, or if your Hotel fails to open during the initial Quality Assurance opening evaluation. You must also provide complimentary accommodations for the quality assurance auditor during the re-evaluation. The fee is subject to change.
<b>Conferences and Training</b>			
Brand Conference	Currently \$1,000 per attendee.	Before Attendance.	Your General Manager must attend the brand conference, usually held annually. The dates, location and duration of the conference vary from year to year. There may be annual increases in the costs. You are also responsible for the compensation, travel, room, meal and miscellaneous expenses of your attendees.
Director of Sales Orientation	Currently \$2,050 per attendee.	Before Attendance.	Your Director of Sales must attend. You must pay wages, travel, lodging and miscellaneous expenses of your attendees. The fee is subject to change.
GM Orientation Program	Currently, \$3,500 per attendee	Before Attendance	Your General Manager must attend this training. You must pay wages, travel, lodging and miscellaneous expenses of your attendees. The fee is subject to change.
Replacement and Additional Trainees	\$150 to \$5,000 per program per attendee	Before Attendance	If you hire a replacement for any of the categories of personnel who must attend a training program, the replacement must successfully complete the appropriate training program. You must pay us our then-current fee for the applicable training programs for replacement trainees and for any additional persons you wish to attend a training program. The fees are subject to change.
Training Programs and Materials	Currently, \$0 to \$5,000 per program per attendee.	Before attendance or delivery of materials.	We provide optional and required training programs. You must pay wages, travel, lodging and miscellaneous expenses of your attendees or the expenses of our trainers if held at your location. The fees are not refundable, and are subject to change.
<b>Computer System Fees</b>			
OnQ Fees (FBPP Fees)	0.75% of Gross Rooms Revenue. (0.45% of Gross Rooms Revenue for REIT Hotels)	Payable monthly by the 15 <sup>th</sup> day of the following month.	HWI provides you with hardware maintenance, software maintenance and technical support for both hardware and software and certain hardware and software components described in Note 3 above. The fee does not include the proprietary hotel operations management system

Type of Fee	Amount	Due Date	Remarks
			software. These fees are non-refundable.
Additional OnQ Fees – Additional Rooms	Currently, \$120 per additional guest room/suite multiplied by the number of additional guest rooms/suites.	When the additional guest room/suites are completed.	Payable if you add or construct additional guest rooms at the hotel at any time after you sign the Franchise Agreement, based on the then current per guest room/suite fee charged to System Hotels.
Additional OnQ Fees – Email Service	Currently, \$9.20 per user per month and \$22 per month for delivery to authorized mobile devices.	Billed quarterly.	You must pay for each additional e-mail account beyond the 7 provided under the program.
Guest Internet Access Service	Currently, \$2,200 to \$7,000 per month, depending on your hotel size, number of meeting rooms, and bandwidth usage.	Billed monthly.	You must arrange and pay HSS for the ongoing service. This estimate is based on a 300 room Hilton hotel and includes the connection and monthly service for the required dial-in-line, 24x7 call center support and equipment break-fix maintenance.
eforea SpaBooker Reservation Service and Referral Fees	Currently, \$500 sign-up fee; ongoing transaction fees from \$150 to \$800 per month. If you receive a booking from a spa booker affiliated or partner website, referral fee of 12%, or 17% referral fee if you receive an instant online gift certificate order originating on spafinder.com.	On demand.	You must obtain and use the www.Spa-Booker.com unlimited version hosted management software and point of sale system to schedule appointments, record customer information and transaction data, take payments for services, create reports regarding your spa's operations and create and customize social media and email marketing campaigns. You can also sign up for various merchant processing options. The cost to you varies based on the option that you select but is generally calculated on a per transaction fee basis. The fees are subject to change.
<b>Frequent Customer, Affiliation and Distribution Programs</b>			
AAA/CAA Show Your Card & Save Program	Currently, \$0.30 per available room	Within 15 days of billing.	Payable annually for American Automobile Association (AAA) and Canada Automobile Association (CAA) approved hotels. The program and fees are subject to change.
AAA/CAA Discounts and Rewards Program: Member Direct	Currently, 10% commission	If invoiced, within 15 days. If through Automated Clearing House ("ACH"), by the 12 <sup>th</sup> business day of each month.	Payable for each consumed stay booked through the dedicated AAA/CAA "member-direct" line at Hilton Reservations & Customer Care ("HRCC"). The program and fees are subject to change.
EDGE Program	Currently, 4.25% for each commissionable reservation	If invoiced, within 15 days. If ACH, on the 12 <sup>th</sup> business day of the month.	EDGE combines ecommerce Services and Demand Generation into a single turnkey solution for managing the online channel. Through this program, we will pay major search engines like Google, Bing, Yahoo and Kayak to place listings for System Hotels in "sponsored search" results. Consumers who click on our sponsored search are referred to brand.com. If this referral results in the consumer booking a hotel on brand.com and results in a corresponding stay at the System Hotel, the System Hotel receiving the reservation will

Type of Fee	Amount	Due Date	Remarks
			pay a commission to us for that booking. This fee is in addition to any other applicable reservation fees and is subject to change.
FastPay (Centralized Group Meeting Payment Program)	Currently \$0.18 per transaction processing fee on commissionable reservations plus cancellations, no-shows and non-commissionable transactions.	If invoiced, within 15 days. If ACH, on the 12th business day of each month.	The program centralizes and automates Third Party Group and Meeting planner commissions into one payment for all HWI Brand hotels, and may perform reconciliation services. All Brand hotels are automatically enrolled in this program unless an opt-out form is submitted. The fee is subject to change.
Frequent Traveler/Guest Reward Programs	Currently, you may choose: (1) fixed pricing per night and maximum fee per stay that varies based on ADR, or (2) 4.7% of total eligible guest folio with a \$110 maximum per stay charge.	10 days after billing.	You must participate in all brand-specific or system-wide guest frequency or reward programs we require. Currently, you must participate in HHonors. These programs and fees are subject to change. See Note 3.
Hilton Plus Program	Currently, \$0.18 per transaction processing fee applies to all bookings, and 10% commission on the room revenue component is paid to the Packaging Technology Provider.	If invoiced, within 15 days. If ACH, on the 12 <sup>th</sup> business day of each month.	Program gives hotel the ability to sell vacation packages, combining rooms, air, car and other travel components. Hotel receives a credit for 25% of the positive gross margin generated from the non-hotel components of a consumed sale. The processing fee is currently included in the TPCP processing charge. The commission and processing fee are subject to change.
Third-Party Reservation Charges	Currently, \$4.50 per stay.	If invoiced, within 15 days. If ACH, on the 12th business day of each month	Includes the costs and fees incurred in connection with GDS, airline reservation services, internet and other third-party service reservation providers. The fee is subject to change.
Travel Planner Centralized Payment Program (TPCP)	Currently, up to 10% commission on the total room rate and other commissionable charges and \$0.18 per transaction processing fee on commissionable reservations plus cancellations, no-shows and non-commissionable transactions.	If invoiced, within 15 days. If ACH, on the 12 <sup>th</sup> business day of each month.	You must participate in HWI's TPCP. The commission and processing fee are subject to change.
Unlimited Budget travel planner incentive and loyalty program	Weekday stay (Monday - Thursday nights) = \$0.71; Weekend stay (with one Fri/Sat/Sun night) = \$1.42; Weekend stay (with two Fri/Sat/Sun nights) = \$2.13. These costs increase to \$1.42, \$2.63 and \$3.63, respectively, For Double Points payouts.	If invoiced, within 15 days. If ACH, on the 12th business day of each month.	Mandatory participation for all OnQ-enabled hotels participating in the TPCP program. These funds are remitted to Budget (a portion is paid to the travel planner; Budget retains the remaining amount as a processing charge). The booking fees are subject to change without advance notice.
<b>Transfers, Relicensing and Financing</b>			
Permitted Transfer Fee	Currently, \$5,000	When you submit transfer consent	Payable for any proposed transfer that requires our consent that is not a Change of Ownership. The fee is non-refundable and



Type of Fee	Amount	Due Date	Remarks
		request.	is subject to change.
Change of Ownership Fee	Currently, \$75,000 plus \$400 for each room over 250	With Franchise Application	Payable for any proposed transfer that required our consent that does not qualify as a Permitted Transfer. The fee is subject to change.
Relicensing	Currently, \$85,000	With Franchise Application	Payable if we enter into a new franchise agreement with you at the end of the Term.
Lender Comfort Letter Processing Fee	Currently, \$3,000	Before we issue a Lender Comfort Letter.	Payable if we issue a Lender Comfort Letter if you request it on behalf of your lender. We may periodically waive, reduce or increase this fee.
Public Offering or Private Placement Processing Fee	Currently, \$5,000	When you submit a request for our approval.	Payable if you or any of your owners submit a request for our approval of a public offering or private placement. You must also pay any additional costs we incur in reviewing your documents, including reasonable attorneys' fees.
<b>Management and Consultation Fees</b>			
Management Fees	Fees will be established by mutual agreement.	As incurred.	Our affiliate may offer you its management contract but you may hire an outside management company with our approval
Spa Management Fees	Currently, up to 5% of Gross Spa Revenues.	As agreed	We or our affiliate may offer you our spa management contract but you may hire an outside spa management company with our approval.
Consultation Fees	Set by us on a project-by-project basis.	When we request.	On request, we may make consultation and advice services available to you on the same basis as other System Hotels.
<b>Remedies and Damages</b>			
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 must 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.
Insurance	Actual amount.	On Demand.	If you do not obtain or maintain the required insurance or policy limits described in the Manual, then we can (but are not obligated to) obtain and maintain the insurance for you without first giving you notice. If we do so, then you must immediately pay our costs to obtain such insurance.

Type of Fee	Amount	Due Date	Remarks
Service Charges for Overdue Payments	1½% 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.
Audit	Actual deficiency, plus service charges.	On demand.	Payable if audit reveals that you understated or underpaid any payment due us. If underpayment is willful or for 5% or more of the total amount owed for the period being inspected, you must also reimburse us for all inspection and audit costs.
Indemnification	Reimbursement for all expenses, including attorney's fees and court costs and any payments 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.	Case by case basis as incurred.	You must also defend us, HWI, and each of such entities' current and/or future subsidiaries, and affiliates and any officers, directors, employees, agents, successors and assigns. However, we retain the right, through counsel of our choice, to control any matter to the extent the matter directly or indirectly affects us, our subsidiaries, affiliates, officers, directors, employees, agents, successors or assigns.
Actual Damages under Special Circumstances	All amounts owed before termination date, plus our actual damages.	On demand.	Payable in lieu of liquidated damages if within 12 months of each other, 5 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 either because you (or any of your affiliates) unilaterally terminate the Franchise Agreements or because we or any of our Affiliates terminate the Franchise Agreements as a result of your or your affiliate's breach or default or a Franchise Agreement terminates automatically or is terminated by us (or any of our Affiliates) after an unapproved Transfer either to a Competitor or to a buyer that converts the hotel to a Competitor hotel within 2 years from the date the Franchise Agreement terminates.
Liquidated Damages for Unauthorized Opening	\$5,000 per day that your hotel is open without authorization, plus our costs, including attorneys' fees.	On demand.	Payable if you open before we give you written authorization to open.
Liquidated Damages for Pre-Opening Premature Termination	\$3,600 for each authorized guest room.  \$3,600 for each authorized guest room.	On demand.  On demand.	Payable if we terminate the Franchise Agreement after you begin Hotel Work but before you open.  Payable if we terminate the Franchise Agreement before you begin Hotel Work and you or a Guarantor enter into an agreement for or begin construction of a Competitor Brand within 1 year after termination.

