

# **PROJECT H3 BY HILTON™**

**HILTON WORLDWIDE FRANCHISING LP**

**PROJECT H3 BY HILTON  
FRANCHISE DISCLOSURE DOCUMENT  
CANADA**

Version Date: August 1, 2023

## **IMPORTANT NOTICE**

If you are entitled to receive this Disclosure Document under the laws of the provinces of Alberta, British Columbia, Manitoba, New Brunswick, Ontario, or Prince Edward Island (“Disclosure Provinces”), then this Disclosure Document has been provided to you under the *Alberta Franchises Act*, the British Columbia Franchises Act, Manitoba’s *The Franchises Act*, the New Brunswick *Franchises Act*, the Ontario *Arthur Wishart Act (Franchise Disclosure), 2000*, or the Prince Edward Island *Franchises Act* (the “Acts”), respectively, and we will observe the applicable waiting period after delivery of this Disclosure Document. The certificates of our officers that are required by various Disclosure Provinces are attached to this Disclosure Document after Article 29.

If you reside in a province other than the Disclosure Provinces, or if you reside in a Disclosure Province but are subject to an exemption or exclusion under the Acts from the entitlement to receive a Disclosure Document, then we have provided this Disclosure Document to you for informational purposes only, and on a voluntary basis. The information in this Disclosure Document has been prepared pursuant to the laws of the Disclosure Provinces for distribution to prospective franchisees in those provinces who we are required to provide it to pursuant to the Acts. Accordingly, some of the information contained in the Disclosure Document is specific to prospective franchisees in one or more of the Disclosure Provinces only and, as a result, may not be correct for you or applicable to the operation of a franchise in your area. You are encouraged to make your own investigations to ensure the accuracy of the information.

Further, if you reside outside of the Disclosure Provinces, or if you reside in a Disclosure Province but are subject to an exemption or exclusion under the Acts from the entitlement to receive a Disclosure Document, then we are providing the Disclosure Document to you on the understanding that you will not be relying in any way on the information or documents contained in the Disclosure Document, and you do not have statutory rights of rescission or otherwise under the Acts. In particular, if you reside outside of the Disclosure Provinces, then we provide this Disclosure Document to you on the understanding that you will not rely on any information or document that is particular to one or more of the Disclosure Provinces, or that otherwise does not apply to a prospective franchisee in your province, when making your decision to proceed with the purchase of a franchise and execute a franchise agreement with us.

In particular, section 5(7)(h) of the Ontario Arthur Wishart Act (Franchise Disclosure), 2000 (the “Ontario Act”) and Section 5(8)(i) of the British Columbia Franchises Act (the “BC Act”) provides that the disclosure requirements of the Ontario Act and the BC do not apply to the grant of a franchise where the prospective franchisee meets certain conditions. Therefore, the grant of the franchise described in this Disclosure Document may be exempt from Section 5 of the Ontario Act and from Section 5 of the BC Act and, in those instances, this Disclosure Document is being provided solely for the purpose of providing the prospective franchisee the benefit of the information contained within this document. Accordingly, the recipient of this disclosure document may have no rights of rescission or other rights provided for under the Ontario Act or the BC Act.

If the Hotel is or will be located in the province of Quebec, please see Article 28 for certain information that applies only to Hotels located in Quebec.

## **Statements Required by Ontario’s Arthur Wishart Act (Franchise Disclosure), 2000**

1. A commercial credit report is a report which may include information on the franchisor’s business background, banking information, credit history and trade references. Such

reports may be obtained from private credit reporting companies and may provide information useful in making an investment decision.

2. Independent legal and financial advice in relation to the franchise agreement should be sought prior to entering into the franchise agreement.
3. A prospective franchisee is strongly encouraged to contact any current or previous franchisees prior to entering into the franchise agreement.
4. The cost of goods and services acquired under the franchise agreement may not correspond to the lowest cost of the goods and services available in the marketplace.

**Statements Required by British Columbia's *Franchises Act*, Manitoba's *The Franchises Act*, New Brunswick's *Franchises Act*, and Prince Edward Island's *Franchises Act***

1. A prospective franchisee should seek information on the franchisor and on the franchisor's business background, banking affairs, credit history and trade references.
2. A prospective franchisee should seek expert independent legal and financial advice in relation to franchising and the franchise agreement prior to entering into the franchise agreement.
3. A prospective franchisee should contact current and previous franchisees prior to entering into the franchise agreement.
4. Lists of current and previous franchisees and their contact information can be found in this disclosure document.

**Statement Regarding COVID-19**

Since 2020, the novel coronavirus COVID-19 spread around the world and became a global pandemic that has adversely affected and may continue to adversely affect markets resulting in general economic downturns as well as negative effects on real estate, construction, and supply chain prices, access to financing, consumer demand for travel, lodging and hotel services, government regulation of businesses, and other factors, any of which could have material adverse impacts on the development and operation of a Project H3 by Hilton hotel business. We recommend that you make inquiries and carefully assess with professional business and legal advisors whether and to what degree the consequences of the COVID-19 pandemic might affect your development and operation of a Project H3 by Hilton hotel in your market before making any decision to purchase the franchise described in this Disclosure Document.

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## **ARTICLE 1 BUSINESS BACKGROUND OF THE FRANCHISOR**

### **1.1 The Franchisor**

To simplify the language in this Disclosure Document, “we” or “us” means Hilton Worldwide Franchising LP. “You” means the person(s) who signs the Franchise Agreement. If you are a business entity, “you” includes the business entity and its owners. The “Brand” refers to the name or names under which we will licence you to operate a hotel. Capitalized words not defined in this Disclosure Document have the meaning set forth in the Franchise Agreement.

We are initially offering franchises for this Brand under the name “Project H3 by Hilton.” This initial Brand name is temporary. We plan to use this initial Brand name only during the early phase of franchise development for this Brand, and designate the final Brand name in the future. Your Hotel will open and operate under the final Brand name that we designate.

We are a limited partnership formed on March 12, 2014, under the laws of England and Wales, with registered number LP015958. Our principal business address is Maple Court, Central Park, Reeds Crescent, Watford, Hertfordshire WD24 4QQ UK and our telephone number is +44 207 856 8000. In connection with the offer of this franchise, we do business under the name “Project H3 by Hilton.”

We became the franchisor of hotels which operate under the Project H3 by Hilton Brand for all locations outside the United States of America, including the District of Columbia and its territories and possessions (“US”) on August 1, 2023.

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

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

#### Hilton Worldwide Manage Limited as the Franchise Service Provider

Hilton Worldwide Manage Limited (“HWML”) is our general partner and affiliate. HWML is a limited company formed on December 7, 2010, under the laws of England and Wales, with registered number 7462067. HWML has provided development and management services to selected hotels outside the US since July 2014.

Under an operating agreement (“Operating Agreement”), we and certain other affiliates engaged HWML to perform our respective duties and obligations under our Franchise Agreements outside

the US. As long as we are your franchisor and the Operating Agreement is in effect, HWML 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 long as we are your franchisor, we will be responsible for fulfilling all our duties and obligations under your Franchise Agreement. If HWML fails to perform its obligations under the Operating Agreement, it may be replaced as the franchise service provider.

### Hilton Worldwide Manage Limited as the Franchisor

On January 1, 2018, two changes were made in our relationship with HWML. First, all existing Franchise Agreements that we had previously signed for Hilton Worldwide brand hotels in Canada were transferred to HWML. Second, HWML became the franchisor for all Hilton Worldwide brands for all new locations outside the US, except in Canada (and a limited number of other territories).

We remain the initial franchisor for all Hilton Worldwide brand hotels in Canada. However, all new Franchise Agreements that we sign for hotels in Canada will be transferred to HWML annually, on or about December 31st of each year (an "Annual Sweep"). The purpose of this arrangement is for tax efficiency. As a result, HWML will become the franchisor for, and provide services for, you on a going-forward basis after the first Annual Sweep following the execution of your Franchise Agreement. Accordingly, with respect to your Franchise Agreement, references to us in connection with the performance of our obligations under your Franchise Agreement will mean HWML after the first Annual Sweep following the execution of your Franchise Agreement.

For the avoidance of doubt, we have included HWML when considering matters disclosed in this Disclosure Document and have made notations as appropriate. HWML's financial statements are attached as Exhibit G-1.

The person authorized to accept service on behalf of us and HWML in Alberta is Lawrence Weinberg at Cassels Brock & Blackwell, LLP, Suite 3810, Bankers Hall West, 888-3rd Street SW, Calgary, Alberta T2P 5C5; in British Columbia at Suite 2200, HSBC Building, 885 West Georgia Street, Vancouver, BC, V6C 3E8; and in Ontario at Suite 3200, Bay Adelaide Centre – North Tower, 40 Temperance Street, Toronto ON M5H 0B4. The person in Manitoba authorized to accept service on behalf of us and HWML is Gregory J. Tallon, Thompson Dorfman Sweatman LLP, 201 Portage Avenue, Suite 2200, Winnipeg, Manitoba R3B 3L3. We and HWML do not have a registered agent for service of process in the provinces of New Brunswick, or Prince Edward Island or elsewhere in Canada.

## **1.2 The Franchised Business**

This Disclosure Document describes our franchise for high quality extended-stay hotels which will operate in Canada under the Project H3 by Hilton Brand. We license the Project H3 by Hilton hotel system ("System"), consisting of the elements, including know-how, which we periodically designate to identify hotels operating worldwide under the Brand, which are specially designed to provide distinctive, high-quality, long-term lodging service to the public. The System currently includes the Brand and the Marks (see Article 16); 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 your Hotel; and other elements we refer to in the Franchise Agreement (a copy of which is attached as Exhibit A), in the Manual (see Article 14) or in other communications to you, and programs for our inspecting your Hotel and consulting with you. We may add elements to the System or modify, alter, or delete elements of the System.

We franchise the non-exclusive right to use the System in the operation of your Hotel, at a specified location, under the Brand. You must follow the high standards we have established as the essence of the System and you may be required to make future investments. The Franchise Agreement you sign will provide for new development, change of ownership, re-licensing, or conversion, depending on your situation. These situations are referred to in this Disclosure Document as "New Development," "Change of Ownership," "Re-licensing," and "Conversion," respectively. Adaptive Reuse is also identified as a category on the Franchise Application. It is a form of Conversion.

During the term of the license, we may offer to amend your Franchise Agreement as part of the offer of a new program or for some other reason. If you agree to the proposed changes, you must sign our then current form of amendment that will contain our standard estoppel and general release.

### 1.3 Our Affiliates and their Predecessors

Hilton Worldwide, through its subsidiaries, currently owns or holds the rights to use the following principal marks and their related guest lodging systems: Hilton™, Canopy™, Conrad™, Curio™, DoubleTree™, Embassy™, Hampton™, Hilton Garden Inn™, Home2 Suites by Hilton™, Homewood™, LXR™, Motto™, Project H3 by Hilton™, Signia by Hilton™, Spark by Hilton™, Tapestry™, Tempo™, Tru™, Waldorf Astoria™ (the "Hilton Worldwide Brands"). The Hilton Worldwide Brands may utilize name variations for suites hotels and may use the taglines "by Hilton" or "Collection by Hilton" in some markets or locations. The Hilton Worldwide Brands may have trademark registrations currently pending in some markets or locations.

Our affiliates may offer franchises for any of the Hilton Worldwide Brands at any time. Our affiliate, Hilton Franchise Holding, LLC, a Delaware limited liability company, formed in September 2007 ("HFH"), has been the franchisor of Project H3 Brand hotels within the US since May 23, 2023. HFH has also been the franchisor in the US for the Canopy and Curio brand hotels since October 15, 2014; the Conrad, DoubleTree/DoubleTree Suites, Embassy Suites, Hampton Inn/Hampton Inn & Suites, Hilton, Hilton Garden Inn, Home2 Suites, Homewood Suites, and Waldorf Astoria brand hotels since March 30, 2015; the Tru brand hotel since December 1, 2015; the Tapestry brand hotels since December 1, 2016; the LXR and Motto brand hotels since September 14, 2018; the Signia by Hilton Brand hotels since March 30, 2019 (which is not currently franchised); the Tempo brand hotels since December 17, 2019; and the Project H3 by Hilton brand hotels since May 2023, each currently with "Collection" and/or "by Hilton" in their brand names as applicable. HFH offers each of these brands under a separate disclosure document (except Conrad, Signia by Hilton, and Waldorf Astoria, for which HFH does not currently offer standard franchises in Canada). HFH also offers eforea spa franchises in the US to franchisees of Curio, DoubleTree/DoubleTree Suites, Embassy Suites, Hilton, and Tapestry brand hotels, as an addendum to the Hotel franchise agreement under the disclosure documents for those brands.

HFH's predecessors for the offer of franchises in the US before March 30, 2015, include the following entities at various times for the specified brands:

Brand Offered	Predecessor Franchisor Entity	Dates Offered
Canopy	None	N/A
Conrad	Conrad Franchise LLC	October 2007 to March 2015
	Hilton Inns, Inc.	September 2007 to October 2007

<b>Brand Offered</b>	<b>Predecessor Franchisor Entity</b>	<b>Dates Offered</b>
Curio	Hilton Worldwide	July 2, 2014 to October 14, 2014
DoubleTree DoubleTree Suites	Doubletree Franchise LLC	October 2007 to March 2015
	Doubletree Hotel Systems, Inc.	February 1989 to October 2007
Eforea Spa	Doubletree Franchise LLC	December 2011 to March 2015
	Embassy Suites Franchise LLC	December 2011 to March 2015
	Hilton Franchise LLC	December 2011 to March 2015
Embassy Suites	Embassy Suites Franchise LLC	October 2007 to March 2015
	Promus Hotels, Inc.	March 1984 to October 2007
Hampton Inn Hampton Inn & Suites	Hampton Inns Franchise LLC	October 2007 to March 2015
	Promus Hotels, Inc.	March 1983 to October 2007
Hilton	Hilton Franchise LLC	October 2007 to March 2015
	Hilton Inns, Inc.	July 1962 to October 2007
Hilton Garden Inn	Hilton Garden Inns Franchise LLC	October 2007 to March 2015
	Hilton Inns, Inc.	March 1990 to October 2007
Home2 Suites	HLT ESP Franchise LLC	January 2009 to March 2015
Homewood Suites	Homewood Suites Franchise LLC	October 2007 to March 2015
	Promus Hotels, Inc.	March 1988 to October 2007
LXR	None	N/A
Motto	None	N/A
Project H3 by Hilton	None	N/A
Signia by Hilton	None	N/A
Spark by Hilton	None	N/A
Tempo	None	N/A
Tapestry	None	N/A
Tru	None	N/A
Waldorf Astoria	Waldorf Astoria Franchise LLC	October 2007 to March 2015
	Hilton Inns, Inc.	January 2007 to October 2007

In this Disclosure Document, we may collectively refer to our affiliated predecessor franchisor entities as the “former franchising entities.”

Our affiliate, Hilton Hotel Management (Shanghai) Co., Ltd., a limited company formed on September 5, 2008, under the laws of the People’s Republic of China (“WFOE”) has offered franchises in China since October 29, 2012, and may offer Project H3 by Hilton Brand franchises in the future. WFOE does not have any predecessors that have offered franchises in China. WFOE has its principal business address at Room 4205, Bund Centre, 222 Yan An Road East, Shanghai, 200002, 021 – 2321 6888. The brands currently offered by WFOE are: DoubleTree, Hilton, Hilton Garden Inn, LXR, and Tapestry.

Our affiliate, Hilton Brazil Operações e Participações Ltda, formed on December 26, 2016, under the laws of Brazil (“HBOP”), has offered franchises in Brazil since August 1, 2020, and may offer Project H3 by Hilton Brand franchises in the future. Both we and HWML are HBOP’s predecessors in Brazil. We offered franchises in Brazil from July 1, 2014, to December 31, 2017, and HWML offered franchises in Brazil from January 1, 2018, to July 31, 2020. HBOP’s principal place of business is Av. Das Nacoes Unidas, No. 12.901. Torre Leste, Andar Intermediario, Sala 01, Brooklin Novo, Sao Paulo, 04578-000 Brazil. The brands currently offered by HBOP are Curio, LXR, Tapestry, Hampton, Homewood, Home2 Suites, Motto, and Tru.

The following affiliates provide products or services to our franchisees, and to other hotels operating under Hilton Worldwide Brands:



- Hilton Reservations Worldwide, L.L.C. d/b/a Hilton Reservations & Customer Care, successor-in-interest to Hilton Service Corporation ("Reservations Worldwide") will provide you with its national and international reservation services and systems ("Reservation Service") (See Articles 6 and 14).
- Hilton Supply Management LLC ("HSM") negotiates with manufactures and suppliers for the sourcing and distribution of hotel furniture, furnishings, fixtures, equipment and supplies, certain food and beverage equipment supplies, and certain hotel services. HSM also evaluates and approves suppliers, and provides the required Brand Package procurement services as described in this Disclosure Document. (See Articles 6, 7 and 14).
- Hilton Honors Worldwide, LLC ("Hilton Honors Worldwide") operates and administers the Hilton Honors™ guest reward program. You must participate in the programs of Hilton Honors Worldwide (See Article 6).
- Hilton Systems Solutions, LLC ("HSS") provides computer hardware, software and support services and signs Hilton's Information Technology System Agreement ("HITS Agreement").
- Various of our affiliates own, lease and/or manage Project H3 by Hilton hotels throughout the world. In certain situations, you may choose to have our affiliate HWML or one of its affiliates manage your Hotel under a management agreement, to be signed at the same time as, or after, you sign your Franchise Agreement. It is possible that, after the first Annual Sweep after the execution of your Franchise Agreement, HWML will be your franchisor and your hotel manager.

## **ARTICLE 2 BUSINESS EXPERIENCE**

### **Chief Executive Officer and President: Christopher J. Nassetta**

Mr. Nassetta has served as Chief Executive Officer and President of Hilton Worldwide since September 2013. He served as Chief Executive Officer and President of Hilton from December 2007 to December 2016 and was also a Director of Hilton from December 2007 to October 2013. He served as Chief Executive Officer and President of the former franchising entities from October 2013 until April 2015. Mr. Nassetta was President and Chief Executive Officer of Host Hotels & Resorts, Inc., in Bethesda, Maryland, from 2000 to November 2007.

### **Chief Financial Officer and Executive Vice President: Kevin J. Jacobs**

Mr. Jacobs has served as Chief Financial Officer and Executive Vice President of Hilton Worldwide and Hilton since September 2013. He has also served as President, Global Development for Hilton since July 2020. Mr. Jacobs previously served as Chief Financial Officer and Executive Vice President of the former franchising entities from October 2013 to April 2015. Mr. Jacobs also served as a Director of Hilton from December 2007 to July 2015; as Senior Vice President, and Treasurer and Director of Hilton from March 1, 2010, to November 2012; as Senior Vice President, Corporate Strategy and Treasurer of Hilton from May 2009 to November 2012; and as Senior Vice President, Corporate Strategy of Hilton from June 2008 to May 2009.

### **Executive Vice President and General Counsel: Kristin A. Campbell**

Ms. Campbell has served as Executive Vice President and General Counsel since June 2011. She also served as Chief ESG Officer from March 2021 to April 2023. She previously

served as General Counsel and Executive Vice President of Hilton Worldwide from September-2013 to March 2021. She served as General Counsel, Executive Vice President and Secretary of Hilton from June 2011 to July 2015. Ms. Campbell served as a Director of Hilton from June 2011 to July 2015, and as a Director of the former franchising entities from October 2013 to April 2015.

**Executive Vice President – Chief Operating Officer, Customer and Commercial Operations: Christopher Silcock**

Mr. Silcock has served as Executive Vice President – Chief Operating Officer, Customer and Commercial Operations since May 2019. He served as Executive Vice President – Chief Commercial Officer of Hilton Worldwide and Hilton from September 2015 through April 2019, and as HWML’s Senior Vice President since July 2014. Before that time, Mr. Silcock served as Senior Vice President Sales & Revenue Management from September 2014 to August 2015, as Global Head – Revenue Management from August 2009 to September 2013, and as Vice President – Revenue and Service Delivery from August 2004 to August 2009.

**Executive Vice President – Chief Brand Officer: Matthew Schuyler**

Mr. Schuyler has served as Chief Brand Officer since February 2021. He served as Chief Administrative Officer for Hilton from October 2020 to March 2021. Before holding that position, Mr. Schuyler served as Chief Human Resources Officer from June 2009 to October 2020.

**Executive Vice President: Simon Robert Vincent**

Mr. Vincent has served as Area President EMEA of HWML since July 2014. Mr. Vincent has served as Hilton’s Executive Vice President since March 2014, headquartered in Watford, United Kingdom. He served as Executive Vice President of the international franchising entities from May 2008 through June 2014, and as Hilton International’s Area President Hilton UK and Ireland from January 2007 through June 2014. Mr. Vincent was Chief Executive for Opodo Limited, headquartered in London, United Kingdom, from 2002 through 2006.

**Senior Vice President: Brian Wilson**

Mr. Wilson has served as Senior Vice President & Assistant General Counsel EMEA of HWML since July 2014, and as a Director since March 2014. Mr. Wilson has served as Hilton’s Senior Vice President & Assistant General Counsel, Europe since September 2008. He held similar positions with the international franchising entities from September 2008 through June 2014. Mr. Wilson has been affiliated with Hilton International since September 1988. He is headquartered in Watford, United Kingdom.

**Senior Vice President Operations Finance EMEA: James Percival**

Mr. Percival has served as a Director of HWML since August 2014. He has served as Hilton’s Senior Vice President Operations Finance EMEA since March 2020. He served as Hilton’s Vice President Operations Finance EMEA from April 2011 through March 2020. Before joining Hilton, he served as Vice President Finance with the Jumeirah Group in Dubai from March 2004 to March 2011. Mr. Percival is headquartered in Watford, United Kingdom.

**Vice President Asset Management – Europe: Kimberly Coari**

Ms. Coari has served as Vice President Asset Management – Europe since November 2018 and as a Director of HWML since December 2019. She served as Commercial Director of membership club group Soho House & Co. from March 2015 to September 2018. Before that she held various roles in Hilton’s Feasibility & Investment Analysis Group from August 2005 to February 2015, ultimately serving as Senior Director of Europe and Africa.

**Vice President – Global Head of HAFS Centre of Excellence: Stuart Beasley**

Mr. Beasley has served as a Director of HWML since June 2014 and as Vice President – Global Head of Hilton Accounting and Finance Services (HAFS) Centre of Excellence since June 2017. Previously he served as Vice President – Global Head of Corporate Accounting from December 2014 to June 2017. Mr. Beasley served as Vice President International Corporate Controller of Hilton from June 2014 to December 2014 and was previously Hilton’s Senior Director-Assistant Controller International from Jan 2011 to June 2014. Mr. Beasley has been employed in various capacities with Hilton since January 2008. Mr. Beasley is headquartered in Watford, United Kingdom.

**Senior Vice President and Global Category Leader – Focused Service and All Suites**

**Brands: Bill Duncan**

Mr. Duncan has served as Hilton’s Senior Vice President and Global Category Leader of Focused Service and All Suites brands since August 2017. From September 2015 through July 2017, Mr. Duncan served as Hilton’s Senior Vice President – Global Head – All Suites Brands, a position he also held with us and HWML since September 2015. Mr. Duncan served as Senior Vice President Global Head – Home2 Suites by Hilton from February 2009 to August 2015, and held this position with certain of the former franchising entities (Homewood Suites Franchise LLC, HLT ESP International Franchise LLC, HLT ESP International Franchisor Corporation, Homewood Suites International Franchise LLC, and Hilton International Franchisor Corporation) from February 2009 to August 2015.

**Brand Leader – Project H3 by Hilton: Isaac Lake**

Mr. Lake has served as the Brand Leader of Project H3 by Hilton since December 2022. He previously served as Senior Director brand manager, Hilton Garden Inn, from March 2022 to December 2022. Previously he served as Director brand manager, Hilton Garden Inn, from May 2019 to March 2022. Before that time, Mr. Lake served as Director Key Partners from May 2018 to May 2019, and senior manager Owner Support, from May 2014 to May 2018.

**Vice President and Global Head of Residential Programs: Jonathan Wingo**

Mr. Wingo has served as Vice President and Global Head of Residential Programs since September 2016. He previously served as Director, Residential Development & Operations for Europe, Africa & the Middle East at Starwood Hotels & Resorts Worldwide, Inc. from October 2012 to September 2016.

**Senior Vice President – Development - Americas: William Fortier**

Mr. Fortier has served as Hilton’s Senior Vice President – Development – Americas since October 2007. Mr. Fortier also served as Senior Vice President of the former franchising entities from October 2007 to April 2015. Mr. Fortier has served as a Senior Vice President of HWML since July 2014. He has served as Hilton’s Senior Vice President – Development – Americas since October 2007. Mr. Fortier served as Hilton’s Senior Vice President – Franchise Development from May 2000 to October 2007.

**Senior Vice President – Development – US and Canada: Matthew G. Wehling**

Mr. Wehling has served as Hilton’s Senior Vice President – Development – US and Canada since January 2015. He was Hilton’s Vice President and Managing Director – Development – Northwest Region from October 2010 through December 2014. Mr. Wehling served as Hilton’s Vice President Development – Central Region from September 2008 to October 2010. He served in various capacities for Hilton, including Director – Franchise Development and Senior Director – Franchise Development, Central Region, from 1999 to September 2008.

**Vice President and Managing Director – Development – Northeast Region/Canada:**

**Thomas Lorenzo**

Mr. Lorenzo has served as a Vice President of HWML since July 2014. Mr. Lorenzo has served as Hilton's Vice President and Managing Director – Development – Northeast Region/Canada since October 2010. He served as Vice President and Managing Director Franchise Development – Northeast Region/Canada from September 2008 to October 2010. Mr. Lorenzo served as Vice President Franchise Development Northeast Region/Canada from July through August 2008. He served as Hilton's Senior Director Franchise Development in the Northeast Region before July 2008.

**Vice President – Management Contract Services and Owner Relations: Dianne Jaskulske**

Ms. Jaskulske has served as a Vice President of HWML since July 2014. Ms. Jaskulske has served as Hilton's Vice President–Management Contract Services and Owner Relations since February 2000 and has served in various capacities with Hilton since October 1986.

**Vice President & Senior Counsel Development: John Shults**

Mr. Shults has served as Hilton's Vice President & Sr. Counsel Development since February 2020. Mr. Shults has supported the Americas Development and Owner Relations team at Hilton since February 2016. He previously supported Hilton's Real Estate & Asset Management team in the Americas from November 2009 until February 2016.

**ARTICLE 3  
CONVICTIONS, CHARGES, JUDGMENTS AND ORDERS**

**3.1 Fraud, Unfair or Deceptive Business Practices**

None of us, our associates, nor any of our directors, general partners and officers have been convicted, within the past 10 years, of an offence involving franchises or other businesses, fraud, embezzlement, unfair or deceptive business practices or other comparable offences, or a violation of a law that regulates franchise or businesses. There are no such matters currently pending against any of the foregoing.

**3.2 Administrative Action**

None of us, our associates, nor any of our directors, general partners or officers have been subject to an injunction or restrictive order imposed by a public agency involving franchises or other businesses, nor been subject to an administrative order or penalty imposed under a law of any jurisdiction. There are no such matters currently pending against any of the foregoing.

**3.3 Civil Actions**

Except as described below, none of us, our associates, nor any of our directors, general partners or officers have been found liable in a civil action of misrepresentation, unfair or deceptive business practices or comparable actions, or violating a law that regulates franchises or businesses, including a failure to provide proper disclosure to a franchisee, nor is there any such action pending against any of the foregoing. The disclosures below may relate to entities related to us even if they are not our associates.