Type of Fee	Amount	Due Date	Remarks
Liquidated Damages for Post-Opening Premature Termination	\$3,600 for each authorized guest room	On demand.	Payable if we terminate the Franchise Agreement before the 2 <sup>nd</sup> anniversary of the Opening Date.
	The sum of the Monthly Royalty Fees due to us for the previous 24 months, divided by 24, and multiplied by 60.	On demand.	Payable if we terminate the Franchise Agreement after the 2 <sup>nd</sup> anniversary of the Opening Date but before the last 5 calendar years of the Term.
	The sum of the Monthly Royalty Fees due to us for the previous 24 months, divided by 24, and multiplied by the number of months remaining in the Term.	On demand.	Payable if we terminate the Franchise Agreement within 60 months of the Expiration Date of the Term.
Liquidated Damages for Failure to Comply with Post-Term Obligations	\$10,000 for each day that you fail to comply with post-term obligations.	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.
Interim Remedies/ Information Technology Recapture Charge	A dollar amount or a percentage increase to any of the fees based on a percentage of Gross Rooms Revenue.	If dollar amount, when default notice specifies. If percentage increase to fee, when agreement requires fee paid.	Instead of terminating your Franchise Agreement for uncured default, we can elect interim remedies, including imposing an Information Technology Recapture Charge. HWI may charge you for: the cost of any computer hardware, computer software, other information technology and/or information technology service which we and/or HWI provided to you in the past at no additional charge other than the fees you paid under Your Agreements; costs related to suspending and disabling your right to use any software, information technology and/or network services we or our affiliates provided to you, together with intervention or administration fees set forth in the Manual; and, the costs of any computer hardware, computer software, other information technology and/or information technology service we and/or HWI determine to provide you after the date of the notice of default.
<b>Miscellaneous Services and Programs</b>			
TMC/Consortia Program	Currently, \$2.70 for each consumed night booked under the TMC/consortia "parity" rate.	If invoiced, within 15 days. If ACH, on the 12th business day of each month.	You must participate in BOTH or NEITHER the TMC/Consortia Program and the Pay-On-All-Pay-For Performance Program. We pay a portion of the fee directly to the travel planner account; the remainder is used to fund marketing efforts with travel planner accounts and as a processing charge. The list of participating travel planner accounts can and will vary depending on negotiations with accounts. The fee is subject to change.

Type of Fee	Amount	Due Date	Remarks
TMC Pay-On-All-Pay-For Performance Program	Currently, \$1.03 for each consumed night booked by a TMC travel planner.	If invoiced, within 15 days. If ACH, on the 12th business day of each month.	You must participate in BOTH or NEITHER the TMC/Consortia Program and the TMC Pay-On-All-Pay-For Performance Program. We pay a portion of the fee directly to the TMC; the remainder is used to fund marketing efforts with the TMC and as a processing charge. The list of participating travel planner accounts will vary. The fee is subject to change.
FedRooms government and military travel program	Currently, 2.75% of room revenue – for each consumed stay booked under the FedRooms rate/SRP.	Billed on TAPS invoice. If invoiced, within 15 days. If ACH, on the 15 <sup>th</sup> of the month.	Participation is optional. We pay the entire fee to FedRooms. The fee is subject to change.
Sato Travel government and military travel program.	Currently, \$2.70 for each consumed night booked under the Sato Travel SRP.	Billed on TAPS invoice. If invoiced, within 15 days. If ACH, on the 15 <sup>th</sup> of the month.	Participation is optional. We pay a portion of the fee directly to Sato Travel; the remainder is used to fund marketing efforts with Sato Travel and as a processing charge. The fee is subject to change.
ResMax Program	Currently, 1.25% to 5% of consumed revenue. Rate varies due to hotel type, location, ADR and other factors.	As required by us or our affiliate.	Payable if you participate in this optional, supplemental service, but we may begin charging non-participating hotels if you accept a referral. The program, related fees and your eligibility are subject to change.
Revenue Management Consolidated Center ("RMCC")	Currently, \$39,000 to \$90,000 annually	Within 10 days of monthly billing	Payable if you participate in this optional supplemental service by which revenue management functions will be conducted at your hotel, with an emphasis on individual hotel market conditions as well as the goals and objective of hotel management and ownership. The fees are subject to change.
Procurement Fee	Currently, up to 10% of product cost	Within 10 days after billing.	If you buy from HSM, you must pay product cost, freight and taxes and a Procurement Fee. The fee is subject to change.

## NOTES

1. "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), 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. 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.

"Gross Food and Beverage Revenue" includes all revenues (including credit transactions whether or not collected) derived from food and beverage-related operations of the hotel and associated facilities, audio/visual equipment rentals and all banquet, reception and meeting room rentals, including all restaurant, dining, bar, lounge, spa and retail food and beverage services, at the actual rates charged, less allowances for any rebates and overcharges, and will

not include any sales, hotel, entertainment or similar taxes collected from patrons or guests. The conversion of Gross Food and Beverage 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.

“Gross Spa Revenue” means all revenue from services and retail sales of products from the eforea spa, less allowances for spa rebates and overcharges, but does not include any sales or other taxes collected directly from spa customers or any revenues from food and beverage sales of the spa. The conversion of Gross Spa 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.

If there is a fire or other insured casualty at your hotel that results in a reduction of Gross Rooms Revenue, Gross Food and Beverage Revenue and Gross Spa Revenue, the Monthly Program, Monthly Royalty Fees, Monthly Food and Beverage Fees and eforea spa Marketing Fee will be equal to the Monthly Program, Monthly Royalty, Monthly Food and Beverage and eforea spa Marketing Fees forecasted on the basis of the Gross Rooms Revenue, Gross Food and Beverage Revenue and Gross Spa 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, Gross Food and Beverage Revenue and Gross Spa Revenue claim with your insurer(s). 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 Monthly Royalty Fee, Monthly Food and Beverage Fee and the Monthly Program Fee 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 schedule showing the computation of the Monthly Royalty Fee, Monthly Food and Beverage Fee and Monthly Program Fee for the month. There may be an annual adjustment within 90 days after the end of each operating year so that the total Monthly Royalty Fees, Monthly Food and Beverage Fees and Monthly Program Fees paid annually will be the same as the amounts determined by audit. We can require you to transmit the Monthly Royalty Fee, Monthly Food and Beverage Fee and the Monthly Program Fee 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 occasionally reduce the Monthly Royalty Fee or Monthly Food and Beverage Fee for multi-unit or more experienced franchisees, for franchisees with whom we have previously dealt, for conversions, or for franchisees in other unique circumstances. However, we do not always reduce the Monthly Royalty Fee or Monthly Food and Beverage Fee even for franchisees possessing these characteristics, and may freely choose not to reduce your Monthly Royalty Fee or Monthly Food and Beverage Fee, even if you possess some or all of these characteristics.

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. 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 System 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 HWI 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 participate in, and pay all charges related to, our and HWI's marketing programs not covered by Monthly Program Fees, and all guest frequency programs we or HWI require, including the Hilton HHonors 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 HWI 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 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 HHonors<sup>®</sup> guest reward program operated by Hilton HHonors Worldwide, and airline and rental car company frequent user programs in which HWI participates. HHonors members may accumulate HHonors points with most stays for all eligible dollars spent at participating HHonors hotels. Guests, including non-HHonors members, can obtain frequent flyer mileage credit in one participating airline's frequent flyer program per stay with most stays at participating HHonors hotels. HHonors members may earn both HHonors points and frequent flyer mileage credit for the same stay at participating HHonors hotels. HHonors members may also earn additional HHonors points for using HHonors car rental and/or other partners in conjunction with a stay and may periodically earn additional point and/or mileage bonuses through promotional activity. The only room rates that are not eligible for HHonors 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 HHonors airline partners or stays booked via Priceline.com, Hotwire or similar booking channels where the hotel brand is unknown at time of purchase. HHonors members may redeem their accumulated points for discounted and free hotel room nights and other rewards.

These basic program fees are assessed on any stay for which a guest (a) earns HHonors points, (b) earns airline mileage and credit or (c) earns both HHonors points and airline mileage credit. Additional HHonors bonus points that HHonors members earn as a result of promotions that your hotel agrees to participate 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 promotion. Similarly, bonus airline mileage credit that guests earn as a result of promotions that your hotel agrees to participate 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 HHonors members. Hotels must allocate a certain percentage of rooms inventory for free night reward redemption by HHonors members as specified by the HHonors program. Hotels will be reimbursed for these reward redemptions on the same basis as other similarly situated participating hotels as specified by the HHonors program.

## Estimate of Costs to Establish the Franchise

The following chart is an estimate of the direct and indirect costs to be incurred by a typical franchisee for the establishment of a franchise hotel under the Brand. The ranges given in this Disclosure Document are based on our (and our affiliates') experience derived from operating and franchising hotels in the U.S. and Mexico. We cannot guarantee that you will not have additional expenses starting your business, because your costs will depend on factors such as: your management skill and business experience, competition, room occupancy rates reached, and local economic conditions. The dollar amounts listed 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. In addition, some of the following information has been compiled by us from reports to us from franchisees. While we are not aware of any reason to doubt the accuracy of the information, we have not reviewed it to confirm it is accurate. All amounts are stated in US Dollars. Information is provided for a 300-room hotel as this size is standard for Hilton's prototypes for design and layout of a hotel.

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
MARKET STUDY Note 1	Varies	As Agreed	As Agreed	Independent consulting firm
FRANCHISE APPLICATION FEE Note 2	\$92,500	Lump Sum	With Franchise Application	Us
REAL PROPERTY Note 3	Varies	As Agreed	As Agreed	Third Parties
PHASE 1 ENVIRONMENTAL ASSESSMENT Note 4	\$0 to \$10,000	As Arranged	Before you purchase the land	Engineering or consulting firm
ARCHITECT, DESIGNER AND ENGINEERING FEES	\$500,000 to \$2,000,000	As Arranged	Before opening	Suppliers
CONSTRUCTION AND LEASEHOLD IMPROVEMENTS Note 5	\$40,000,000 to \$65,000,000	As Agreed	As Agreed	Suppliers
CONSTRUCTION EXTENSION FEES Note 6	\$10,000	As Incurred	When Approved	Us
FURNITURE, FIXTURES AND EQUIPMENT Note 7	\$8,000,000 to \$12,000,000	As Agreed	As Agreed	Suppliers
COMPUTER HARDWARE & SOFTWARE INSTALLATION	\$100,000 to \$250,000	Cash, Check or Wire Transfer	Per the terms of the HITS agreement	HWI and/or 3 <sup>rd</sup> Party Supplier
COMPUTER HARDWARE & SOFTWARE FOR GUEST INTERNET ACCESS	\$95,000 to \$200,000	Cash, Check or Wire Transfer	45 days before opening	HWI and/or 3 <sup>rd</sup> Party Supplier

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
OTHER COMPUTER HARDWARE Note 8	\$6,000 to \$25,000	As Agreed	As Agreed	Suppliers
SIGNS Note 9	\$50,000 to \$150,000	As Required	As Required	Supplier
INVENTORY AND OPERATING EQUIPMENT Note 10	\$1,500,000 to \$3,000,000	As Required	As Required	Suppliers
ORGANIZATIONAL EXPENSE Note 11	\$50,000 to \$200,000	As Agreed	As Agreed	Suppliers
PERMITS AND LICENSES Note 12	\$100,000 to \$500,000	As Required	As Required	Governmental Agency
INSURANCE Note 13	Varies	As Required	As Required	Agent/Insurer
MISCELLANEOUS PRE-OPENING AND PROJECT MANAGEMENT EXPENSES Note 14	\$1,000,000 to \$3,000,000	As Incurred	As Agreed-	Suppliers
CONTINGENCIES Note 15	\$4,000,000 to \$6,500,000	As Incurred	As Agreed	Suppliers
PRODUCT IMPROVEMENT PLAN FEE Note 16	\$7,500 per plan	Lump Sum	Before we schedule the PIP inspection	Us
PRE-OPENING TRAINING Note 17	\$15,000 to \$30,000	As arranged	As Incurred	Us and Suppliers
ADDITIONAL FUNDS Note 18	\$400,000 to \$1,000,000	As Incurred	As Agreed-	Suppliers
SPA CONSULTANT FEE eforea SPA INITIAL FEE Note 19	\$75,000	As Agreed	As Agreed	Us (if eforea Spa) or a 3 <sup>rd</sup> Party Supplier
ADDITIONAL FUNDS FOR eforea SPA IMPLEMENTATION Note 20	\$0 to \$3,125,875	As Incurred	As Agreed	Suppliers
<b>TOTAL</b> Note 23	<b>\$56,001,000 to \$97,175,875</b> THESE FIGURES DO NOT INCLUDE REAL ESTATE COSTS, MARKET STUDIES, INSURANCE, INTEREST, OR THE COST OF IMPROVEMENTS UNDER A CONVERSION, RELICENSING OR CHANGE OF OWNERSHIP LICENSE.			

## NOTES

1. For all new Hilton hotels, we recommend and may require a market study from a recognized independent firm which discusses the competition for your proposed hotel, together with a minimum 5-year operating pro forma from you based on such 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.

2. We do not finance the Franchise Application Fee.

3. The cost of land for a hotel varies depending on location, size, local land costs, highway accessibility and special assessments, among other factors. If you are converting an existing hotel that you already own or lease, you may have no land costs.

4. Before you purchase the land, you should, at a minimum, consider obtaining a Phase 1 environmental assessment to determine the environmental condition of the land. Based on this Phase 1 report, additional investigations and tests may be necessary before you make your purchase decision. Many lenders will require a Phase 1 report before lending purchase money.

5. The cost of construction varies depending on the ratio of public space to guest rooms; the amount and nature of land on which the hotel is built; the type of construction; materials used; union involvement; and the location, size and character of hotel facility and of supporting facilities (indoor/outdoor pool, landscaping, exercise room, tennis courts, etc.). The cost of furniture, fixtures and equipment will depend on the number and type of guest rooms (for example, double rooms versus single rooms), restaurants, lounges and supporting facilities. We must approve the final plans, designs and specifications for your hotel. Estimates for new hotels include the cost of construction, lounges, paving, elevators, site lighting, normal site work for the building, utilities and supporting facilities (indoor/outdoor pool, landscaping, exercise room, tennis courts, etc.).

6. Your Franchise Agreement contains a deadline by which construction work must begin. You may request an extension of this deadline.

7. This is an estimate for the total cost of furnishing a Hilton 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, including the telephone systems, for guest rooms, corridors, restaurants, lounges, health clubs and all public areas. These estimates do not include the costs of kitchen and laundry equipment, which are included as part of the estimated construction costs.

8. All Hilton hotels must have computer workstations and printers available for guest use, free of charge, either in a traditional business center or in an open zone in the lobby. You must purchase and install a 2 approved computer workstations and one approved printer for every 1,000 guest rooms. If you purchase additional workstations, printers and upgrade options, your costs will be higher. The estimate does not include any costs for internet connectivity, power or additional furniture.

If yours is a REIT hotel that is participating in the REIT FBPP Fee program, you must refresh (replace and upgrade) the required business software and hardware system (currently OnQ) in your hotel every 3 years or as we require (but not more frequently than every 3 years) to meet

then current System standards. We may require you to completely refresh your hotel's hardware and third party software or limit the requirement to certain hardware and third party software. REIT hotels must replace or upgrade the hardware and equipment as follows: 1) for items with a total purchase price of over \$1,000, you must complete replacement or acquisition and installation of any hardware or equipment within your hotel's next annual budgetary cycle after we request you to do so, 2) for items with a total purchase price of under \$1,000, you must complete replacement and installation of any hardware or equipment within 90 days after we request you to do so. Currently, we estimate computer software and hardware refreshment cost for REIT Fee participating hotels to be \$50,000 to \$250,000 for total system hardware and third party software refreshment. Your cost will depend on the size of your hotel and number of work stations and the amount and type of and hardware and third party software we require to be refreshed.

9. Cost depends on location, type, quantity and sizes of exterior signs. Your signs must conform to System specifications. If you are converting an existing hotel, you must change the identification to that of a Hilton hotel, change all signs (and highway billboards, if any) and substitute Hilton identification on operating supplies and equipment, including brochures and paper items. 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 name 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 your Architecture & Construction representatives for a current list.

10. 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.

11. Actual cost depends on work done by an accountant and attorney, and standard regional rates.

12. As applicable government agencies require.

13. 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 insured's the parties we specify in the Manual, and carry the endorsements and notice requirements we specify in the Manual. For non-US hotels, HWI or its affiliate will maintain, at your expense, general/public liability insurance. Insurance premiums vary widely by reason of location, size of hotel and type of coverage purchased and cannot be estimated.

14. You will incur pre-opening expenses for salaries and compensation; personnel training; sales; administrative and general expenses; project management; technical services; advertising; 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.

15. "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.

16. If you apply to convert an existing hotel to a Hilton hotel or apply for a change of ownership or other relicensing, we charge an additional nonrefundable fee to prepare the PIP for the hotel. In rare situations which probably do not apply to you, we may waive the PIP fee, or we may occasionally apply the PIP fee towards the payment of your Franchise Application Fee.

17. We will provide the training programs required under the terms set forth in this Disclosure Document. You are responsible for the costs of training materials and travel and living expenses while training.

18. The estimate of additional funds for the initial period of your hotel business is based on estimated staff salaries and operating expenses for the first three months of operation. The additional funds required will vary by the area and the relative effectiveness of you and your staff. You must provide security deposits for utilities and rent, if any (and possibly for other items).

19. The estimate assumes that you are installing an eforea spa in your hotel or you are installing another branded spa, but we, one of our affiliates or a third-party spa management company that we have approved is performing certain services for you in connection with the opening and operation of your spa. In this case, we have also assumed that the third-party spa management company would not charge you more than \$75,000 for these services. In lieu of engaging a consultant to develop and assist you in implementing a spa concept for your hotel, you may elect to install our optional branded spa concept, eforea. If you elect this option, you will sign the Spa Amendment and pay us an initial fee of \$75,000. We or one of our affiliates will provide you with eforea design and construction guidelines, a collateral suite, spa menus, and access to required training provided by suppliers.

20. The low estimate assumes you are not opening a spa. The high estimate includes the cost to build out and equip the spa to current eforea spa standards, as well as the initial cost of implementing the SpaBooker reservation service (approximately \$1,000), including the purchase of a bar code scanner, magstrips reader, receipt printer, QuickBooks transaction pro import wizard software and other equipment. We have estimated that these costs will range from \$3,062,649 for a 5,000 square foot spa to \$3,125,875 for a 10,000 square foot spa. Your costs may be greater for a conversion hotel or to convert space in an existing hotel into an eforea spa or another branded spa that meets our specifications.

21. We have relied on HWI's 50+ years of experience in operating or franchising hotels and on HWI's experience over the past 2 years in operating eforea spas in the United States to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the license.

If you are converting an existing hotel, your costs will most likely be lower, but you must conform guest rooms, public areas and exterior areas to our standards. Your costs will depend on the type and condition of your hotel, its age, physical structure and quality of furnishing. The cost of a complete furniture, fixtures and equipment rehabilitation of a hotel's guest rooms and public area ranges between \$4,000 and \$12,000 per guest room. This does not include structural changes. Rehabilitation normally includes replacing furniture, fixtures, equipment, carpets, drapes, wall coverings, artwork, etc. Because there are so many variables involving any particular existing hotel, we can give no average cost.

## **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 the Franchise Application and/or you sign the Franchise Agreement, but before you open your hotel, we will:

- (1) Loan to you a copy of the current Manual, and/or provide you with dial-up access to the Manual on the Hilton Intranet resources library if you have your own Internet service provider. (Franchise Agreement, Section 4.6). The Manual must remain confidential and is the property of Trademark Owner. 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 System 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) Before you retain or engage an architect, interior designer, general contractor and major subcontractors, we will review your selection, and you must obtain our prior written consent. (Franchise Agreement, Section 6.1.1).
- (3) We will review the plans, layouts and specifications, drawings and designs for constructing and furnishing your hotel, including guest room areas, 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 (see Franchise Agreement, Sections 6.1.2., 6.1.3 and 6.1.4).
- (4) We will 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, full-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) We will provide you with the HITS Agreement (which will be countersigned by HSS) before you open your hotel. The HITS Agreement governs your access to and use of OnQ, HWI'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 Hilton Guest Internet Access service.

(6) We will make available to you for use in the hotel various purchase, lease, or other arrangements with respect to exterior signs, operating equipment, operating supplies and furnishings, which we or HWI may have and which we make available to other Brand franchisees (see Franchise Agreement, Section 4.7).

(7) If you open an eforea spa with your hotel, before your spa opens, we or one of our affiliates will provide you with the eforea design and construction guidelines, a collateral suite and spa menus. (Spa Amendment, Paragraph 4). We will also loan to you a copy of the eforea spa Manual and/or provide you with electronic access to the eforea spa Manual on the Hilton Intranet resources library. The eforea spa Manual is confidential and is the property of our affiliate HLT International IP LLC. (Franchise Agreement, Section 4.6). We will also provide you with a list of approved suppliers and specifications for required operating equipment, products, supplies and furnishings in the spa (see Spa Amendment, Paragraph 4).

(8) We will train your general manager and your other key personnel. (Franchise Agreement, Section 4.1) This training is intended to familiarize the attendee with basic requirements under the Franchise Agreement and Manual for operating a Hilton hotel. It is not training on management or operation of a hotel, and it is your sole responsibility and obligation to arrange for professional management and operation of your hotel. HWI offers required training programs to those affiliated with the System for orientation and as part of the certification process. Employees designated to take training must complete the required training to our satisfaction. You must pay the costs for required and optional programs, along with all travel, lodging and other expenses associated with training. HWI may also charge for training materials.

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

### **Territory**

We grant you 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 you 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 the Entities 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 the Entities 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 the Entities 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. The "Entities" means present or future Affiliates and direct or indirect owners. "Other Businesses" means any business activity we or the Entities engage in, other than the licensing of your hotel.