For the avoidance of doubt, we are including both HWF and HWML when considering matters to be disclosed in this Article 3.

## **A. PENDING ACTIONS**

*State of Nebraska v. Hilton Domestic Operating Company Inc.* (District Court of Lancaster County, Nebraska, Case No. D02C1190002366).

On July 23, 2019, the plaintiff filed suit against Hilton alleging the violations of the Nebraska Consumer Protection Act and Uniform Deceptive Trade Practices Act in relation to how mandatory guest fees are disclosed to consumers. Mandatory guest fees are amounts that hotels charge guests for certain amenities separate and apart from the daily room rate, which may be called by different names such as resort fees, urban fees, or destination fees. Plaintiff has alleged that Hilton has failed to include mandatory guest fees in advertisements and disclosures made to consumers during the telephone booking process, and improperly disclosed these fees only at the end of the online booking process. Plaintiff has also alleged misrepresentation in instances when hotels have indicated that mandatory guest fees pay for certain amenities when those amenities are routinely provided at no cost or bundled in the room rate, and/or when amenities are advertised as free but are actually covered by the mandatory guest fee. Plaintiff seeks an injunction, restitution for Nebraska consumers, civil penalties, and attorneys' fees and costs. Hilton filed a motion to dismiss the complaint, which was denied. Trial has been scheduled for 2023. Hilton intends to vigorously defend its interests in this matter.

*Destin Platinum LLC v. Hampton Inns Franchise LLC* (Circuit Court of Walton County, Florida, Filing No. 165392199).

On January 24, 2023, the plaintiff filed suit against our predecessor alleging breach of contract arising in connection with our termination of plaintiff's franchise for the Hampton Inn & Suites Destin/Sandestin Area hotel. We terminated the franchise for uncurable material breaches of the Franchise Agreement including maintaining false books and records of accounts and making false reports to us. Plaintiff asserts that we failed to give it an opportunity to cure these uncurable breaches. Plaintiff has not served this suit on us or our predecessor. If plaintiff serves this suit, we intend to vigorously defend our interests in this matter.

## **B. CONCLUDED ACTIONS – INVOLVING HILTON (F/K/A HHC, HWI AND PARK)**

*Hilton Franchise Holding LLC v. Portland Hotel Ownership, et al.* (Fairfax County Circuit Court, Case Number, Case Number 2020-14233).

On September 17, 2020, our affiliate filed suit against Portland Hotel Ownership, LLC, a former franchisee of a Curio brand hotel, for breach of contract arising from the early termination of the franchise agreement. Our affiliate also filed a breach of promissory note action against the franchisee and Jolaine Associates, LLC, as co-makers of a development incentive note issued in connection with the franchise agreement. The defendants counterclaimed on November 10, 2020, for breach of contract, fraudulent inducement, and other ancillary claims. The defendants contended that our affiliate made false representations as to exclusivity of the brand market and brand market support and sought \$30,000,000 in damages. After the court dismissed several of the defendant's counterclaims, in June 2021 the defendant filed an amended counterclaim alleging breach of contract, breach of the duty of good faith and fair dealing, fraudulent inducement, fraud, and unlawful practices under New York Franchise Law. On July 28, 2022, the parties settled this case by agreeing to dismiss all claims and exchange general releases.

*San Pedro Inn, LP v. Hilton Franchise Holding LLC* (Superior Court of New Jersey Chancery Division General Equity Part, Union County Docket No. UNN-C- 121 19).

On July 18, 2019, HFH sent a notice to terminate plaintiff's franchise for a Hampton hotel for failure to cure a material breach of the franchise agreement. On August 28, 2019, plaintiff filed a complaint alleging wrongful termination under the New Jersey Franchise Practices Act. Plaintiff claimed that HFH imposed unreasonable Quality Assurance standards and that an inspection was hindered by plaintiff's former employee. Plaintiff sought an injunction to stop the termination plus damages, attorneys' fees, costs, and other relief. The Court denied the injunction on December 18, 2019, and plaintiff filed a motion for reconsideration. HFH filed an answer and counterclaim on January 21, 2020, denying the allegations and asserting claims for liquidated damages, attorneys' fees, and costs. The parties settled the case on September 25, 2020. The parties agreed to dismiss all claims, exchange general releases, and terminate the franchise on April 28, 2021, without the payment of any termination damages or litigation costs by either party.

*Kathleen Soule v. Hilton Worldwide, Inc. and Doe Defendants 1-50* (Circuit Court, First Circuit, State of Hawaii, Civil No. 13-1-2790-10-KKS (Class Action)

On October 17, 2013, Kathleen Soule, individually and on behalf of all persons similarly situated ("Plaintiff"), filed a civil class action complaint against HWI, alleging that failure to disclose at the time a reservation was made that a resort fee was mandatory was a violation of Hawaii's Uniform Deceptive Trade Practices Act. Plaintiff sought restitution, disgorgement of gains, actual, punitive, and exemplary damages, statutory treble damages, pre-judgment interest, costs, and disbursements, including attorneys' fees and other relief in an unspecified amount. Without admitting any fault or wrongdoing, HWI entered into an agreed settlement with Plaintiff that was submitted to the court for approval in February 2015 and ultimately settled in August 2015. Under the settlement, HWI agreed to pay \$178,000 and issue \$20 vouchers or gift cards to each affected customer for each night of their covered hotel stays.

*U.S. v. Hilton Worldwide, Inc.* (United States District Court, District of Columbia, Case No. 1:10-cv-01924-RWR).

HWI and the United States Department of Justice ("United States") agreed to a form of Consent Decree ("Consent Decree") addressing alleged violations of Title III of the Americans with Disabilities Act, 42 U.S.C. § 12181 et seq. ("ADA"). The United States alleged that: 1) HWI failed to design and construct its owned facilities constructed for first occupancy after January 26, 1993 ("Post-1993 Hotels") in compliance with the ADA; 2) certain Managed and Franchised Post-1993 Hotels operated under HWI's Brands do not comply with the ADA; 3) HWI failed to provide individuals with disabilities the same opportunity to reserve accessible guestrooms using its on-line and telephonic reservations systems that is available for reserving other Brand hotel rooms; and 4) such actions or practices constitute a pattern or practice of violating Title III of the ADA. HWI denied that it has violated the ADA at its owned hotels or that it is in any way responsible for any purported non-compliance with the ADA in connection with hotels that it does not own or manage. HWI neither owns nor operates, within the meaning of Title III of the ADA, 42 U.S.C. § 12182(a), the vast majority of Brand Hotels. HWI specifically denied that it operates, within the meaning of Title III of the ADA, 42 U.S.C. § 12182(a), any Franchised Hotels for purposes of liability under 42 U.S.C. § 12182. HWI further stated that its Reservations System provides individuals with disabilities ample opportunity to identify and reserve accessible rooms that are available at hotels within the Reservations System. HWI also denied that it failed to design and construct its hotels in accordance with the requirements of Title III of the ADA. The United States and HWI agreed to resolve these issues through the entry of a Consent Decree, entered by the

Court on November 30, 2010, with an Effective Date of March 30, 2011. The Consent Decree applied to HWI and its subsidiaries, including us. During the 4-year term of the Consent Decree, HWI agreed not to engage in any practice that discriminates against any individual on the basis of disability in violation of Title III of the ADA in the provision of lodging and related services and to: 1) undertake certain specific remedial measures with regard to its owned, joint venture, and managed hotels; 2) engage in certain specific actions with regard to prototype designs and the Reservation Service (including the website) to assure their compliance with Title III of the ADA; 3) revise its Brand Standards Manuals to include certain ADA requirements; and 4) provide additional ADA training to its employees and make such training available to its managed and franchised properties. In addition, before: 1) entering into a new franchise or management agreement to convert an existing Post-1993 Hotel to a Franchised Hotel or Managed Hotel; 2) renewing or extending for more than 6 months an existing franchise or management agreement (other than unilateral renewals or extensions by the other party to the agreement) for a Franchised Hotel or Managed Post-1993 Hotel; or 3) consenting to a change of ownership at a Franchised Hotel or Managed Post-1993 Hotel, HWI required the Hotel owner to conduct a survey to determine whether the Managed or Franchised Hotel complies with the certain specific requirements of the ADA related to guest rooms and public parking. If the Hotel does not comply with those requirements, the Hotel owner was required to develop a plan to make the Hotel compliant within a set period of time. HWI required certain architects' certifications related to newly constructed hotels. HWI agreed to pay the United States \$50,000 as part of the resolution of this matter. The term of the Consent Decree was 4 years from the Effective Date and expired on March 30, 2015.

*Starwood Hotels & Resorts Worldwide, Inc. v. Hilton Hotels Corporation, Ross Klein and Amar Lalvani* (United States District Court, Southern District of New York, Case No. 09 CV 3862).

On or about April 16, 2009, Starwood Hotels & Resorts Worldwide, Inc. ("Starwood") filed a complaint against HHC (which became HWI in December 2009) and two of its employees, Ross Klein and Amar Lalvani, both former Starwood employees. In its complaint, as amended on January 14, 2010, Starwood claimed that Messrs. Klein and Lalvani improperly misappropriated Starwood's confidential and proprietary information and ultimately used that information to develop the Denizen Hotel brand. Starwood asserted the following claims: (i) breach of contract against Messrs. Klein and Lalvani for alleged breach of separate non-solicitation, confidentiality and intellectual property agreements that they signed while employed by Starwood; (ii) tortious interference with contractual relations against HWI for allegedly inducing Messrs. Klein and Lalvani to breach their contracts with Starwood; (iii) fraud against Mr. Klein and aiding and abetting fraud against HWI and Mr. Lalvani; (iv) breach of fiduciary duty against Messrs. Klein and Lalvani and aiding and abetting breaches of fiduciary duty against HWI; (v) misappropriation of trade secrets, unfair competition, theft/conversion, unjust enrichment, and violation of the Computer Fraud and Abuse Act against all defendants; (vi) inducing breach of contract and tortious interference with contract against Messrs. Klein and Lalvani; (vii) fraud against HWI and Mr. Lalvani, and (viii) aiding and abetting fraud against Mr. Klein. Starwood sought preliminary and permanent injunctive relief, enjoining all defendants and their respective officers, agents and employees from: (i) using Starwood property and information, which it claims is proprietary, confidential and trade secrets; (ii) pursuing certain hotel owners in designated locations identified by Starwood or negotiating with investors with whom Starwood has current management contracts; (iii) "purging" from all material and websites information Starwood claims is proprietary, confidential and/or trade secrets and preliminary and permanent injunctive relief, enjoining all defendants and their respective officers, agents and employees from using such information; (iv) requiring HWI to make certain disclosures to property owners and industry professionals; (v) appointing a monitor or monitors over HWI's compliance with any injunctions; (vi) preliminarily

and permanently enjoining HWI for a reasonable period of time from expanding its luxury and lifestyle brands; (vii) the destruction of all information relating to the launch and promotion of the Denizen Hotel brand; (viii) findings of contempt against all defendants and (ix) compensatory and punitive damages against all defendants. On April 23, 2009, the court entered a preliminary injunction, with the consent of all defendants, requiring that the defendants and anyone acting in concert with them: i) cease all development of the Denizen brand; ii) cease using any documents or information that originated from Starwood; and iii) return any such information to Starwood. In December 2010, the parties entered into a Settlement Agreement (“Agreement”) resolving this action, in which HWI and Messrs. Klein and Lalvani consented to the entry of a court-ordered permanent injunction (“Injunction”) enjoining the use or distribution of Starwood’s proprietary, confidential or trade secret information, and imposing other restrictions on HWI’s business activities in the lifestyle hotel or branded boutique space for 2 years. HWI made a \$75,000,000 cash payment to Starwood on December 31, 2010, and furnished other contingent guarantees and consideration to Starwood. The Agreement provided for mutual releases of the parties and the action was stayed during the term of the Injunction. The injunction expired on December 31, 2012, and the action was dismissed on January 30, 2013.

*U.S. v. Hilton Hotels Corporation, et al.* (United States District Court, District of Oregon, Case No. 70-310).

On or about May 12, 1970, the United States filed a civil complaint against HHC (among other defendants), alleging the violation of Section 1 of the Sherman Act consisting of engaging in a combination and conspiracy in restraint of trade by giving preferential treatment to hotel suppliers paying assessments to the Greater Portland Convention Association and by curtailing or threatening to curtail purchases of hotel supplies from hotel suppliers which did not pay assessments to the Greater Portland Convention Association. On or about November 29, 1971, pursuant to a stipulation filed October 26, 1971, the court entered a final judgment against HHC enjoining and restraining it from engaging in any agreement, understanding, combination, conspiracy, or concert of action to give or promise to give preferential treatment in purchasing hotel supplies to any hotel suppliers, or to curtail or terminate or threaten to curtail or terminate the purchase of hotel supplies from any hotel suppliers. The order and injunction further restrained and enjoined HHC from engaging in activities which were the subject matter of the Complaint in the action. This restraining order and injunction applied to HHC, its subsidiaries, and the officers and directors of HHC and its subsidiaries.

#### **ARTICLE 4 BANKRUPTCY**

There have been no bankruptcy or insolvency proceedings, whether voluntary or otherwise, any part of which took place during the six years immediately preceding the date of this Disclosure Document, against any of the following persons as debtor: (i) against us or our associate, (ii) a corporation whose directors or officers include any of our current directors, officers or general partners, or included such a person at a time when the bankruptcy or insolvency proceeding was taking place, (iii) a partnership whose general partners include any of our current directors, officers or general partners, or included such a person at a time when the bankruptcy or insolvency proceeding was taking place, or (iv) any of our directors, officers or general partners in their personal capacity.

For the avoidance of doubt, we are including HWML when considering matters to be disclosed in this Article 4.



**ARTICLE 5  
FINANCIAL STATEMENTS**

Exhibit G contains our Report of the Members and Audited Financial Statements for the year ended December 31, 2022 (the “HWF Financial Statements”). The HWF Financial Statements compare fiscal years 2021 and 2022.