We may, however, agree to give you 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 Relicensing, 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 at the time 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 the Entities from operating, or authorizing someone else to operate, another System Hotel during the Restrictive Period and within the Restricted Area (except as described below). Those restrictions as to entities other than us may lapse if your brand is no longer affiliated with HWI.

3. **Exclusions from the Restricted Area Provision:** The Restricted Area Provision will generally not apply to any products, services or businesses (other than a hotel or motel under the Brand within the Restricted Area during the specified period), whether now or later constructed, owned, operated, managed, leased, franchised or licensed by us or an Entity, or any successors to such entities (by purchase, merger, acquisition or otherwise), including, but not limited to, the following: (1) any non-System-branded hotels, motels or inns of any kind; (2) except as expressly provided for in any Restricted Area Provision, any other hotel under the "Hilton" brand name, including any Hilton full-service hotel or other full-service hotels, any Hilton Suites or other all-suites hotels, any Hilton Garden Inn or other limited service hotels, or any Homewood Suites by Hilton or other extended-stay hotels; (3) if Hilton is licensing a full-service Hilton hotel to you, any Hilton Suites hotels or any other successor product under the "Hilton" name or under any other brand name; (4) if a Hilton Suites or Homewood Suites by Hilton hotel is being licensed to you, any full-service Hilton hotels or any other successor product under the "Hilton" or any other brand name; (5) any shared ownership properties commonly known as "vacation ownership" or "time-share ownership" or similar real estate properties; (6) any gaming-oriented hotels or facilities; and (7) any hotel or hotels which are members of a chain or group of hotels (provided that such chain or group has or contains a minimum of four or more hotels in operation), all or substantially all (but in no event less than four hotels) of which are (in a single transaction with a single seller or transferor) after the date of this Disclosure Document, owned, operated, acquired, leased, managed, franchised or licensed by, or merged with, any entity acquired by, or merged with, or joined through a marketing agreement with, us or an Entity (or the operation of which is transferred to us or an Entity) including any other Network Hotels.

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 of 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.

**IMPORTANT NOTES:** A Restricted Area Provision will not give you protection from previously existing hotels which are managed or licensed by us or an Entity or our or their predecessors, or any hotel site for which we or an Entity or its predecessor have approved a Franchise Application and/or signed a Franchise Agreement. 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 LAWS MAY PROVIDE THAT TERRITORIAL RESTRICTIONS AND/OR AREA RESTRICTIONS ARE VOID, VOIDABLE AND/OR SUPERSEDED BY LAW.**

HWI, through its subsidiaries, currently owns the principal marks Hilton, Hilton Garden Inn, Waldorf Astoria, Hampton, Embassy Suites, Homewood Suites, DoubleTree, Conrad and Home2 Suites by Hilton, along with variations of these marks, and their related guest lodging systems (each a "Hilton Worldwide Brand").

There may currently be franchised or company-owned Network Hotels situated in or near your area. We and the Entities 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 Network Hotels. Any resolution of conflicts regarding location, customers, support or services will be entirely within the business judgment of HWI and us.

Affiliates of Blackstone are engaged in a variety of business activities in the lodging and hospitality industry. Guest lodging properties owned, managed or franchised by affiliates of Blackstone may currently or in the future be located in or near your market area. There is no mechanism for resolving any conflicts that may arise between your hotel and hotels which are owned, managed or franchised by affiliates or funds of Blackstone. You may compete with these guest lodging properties.

We and the Entities 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 and/or Blackstone and/or its funds or affiliates may own, operate, franchise, license, acquire 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 names or marks (but not, within your Restricted Area, if any, under the name or mark "Hilton" standing alone, it being understood that "\_\_\_\_ by Hilton" does not fall within such prohibition). We and/or our affiliates and/or Blackstone's affiliates and/or funds may also furnish services, products, advice and support to guest lodging facilities, networks, properties or concepts located anywhere, including your Restricted Area (if any), in any manner we, Blackstone or our respective 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). We and/or our affiliates may render services to hotels owned, managed, operated, franchised and/or licensed by Blackstone and/or its affiliates or funds. Further, we

and/or our affiliates and/or Blackstone and/or its funds or 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 names or marks anywhere regardless of the location of those businesses and/or facilities (but not within your Restricted Area, if any, under the name or mark "Hilton" standing alone, it again being understood that "\_\_\_ by Hilton" does not fall within such prohibition). 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 include 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.

Obligation	Section in Franchise Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	1, 5.1.15 and 5.1.17; Addendum	V and VI
b. Pre-opening purchases/leases	1, 6.1.2, 6.2 and 6.3; Addendum	V and VI
c. Site development and other pre-opening requirements	1, 5.1.16, 6.2, 6.3 and 6.5; Addendum	V and VI
d. Initial and ongoing training	5.1.5	V and VI
e. Opening	1 and 6.4; 2(a) of Spa Amendment	V and VI



Obligation	Section in Franchise Agreement	Item in Disclosure Document
f. Fees	1, 4.1, 4.3, 4.5, 5.1.20, 6.6.3, 8.1, 8.2, 8.3, 13.2.2, 13.2.3.1, 13.2.4.2 and 13.2.5.2; Addendum; 7 of Spa Amendment	V
g. Compliance with standards and policies and Operating Manual (Note 1)	1, 5 and 6.2; 2(b), 2(c), 6(a) and 6(c) of Spa Amendment	IV, VI, VII and VIII
h. Trademarks and Proprietary Information	1, 5.1.14 and 9; Addendum	IV and VII
i. Restrictions on products/ services offered	5.2.28, 5.1.19, 5.1.23, 5.1.24 and 5.1.25; 8 of Spa Amendment	None
j. Warranty and customer service requirements	5.1.8 and 5.1.21	V
k. Territorial development and sales quotas	None	VII
l. Ongoing product/service purchases	1, 5.1.3 and 5.1.6; 3 of Spa Amendment	V
m. Maintenance, appearance and remodeling requirements	5.1.4 and 6.6; 3 of Spa Amendment	VI
n. Insurance	5.1.22	V
o. Advertising	5.1.7, 5.1.13, 5.1.20 and 5.1.21; Addendum; 6(c) of Spa Amendment	V and VI
p. Indemnification	1 and 15; Guaranty	V
q. Owner's participation/ management/staffing	1, 5.1.26 and 7.1; Addendum	None
r. Records and reports	10.1 and 10.2; Addendum; Guaranty	None
s. Inspections and audits	4.5 and 10.3; Addendum	V
t. Transfer	1 and 13; 8 of Spa Amendment	V
u. Renewal	None	V
v. Post-termination obligations	14.6; 10 of Spa Amendment	None
w. Non-competition covenants	5.1.15 and 7.3	VI
x. Dispute resolution	17.2.2	None
y. Other: Guaranty of franchisee's obligations (Note 2)	1 and Guaranty	X
z. Other: Liquidated Damages	6.4.4.1 and 14.4	V

## NOTES

1. An integral element of the System we license to you is HWI'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.

### **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 INSERT HOTEL NAME

## TABLE OF CONTENTS

1.0	DEFINITIONS .....	3
2.0	GRANT OF LICENSE .....	8
2.1	Non-Exclusive License .....	8
2.2	Reserved Rights.....	9
2.3	Restricted Area Provision .....	9
3.0	TERM .....	9
4.0	OUR RESPONSIBILITIES .....	9
4.1	Training .....	9
4.2	Reservation Service .....	9
4.3	Consultation .....	9
4.4	Marketing .....	10
4.5	Inspections/Compliance Assistance .....	10
4.6	Manual .....	11
4.7	Equipment and Supplies .....	11
5.0	YOUR RESPONSIBILITIES.....	11
5.1	Operational and Other Requirements.....	11
6.0	HOTEL WORK .....	13
6.1	Necessary Consents .....	13
6.2	Initial Hotel Work .....	14
6.3	Commencement and Completion of the Hotel Work .....	14
6.4	Opening the Hotel .....	14
6.5	Performance of Agreement.....	15
6.6	Hotel Refurbishment and Room Addition .....	15
7.0	STAFF AND MANAGEMENT OF THE HOTEL .....	16
8.0	PAYMENT OF FEES .....	16
8.1	Franchise Application Fee .....	16
8.2	Monthly Fees.....	16
8.3	Calculation and Payment of Fees.....	16
8.4	Other Fees .....	17
8.5	Taxes .....	17
8.6	Application of Fees.....	18
9.0	PROPRIETARY RIGHTS.....	18
9.1	Our Proprietary Rights .....	18
9.2	Trade Name, Use of the Marks.....	18
9.3	Use of Trade Name and Marks.....	18
9.4	Trademark Disputes.....	19
9.5	Web Sites.....	19
9.6	Covenant.....	19
10.0	REPORTS, RECORDS, AUDITS, AND PRIVACY .....	20
10.1	Reports.....	20
10.2	Maintenance of Records .....	20
10.3	Audit .....	20
10.4	Ownership of Information .....	20
10.5	Privacy and Data Protection .....	21

11.0	CONDEMNATION AND CASUALTY .....	21
11.1	Condemnation .....	21
11.2	Casualty .....	21
11.3	No Extensions of Term .....	21
12.0	NOTICE OF INTENT TO MARKET .....	21
13.0	TRANSFERS .....	22
13.1	Our Transfer.....	22
13.2	Your Transfer .....	22
14.0	TERMINATION .....	25
14.1	Termination with Opportunity to Cure .....	25
14.2	Immediate Termination by Us .....	25
14.3	Suspension Interim Remedies .....	26
14.4	Liquidated Damages on Termination .....	26
14.5	Actual Damages Under Special Circumstances .....	27
14.6	Your Obligations on Termination or Expiration .....	27
15.0	INDEMNITY .....	28
16.0	RELATIONSHIP OF THE PARTIES .....	29
16.1	No Agency Relationship.....	29
16.2	Notices to Public Concerning Your Independent Status.....	29
17.0	MISCELLANEOUS.....	29
17.1	Severability and Interpretation .....	29
17.2	Governing Law, Jurisdiction and Venue .....	30
17.3	Exclusive Benefit.....	30
17.4	Entire Agreement .....	30
17.5	Amendment and Waiver .....	30
17.6	Consent; Business Judgment .....	31
17.7	Notices .....	31
17.8	General Release .....	31
17.9	Remedies Cumulative.....	31
17.10	Economic Conditions Not a Defense .....	31
17.11	Representations and Warranties .....	31
17.12	Counterparts .....	32
17.13	Sanctioned Persons and Anti-Bribery Representations and Warranties .....	32
17.14	Attorneys' Fees and Costs.....	33
17.15	Interest .....	33
17.16	Successors and Assigns .....	33
17.17	Our Delegation of Rights and Responsibility .....	33
17.18	Currency.....	34
17.19	English Language .....	34
18.0	WAIVER OF JURY TRIAL AND PUNITIVE DAMAGES.....	34
19.0	ARTICLE 142 OF THE INDUSTRIAL PROPERTY LAW OF MEXICO .....	34

## ADDENDUM TO FRANCHISE AGREEMENT

## FRANCHISE AGREEMENT

This Franchise Agreement between Hilton Worldwide Franchising LP (“we,” “us,” “our” or “**Franchisor**”) and the Franchisee set forth in the Addendum (“you,” “your” or “**Franchisee**”) 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 of the United States and the United Kingdom, including the United States Foreign Corrupt Practices Act and the United Kingdom Bribery Act of 2010.

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

“**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 13.2.3.

“**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.

**“Entities”** means our present or future Affiliates and direct or indirect owners.

**“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 the Franchisee’s financial inability to perform, inability to obtain financing, inability to obtain permits or any other similar events unique to the Franchisee or the Hotel or to general economic downturn or conditions.

**“General Manager”** has the meaning set forth in Subsection 7.1.

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

**“Government Official”** means the following: (i) officers and employees of any national, regional, local or other 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 Governmental 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).

**“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), 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 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.

**“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.

**“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 the Entities and our and their respective predecessors, successors and assigns, and the members, officers, directors, employees, managers, 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 14.3.

**“Laws”** means all public laws, statutes, ordinances, orders, rules, regulations, permits, licenses, certificates, authorizations, directions and requirements of all Governments, Government Entities and Government Officials 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.

**"Liquidated Damages"** has the meaning set forth in Subsections 6.4.4 and 14.4.

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

**"Manual"** means all written compilations of the Standards. The Manual may take the form of one or more of the following: one or more looseleaf 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 service marks, copyrights, trademarks, trade dress, logos, insignia, emblems, symbols and designs (whether registered or unregistered), slogans, distinguishing characteristics, and trade names used in the System.

**"Monthly Fees"** means, collectively, the Monthly Program Fee and the Monthly Royalty Fee, each of 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 the Entities 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.

**"Permitted Transfer"** means any Transfer by you or your Equity Owners as specified in Section 13.2 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 product 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 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 required, including purchasing and/or leasing and installation of all 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 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 the date set out in the Addendum, if applicable, 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.

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

**“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 or entity (including financial institutions) who is, or is owned or controlled by, or acting on behalf of any of the foregoing: (a) the Government of any country subject to comprehensive U.S. sanctions in force and which currently include the Government of Cuba, Iran, North Korea, Sudan, and Syria (“Sanctioned Countries”); (b) located in, organized under the laws of or ordinarily resident in Sanctioned Countries; (c) identified from by any government or legal authority under applicable Trade Restrictions as a person with whom dealings and transactions by Franchisee and/or its

Affiliates are prohibited or restricted, including but not limited to persons designated under United Nations Security Council Resolutions, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") List of Specially Designated Nationals and Other Blocked Persons; the U.S. Department of State's lists of persons subject to non-proliferation sanctions; the European Union Financial Sanctions List; persons and entities subject to Special Measures regulations under Section 311 of the USA PATRIOT Act and the Bank Secrecy Act.

**"Securities"** means any public offering, private placement or other sale of securities in the Franchisee, 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.

**"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.

**"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.

**"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.

**"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 Agreements"** means any other agreement between you and us or any of the Entities related to this Agreement, the Hotel and/or the Hotel Site.

## **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.

## **2.2 Reserved Rights.**

**2.2.1** This Agreement does not limit our right, or the right of the Entities, 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 the Entities 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 the Entities 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 the Entities 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 in the Territory, subject to the provisions of Subsection 14.3 below.

**4.3 Consultation.** We may offer consultation services and advice in areas such as operations, facilities, and marketing. 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, services and/or personnel with any other entity, including any of the Entities or a third party.

**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, 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;

**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 that, although we provide the Standards, you have exclusive day-to-day control of the business and operation of the Hotel and we do not in any way possess or exercise such control;

**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 the General Manager and other 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 employees 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** not become a Competitor, or permit your Affiliate to become a Competitor, in the [SELECT FOR CI/WAC] luxury [SELECT FOR ES/HFS] upper upscale [SELECT FOR DT/HGI/HW] upscale [SELECT FOR HAM/H2] upper midscale upscale hotel market segment, or any substantially equivalent market segment, as determined by Smith Travel Research (“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);

**5.1.16** 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;



**5.1.17** 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;

**5.1.18** 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 the Entities or the then-current stature of any of the Entities with any gaming commission, board, or similar governmental or regulatory agency, or the reputation or business of any of the Entities;

**5.1.19** 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;

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

**5.1.21** honor the terms of any discount or promotional programs (including any 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;

**5.1.22** after the Effective Date, 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;

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

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

**5.1.25** 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.

## **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. We will not unreasonably withhold such consent.

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

**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** 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.

**6.1.5** 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, and all Laws.

**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, the Manual and, for Renovation Work, the PIP. You will bear the entire cost of the Hotel Work, including the cost of the Plans and Designs, professional fees, licenses, permits, equipment, furniture, furnishings and supplies. You are solely responsible for obtaining all necessary licenses, permits and zoning variances required for the Hotel Work.

### **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. You may request an extension by submitting a written request for our approval before the applicable deadline, describing the status of the project and the reason for the requested extension, and paying our then-current extension fee. We may condition our approval on an update to the Plans and Designs. 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, and specifying that you have used, and continue to use, reasonable endeavours to mitigate the effects of such event until such event ceases to exist. On verification of the event of Force Majeure, we will approve an extension of the applicable commencement or completion date for up to eighteen (18) months. You must promptly provide to us evidence that the Construction Work or Renovation has commenced if we request it.

**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. You may request an extension by submitting a written request for our approval before the applicable deadline, describing the status of the project and the reason for the requested extension, and paying our then-current extension fee.

**6.3.3** On completion of the Hotel Work and, as a condition to our authorization to open the Hotel, your architect, general contractor or other certified professional must provide 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 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** you have complied with all the terms and conditions in this Agreement;

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

**6.4.3.3** 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

**6.4.3.4** all fees and charges you owe to us or the Entities 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 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. 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. If you wish to add additional Guest Rooms to the Hotel after the Opening Date, you must submit an application to obtain our consent. If we consent to the addition of Guest Rooms at the Hotel, you must pay us our then-current Room Addition Fee. 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. We may also require you to execute an amendment to this Agreement covering the terms and conditions of our consent to the addition of Guest Rooms. The Room Addition Fee is consideration for services rendered in the U.S. by us and/or the Entities 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 (a "**Management Company**") and an individual to manage the Hotel (a "**General Manager**"), each approved by us in writing **IF APPLICABLE** at least six (6) months before the Opening Date]. 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/or General Manager 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 or General Manager, 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, any proposed Management Company and any proposed General Manager must be qualified to manage the Hotel. We may refuse to approve you, any proposed Management Company or any proposed General Manager who 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 the Management Company becomes a Competitor or the Management Company and/or the General Manager resigns or is terminated by you or otherwise becomes unsuitable in our sole business judgment to manage the Hotel during the Term, you will have ninety (90) days to retain a qualified substitute Management Company and/or General Manager 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 the Entities.

### **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 such other accounting methods specified by us in the Manual. For purposes of this Agreement, the conversion rate for Gross Rooms Revenue 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 of Gross Rooms Revenue 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 Gross Rooms Revenue was 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, 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 amounts agreed on between you and your insurance company that would have been paid to us in the absence of such casualty.

**8.4 Other Fees.** You will timely pay all amounts due us or any of the Entities for any invoices or for goods or services purchased by or provided to you or paid by us or any of the Entities 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 the Entities 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 the Entities, you shall, together with such payment, pay such additional amount as will ensure that we or any of the Entities receives 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 the appropriate Entity 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 the Entities under this Agreement, which invoice you must promptly pay. Where appropriate, we shall provide you with a copy of our 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, 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: Hilton Worldwide, Attention: Withholding Tax Coordinator, Maple Court, Central Park, Reeds Crescent, Watford, Hertfordshire UK WD24 4QQ, or such other address that we may periodically designate.

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

## **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 Entities') 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 the Entities) 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 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 the applicable Entities), even if you develop them.

**9.1.3** 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 the Entities 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 service marks, copyrights, trademarks, trade dress, logos, designs, insignia, emblems, symbols, 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.

**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 any applicable Entity 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 the Entities.

**9.4.2** You appoint us as your exclusive attorney-in-fact, to prosecute, defend and/or settle all disputes of this type 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 the applicable Entity 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, maintain or use 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 the Entities, 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 to the Entities 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 the applicable Entities, 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 the Entities 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 the Entities 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 the Entities 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 reasonable 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** The Reports will be certified as accurate in the manner we require. You will 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 we 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 they 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 17.15 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 we obtain from you and all revenues we derive from such Information will be our property and Proprietary Information 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, 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 the Entities 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 the Entities 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. 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. 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. We will not require you to pay Liquidated Damages unless you or one of your Affiliates own and/or operate a hotel at the Hotel Site under a lease, license or franchise from a Competitor within three (3) years of the termination date.

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

**12.0 NOTICE OF INTENT TO MARKET**

Except in the case of a Transfer governed by Subsection 13.2.1 or 13.2.2 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.

## 13.0 TRANSFERS

### 13.1 Our Transfer.

**13.1.1** 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 the Entities 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.

**13.1.2** 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.

**13.2 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, your officers, directors, partners, members, shareholders or trustees. A Transfer by you of any Equity Interest, or this Agreement, or any of your rights or obligations under this Agreement, or a Transfer by an Equity Owner is prohibited other than as expressly permitted herein.

**13.2.1 Permitted Transfers That Do Not Require Notice or Consent.** The following Transfers are permitted without giving notice or obtaining our consent if the Permitted Transfer does not result in a change in Control of the Franchisee, the Hotel or the Hotel Site and you meet the requirements set forth below.

**13.2.1.1 Privately Held Equity Interests: Less than 25% Change/No Change of Control.** An Equity Interest that is not publicly traded may be Transferred if, immediately after the transaction, the transferee Equity Owner will own less than twenty-five percent (25%) of the Equity Interest in the Franchisee.

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

**13.2.1.3 Passive Investors.** [IF APPLICABLE TO FRANCHISEE ENTITY] 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.

**13.2.2 Permitted Transfers That Require Notice and Consent.** We will permit you or any Equity Owner named in the Addendum as of the Effective Date (or any transferee Equity Owner we subsequently approve) to engage in the Permitted Transfers set forth below if any such Permitted Transfer does not result in a change of Control of the Franchisee, the Hotel or the Hotel Site and: (a) the proposed transferee is not a Sanctioned Person or a Competitor; (b) you 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 and any other information we may require in order to review the proposed Permitted Transfer); (c) you pay to us a nonrefundable processing fee of Five Thousand Dollars (\$5,000) with the Permitted Transfer request; (d) you follow our then-current procedure for processing Permitted Transfers; and (e) you execute any documents required by us for processing Permitted Transfers. If a Permitted Transfer listed in Subsection 13.2.2 otherwise qualifies as a Permitted Transfer without notice or consent under Subsection 13.2.1, the provisions of Subsection 13.2.1 will control.

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

**13.2.2.2 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.

**13.2.2.3 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.

**13.2.2.4 Privately Held Equity Interests: 25% or Greater Change/No Change of Control.** You or any Equity Owner as of the Effective Date (or any transferee Equity Owner we subsequently approve) may Transfer an Equity Interest in Franchisee even though, after the completion of such Transfer, twenty-five percent (25%) or more of the Equity Interests in Franchisee will have changed hands since the Effective Date of this Agreement.