Exhibit G-1 contains a copy of HWML’s Audited Strategic Report, Report of the Directors and Financial Statements for the year ended December 31, 2022 (the “HWML Financial Statements”). The HWML Financial Statements compare fiscal years 2021 and 2022.

**ARTICLE 6  
INITIAL FRANCHISE FEES AND OTHER FEES**

**6.1 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 - Conversion	\$100,000	With Application	See Note 1.
Franchise Application Fee – Re-licensing	\$100,000	With Application	See Note 1.
Franchise Application Fee – Change of Ownership	\$100,000	With Application	See Note 1.
Property Improvement Plan (“PIP”) Fee	\$10,000	Before PIP inspection is scheduled.	Payable to prepare a PIP for a Conversion, Change of Ownership, or Re-licensing of an existing hotel. In some circumstances, we may waive the PIP fee or apply the PIP fee towards the payment of the Franchise Application Fee, but we are not obligated to do so.
Construction or Renovation Work Extension Fee	\$10,000	With written request for extension.	<p>You must start and complete the construction work or renovation work at your Hotel by the dates specified in your Franchise Agreement.</p> <p><u>Start Date</u> - For a New Development, you must start construction within 15 months after the date we approve your Application. For a Conversion, Re-Licensing, Change of Ownership, or room addition project, you must start the renovation work by the date we have agreed to in the Franchise Agreement or PIP, which is set on a project-by-project basis.</p> <p><u>Completion Date</u> - For all projects (New Development, Conversion, Re-Licensing, Change of Ownership, or room addition project), you must complete the construction or renovation work by the date we have</p>

Type of Fee	Amount	Due Date	Remarks
			<p>agreed to in the Franchise Agreement or PIP, which is set on a project-by-project basis.</p> <p>If you wish to request an extension of any start date or completion date for your project, you must submit a written request before that date occurs. If we approve your request, you must pay the extension fee and we will set new project start and completion dates accordingly.</p> <p>Except, however, in New Development or Conversion projects the start date and completion date will be extended by 30 days on a rolling basis automatically without a fee unless we provide at least 60 days' notice to you that these automatic extensions will end. At that point, if you wish to request any further extension, you must submit a written request before the relevant date occurs. If we approve your request, you must pay the extension fee and we will set new project start and completion dates accordingly. These automatic extensions will not apply to any Relicensing, Change of Ownership, or room addition projects.</p>
Training Program Fees	Currently, \$5,000 to \$15,000.	As agreed.	We provide required training programs and materials that your general manager and other key personnel must complete before opening a new Brand hotel. We may charge you for the training services and materials, including any Pre-Opening Training Resources. You must also bear the cost of wages, travel, lodging, food, and other expenses of your general manager and any other attendees. See Article 11 for details.
OnQ Computer System Fees – Hardware, Software & Installation	Currently, between \$23,395 and \$89,695	As agreed.	See Note 2.
OnQ Start-up, Delay and Rescheduling Fees	Currently, \$700 plus travel expenses per day per SIC due to a delay in the Hotel opening date and \$2,000 re-scheduling fee if the delay resulted in departure and re-scheduling of the SIC's on-site service period.	As incurred.	You must have one or more Systems Implementation Consultants (“SICs”) on site for your Hotel’s opening. HSS determines the number of SICs and the number of days they will be on site based on size and type of hotel.
Other Initial Start Up Fees	Currently, \$4,395.	As incurred, on or before opening.	This includes the initial set up fees for the GRO system and a Digital Floor Plan, which are separate from the OnQ system installation fees listed above. See Note 2.
Opening Process Services Fee	Currently, \$6,000.	Before opening.	See Note 3.
Procurement and Services Fees	Currently, up to 7% of the cost of goods ordered.	As agreed.	Payable for the Brand Package procurement services provided by HSM. See Note 4.

Type of Fee	Amount	Due Date	Remarks
Miscellaneous Services	As agreed.	As agreed.	We or our affiliates may periodically offer you additional services. These could include additional training for you and your employees, assistance in recruiting various types of employees, and other services and programs. Most of these services and programs will be optional, but some, including systems upgrades and changes in System standards, which may require additional mandatory training or participation in additional programs, may be mandatory.

## NOTES

1. Franchise Application and Franchise Application Fee. All prospective franchisees must complete an Application to operate a System Hotel. You must provide all the information we ask for in your Franchise Application. We may on occasion approve your Franchise Application before you supply all of the information, but if we do so, this approval will be conditioned on our 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 terminate our offer. If we terminate our offer, we will not refund the Franchise Application Fee. If you withdraw your Franchise Application before we approve it, or if we deny your Franchise Application, we will refund the Franchise Application Fee, without interest, less a \$7,500 processing fee, which may be waived or reduced at our discretion. If we approve your Franchise Application subject to certain requirements, we may terminate our offer if you fail to meet those requirements. Once we approve your Franchise Application, the fee is usually non-refundable, even if we subsequently terminate our offer. We have occasionally agreed to give full or partial refunds under unique circumstances. We have also occasionally agreed to credit the non-refundable Franchise Application Fee toward the Franchise Application Fee of another Franchise Application for the Brand if submitted and approved within a limited amount of time (usually six months or less). However, we have not always agreed to do so, and we may freely choose not to credit the Franchise Application Fee toward the Franchise Application Fee of another Franchise Application for the Brand even under these circumstances.

Although the Franchise Application Fee is usually applied uniformly, we may, in our sole discretion, elect to waive, reduce, or rebate a portion of it, as well as reduce the Monthly Royalty Fee for a period of time, 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. However, we have not always waived or reduced the Franchise Application Fee or offered other incentives even for franchisees or projects possessing these 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. Although we generally require payment of the Franchise Application Fee in a lump sum when you submit your Franchise Application, 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 attorneys' fees for collection (See Article 22).

In addition to the Franchise Application Fee, if you are applying for a franchise for a hotel that was previously operated as a System Hotel, we may require, as a condition of approving your Franchise Application, that you pay outstanding royalties and other fees due under the prior franchise agreement relating to the System Hotel. If you increase the proposed number of rooms/suites after your Franchise Application is approved and before the opening of your Hotel under the Brand, you must obtain our approval and pay any additional Franchise Application Fee owed as if those additional rooms/suites were part of your original Franchise Application

2. Computer System Fees. You must use our required business computer systems, which we may periodically change. Currently, we require you to acquire and install the hardware and software for our required OnQ system, Guest Internet Access system, GRO System, Delphi system, Connected Room system, Digital Floor Plan, and Digital Key system. You must pay our affiliate, HSS, certain initial set up fees for some of these systems but not all of them, as described below.

OnQ System. Currently, we require you to use the "OnQ<sup>®</sup>" system, which connects System Hotels to Hilton's reservation offices and travel planners worldwide. OnQ is comprised of proprietary components for reservations, property management, revenue management, rate & inventory management, forecast management, learning management, and other components for the operation of the Hotel. The complete OnQ package currently includes certain hardware, software, installation, and support.

You may acquire the hardware from our affiliate, HSS, or its preferred providers, or you may purchase or lease it from other (non-preferred) third-party vendors. You must acquire the OnQ software components from HSS or our designated vendors because certain elements are proprietary. The property management system component within the OnQ system is called the Hilton Property Management System ("HPMS"). HPMS may also be referred to as the Property Engagement Platform ("PEP") or by another name. We developed HPMS in collaboration with HotelKey, Inc., a third-party technology company. Certain elements of HPMS are proprietary to Hilton. If you purchase the standard OnQ package from HSS, we estimate that it will cost within the range shown here for our prototype size of hotel shown in Article 7. This includes hardware, software, installation and certain other costs and fees, and is based on the size of the Hotel and number of workstations. We are not able to determine a separate market price for the OnQ system because there is no third-party market for OnQ in its entirety.

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

Guest Internet Access System. You must provide internet access for all guest rooms and public spaces at your Hotel in accordance with our Standards ("Guest Internet Access"). Currently, our approved Guest Internet Access program is called "StayConnected." The initial set-up costs of this system are paid to vendors. See Article 7 for details.

GRO System. You must install our required Global Revenue Optimization ("GRO") system. The GRO system is an online application that utilizes third-party software to provide pricing

recommendations for your Hotel based on data analytics and forecasting. You are not required to adopt the pricing recommendations provided by GRO. The initial set-up costs of this system that are paid to HSS are shown in this table. See Article 7 for details.

Delphi System. You must install our required “Delphi” system, which is a cloud-based sales and events system from Amadeus Hospitality. The initial set-up costs of this system are currently covered by the Program Fee. See Article 7 for details.

Connected Room System. We may require you to install our “Connected Room” system, which enables streaming media and permits guests to use their mobile phones and other personal mobile devices to control their guest room television and other conveniences such as lighting and temperature using the Hilton Honors App. Currently, there are no initial set up costs that are payable to us or our affiliates. The initial set up costs are paid to the vendor. See Article 7 for details.

Digital Floor Plan. You must pay \$1,000 for the preparation of a Digital Floor Plan for your Hotel. HSS will have the Digital Floor Plan prepared by a local vendor. The floor plan will be used by us and our affiliates, including Hilton Honors Worldwide, to allow Hilton Honors guests to choose their room from a map of the Hotel and enable digital check-in. The initial set-up cost is paid to HSS. See Article 7 for details.

Digital Key System. You must use our Digital Key system, which enables hotel guests to open their guest room doors wirelessly (without a physical door key) through the Hilton Honors App. This effectively allows guests to use their mobile phone as their room key. There is no separate charge for the Digital Key system. See Article 7 for details.

The cost estimates shown in this Article 6.1 are based on the standard prototype hotel. These estimates do not include certain costs payable to third parties in connection with the OnQ system. They also do not include costs payable to third parties in connection with our required Guest Internet Access system, or the costs of optional computer system components that we may recommend or that you may otherwise choose to use (including, for example, other business computer systems outside of OnQ such as financial and accounting systems, timekeeping and payroll, point of sale, telephone, and certain inventory systems). All computer system costs are subject to change, and normally are not refundable. See Article 7 for details.

3. Opening Process Services Fee. This fee is to help recoup our costs in providing certain pre-opening services to help you open your Hotel, such as guidance with commercial planning, activation of appropriate programs, and tools and resources available to Brand hotels.

4. Procurement and Services Fees. If we or our affiliates furnish, supply, service or equip your Hotel at your request before it opens, then you must pay or reimburse us or them for all costs incurred at your request and related service fees. Currently, HSM is our sole procurement services provider for the Project H3 by Hilton Brand. In this role, HSM: (a) negotiates with manufacturers and suppliers for the sourcing and distribution of hotel furniture, furnishings, fixtures, and equipment (commonly known as “FF&E”), and operating supplies and equipment (commonly referred to as “OS&E”), and certain hotel services, at a discount and on favorable terms when possible; (2) evaluates and approves suppliers and the items they provide as meeting our Standards and specifications; and (3) provides all procurement services for the Brand Packages described in Article 14. You must obtain Brand Package items from approved suppliers, and you must use HSM as your sole Brand Package service provider. For the Brand Package services, you must sign the Purchasing Program Agreement (the “HSM Agreement”) in

Exhibit J and pay HSM the fee shown here. For any items that are not part of the required Brand Package, you may choose to acquire them through HSM's program but are not obligated to do so. If you choose to buy those items through HSM's program, you will pay the same procurement fee as shown here.

For ease of administration, HSM may collect payment for certain items you purchase (whether as part of the Brand Package or otherwise) and remit those payments directly to the suppliers of those items. In that case, the payments are simply a pass-through and HSM does not add any mark-up to the items or collect any fee or revenue for doing so. You may be offered a payment plan. These payment plans are agreed with each franchisee individually based on the type of project, and specifically customized to the project's scope of work and overall timeline. Payment dates are also based on the project's timeline. The interest rate for late payments is 18.5% per year, compounded daily. Change orders must be paid in full, either in advance or with the next installment due.