**13.2.3 Change of Ownership Transfer.** Any proposed Transfer that is not described in Subsection 13.2.1 or 13.2.2 is a Change of Ownership Transfer. 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. 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**"):

**13.2.3.1** the Transferee submits a Change of Ownership Application, pays our then current franchise application fee and any PIP Fee, executes our then-current form of new franchise agreement and all ancillary forms, including a guaranty from a third party acceptable to us, if required;

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

**13.2.3.3** you or the Transferee pay all amounts due to us and the Entities through the date of the Closing;

**13.2.3.4** you execute our then-current form of voluntary termination agreement, which may include a general release, covering termination of this Agreement;

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

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

**13.2.3.7** the Transferee meets our then-current business requirements for new franchisees and is neither a Sanctioned Person nor a Competitor.

#### **13.2.4 Public Offering or Private Placement.**

**13.2.4.1** 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.

**13.2.4.2** 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. Except as legally required to describe the Hotel in the offering materials, you may not use any of the Marks or otherwise imply our participation or that of Hilton Worldwide or any other Entity in or endorsement of any Securities or any Securities offering.

**13.2.4.3** 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. Our review of these 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.

**13.2.4.4** You may not sell any Securities unless you clearly disclose to all purchasers and offerees that: (i) neither we, nor any Entity, nor any of our or their respective officers, directors, agents or employees, will in any way be deemed an issuer or underwriter of the Securities, as those terms are defined in applicable securities laws; and (ii) we, the Entities, and our respective officers, directors, agents and employees 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.

**13.2.4.5** 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 Subsection 15.1 of this Agreement.

#### **13.2.5 Mortgages and Pledges to Lending Institutions.**

**13.2.5.1** 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, provided that: (i) you or the applicable Equity Owner are the sole borrower; and (ii) the loan is not secured by any other hotels or other collateral.

**13.2.5.2** You must notify us, in writing, before incurring other proposed indebtedness that involves a mortgage or pledge of the Hotel or an Equity Interest, or a collateral assignment of this Agreement, so that we can evaluate the structure to determine whether any special agreements and/or assurances from the lender, the Franchisee and/or its Equity Owners will be required including a "lender comfort letter" or a loan related guaranty, in a form satisfactory to us. We may charge a fee for our review of a proposed mortgage or pledge and for the processing of a lender comfort letter.

**13.2.6 Commercial Leases.** You may lease or sublease commercial space in the Hotel, or enter into concession arrangements for operations in connection with the Hotel, in the ordinary course of business, subject to our right to review and approve the nature of the proposed business and the proposed brand and concept, all in keeping with our Standards for System Hotels.

## **14.0 TERMINATION**

**14.1 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:

**14.1.1** You fail to pay us any sums due and owing to us or the Entities under this Agreement within the cure period set forth in the notice, which shall not be less than ten (10) days;

**14.1.2** You fail to begin or complete the Hotel Work by the relevant dates set forth in the Addendum 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;

**14.1.3** 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

**14.1.4** 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.

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

**14.2.1** 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;

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

**14.2.3** 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;

**14.2.4** 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;

**14.2.5** 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;

**14.2.6** 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;

**14.2.7** 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;

**14.2.8** you or any Equity Owner with a Controlling Equity Interest are or have been convicted of a felony or any other offense or conduct, if we determine in our business judgment it is likely to adversely reflect on or affect the Hotel, the System, us and/or any Entity;

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

**14.2.10** you, your Affiliate or a Guarantor become a Competitor except as otherwise permitted by Subsection 5.1.15;

**14.2.11** you Transfer any interest in yourself, this Agreement, the Hotel or the Hotel Site, other than in compliance with Section 13 and its subparts;

**14.2.12** you, your Affiliate or a Guarantor become a Sanctioned Person or are owned or controlled by a Sanctioned Person or fail to comply with the provisions of Subsection 17.13;

**14.2.13** 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 the Entities or the then-current stature of any of the Entities with any gaming commission, board, or similar governmental or regulatory agency, or the reputation or business of any of the Entities;

**14.2.14** any Guarantor breaches its guaranty to us; or

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

**14.3 Suspension Interim Remedies.** If 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 the Entities' obligations under any other of Your Agreements.

**14.3.1** 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.

**14.3.2** We may disable all or any part of the software provided to you under Your Agreements and/or may suspend any one or more of the information technology and/or network services that we provide or support under Your Agreements.

**14.3.3** 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.

**14.3.4** You agree that our exercise of the right to elect Interim Remedies will not result in actual or constructive termination or abandonment of this Agreement and that our decision to elect 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 elect 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.

#### **14.4 Liquidated Damages on Termination.**

**14.4.1 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:

**14.4.1.1** If termination occurs before you begin the Hotel Work, and before the Opening Date, 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 under a Competitor Brand 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.

**14.4.1.2** 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.

**14.4.1.3** 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.

**14.4.1.4** If termination occurs after the second anniversary of the Opening Date but before the final five (5) calendar years of the Term, you will pay us Liquidated Damages in an amount calculated by dividing the sum of the Monthly Royalty Fees due to us under this Agreement for the prior twenty-four (24) month period by twenty-four (24) and then multiplying the resulting sum by sixty (60).

**14.4.1.5** If there are less than sixty (60) months remaining in the Term on the date of termination, you will pay us Liquidated Damages in an amount calculated by dividing the sum of the Monthly Royalty Fees due to us under this Agreement for the prior twenty-four (24) month period by twenty-four (24) and then multiplying the resulting sum by the number of months remaining in the Term.

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

**14.5 Actual Damages Under Special Circumstances.** You acknowledge that the Liquidated Damages described in Subsection 14.4 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, under the following circumstances:

**14.5.1** within twelve (12) months of each other, [SELECT FOR DT/ES/HFS/CI/WAC] two (2) [SELECT FOR HGI/H2/HW] five (5) [SELECT FOR HAM] 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

**14.5.2** this Agreement terminates due to an unapproved Transfer either to a (i) Competitor or (ii) buyer that converts the Hotel to a Competing Brand within two (2) years from the date this Agreement terminates.

**14.5.3** In the circumstances set forth in Subsection 14.5.1 and 14.5.2, we reserve the right to seek actual damages in lieu of Liquidated Damages.

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

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

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

**14.6.3** 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;

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

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

**14.6.6** 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; and

**14.6.7** 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.

**14.7** If, within thirty (30) days after termination or expiration of this Agreement, you fail to comply with your obligations under Section 14.6, 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 the Entities may incur in connection with your non-compliance.

## **15.0 INDEMNITY**

**15.1** 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:

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

**15.1.2** 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;

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

**15.1.4** your alleged or actual infringement or violation of any patent, Mark or copyright or other proprietary right owned or controlled by third parties;

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



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

**15.1.7** your failure to comply with Subsection 17.13, including a breach of the representations set forth therein.

**15.2** You do not have to indemnify an Indemnified Party to the extent damages otherwise covered under this Section 15 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.

**15.3** 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 or 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.

**15.4** 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.

**15.5** Your obligations under this Section 15 will survive expiration or termination of this Agreement.

## **16.0 RELATIONSHIP OF THE PARTIES**

**16.1 No Agency Relationship.** You are an independent contractor. Neither Party is the legal representative or agent of the other Party nor has the power to obligate the other Party for any purpose. You acknowledge that we do not supervise or direct your daily affairs and that 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 or employment relationship is intended or created by reason of this Agreement.

**16.2 Notices to Public 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 Entity's name or using the Marks or any acronyms or variations of the Marks. You will disclose in all dealings with the public, suppliers and third parties that you are an independent entity and that we have no liability for your debts.

## **17.0 MISCELLANEOUS**

### **17.1 Severability and Interpretation.**

**17.1.1** 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.

**17.1.2** 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.

**17.1.3** 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.

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

**17.2.1** 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 17.2.1.

**17.2.2** 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 17.2 shall continue to apply.

**17.3 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 the Entities or covenants in favor of the Entities, which rights and covenants will run to and be enforceable by the Entities or their successors and assigns) or give rise to liability to a third party, except as otherwise specifically set forth in this Agreement.

**17.4 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.

## **17.5 Amendment and Waiver.**

**17.5.1** 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, the Entities, and related parties.

**17.5.2** No failure by us or by any of the Entities 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 Entity's right to demand exact compliance with the terms of this Agreement.

#### **17.6 Consent; Business Judgment.**

**17.6.1** 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.

**17.6.2** 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.

**17.7 Notices.** Notices under this Agreement must be in writing and must be delivered in person, by prepaid overnight commercial delivery service, or by prepaid overnight mail, registered or certified, with return-receipt requested. Notices to us must be sent to Maple Court, Central Park, Reeds Crescent, Watford, Hertfordshire, UK WD24 4QQ, Attention: Legal Department. We will send notices to your address set forth in the Addendum. If you want to change the name or address for notice to you, you must do so in writing, signed by you or your duly authorized representative, designating a single address for notice, which may not be a P.O. Box, in compliance with this Subsection. Notice will be deemed effective on the earlier of: 1) receipt or first refusal of delivery; 2) one (1) day after posting if sent by overnight commercial delivery service or overnight United States or Territory mail; or 3) three (3) days after placement in the United States or Territory mail if overnight delivery is not available to the notice address.

**17.8 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 the Entities 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 before the Effective Date of this Agreement. This release will survive the termination of this Agreement.

**17.9 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.

**17.10 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 the Entities for your breach of this Agreement.

**17.11 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:

**17.11.1** 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;

**17.11.2** 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;

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

**17.11.4** 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;

**17.11.5** 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; and

**17.11.6** 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.

**17.11.7** You hereby indemnify and hold us harmless from any breach of these representations and warranties. These warranties and representations will survive the termination of this Agreement.

**17.12 Counterparts.** This Agreement may be signed in counterparts, each of which will be considered an original.

**17.13 Sanctioned Persons and Anti-Bribery Representations and Warranties.**

**17.13.1** You represent, warrant and covenant to us and the entities, on a continuing basis, that:

**17.13.1.1** you (including your directors and officers, senior management and shareholders (or other Persons) having a controlling interest in you), and any Controlling Affiliate of the Hotel or the Hotel Site are not, and are not owned or controlled by, or acting on behalf of, a Sanctioned Person or, to your actual knowledge, otherwise the target of Trade Restrictions;

**17.13.1.2** 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 Person that qualifies as a Sanctioned Person or, to your actual or constructive knowledge, is otherwise the target of any applicable Trade Restrictions;

**17.13.1.3** you are familiar with the provisions of applicable Anti-Corruption Laws and shall comply with applicable Anti-Corruption Laws in performance of your respective obligations under or in connection with this Agreement;

**17.13.1.4** any funds received or paid in connection with entry into or performance of this Agreement have not been and will not be derived from 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 you are not engaging in this transaction in furtherance of a criminal act, including acts in violation of applicable Anti-Corruption Laws;

**17.13.1.5** in preparation for and in entering into this Agreement, you have 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 Agreement or the performance of your obligations under this Agreement, you 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;

**17.13.1.6** except as otherwise disclosed in writing to us, neither you, nor any of your direct or indirect shareholders (including legal or beneficial shareholders), officers, directors, employees, agents or other Persons designated by you to act on your behalf or receive any benefit under this Agreement, is a Government Official. Furthermore, no Government Official has or will have any existing or inchoate legal or beneficial interest in this Agreement or any payments to be made under this Agreement. You will notify us immediately in writing in the event of a change in the Government Official status of any such Persons;

**17.13.1.7** any statements, oral, written, electronic or otherwise, that you submit to us or to any third party in connection with the representations, warranties, and covenants described in this Subsection 17.13 are truthful and accurate and do not contain any materially false or inaccurate statements;

**17.13.1.8** you will make reasonable efforts to assure that your respective appointed agents in relation to this Agreement comply in all material respects with the representations, warranties, and covenants described in this Subsection 17.13; and

**17.13.2** You will notify us in writing immediately on the occurrence of any event which would render the foregoing representations and warranties of this Subsection 17.13 incorrect.