## 6.2 Other Fees

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

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
<b>General</b>			
Monthly Royalty Fee	6% of Gross Rooms Revenue.	Payable monthly by the 15 <sup>th</sup> day of the following month.	See Note 1.
Monthly Program Fee	2.5% of Gross Rooms Revenue.	Payable monthly by the 15 <sup>th</sup> day of the following month.	We may change the Monthly Program Fee. See Notes 1 and 2 and Article 12.
Room Addition Fee	Currently, \$400 per guest room, multiplied by the number of additional guest rooms.	Due with Application for approval.	If you add or construct additional guest rooms at the Hotel after you open the Hotel under the Brand, you must pay us a Room Addition Fee and sign an amendment to the Franchise Agreement. The fee is non-refundable once we approve your Application.
<b>Computer Systems</b>			
OnQ Connectivity Fees	Currently, between \$590 and \$1,260 per month.	Billed monthly.	Fee is determined by the number of workstations and other OnQ equipment at your Hotel.
OnQ Hardware and Software Maintenance Fees	Currently, between \$1,580 and \$5,000 per month.	Billed monthly by the 15 <sup>th</sup> day of the following month.	This covers the OnQ hardware and HPMS software maintenance that is provided by us. This does not cover the maintenance of certain other hardware and software that is provided by vendors.
Connected Room Maintenance Fees	Currently, \$3.50 per control module per month.	Billed monthly by the 15 <sup>th</sup> day of the following month.	See Articles 6.1 and 7 for details.
OnQ Email Fees	Currently, \$7.92 per user per month for all users and \$12.50 per month for delivery to authorized mobile devices.	Billed quarterly.	Currently, you must have at least 3 accounts.
Delphi Sales and Events System	Currently, no charge.	Not Applicable.	You may elect to purchase on-property user licenses for \$858 per user per year. See Note 3.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Guest Internet Access Circuit	Currently, \$1,195 to \$4,900 per month.	Billed monthly.	You must install a Guest Internet Access Circuit that meets our specifications and pay for the ongoing cost of using the circuit from a preferred provider. You must arrange for procurement of the monthly service for the required connection locally. The cost will depend on the circuit size, type, and physical location of your Hotel. See Note 4 and Article 7.
Guest Internet Access Service	Currently, \$294 to \$882 per month.	Billed monthly.	You must purchase this service from a preferred provider. The cost will depend on your Hotel's size and number of meeting rooms. This estimate includes the connection and monthly service for the required connection, 24x7 call center support and equipment break-fix maintenance. See Note 4 and Article 7.
<b>Guest Assistance and Quality Assurance Programs</b>			
Guest Assistance Program: Customer Satisfaction Guarantee	Currently, \$300 per handled transaction for Hilton Honors Diamond members, \$250 per handled transaction for Hilton Honors Gold members and \$200 per handled transaction for all other guests.	Within 48 hours of receipt of invoice.	Payable to resolve guest complaints. Our Guest Assistance Agent may offer the guest a cash refund (up to the full cost of the customer's stay), Hilton gift cards or Hilton Honors points or a complimentary return stay to resolve the complaint to the customer's satisfaction. You are billed the cost of the rebate plus the handling fee. We may change the maximum guest rebate amount or increase the handling fee.
Guest Assistance Program: Price Match Guarantee	Hotels must honor a 25% discount off the lower rate on all approved claims.	When the stay is consumed.	The discount applies if a guest finds a lower qualifying rate for a qualified booking at your Hotel. After the Guest Assistance Department confirms the lower rate is available for booking through a third-party channel, the claim is approved and the rate is adjusted.
Guest Assistance Program: First Contact Resolution	Currently, \$15 administrative fee.	Within 10 days of billing.	Payable if more than 5 files are created in a month by Guest Assistance to resolve guest complaints about products, services, or cleanliness. You must pay the cost of any compensation we provide to any guest to resolve the complaint, even if the fee does not apply.
Guest Assistance Program: Online Complaints	\$25 per complaint administrative fee.	As invoiced.	If a hotel does not respond to a guest complaint or negative comment on certain designated websites or social media platforms within 24 hours, Guest Assistance will respond to the guest and this fee will be due. This program and fee are subject to change.
Quality Assurance Re-evaluation Fee	Currently \$1,000 to \$3,000 per re-evaluation visit.	Within 10 days of billing.	Payable each time we conduct an on-site quality assurance evaluation after your Hotel has failed the previous quality assurance evaluation. The cost will be determined at \$10 per available room and capped at \$3,000. You must also provide complimentary lodgings for the quality assurance auditor during the evaluation.
Quality Assurance Special Re-evaluation Fee	Currently, \$3,000 per re-evaluation visit.	Within 10 days of billing.	Payable each time we conduct a special on-site quality assurance evaluation ("Special"). We may conduct a Special: (a)

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
			to verify a default has been cured; (b) to verify that a PIP has been completed; (c) any time after your Hotel has failed two quality assurance evaluations in any calendar year; (d) if your Hotel fails its opening inspection; or (e) if your Hotel fails its previous Special. You must also provide complimentary lodgings for the quality assurance auditor during the evaluation.
Quality Improvement Program for Failure to Meet Minimum Performance Standards	Currently: (1) \$495 per month; and (2) a 1-time fee of \$3,950 to \$4,950.	Within 10 days of billing.	If your Hotel is issued a Brand notice of failure to meet minimum performance standards, your Hotel must participate in the following services for a period of at least 12 months: (1) Customer Feedback Monitoring Service, and (2) Gallup Q12 Team Member Survey and Coaching.
<b>Conferences and Training</b>			
Brand Conference	Currently, up to \$2,500 per attendee.	Before attendance.	Your general manager and director of sales must attend the Brand conference, usually held annually. Dates, location, and duration of the conference vary from year to year.
General Manager, Commercial and Sales Leader Training	Currently, up to \$1,200 per attendee.	Before attendance.	Your general manager and other commercial leaders must complete this combined virtual learning program within 90 days of their start date. It is required for all new general managers and commercial leaders, and those who have been away from the Brand or the role for more than 24 months.
Hilton Core Sales Skills Training	Currently, up to \$850 per attendee.	Before attendance.	Your director of sales and sales managers must complete this mandatory virtual learning program within 90 days of their start date. We may modify or reduce this training requirement for experienced trainees. See Article 11.
Other Training Programs and Training Materials	Currently, up to \$5,000 per program per attendee.	Before attendance or materials are shipped.	Some training programs are required, and others are optional. We may provide some required training courses without a course fee. In some cases, you must also pay wages, travel, lodging, food, and miscellaneous expenses of your attendees, and/or the expenses of the trainers. See Article 11.
<b>Frequent Customer, Affiliation and Distribution Programs</b>			
Travel Clubs	Currently, \$0.30 per available room, plus 10% commission. Amount may vary by program.	Billed annually on DS/TAC invoice by second quarter.  For commissions: if invoiced, within 15 days, or if billed through ACH, by the 12 <sup>th</sup> business day of each month.	Payable for consumed stays booked through our American Automobile Association (AAA), Canada Automobile Association (CAA), and American Association of Retired Persons (AARP). See Note 5.
Hilton Advance Program	Currently, 1.35% of eligible Digital Direct Revenue, not to exceed \$30 per stay.	If invoiced, within 15 days of billing. If through	This program is intended to help drive bookings through Hilton's online direct booking channels using lower-funnel



TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
		ACH, on the 12th business day of the month.	marketing activities, search engine optimization, social media platforms, and other methods. Digital Direct Revenue is all Gross Rooms Revenue from bookings made through our online direct booking channels such as Hilton websites and mobile apps. See Note 1.
Group Preferred Partnership Program	Currently, \$1.50 per room night, plus the applicable commission. If we increase this fee this year, it will not exceed \$2.50 per room night plus commission.	If invoiced, within 15 days of billing. If through ACH, on the 12 <sup>th</sup> business day of each month.	This optional program provides additional access to select top group intermediaries, including participation in marketing and promotions designed to drive incremental business. The participating intermediaries may change over time. See Note 5.
Frequent Traveler/Guest Reward Program	Currently, 2.0% of total eligible guest folio. This fee is waived for certain stays in which the guest is enrolled on-property in Hilton Honors.	10 days after billing.	You must participate in any Brand specific or System-wide guest frequency or reward program. Currently, you must participate in Hilton Honors. These programs are subject to change. See Note 6.
Hilton Honors Event Planner Bonus Program	Currently, \$0.0025 to \$0.0050 per Hilton Honors bonus point awarded.	As incurred.	This is an optional commercial incentive program. It enables hotels to award Hilton Honors bonus points to an event planner for a group booking (or as otherwise specified in the group booking contract) in addition to points earned by individual guests in the group. Event planners can earn up to 3 points per \$1 of booking revenue. Currently, hotels are enrolled automatically and may opt-out. In the future we may make this program mandatory. Bonus point allocations and program terms are subject to change. See Note 5.
Online Group Event Booking Charges	Currently, up to 2% of GRR and up to \$25 for included meeting space, plus applicable commissions.	On demand.	You only pay this fee if you load inventory for group and event bookings at your Hotel through our designated online platform and the group actualizes. Participation is currently optional but may be required in the future. Optional add-on services may be made available at additional cost. See Notes 1, 5, and 7.
Centralized Payment Programs	<p>Third-Party Reservation Charges: currently, up to \$5.59 per stay.</p> <p>FastPay Program: currently, up to \$1.40 per transaction, plus commission.</p> <p>Travel Planner Centralized Payment Program: currently, \$0.18 per transaction processing charge plus up to a 10% commission.</p> <p>Unlimited Rewards Program: currently, \$0.71 for a weekday stay (Monday - Thursday nights), \$1.42 for a weekend stay with 1 Fri/Sat/Sun night, and \$2.13 for a weekend stay with 2</p>	If invoiced, within 15 days of billing. If through ACH, on the 12th business day of each month (or for Third-party Reservation Charges, on the 20th day of each month).	<p>These required programs centralize and automate payments to third parties, including online travel agencies, group and meeting planners, travel planners, and other sales and distribution channels.</p> <p>Third-Party Reservation Charges currently include the costs and fees incurred in connection with third-party reservation systems such as GDS, airline reservation services, internet, and other service reservation providers for using their distribution systems. Certain third-party reservation services may not be subject to this fee.</p> <p>The FastPay Program is a centralized payment program for group intermediaries and meeting planners. We may determine the items that are commissionable, the third parties eligible to be paid, and the</p>

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
	Fri/Sat/Sun nights. Double Dollars amounts increase to \$1.42, \$2.63, and \$3.84, respectively.		<p>commission percentages that can be paid through FastPay. All eligible charges must be paid through FastPay. Currently, FastPay will process commissions of up to 7% and customer rebates for designated segments.</p> <p>The Travel Planner Centralized Payment Program (TPCP) consolidates all commissionable consumed travel planner bookings and remits one payment per agency. The commission is payable on the total room rate and other commissionable charges, and a transaction charge is payable on commissionable and non-commissionable reservations, no-shows, and cancellations.</p> <p>The Unlimited Rewards Travel Advisor Incentive and Loyalty Program remits funds to Avis Budget. A portion is paid to the travel planner, and Avis Budget retains the remaining amount as a processing charge.</p> <p>See Note 5.</p>
<b>Transfers, Re-licensing and Financing</b>			
Change of Ownership Application Fee	Currently, \$100,000.	With Application.	Payable for any proposed transfer that does not qualify as a Permitted Transfer.
Permitted Transfer Processing Fee	Currently, \$5,500.	When you submit the request for our consent.	Payable for any proposed transfer that qualifies as a Permitted Transfer and requires our consent.
Re-licensing Application Fee	Currently, \$100,000	With Application.	Payable for Relicensing to an existing franchisee.
Lender Comfort Letter Processing Fee	Currently, \$3,500 for Lender Comfort Letters and \$1,500 for Lender Comfort Letter Assignments.	Before we issue the document.	We will only issue a Lender Comfort Letter or Assignment if you request it and the request meets our qualifications.
Public Offering or Private Placement Processing Fee	Currently, \$5,000.	When you submit a request for our approval.	You must pay us for any additional costs we may incur in reviewing your documents, including reasonable attorneys' fees.
<b>Management Fees</b>			
Management Fees	Fees will be established by mutual agreement.	As incurred.	Payable if you enter into a management agreement with us or our affiliate. You may hire an outside management company with our approval.
<b>Remedies and Damages</b>			
Actual Damages Under Special Circumstances	Actual amount.	On demand.	Under certain circumstances we will charge you actual damages for the termination of your Franchise Agreement.
Audit	Actual amount of deficiency plus interest.	On demand.	Payable if an audit reveals that you understated or underpaid any payment due us which is not fully offset by overpayments. If willful or for 5% or more of the total amount owed for the inspection period, you must reimburse us for our costs.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Default Remedies	Actual expenses.	On demand.	Our expenses may include attorneys' fees, court costs, and other expenses reasonably incurred to protect us and our affiliates or to remedy your default.
Indemnification	Actual amount paid by us or our affiliates due to any claim, demand, tax, penalty, or judicial or administrative investigation or proceeding arising from any claimed occurrence at your Hotel.	On demand.	Payable if we incur expense to protect us, our subsidiaries or affiliates or to remedy your defaults under the Franchise Agreement. You must also defend us, Hilton Worldwide, and each of such affiliates' current and/or future subsidiaries, and affiliates and any of their officers, directors, employees, agents, successors, and assigns.
Insurance	Actual costs.	On demand.	If you do not obtain or maintain the required insurance or policy limits described in Article 7 and 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. See Article 7.
Liquidated Damages for Unauthorized Opening	\$5,000 per day that your Hotel is open without authorization, plus our costs.	On demand.	Payable if you open before we give you written authorization to open.
Liquidated Damages for Pre-Opening Termination	\$10,000 multiplied by the number of approved Guest Rooms at the Hotel.	On demand.	Payable if the Franchise Agreement is terminated: (1) before you begin Hotel Work and you or a Guarantor enter into an agreement for, or begin the construction or operation of, another hotel at the site within 1 year after termination; or (2) after you begin the Hotel Work but before you open (unless excused by Force Majeure).
Liquidated Damages for Post-Opening Termination	The greater of: (a) the Hotel's Average Monthly Royalty Fees multiplied by 60; or (b) \$10,000 multiplied by the number of approved Guest Rooms at the Hotel.	On demand.	Payable if the Franchise Agreement is terminated on or after the Opening Date but before the 2nd anniversary of the Opening Date. See Note 8.
	The Hotel's Average Monthly Royalty Fees multiplied by 60.	On demand.	Payable if the Franchise Agreement is terminated after the 2nd anniversary but before the final 60 months of the Term. See Note 8.
	The Hotel's Average Monthly Royalty Fees multiplied by the number of months remaining in the Term.	On demand.	Payable if the Franchise Agreement is terminated within the last 60 months of the Term. See Note 8.
Service Charges for Overdue Payments	1.5% per month or highest percentage permissible by law, whichever is less.	On demand.	Payable if you do not make payments to us or our affiliates when due. See Article 22.
Taxes	Actual amount.	On demand.	Payable if any sales, use, gross receipts, or similar tax is imposed on us for the receipt of any payments you are required to make to us under the Franchise Agreement.
Identity, Sales, and Distribution Non-Compliance Fee	Currently, \$500 per instance.	On demand.	This cost-recovery fee is payable if your Hotel uses a third-party intermediary for reservations or sales that is not accredited by Hilton, or fails to comply with any of the other Identity, Sales and Distribution

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
			Standards. In addition, failure to comply with the Identity, Sales and Distribution Standards may result in the loss of access to certain sales and distribution channels.
Franchise Agreement Non-Compliance Fee	1% of Gross Rooms Revenue.	On demand.	This charge will apply each month in which you fail to comply with the Franchise Agreement. See Notes 1 and 9.
FastPay Non-compliance Fee	Varies and escalates based on the number of violations. Currently, up to the greater of \$3,000 or 10% of gross group room revenue (not to exceed \$7,500) per violation.	On demand	Fees will apply for non-compliance with the FastPay program policies, rules, or terms. See Note 5.
<b>Miscellaneous Services/Programs</b>			
Consultation and Service Fees	Set by us on a project-by-project basis.	When we request.	Payable if we make consultation and/or other voluntary services available to you on request.
Consortia Program	Currently, up to \$2.70 for each consumed night booked under the Consortia "parity" rate, plus applicable commission.	If invoiced, within 15 days. If through ACH, on the 12th business day of each month.	You must participate in BOTH the Consortia Program and the TMC Pay-On-All-Pay-For Performance Program or NEITHER program. The list of participating travel agencies may change over time. See Note 5.
TMC Pay-On-All-Pay-For Performance Program	Currently, up to \$1.03 for each consumed night booked by a TMC travel agency, plus up to 10% commission or fee where applicable. If we increase this fee this year, it will not exceed \$1.15, plus applicable commission or fee.	If invoiced, within 15 days. If through ACH, on the 12th business day of each month.	You must participate in BOTH the Consortia Program and the TMC Pay-On-All-Pay-For Performance Program or NEITHER program. The list of participating agencies may change over time. See Note 5.
US Government Travel Agency Programs	Currently, up to \$2.30 per consumed room night or 1.5% of consumed room revenue, depending on the program.	Billed on TACS invoice. If invoiced, due within 15 days. If ACH, due on the 15th of the month.	We may enter into various government and military travel programs, which currently include FedRooms/StatesRates, CWTSato, DOD Preferred, Omega World Travel and ADTRAV Government. You are not required to participate, but if you participate in the DOD Preferred Program you must also participate in the FedRooms Program at the same rate. See Note 5.
ResMax Program	Currently, 5.4% to 5.9% of consumed revenue from a ResMax booking with a 3-night maximum. If we change the pricing model this year, it will not exceed \$5.00 per call. This fee may vary due to hotel booking, volume, and other factors.	As required by us or our affiliate.	ResMax with Auto Attendant is a required service that provides additional reservation call handling services by automatically transferring reservation calls to a ResMax Guest Engagement Specialist. If your Hotel is not enrolled in ResMax and accepts a referral, we may charge you the applicable fee on the booking. If your Hotel transfers reservation calls to HRCC outside of the ResMax service, you may be billed up to \$5.00 per call. Program terms, eligibility, and fees are subject to change.
Revenue Management Services	Currently, no charge for required services.	Not applicable.	Hilton provides various types of support services for revenue management analysis, strategy, lead management, and coaching. Certain revenue management services are required, which are currently covered by the Program Fee. Optional add-on services

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
			may be made available at an additional cost.
Procurement and Services Fees	Currently, up to 7% of the cost of goods ordered.	As agreed.	Payable for the Brand Package procurement services provided by HSM. See Article 8.

Unless otherwise indicated, all fees described in this Article 6 are payable to and imposed by us or our affiliates and are non-refundable. Other than the Monthly Royalty Fee, Liquidated Damages and Termination Fees, all fees are subject to change. In this table, references to “ACH” refers to electronic funds transfers as applicable.

### NOTES

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

“Mandatory Guest Fee” means any separate fee that a patron or guest is charged for in addition to the base room rate for a guest room, including but not limited to resort fees, facility fees, destination fees, amenity fees, urban destination fees, or any other similar fee. Mandatory Guest Fees do not include employee gratuities, state or local mandatory taxes, and other tax-like fees and assessments that are levied on a stay, as determined by us, that are passed through to a third party (such as tourism public improvement district fees, tourism or improvement assessments, and convention center fees).

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

The Monthly Royalty 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 and Monthly Program Fee for the month. There will be an annual adjustment within 90 days after the end of each operating year so that the total Monthly Royalty 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 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 may reduce the amount of any payment or credit to you by any amount that you owe us, and this includes your and our affiliates. We occasionally reduce the Monthly Royalty 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, including franchisees with whom we have a management agreement. We do not always do so and may choose not to reduce your Monthly Royalty Fee even if you possess some or all of these characteristics. The conversion of Gross Rooms Revenue into US 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.

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 Brand Hotels; (iii) developing and maintaining the Reservation Service systems and support; (iv) quality assurance programs; (v) certain computer costs; and (vi) 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 offered by us, our parents, or affiliates in which you voluntarily choose to participate. These fees also do not cover the cost of operating the Hotel in accordance with the Standards or the Manual.

3. You must use Delphi.fdc, a cloud-based sales and events system powered by Amadeus Hospitality in a configuration we approve. For this service you will pay initial set-up costs to the vendor, and ongoing annual license fees to us. The set-up costs of this system are shown below (see Article 7 Other Costs of Establishing the Franchise). The annual license fees and maintenance costs are shown here and include a 10% mark-up. You will pay the license fees and maintenance costs to HSS, which are then passed-through to the vendor. We keep the mark-up as reimbursement for our costs in developing and maintaining Delphi.fdc for our Network Hotels. Depending on your Hotel's technology configuration, you may be required to utilize the MeetingBroker lead distribution platform, which integrates with Delphi.fdc and other group booking systems. MeetingBroker is also powered by Amadeus Hospitality. There are no separate fees for the MeetingBroker lead distribution platform, although you may be required to sign a separate license agreement with Amadeus Hospitality to use it. We are not obligated to provide any maintenance or updates for either of these systems. You must maintain and update them at your cost to remain in compliance with the Standards. There are no limits on the frequency or cost of this obligation. We will have independent access to your Hotel's event sales information stored in these systems (including accounts, inventory, bookings, and other data). There are no contractual limitations on our right to access this information.

4. You must provide internet access for all guest rooms, meeting rooms, and public spaces at your Hotel in accordance with our Standards ("Guest Internet Access"). Currently, our approved Guest Internet Access program is called "StayConnected." You must install certain hardware and software, an internet access circuit, and subscribe to an internet access service to meet this requirement. The installation costs are described below in Article 7 (see Other Costs of Establishing the Franchise) and the ongoing monthly costs are shown here. You must obtain your Guest Internet Access circuit and Guest Internet Access service from our preferred providers. In the past we have permitted franchisees to acquire these services from either preferred providers or our affiliate, HSS, and may do so again in the future.

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

6. You must participate in, and pay all charges related to, our and our affiliates' marketing programs not covered by Monthly Program Fees, and all guest frequency programs we or our affiliates require, including the Hilton Honors Worldwide guest reward programs or any successor programs. You must also honor the terms of any discount or promotional programs (including any frequent guest program) that we or our affiliates 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 Honors™ guest reward program operated by Hilton Honors Worldwide, and airline and rental car company frequent user programs in which our affiliates participate. The Hilton Honors™ guest reward program was originally called "Hilton HHonors®" and changed its name to Hilton Honors™ in February 2017.

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

These basic program fees are assessed on any stay for which a guest (a) earns Hilton Honors points, or (b) earns both Hilton Honors points and airline mileage credit. Additional Hilton Honors bonus points that Hilton Honors members earn as a result of promotional activities, programs, and initiatives 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 promotional activity, program, or initiative. 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 Hilton Honors members. Hotels must allocate a certain percentage of rooms inventory for free night reward redemption by Hilton Honors members as specified by the Hilton Honors program. Hotels will be reimbursed for these reward redemptions on the same basis as other similarly situated participating hotels as specified by the Hilton Honors program. If your Hotel is re-licensed and had paid a lower fee in the past, it will be assessed the then-current standard fee when your new franchise term begins.

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

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

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

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

## **ARTICLE 7 OTHER COSTS OF ESTABLISHING 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 in Canada. The ranges given in this Article 7 of the Disclosure Document are based on our (and our affiliates’) experience derived from operating and franchising hotels within the US and Canada and are estimates only of average or reasonably anticipated expenses. 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, the prevailing wage rate, room occupancy rates reached, and local economic conditions. Your actual expenses may exceed the estimates reflected in the chart, perhaps significantly. Please note that these figures are not influenced by any particular level of sales as these expenses are incurred before your operation.



The dollar amounts listed in this Article are current as of the date of the Disclosure Document but may have changed since that time. We cannot reasonably estimate the likelihood or magnitude of such changes. You should review these figures carefully and compare them with information you obtain from local sources, and then discuss your findings with a business or other legal advisor before you make a decision to purchase the franchise. To our knowledge, the costs and expenses described below are not refundable; however, you should check with the third parties regarding their practices. All amounts are stated in US Dollars.

**YOUR ESTIMATED INITIAL INVESTMENT  
PROJECT H3 BY HILTON HOTEL - 121 GUEST ROOMS**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
Franchise Application Fee Note 1	\$100,000	Lump Sum	With Franchise Application	Us
Property Improvement Plan Note 2	\$10,000	Lump Sum	Before we prepare PIP	Us
Market Study Note 3	Varies	As Arranged	As Arranged	Supplier
Environmental Assessment Note 4	Varies	As Arranged	As Arranged	Supplier
Real Property Note 5	Varies	As Arranged	As Arranged	Seller
Construction and Leasehold Improvements Notes 6	\$13,800,000 to \$18,000,000	As Arranged	As Arranged	Contractors
Designer and Engineering Fees Note 6	\$379,500 to \$495,000	As Arranged	As Arranged	Suppliers
Furniture, Fixtures and Equipment Note 7	\$1,770,405 to \$2,124,570	As Arranged	Before Opening	Approved Suppliers
Inventory and Operating Equipment Note 8	\$210,100 to \$252,120	As Arranged	Before Opening	Suppliers
Signage Note 9	\$20,000 to \$30,000	As Arranged	Before Opening	Suppliers
Computer Hardware and Software Systems Note 10	\$29,905 to \$108,475	As Arranged	45 days before opening	Affiliate or Supplier
Guest Internet Access Program Note 10	\$57,233 to \$118,217	As Arranged	45 days before opening	Suppliers

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Connected Room System Note 10	\$24,805 to \$29,645	As Required	As Incurred	Supplier
Required Pre-Opening Training Note 11	\$5,000 to \$15,000	As Required	As Incurred	Us and Suppliers
Accessibility Consultant Fee Note 12	\$2,500 to \$10,000	Lump sum	On Request	Us or Supplier
Construction/Renovation Extension Fees Note 13	\$0 to \$10,000	Lump sum	When Requested	Us
Insurance Note 14	Varies	As Arranged	As Arranged	Suppliers
Organizational Expenses Note 15	\$50,000 to \$119,304	As Agreed	As Agreed	Suppliers
Permits and Licenses Note 16	\$207,000 to \$270,000	Lump Sum	As Arranged	Suppliers
Miscellaneous Pre-Opening and Project Management Expenses Note 17	\$345,000 to \$450,000	As Arranged	As Arranged	Suppliers
Contingencies Note 18	\$1,380,000 to \$1,800,000	As Incurred	As Agreed	Suppliers
Additional Funds Note 19	\$400,000 to \$800,000	As Arranged	Before Opening	Suppliers
Other Required Pre-Opening Services Fees Note 20	\$6,000	As incurred	Before Opening	Us
<b>TOTAL</b> Note 21	<b>\$18,787,448 to \$24,748,331</b>			
	THESE FIGURES DO NOT INCLUDE REAL ESTATE COSTS, MARKET STUDIES, INSURANCE, INTEREST OR SEPARATELY IDENTIFY THE COST OF IMPROVEMENTS UNDER A RE-LICENSING OR CHANGE OF OWNERSHIP LICENSE.			

### NOTES

1. See Article 6.1 for more information about the Franchise Application Fee. The Franchise Application Fee in the table is calculated based on the room count shown in this table.
2. If you apply to Convert an existing hotel or apply for a Change of Ownership or other Re-licensing, we charge an additional nonrefundable Property Improvement Plan (PIP) fee to determine the upgrading requirements for the Hotel.

3. For all new Brand hotels, we recommend and may require a market study from a nationally recognized independent firm which discusses the competition for your proposed hotel, together with a minimum 5-year operating pro forma from you, based on the market study, showing your anticipated operating results. While we do not require prospective franchisees who are converting existing hotels to obtain a market study, occasionally we may encourage a prospective franchisee to commission a market study to evaluate the economic consequences of Conversion. Our acceptance of the market study with a pro forma is not a financial performance representation on our part or a ratification of the projections performed by the consultant.

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

5. These estimates do not include the cost of the real property or related expenses, such as rent for a ground lease, due to wide variations in costs among geographic areas and at different sites. Real estate expenses for a hotel varies depending on location, size, market prices in the area, accessibility, and special assessments, among other factors. If your Conversion project is for an existing hotel that you already own, you may have no additional real property costs.

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

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

We have a designated grouping of specifically-selected furniture, furnishings, fixtures, and equipment (“FF&E”), and operating supplies and equipment (“OS&E”) that meet our Standards and specifications for Brand hotels (the “Brand Package”). You must use a Brand Package for your Hotel, and you must purchase or lease the items in the Brand Package only from approved suppliers. You must obtain Brand Package procurement services from our affiliate, HSM. You may not obtain any item within a Brand Package or Brand Package procurement services from

any other sources. In addition, we may require you to obtain and use certain furniture, furnishings, fixtures, equipment, décor, amenities, and other supplies that are not included within a Brand Package. You may purchase those items from any supplier as long as you comply with our Standards and specifications. See Article 14 for details.

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

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

10. You must acquire and install the hardware and software for the required computer systems, including the OnQ system, Guest Internet Access system, the GRO system, the Delphi system, the Connected Room system, a Digital Floor Plan, and the Digital Key system. The estimated costs to acquire and install each of these systems are shown totaled here together, other than the Guest Internet Access system and the Connected Room system, which are listed separately. The amounts shown here are different than the amounts shown in Article 6.1 because the amounts shown here also include costs that are payable to third parties. See above Article 6.1 for details. See above Article 6.1 for details.

OnQ Hardware and Software. You must use authorized hardware and the required software for the OnQ system. Details regarding the OnQ system appear above in Article 6.1 and 6.2 (Initial Fees and Other Fees).