**17.14 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.

**17.15 Interest.** Any sum owed to us or the Entities by you or paid by us or the Entities 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.

**17.16 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.

**17.17 Our Delegation of Rights and Responsibility.** In addition to the rights granted to us in Section 4 and Subsection 13.1 of this Agreement, we reserve the right to delegate to one or more of the Entities 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 Entity, in which case approval by such Entity will be conclusively deemed to be approval by us. During the period of such delegation or designation, any act or direction by such Entity 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 the Entities 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.

**17.18 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.

**17.19 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.

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

**18.1 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.**

**18.2 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. 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.**

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

**19.1** 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) and Sections 2 and 13.2 of this Agreement and the Addendum, subject to those rights retained by us in Section 2 of this Agreement.

**19.2** 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, 6.1.5, 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.

**19.3** 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, 5.1.19, 5.1.21, 9.3, 9.5, and 12.0, and as further established in the Manual, as periodically modified by us.

**19.4** 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, 5.1.20, 5.1.21, 6.4.2, 6.4.4, 6.6.3, 8.1, 8.2, 8.3, 8.4, 8.5, 10.3, 13.2.4.2, 13.2.5.2, 14.4, 14.5, 14.6.1 and 14.6.8, 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.

**19.5** 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.

**19.6** 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.

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

**19.7.1** 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.

**19.7.2** 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.

**19.8** 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.

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

**19.10** This Agreement may only be revised and/or amended in accordance with Sections 17.4 and 17.5 of the Agreement.

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

## ADDENDUM TO FRANCHISE AGREEMENT

Effective Date:

Facility Number:

Franchisor Name: **HILTON WORLDWIDE FRANCHISING LP**

Brand:

Initial Approved Hotel Name (Trade Name):

Principal Mark in Brand:

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/HW] [Due Fifteen (15) months from the Effective Date]**  
**[CI/DT/ES/HFS/WAC] [Due Sixteen (16) months from the Effective Date]**

Construction Work Completion Date: **HAM/H2 [Due twenty-seven (27) months from the Effective Date]**  
**HGI/HW [Due thirty (30) months from the Effective Date]**  
**DT/ES/HFS/CI/WAC [Due thirty-six (36) months from the Effective Date]**

Renovation Commencement Date:

Renovation Work Completion Date:

Expiration Date: **NEW CONSTRUCTION:** Midnight on [hard date] [the last day of the month] seventeen (17) years from the Effective Date  
**CONVERSION:** Midnight on the last day of the month ten (10) to twenty (20) years from the Opening Date  
**COO:** Remaining Term under the existing franchise agreement



Franchise Application Fee:

Monthly Fees:

Monthly Program Fee:

Monthly Food and Beverage Fee:

Monthly Royalty Fee:

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

**ADD ONLY IF APPLICABLE:**

**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 **[Effective Date, i.e., \_\_\_\_\_, 20\_\_]** **[Opening Date, but in no event later than \_\_\_\_\_ 20\_\_]** *[NOTE: DATE SHOULD BE CONSTRUCTION OR RENOVATION WORK COMPLETION DEADLINE DATE PLUS # OF YEARS IN THE RESTRICTIVE PERIOD]* (the “**Restrictive Period**”), neither we nor any of the Entities will open, or allow to open, a hotel or motel under the Brand, as such Brand name may be periodically changed by us, within the **Restricted Area** (described below). 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 Restrictive Area that replaces such Existing Hotel under the Brand.

The restrictions also do not apply to: (1) any hotel(s) or motel(s) under brands other than the Brand; (2) any hotel(s) or motel(s) that will not begin operating under the Brand until after the expiration of the Restrictive Period; (3) any gaming-oriented hotels or facilities using the Brand; (4) any shared ownership properties (commonly known as “vacation ownership” or “time share ownership” or similar real estate properties) under the Brand; and (5) any 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 the Entities, 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.

**Restricted Area** as used in this provision means the area located within the following boundaries:

BOUNDARIES TO BE DETERMINED BY FRANCHISOR

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

**FOR COO OR RE-LICENSING IF HOTEL IS ALREADY OPERATING UNDER THE BRAND:**

All references in this Agreement to the "Opening Date" will mean the "Effective Date."

**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 the Entities 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**

**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 [jurisdiction] [ type of entity]

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

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

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

Executed On: \_\_\_\_\_

**FRANCHISOR:**

HILTON WORLDWIDE FRANCHISING LP,  
a United Kingdom limited partnership

By: HILTON WORLDWIDE SERVICES LIMITED  
Its General Partner

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

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

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

Executed On: \_\_\_\_\_

## SCHEDULE 1

Your Ownership Structure:

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

## SCHEDULE 2

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

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

[INSERT PIP OR OTHER ADDITIONAL TEXT HERE]

# **EXHIBIT A-1**

## DEVELOPMENT INCENTIVE NOTE

\$ \_\_\_\_\_

WATFORD, HERTFORDSHIRE, UK

Date: \_\_\_\_\_

FOR VALUE RECEIVED, [INSERT NAME] ("Maker") promises to pay to the order of HILTON WORLDWIDE FRANCHISING LP, a United Kingdom limited partnership ("Holder"), the principal sum of [INSERT AMOUNT] (\$ \_\_\_\_\_) which amount shall bear no interest unless Maker defaults or this Note is accelerated.

This Note is issued pursuant to the Franchise Agreement between Holder and Maker for the operation of a [INSERT BRAND] hotel to be located at [INSERT ADDRESS] ("Hotel"). All capitalized terms not defined in this Note shall have the same meaning as in the Franchise Agreement.

The principal amount of this Note will be disbursed by Holder to Maker, and Maker will become subject to the obligation to repay or discharge this Note, when and if Maker opens the Hotel in accordance with the Franchise Agreement. If the Franchise Agreement terminates before the Hotel opens and Holder does not disburse the principal amount of this Note to Maker, then this Note will be deemed discharged and neither party will have any further obligation to the other under this instrument. On each anniversary of the Hotel's Opening Date, one-twentieth (1/20<sup>th</sup>) of the original principal amount will be forgiven without payment. Maker's obligation to repay the principal of this Note will cease and this Note will be canceled and discharged when and if the principal is completely forgiven.

The outstanding principal balance of this Note shall be payable in lawful money of the United States of America at Maples Court, Central Park, Reeds Crescent, Watford, Hertfordshire WD24 4QQ UK, or at such other place as Holder may periodically direct by written notice to Maker, if: (1) a Termination of the Franchise Agreement occurs for any reason; or (2) a Transfer occurs and the transferee does not assume Maker's obligation under this Note in a writing acceptable to Holder before the closing of the Transfer. If a Termination or Transfer occurs, the outstanding, unamortized principal balance of this Note shall be immediately due and payable without further notice, demand or presentment. If this Note is accelerated and is not paid within ten (10) days after it is due, the outstanding principal balance shall bear simple interest at a rate equal to the lesser of eighteen percent (18%) per annum or the highest rate allowed by applicable law from its due date until paid. Any payments shall be first applied to any accrued interest and then to principal. Maker has the right to prepay this Note, in whole or in part, at any time, without premium or penalty. Prepayments of principal will be applied without notation on this Note. Maker's obligation to pay this Note shall be absolute and unconditional, and all payments shall be made without setoff, deduction, offset, recoupment or counterclaim.

If this Note is collected by or through an attorney at law, the Holder shall be entitled to collect reasonable attorney's fees and all costs of collection, which shall be added to the amount due and payable to Holder under this Note. This Note is issued in and shall be governed and construed according to the laws of the State of New York (without the application of conflict of laws principles). Each maker, endorser, guarantor or accommodation party liable for this Note waives presentment, demand, notice of demand, protest, notice of non-payment, notice of protest, notice of dishonor and diligence in collection. Holder reserves the right to modify the terms of this instrument, grant extensions, renewals, releases, discharges, compositions and compromises with any party liable on this Note, with or without notice to or the consent of, and without discharging or affecting the obligations of any other party liable under this instrument. The terms "Holder" and "Maker" shall be deemed to include their respective heirs, successors, legal representatives and assigns, whether by voluntary action of the parties or by operation of law. All references to "Maker" shall mean and include the named Maker and all co-makers, guarantors, sureties and accommodation parties signing or endorsing this Note.

IN WITNESS WHEREOF, Maker has executed this instrument effective on the date indicated above.

**Maker**

**Witness**

\_\_\_\_\_

\_\_\_\_\_

**Co-Maker**

**Witness**

\_\_\_\_\_

\_\_\_\_\_

# **EXHIBIT A-2**

## EFOREA SPA AMENDMENT TO FRANCHISE AGREEMENT

THIS AMENDMENT TO FRANCHISE AGREEMENT (the “**Amendment**”) is made and entered into as of [INSERT DATE] (“**Effective Date**”), by and between HILTON WORLDWIDE FRANCHISING LP (“**we**,” “**us**,” “**our**,” or “**Franchisor**”) and the franchisee entity (“**you**,” “**your**,” or “**Franchisee**”) set forth in the Addendum attached to the Franchise Agreement (as defined below).

**WHEREAS**, Franchisor and Franchisee have entered into a franchise agreement effective [INSERT DATE] (“**Franchise Agreement**”) that provides for the Hotel to operate as a Brand hotel pursuant to the terms of the Franchise Agreement.

**WHEREAS**, Franchisee has made application to operate an eforea spa (“**eforea spa**”) in connection with the operation of the Hotel and Franchisor is willing to accept such application and grant a license to Franchisee to use the Brand in the operation of an eforea spa at the Hotel Site, pursuant to the Franchise Agreement as amended hereby.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Franchisor and Franchisee hereby agree as follows:

1. Terms. Capitalized terms set forth herein that are not defined herein shall have the meaning set forth in the Franchise Agreement, unless specifically amended pursuant to Section 2 below.

2. Changes to Certain Defined Terms. Section 1 of the Franchise Agreement shall be amended as follows:

(a) The defined terms set forth in Section 1 of the Franchise Agreement, which are identified below, shall be deleted in their entirety and replaced with the following:

“**Brand**” means with respect to the Hotel, the brand name set forth in the Addendum, and the brand name “eforea” with respect to the spa to be operated hereunder.

“**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, including an eforea spa, located on any land we approve in the future for additions, signs, parking or other facilities.

“**Opening Date**” means the day on which we authorize you to make available the facilities, guestrooms or services of the Hotel to the general public under the Brand. However, the “Opening Date” as it relates to the eforea spa, shall mean the day on which we authorize you to make available the spa’s services to the general public.

“**Trade Name**” means the name of the Hotel set forth in the Addendum, and with respect to the operation of the spa in connection with the Hotel, the name “eforea.”

“**Term**” means the period from the Effective Date through the expiration of this Agreement on the date set forth in the Addendum, unless terminated earlier under the terms of this Agreement. The Term for the operation of your eforea spa shall expire on the earlier of: (i) the termination of the eforea spa Amendment to this Agreement or (ii) the expiration or termination of this Agreement.

(b) The definition of “**Manual**” shall be amended to include the eforea Spa Operating Standards Manual.

(c) The definition of “**Standards**” shall be amended to include application to eforea spas licensed by us.

(d) The definition of “**System**” shall be amended to include the elements that we designate to distinguish spas operating under the “eforea” name, including know-how.

(e) The following term shall be added to the defined terms in Section 1:

“**Gross Spa Revenue**” means all revenue from services and retail sales of products from the eforea spa, less amounts for spa rebates and overcharges, but does not include any sales or other taxes collected directly from spa customers or any revenue derived from food and beverage sales from the eforea spa.

3. Grant of Non-Exclusive License. We and you acknowledge that in executing this Amendment, and modifying certain of the defined terms contained in the Franchise Agreement during the term of this Amendment, we are granting to you and you are accepting a limited, non-exclusive license to operate a spa on the Hotel Site using the eforea name and other indicia of an eforea spa during the Term applicable to the eforea spa, and you are agreeing to comply with all Standards that have been and are in the future developed by us for use in connection with the design, construction, renovation, refurbishment, appearance, equipment, furnishing, supplying, opening, operating, maintaining, marketing, services, service levels, quality, and quality assurance of eforea spas.

4. Our Responsibilities. Subsection 4.4 of the Franchise Agreement is amended by the addition of the following new Subsection:

**4.4.8 Spa.** We will provide you with (i) a sample layout for the interior of a typical eforea spa, and specifications we have approved related to the design and construction of the spa, (ii) a collateral suite including spa menus and appointment cards, and (iii) a list of approved suppliers and specifications for required operating equipment, products, supplies and furnishings in the spa. As and when we determine, we will provide the services of a Spa Performance Director to periodically provide you with suggestions for the improvement of your spa’s operations.

5. Trade Name, Use of the Marks. Subsection 9.2.1 of the Franchise Agreement is amended by the addition of the following sentence after the first sentence thereof:

The spa operated at the Hotel Site as a part of the Hotel will be known by the Trade Name “eforea,” unless otherwise approved, or changed by us.

6. Additional Operational and Other Requirements.

(a) Subsection 5.1.1 of the Franchise Agreement shall be deleted in its entirety and replaced with the following:

5.1.1 after the Opening Date, operate the Hotel twenty-four (24) hours a day; provided, however, you will operate the eforea spa for those days of the week and hours of the day that we may periodically establish;

(b) Subsection 5.1.24 of the Franchise Agreement is amended by deleting the word “and” after the semicolon,

(c) Subsection 5.1.25 of the Franchise Agreement is amended by changing the period to a semicolon and adding the following subparagraphs:

5.1.26 the Opening Date for the eforea spa must be **[INSERT DATE]**; provided, however, if no date is inserted, the Opening Date must be within twelve (12) months of the Effective Date of the eforea Amendment;

5.1.27 after the Opening Date, operate the eforea spa for those days of the week and hours of the day as we may establish;



5.1.28 you must display all material, including brochures and promotional materials we provide for eforea spas, and allow advertising and promotion of eforea spas on your spa's premises, unless we specifically direct you to include advertising or promotion of Other Hotels or other non-eforea spas; and

5.1.29 comply with System Standards for the training of persons involved in the operation of the eforea spa, including completion by each member of the spa's staff of the training program for operation of the spa 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 will also be responsible for the wages, room, board and travel expenses of your personnel.

7. Fees. In addition to the fees set forth in the Franchise Agreement, you will pay us the following additional fees in connection with your eforea spa:

(a) Initial Fee. An initial fee of Seventy Five Thousand Dollars (\$75,000) ("**Initial Fee**") is due on execution of this Amendment in consideration for our grant to you of the right to operate an eforea spa. The Initial Fee shall be deemed to have been earned by us at the time of execution of this Amendment by you, and shall not be refundable.

(b) Spa Royalty. An additional fee of five percent (5%) of your Gross Spa Revenue. This fee shall be added to your Monthly Royalty Fee but shall only be payable on Gross Spa Revenue. For the avoidance of any doubt, this fee (i) will be due and we will have all rights related to this fee as set forth in the Franchise Agreement related to the Monthly Royalty Fee, and (ii) is paid in addition to any other fees set forth in the Franchise Agreement.

8. Lease; Competition; Transfer. Notwithstanding anything set forth in the Franchise Agreement to the contrary, you understand and acknowledge that: (i) you may not lease or sublease commercial space in your eforea spa, or enter into concession arrangements for operations in connection with your eforea spa; (ii) neither you nor any affiliate may operate, have operated on your behalf or on behalf of an affiliate, or allow the operation of, another spa in, adjacent to or that is associated in any way with, the Hotel; (iii) you may not enter into a Change of Ownership Transfer for your Hotel unless you are also transferring your eforea spa in the same transaction and you may not enter into a Change of Ownership Transfer for your eforea spa unless you are also transferring your Hotel in the same transaction; and (iv) any Restricted Area granted by Franchisor shall not apply to Franchisee with respect to its eforea spa. Further, in any transaction referred to in clause (ii) above, the Transferee for your Hotel and the spa operated as part of your Hotel must be the same entity.

9. Termination. You acknowledge and agree: (i) the expiration or termination of the Franchise Agreement will terminate all of your rights to operate an eforea spa; and (ii) this Amendment can be terminated for any of the grounds set forth in the termination provisions of the Franchise Agreement, whether or not the Franchise Agreement is also terminated, following which you will have no further right to use the name "eforea" in connection with the operation of a spa at the Hotel Site.

10. Your Obligations On Termination or Expiration. In the event of a termination or expiration of the Term with respect to your right to operate the spa as an eforea spa, in addition to, and not in lieu of, any of your obligations that arise upon termination or expiration of the Franchise Agreement, you will immediately:

(a) cease using the eforea name, and any other names, marks, trade dress, systems, insignia, symbols, and other rights, procedures and methods licensed to you under this eforea Amendment with respect to the operation of a spa, and any confusingly similar names, marks, trade dress, systems, insignia, symbols, procedures and methods;

(b) deliver all goods and materials containing that portion of the Marks related to the operation of an eforea spa to us and we will have the sole and exclusive use of any items containing those Marks;

(c) make any specified changes to the Hotel and the Hotel Site as we may reasonably require for the purpose of de-identifying your spa, which will include removal of the signs, custom decorations and promotional materials related to the operation of an eforea spa;

(d) cease representing yourself or the Hotel as then or formerly operating a spa as an eforea spa;

(e) return all copies of the eforea Spa Operations Standards Manual to us; and

(f) cancel all assumed name or equivalent registrations relating to your use of the eforea name in connection with the operation of a spa at the Hotel, and irrevocably assign and transfer to us (or to our designees) all of your right, title and interest in any domain name listings and registrations that contain any reference to the eforea name, all to the same extent as would be required under Subparagraphs 14.6.6 and 14.6.7 of the Franchise Agreement upon termination of that agreement.

11. Representations and Warranties. Subsection 17.11.1 of the Franchise Agreement is deleted in its entirety and replaced with the following:

17.11.1 you have independently investigated the risks of operating the Hotel and a spa 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.

12. Original Document. This Amendment may be executed in any number of counterparts, and delivered via facsimile transmission, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13. Authority. Franchisee hereby represents and warrants that the individual signing this Amendment on its behalf has the necessary authority and legal capacity to execute this instrument and represent it hereunder.

14. Effect. The terms of this Amendment are expressly made subject to and are governed by the Franchise Agreement. Except as specifically amended hereby, the Franchise Agreement shall continue in full force and effect. In the event of a conflict between the terms of the Franchise Agreement and this Amendment, this Amendment shall control.

**IN WITNESS WHEREOF**, the parties have signed this Amendment as of the dates indicated below to be effective as of the Effective Date set forth above.

**FRANCHISEE:**

**[INSERT]** FRANCHISEE ENTITY],  
a [jurisdiction] [ type of entity]

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

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

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

Executed On: \_\_\_\_\_

**FRANCHISOR:**

HILTON WORLDWIDE FRANCHISING LP,  
a United Kingdom limited partnership

By: HILTON WORLDWIDE MANAGE LIMITED  
Its General Partner

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

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

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

Executed On: \_\_\_\_\_

# **EXHIBIT B**

## GUARANTY OF FRANCHISE AGREEMENT

[INSERT Hotel Name]

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 FRANCHISING LP, a United Kingdom limited partnership ("Franchisor"), 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:

**1. Guaranty.** Guarantor hereby unconditionally and irrevocably 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 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 (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. Possible Termination of Guaranty.** Unless earlier terminated, the liability of Guarantor shall continue until every obligation of Franchisee that may become due in accordance with the terms of the Franchise Agreement is performed or paid, and until any loss or damage incurred by Franchisor with respect to any matter covered by this Guaranty is paid. 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.

**3. 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 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.

**4. 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.

**5. 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 FRANCHISING LP  
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.

(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.

**6. 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 we direct.

**7. 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.

**8. 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.

**9. 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.

**10. 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.

**IN WITNESS WHEREOF,** 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**



## RECEIPT

### HILTON WORLDWIDE FRANCHISING LP

#### HILTON

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF HILTON WORLDWIDE FRANCHISING LP OFFERS YOU A FRANCHISE, YOU MUST BE PROVIDED WITH THIS DISCLOSURE DOCUMENT AT LEAST 30 BUSINESS DAYS BEFORE YOU SIGN A FRANCHISE AGREEMENT OR PAY THE FRANCHISE APPLICATION FEE.

This Disclosure Document includes the following Exhibits:

- A. Franchise Agreement and Addendum
- B. Guaranty of Franchise Agreement
- C. Receipt

I acknowledge that I have received the Disclosure Document dated July 1, 2014, as required by **ARTICLE 142 OF THE INDUSTRIAL PROPERTY LAW OF MEXICO.**

On behalf of the proposed franchisee applicant and its owners, I am signing this Receipt on behalf of a proposed franchisee that already exists or will be created in connection with a Franchise Application. I confirm that I have a power of attorney for management acts (poder para actos de administración) by the proposed franchisee, or will be granted a power of attorney for management acts (poder para actos de administración) by the proposed franchisee once created

Name of proposed franchisee: \_\_\_\_\_

(1) \_\_\_\_\_  
Printed Name                      Signature                      Date

(2) \_\_\_\_\_  
Printed Name                      Signature                      Date

RETURN ONE COPY OF THIS RECEIPT TO: \_\_\_\_\_

LOCATION OF PROPOSED HOTEL: \_\_\_\_\_

## RECEIPT

### HILTON WORLDWIDE FRANCHISING LP

#### HILTON

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF HILTON WORLDWIDE FRANCHISING LP OFFERS YOU A FRANCHISE, YOU MUST BE PROVIDED WITH THIS DISCLOSURE DOCUMENT AT LEAST 30 BUSINESS DAYS BEFORE YOU SIGN A FRANCHISE AGREEMENT OR PAY THE FRANCHISE APPLICATION FEE.

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Name of proposed franchisee: \_\_\_\_\_

(1) \_\_\_\_\_  
Printed Name                      Signature                      Date

(2) \_\_\_\_\_  
Printed Name                      Signature                      Date

RETURN ONE COPY OF THIS RECEIPT TO: \_\_\_\_\_

LOCATION OF PROPOSED HOTEL: \_\_\_\_\_