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

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

Connected Room System. We may require you to install our “Connected Room” system, which enables streaming media and permits guests to use their smart phones and other personal mobile

devices to control their guest room television and other conveniences such as lighting and temperature using the Hilton Honors App. This system requires a control module that is connected to each in-room television along with certain electrical fixtures such as light switches and thermostats, which you must purchase from us or our approved vendors. The cost of each control module is currently between \$205 and \$245 per guest room TV, and the cost of the electrical fixtures is competitive with equivalent standard fixtures. These costs are paid before opening. You must also have a maintenance and support contract from us or an approved vendor, which currently costs \$3.50 per control module per month. These costs are normally not refundable.

GRO System. You must install our required Global Revenue Optimization (“GRO”) system. The GRO system is an online application that utilizes third-party software to provide pricing recommendations for your Hotel based on data analytics and forecasting. The GRO system integrates with the OnQ system for ease of operation. You are not required to adopt the pricing recommendations provided by GRO. Currently, the GRO system is based on a solution provided by Integrated Decisions and Systems, Inc. (“IDeaS”), which provides maintenance and customer support services for the application. We may provide additional support. There are no other approved vendors at this time. We are not obligated to provide any maintenance or updates for the GRO system. The system is updated and maintained centrally by IDeaS. We will have independent access to your Hotel’s information stored in this system. There are no contractual limitations on our right to access this information. You must pay for a portion of the installation costs of the GRO system at your Hotel, which is currently up to \$3,395.

Delphi Sales and Events System. You must use Delphi.fdc, a cloud-based sales and events system, powered by Amadeus Hospitality, a third-party vendor. The initial set-up cost is currently covered by the Program Fee. You may choose to purchase licenses for use on-property, which currently cost \$858 per user per year. You will pay all Delphi system fees to HSS, which are passed through to the vendor. The optional on-property license fee includes a 10% mark-up, which we keep to help cover our costs in developing and maintaining the Delphi system for Network Hotels. Depending on your Hotel’s technology configuration, you may be required to utilize the MeetingBroker lead distribution platform, which integrates with Delphi.fdc and other group booking systems. MeetingBroker is also powered by Amadeus Hospitality. There are no separate fees for the MeetingBroker lead distribution platform, although you may be required to sign a separate license agreement with Amadeus Hospitality to use it. We are not obligated to provide any maintenance or updates for either of these systems. You must maintain and update them at your cost to remain in compliance with the Standards. There are no limits on the frequency or cost of this obligation. We will have independent access to your Hotel’s event sales information stored in these systems (including accounts, inventory, bookings, and other data). There are no contractual limitations on our right to access this information.

Digital Floor Plan. You must pay \$1,000 for the preparation of a Digital Floor Plan for your Hotel. HSS will have the Digital Floor Plan prepared by a local vendor. The floor plan will be used by us and our affiliates, including Hilton Honors Worldwide, to allow Hilton Honors guests to choose their room from a map of the Hotel and enable digital check-in. This fee is paid to HSS before opening and is not refundable.

Digital Key System. You must use our Digital Key system, which enables Hotel guests to open their guest room doors wirelessly (without a physical door key) through the Hilton Honors App. This effectively allows guests to use their mobile phone as their room key. There is no separate charge for the Digital Key system. The software for the system is within the OnQ system described above, and the hardware consists of electronic door locksets and a programming device which are included in the construction cost estimates in this Article 7.

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

11. We will provide the required training programs as described in Articles 6 and 11 of this Disclosure Document. You are responsible for the costs of training materials, and travel and living expenses while training. We may charge additional training costs based on the number of personnel that require training.

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

13. Your Franchise Agreement contains a deadline by which your construction or renovation work must begin. After the expiration of any automatic extensions without a fee, you may request a further extension of this deadline, and must pay the applicable fee if we approve your request.

14. You must maintain the minimum levels and types of insurance specified in the Manual at your expense. This insurance must be with insurers having minimum ratings we specify; name as additional insureds the parties we specify in the Manual; and carry the endorsements and notice requirements we specify in the Manual. Insurance premiums vary widely by reason of location, size of hotel and type of coverage purchased and cannot be estimated.

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

16. The licenses and permits you must obtain to operate your Hotel vary depending on the province, municipality, or other political subdivision in which the Hotel is located.

17. You may incur pre-opening expenses for additional personnel training; sales; administrative and general expenses; project management; technical services; advertising; security deposits, utility deposits, and opening festivities. Because there are so many variables for an existing hotel, we cannot estimate these pre-Conversion expenses for a franchisee Converting any specific existing hotel.

18. "Contingencies" means unanticipated construction cost overruns and other unanticipated expenses. Because there are so many variables for an existing hotel, we cannot estimate these pre-Conversion contingencies for a franchisee Converting an existing hotel. You should assume it will be at least 10% of construction cost.

19. This estimates your initial operating expenses for 3 months after opening. These figures are estimates only and you may have additional expenses starting the business. Your costs will

depend on such factors as your management decisions, local economic conditions, competition, and how quickly occupancy rates increase after opening.

20. If applicable, see Article 6.1 for more information on required pre-opening services fees.

21. In compiling these estimates we relied on Hilton's 60+ years of experience in operating or franchising hotels. All amounts are stated in US Dollars and are current as of the date of the Disclosure Document, but may have changed since that time. We cannot reasonably estimate the likelihood or magnitude of such changes. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. The expenses shown in these charts are estimated for typical New Development hotels of the type and size shown. In a Conversion, your costs will depend on the type and condition of your existing hotel, its age, physical structure, and quality of furnishing. Because there are so many variables involving any particular existing hotel, we are unable to provide an estimate of costs.

## **ARTICLE 8 ANNUAL OPERATING COSTS**

Except as may be described in this Disclosure Document, we do not provide estimates of operating costs or projected earnings. Further, we do not authorize our salespeople or any of our employees, agents, or representatives to provide estimates of operating costs. If you have received such an estimate, please let us know before you sign the Franchise Agreement.

## **ARTICLE 9 FINANCIAL PERFORMANCE REPRESENTATIONS**

We do not furnish or authorize our salespersons or anyone else to furnish any oral or written information concerning the actual or potential sales, costs, income, or profits of a Project H3 by Hilton hotel. We anticipate actual results to vary from unit to unit and we cannot estimate the results of any particular franchised hotel.

## **ARTICLE 10 FINANCING ARRANGEMENTS**

Other than the development incentive program described below, we generally do not offer direct or indirect financing for franchisees. We may negotiate these incentives when business circumstances warrant. The incentive program may be modified, limited, extended, or terminated at any time without advance notice or amendment of this Disclosure Document.

We generally require payment of the Franchise Application Fee in a lump sum when you submit your Application. We 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, we will not charge interest or require a security interest over the installment period or require you to sign a note. 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 balance is accelerated and become your immediate obligation, along with any court costs and attorneys' fees for collection.

We may, in our sole discretion, offer incentives for new hotels ("Incentives"). An Incentive is a financial contribution that we make to assist with the New Development or Conversion of your Hotel. To receive an Incentive, you and your principals must sign a development incentive note ("Note") in the form attached as Exhibit A-1 when you sign the Franchise Agreement. An

Incentive does not have to be repaid, unless the franchise terminates before the end of the Term or a transfer occurs as described below. The Incentive will be disbursed to you within 30 days after the Hotel opens with our consent, as long as (a) there have been no material adverse changes in the business, legal, litigation, bankruptcy status or finances of you, any guarantors, or the project since we granted approval; (b) you have completed any required PIP; and (c) you have paid the Franchise Application Fee.

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

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

## **ARTICLE 11 TRAINING AND ASSISTANCE**

We offer required training courses 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. 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.

The following table describes our training program as of the Issuance Date of this Disclosure Document. We may modify our training requirements over time. The subject matter, time required,



locations, and costs are subject to change. In this table the term “virtual” means an internet-based class with a live instructor, and “online” means an internet-based class that does not have a live instructor. Both virtual and online training courses are considered equivalent to classroom training. These courses may be provided by us or our designated third-party vendors.

We will provide you with our current Brand training requirements document upon request and/or you may access it through our intranet, The Lobby.

### TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On the Job Training	Location
Brand Conference (Note 1)	Varies	0	Varies
General Manager, Commercial and Sales Leader Training (Note 2)	Up to 18	0	Virtual
Hilton Property Management System (HPMS) Training (Note 3)	1-5	0	Online
OnQ Rate & Inventory and GRO Training (Note 4)	5	0	Online
Hilton Honors Training (Note 5)	1	0	Online
Hilton Core Sales Skills (Note 6)	24	0	Virtual
Accessibility Training (Note 7)	Varies	0	Online
Annual Compliance Training (Note 8)	3-4	0	Online or On-site
Pre-Opening Training Resources (Note 9)	Varies	0	On-site
Owner Orientation (Note 10)	16	0	Virtual
New to Hospitality Owner Education (Note 11)	20	0	Virtual
Brand Learning Programs (Note 12)	20	4	Online and On-site
Industry Education (Note 13)	20	0	Virtual

### NOTES

1. **Brand Conference.** We require participation by your general manager and director of sales in an annual Brand or regional conference. Conference program fees and expenses are not refundable. The conference may be held at various hotel locations. Currently, the cost is up to \$2,500 per attendee.

2. **General Manager, Commercial and Sales Leader Training.** Your general manager and other commercial leaders must complete this virtual learning program within 90 days of their start

date. This training is required for all new general managers and commercial leaders, and those who have been away from the Brand or the role for more than 24 months. When a qualified general manager or commercial leader leaves the role, you must have a replacement person (even if temporary) complete the training so that your Hotel does not have more than 90 days without a qualified person overseeing the function. The specific curriculum of this training and the attendant cost may vary based on the trainee's experience in the role. Currently, the cost is up to \$1,200 per attendee.

3. **Hilton Property Management System ("HPMS") Training.** Before the opening of your Hotel, all Hotel staff that will be utilizing HPMS must first complete their respective training based on their role. This training is mandatory for all employees working in the designated subject areas. We will verify that all front desk staff and management have successfully completed training. If your staff have not completed the required training, the opening of your Hotel may be delayed. Currently, there is no separate fee for this training.

4. **OnQ Rate & Inventory and GRO Training.** Before your Hotel opens, all staff that will be utilizing the OnQ Rate and Inventory Management component must complete their respective self-paced web-based training and obtain a certificate of completion. We will verify that all reservations and revenue management staff have successfully completed training and have passed a certification test by at least a minimum score of 90%. Up to 3 of your management staff must be certified, based on the number of rooms. If your staff does not attain the minimum score, the opening of your Hotel may be delayed. Currently there is no separate fee for this training.

5. **Hilton Honors Training.** The Hilton Honors Training is online through Hilton University. This training program is mandatory for all key management staff and applicable front office personnel and must be completed before the Hotel opens, or is converted, or within 14 to 45 days of their start date, depending on job position. Currently, there is no separate fee for this training.

6. **Hilton Core Sales Skills.** Your General Manager must successfully complete this certification program within 90 days of their start date. This program teaches Hilton's sales process and reinforces critical consultative selling skills. Attendees must complete the applicable track to complete the certification: The "Foundations" track is for attendees with less than 2 years of experience. It consists of a 6-week blended learning program. The "Accelerated" track is for attendees with 2 or more years of experience. It consists of a 2-week blended learning program. Currently, the cost is up to \$850 per attendee.

7. **Accessibility Training.** If you engage in a Permitted Transfer, Conversion, Relicensing or Change of Ownership Transfer for the Hotel, we may require you to attend an online training in order to complete an independent survey conducted by a consultant to determine the Hotel's compliance with accessibility requirements for disabled persons. Currently, there is no separate fee for this training.

8. **Annual Compliance Training.** Your Hotel must meet annual compliance training requirements. Topics include diversity and inclusion, unconscious bias, harassment prevention, human trafficking prevention, disability awareness, cyber security, and health and safety. For cyber security, disability awareness, human trafficking prevention, diversity and inclusion, and unconscious bias, we offer training at no cost. Alternatively, you may choose to obtain this training from a vendor of your choice, in which case the cost would be agreed between you and the vendor. For the compliance topics of harassment prevention and health and safety, we do not offer training, but will provide vendor recommendations upon request. We estimate vendor fees would typically cost \$25 to \$50 per person, per topic, for this training.

9. **Pre-Opening Training Resources.** Your Hotel is provided unlimited access to brand hospitality tools and resources including intro webinars and team member workshops. Currently there is no separate fee for this training.

10. **Owner Orientation.** Owner orientation is required for all first-time franchisees or management company representatives before beginning construction. Either you or the person you designate to supervise your general manager must participate. If a Change of Ownership takes place and the new Franchisee is a first-time Brand Franchisee, they must attend this program within 180 days of the transfer. Currently, there is no separate fee for this training.

11. **New to Hospitality Owner Education.** This portfolio of classes is a virtual learning program for franchisees that do not have prior hospitality or comparable brand experience. This training must be taken before opening or within 90 days after a Change of Ownership. We encourage you to complete this training before Owner Orientation. This program will provide baseline industry knowledge, best practices, and help build competencies in hospitality foundations including revenue management, asset management, sales generation, and talent management. This training is provided by a vendor we select, and all fees are paid directly to the vendor. At least 1 person in your organization must successfully complete this training. Currently, the maximum out of pocket cost for this program is \$2,500 per participant.

12. **Brand Learning Programs.** This training is mandatory for all of your Hotel staff. It is conducted by you or your managers periodically at your Hotel. It includes topics such as: New Employee Orientation and Culture Training (to be completed within 14 days of their start date), Hospitality Training (to be completed within 60 days of their start date) and Role Assigned Certification (to be completed within 45 days of their start date). The amount of required training varies by job position. Currently, there is no separate fee for this training. It is included in the Pre-Opening Training Resources.

13. **Industry Education.** This training is mandatory for Brand hotel owners. It is comprised of a series of courses from external education providers designed to help strengthen competencies in hospitality, asset, sales, revenue, and quality management. These courses must be completed before opening or in connection with a Change of Ownership. Currently, there is no separate fee for this training.

Online and web-based programming is self-paced training that trainees can access at any time. For other training, unless otherwise noted, we will provide the training on an as needed basis.

Our instructors and presenters generally have a minimum of 2 to 5 years' experience in the subject taught. We use a variety of instructional materials in connection with our training programs, including our Manual, digital media clips, DVDs, HU Connect social learning site, self-paced eLearning programs, other media, and print and virtual handbooks. We may modify these materials or use other materials for the training programs.

We and our affiliates offer many additional optional learning programs and may develop additional learning programs at any time. You must pay any fees associated with required and optional training courses. We may also charge for training materials. You pay for any travel, lodging and miscellaneous expenses of your attendees. For programs that include travel by our (or our affiliate's) trainers to your Hotel site, you may also be required to pay travel, lodging, tax, and meals of the trainers.

## **ARTICLE 12 ADVERTISING INFORMATION**

### **12.1 Advertising Information**

We are not required to engage in or maintain any particular advertising program apart from our general obligations to periodically publish and make available to the traveling public a directory of all System Hotels (including your Hotel), to include your Hotel in national or regional group advertising of System Hotels, and to include your Hotel in international, national, and regional market programs (Franchise Agreement, Section 4.4). Most advertising is placed on the internet, as well as in traditional media (such as TV, radio, newspaper, magazine, and direct email), generally with national coverage. The source of our advertising is our in-house marketing department, advertising agencies, and other external vendors.

You may not engage, directly or indirectly, in any cross-marketing or cross-promotion of your Hotel with any other hotel, motel or related business without our prior written consent, except for System Hotels and Network Hotels. The “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. During the term of your franchise, you may not utilize a list of customers (whether acquired before or during the term of your franchise) without our prior approval.

We may suggest room rates and pricing policies to the extent allowed by law. You will determine the room rates and the prices of the services and amenities that you offer to guests, except that we may establish maximum rates and prices for marketing and promotions if permitted by law. For the efficiency and consistency of our distribution programs, and to enable us to operate certain marketing and promotions (such as our Price Match Guarantee), we may also require that the rates and prices you advertise through certain distribution channels be the same as or better than the rates and prices you advertise through other distribution channels as permitted by law.

We may occasionally convene an advisory council to consult with us on advertising policies and marketing programs. Currently we have no such council. If we convene a council, it may consist of franchisees together with representatives of our company-managed hotels and company employees. We may select franchisees for the council by their hotel type, geographic location, being in good standing and demonstrating leadership in the System, or other considerations we deem relevant. The council would serve only in an advisory capacity and would not have operational or decision-making power. We may change or dissolve any advisory council in our discretion.

We may occasionally create marketing programs for specific promotional purposes that include only certain hotels. These programs may focus on a geographic location, particular types of hotels, or other criteria. For example, we may develop a marketing campaign that promotes hotels in a specific tourist destination. For these programs, we decide which hotels to include and the nature and method of the marketing under our general marketing policies and practices for System Hotels. If your Hotel is selected for such a program, your participation may be required but there would be no fee for participating. As described in Article 14, we may also occasionally develop promotional programs with other companies that feature those companies’ branded products or services used or offered by our System Hotels. We may require or permit your Hotel to participate in those promotional programs in accordance with the Standards.

We may also occasionally provide marketing programs in which your participation is voluntary. Participating hotels normally bear their proportionate costs of participation. We have periodically matched or supplemented the amounts paid by participating franchisees, when, in our opinion, the marketing effort supports our broader (national or global) marketing objectives for the System or Network.

You are not required to participate in any marketing cooperative. We may occasionally develop local marketing programs that operate like cooperatives in that they may consist of a group of franchisees that pool their resources and actively work together on local marketing efforts. However, these cooperatives are not legal entities and do not operate from written governing documents. These cooperatives need not prepare annual or periodic financial statements. We may help form this type of cooperative whenever a group of franchisees wish to get together. Participation is voluntary. The contributions to these cooperatives vary depending on the voluntary contributions of members. These cooperatives may be administered by us, by franchisees, or by an advertising agency. If we participate in a cooperative, we can require it to be formed, changed, dissolved, or merged with another cooperative. We cannot guarantee that we will offer any cooperative marketing programs to franchisees in the future. Any plan that we offer in the future may differ from the plans we offered to franchisees in past years.

We will use your Monthly Program Fee to pay for various programs to benefit the System, including advertising, promotion, publicity, public relations, market research, and other marketing programs; developing and maintaining Brand directories and internet sites; developing and maintaining the Reservation Service systems and support; quality assurance program; and administrative costs and overhead related to the administration or direction of these projects and programs. See Article 6 for the amount, timing, and frequency of payment of this fee. We 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. 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 affiliates. Monthly Program Fees are intended for the benefit of the System, and will not be used to promote or benefit any one property or market. Occasionally, however, Monthly Program Fees may be used for a property or market-specific initiative if we determine it has a strategic value to the System overall. We will have no obligation in administering any activities paid by 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. 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 judgment. The aggregate of Monthly Program Fees paid to us by franchisees 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 franchisees. We are not obligated to expend funds in excess of the amounts received from franchisees using the System. 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 periodically offered by us or our affiliates in which you voluntarily choose to participate. These fees also do not cover the cost of operating the hotel in accordance with the standards in the Manual (Franchise Agreement, Section 4.4).

## **12.2 Local Advertising**

You must advertise and promote the Hotel and related facilities and services on a local and regional basis as we specify in the Manual, 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 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 may not begin using the materials until we approve them. You must immediately discontinue your use of any advertising or promotional material that we reasonably believe is not in the best interest of your Hotel or the System, even if we previously approved the materials. Any advertising or promotional materials, or sales or marketing concepts, you develop for your Hotel that we approve may be used by other hotels in the System without any compensation to you (Franchise Agreement, Section 5.1.7).

### **12.3 Websites**

You may not register, own, or maintain any internet domain names, World Wide Web or other electronic communications sites, including mobile applications (each, a "Site" and collectively, "Sites"), relating to the Network, the System, or your Hotel, or that include the Marks. The only Sites, or Site contractors, that you may use for your Hotel are those assigned or approved by us. You must obtain our prior written approval of any third-party Site in which your Hotel will be listed, any proposed links between the Site and any other Sites ("Linked Sites"), and any proposed modifications to all Sites and Linked Sites. All Sites containing any of the Marks and any Linked Sites must advertise, promote, and reflect on your Hotel and the System in a first-class, dignified manner. Our right to approve all materials is necessitated by the fact that those materials will include and be inextricably linked with the Marks. Any use of the Marks on the internet and any other computer network or electronic distribution system, including mobile applications, must conform to our requirements, including the content, identity, and graphics standards for all System Hotels. Given the changing nature of computer and communications technology, we have the right to withhold our approval, withdraw any prior approval, and to modify our requirements at any time.

You may not (without a legal license or other legal right) post on your Sites or disseminate in any form any material in which any third party has any direct or indirect ownership interest, including video clips, photographs, sound bites, copyrighted text, trademarks or service marks, or any other text or image in which any third party may claim intellectual property ownership interests. You must incorporate on your Sites any other information we require in the manner we consider necessary to protect our Marks.

When your Franchise Agreement expires or terminates, you must irrevocably assign and transfer to us or our designee all of your right, title and interest in any domain name listings and registrations that contain any references to our Marks, System 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 or transfer of the domain name to us or our designee, as directed by us. You must also delete all references to our Marks or brands from any other Sites you own, maintain, or operate after the expiration or termination of the Franchise Agreement (Franchise Agreement, Section 9.5 and Franchise Agreement, Section 13.6.7).

## **ARTICLE 13 ADMINISTRATION OF THE MONTHLY PROGRAM FEE**

As noted in Article 12, the aggregate of Monthly Program Fees paid to us by franchisees do 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 franchisees. Accordingly, we are not required to provide any report or breakdown of such a fund.

## **ARTICLE 14 RESTRICTIONS AND REQUIREMENTS ON PURCHASE AND SALE OF GOODS AND SERVICES**

This Article describes your obligations to buy or lease from us or our designees, from suppliers we permit you to use, or in accordance with our specifications.

### General Requirements

All franchisees must build, renovate, design, furnish, equip, and supply their hotels in accordance with the Standards as compiled in our Brand Standards Manual ("Manual"). We regularly review, modify, and implement product and service Standards and specifications. We may periodically modify and update Standards and specifications to reflect operational requirements, advances in technology, improved methods of manufacture, new materials and structures, new decor, new products, improved prices, and other factors. We currently issue, modify and update specifications in the form of updates to the Manual. We may periodically require you to maintain, replace, modernize, rehabilitate, and/or upgrade your Hotel's fixtures, furnishings, equipment, fittings, signs, computer hardware and software and related equipment, supplies, and other items to meet our then-current Standards. We may utilize specific schedules for this purpose as part of Standards ("Renovation Schedules"), which we may modify at any time. These Renovation Schedules may be provided to you under our Fixed Renovation Cycle Management ("FRCM") program or any other program in accordance the Standards in the future. You are required to comply with any Renovation Schedule that applies to your Hotel. You are responsible for the costs of complying with any such Renovation Schedule, as well as any other changes that are necessary for your Hotel to remain in compliance with the Standards. The Manual is our exclusive property and you must return it to us on request and, in any event, on termination or expiration of your Franchise Agreement.

You must comply with our Standards and specifications regarding the purchase of products and services for use at and for your Hotel, including furniture, fixtures, equipment, amenities, food and beverages, operating supplies, consumable inventories, merchandise to be used at and/or sold from the Hotel, signs and graphics, uniforms, materials with logos, advertising materials, on-property guest materials, together with our required systems, programs, services, and related computer and technology platforms for property management, inventory management, revenue management, affiliation and distribution programs, frequent customer and loyalty programs, guest assistance, customer satisfaction measurement, online check-in, digital room keys, in-room entertainment and conveniences, internet access, telecommunications and telephone systems, long distance services, and any and all other systems, programs, products and services used for the operation of the Hotel, including our specifications for all Supplies. You must also maintain acceptable product quality and service ratings at your Hotel and maintain the Hotel in accordance with the Standards. In some cases, we may require you to purchase a particular brand or type of product, fixture, furniture, equipment, or service. The requirements are generally contained in our manuals, but may be separately issued to you.

### Brand Package Requirements

We have a designated grouping of specifically-selected furniture, furnishings, fixtures, and equipment (FF&E), and operating supplies and equipment (OS&E) that meet our Standards and

specifications for Brand hotels (the “Brand Package”). You must use a Brand Package for the opening of a Brand hotel. The Brand Package includes the majority of items that hotel guests see and experience in the lobby, corridors, and guest rooms. The Brand Package generally does not include items for back-of-house operational areas such as mechanical rooms. We will provide you with detailed information and a list of items in the Brand Package. The Brand Package is essential for the uniformity of the Brand and a consistently reliable guest experience across Project H3 by Hilton hotels. Accordingly, you must purchase or lease the items in our Brand Package only from approved suppliers. You may not obtain any Brand Package or any item within a Brand Package from any other source. Neither we nor our affiliate, HSM, are an approved supplier of Brand Package items.

You must obtain Brand Package procurement services from our affiliate, HSM. These services include the assembling of Brand Packages from approved suppliers and then coordinating the ordering and delivery of Brand Package items from such approved suppliers to your Hotel based on your specific hotel development plans and timeline. For these services, you must sign the HSM Agreement (Exhibit M) and pay the service fees described in Items 5 and 6 above. You may not obtain Brand Package procurement services from any other source.

Approved suppliers set their own prices and terms for each item in the Brand Package. HSM may negotiate with approved suppliers to obtain volume price discounts and other beneficial terms for Brand Package items for our System hotels. Other beneficial terms could include, for example, no deposit ordering, expedited or guaranteed delivery dates, flexible payment terms, favorable warranties, or other terms. Because supply chain pricing and terms depend on many market variables, HSM cannot guarantee any price discounts or beneficial terms. You are free to attempt to negotiate the price and terms for any item in the Brand Package with approved suppliers.

You must use a Brand Package for the opening of a Brand hotel. You must also use Brand Package items when you maintain and repair, modernize, rehabilitate, renovate, refurbish and/or upgrade your Hotel. We may periodically add, remove, or modify any Brand Package or any item within a Brand Package at any time.

Any required Supplies that are not part of a Brand Package must be acquired in accordance with our standards and specifications as described in the General Requirements section above.

#### **14.1 Purchases through Our Affiliates**

You must acquire Hilton’s proprietary computer software from HSS. You must purchase items bearing our logo, trademark or service mark from a supplier approved by us. We may derive profit from such sales.

You must install and use Delphi.fdc, our designated cloud-based sales and events system for group business, our Connected Room system, and have a Digital Floor Plan created for your Hotel by one of our approved suppliers as we specify. Except as described in this Disclosure Document, we do not derive any profit from these services.

We did not sell any goods, services, or supplies to our franchisees in 2022. Hilton collects money for the Hilton Honors program for all of our brands but transmits this money to Hilton Honors Worldwide and we do not record it as revenues. Several of our affiliates had revenues during that year from sales to franchisees.



HSM, a wholly-owned subsidiary of Hilton, negotiates with third-party manufacturers and suppliers for the sourcing and distribution of hotel furniture, furnishings, fixtures, equipment and supplies, certain food and beverage supplies, and certain hotel services. HSM seeks to negotiate lower prices and favorable terms with manufacturers and suppliers when reasonably possible, and make these prices and terms available to franchisees. HSM may negotiate purchase arrangements with manufacturers and suppliers for the benefit of our franchisees, all System Hotels, all Network Hotels, or any subset of each. Occasionally, HSM may negotiate special purchase arrangements with manufacturers and suppliers for franchisees or their management companies that operate multiple hotels. HSM may also permit competitor hotels or their management companies to participate in its purchase arrangements with manufacturers and suppliers. This is done to help increase HSM's overall purchasing volume and bargaining power for the benefit of our System.

As described above, you must purchase or lease Brand Package items from approved suppliers, and you must use HSM as your Brand Package procurement service provider. You may purchase any other furniture, fixtures, and equipment and other supplies for your Hotel (which are not part of the Brand Package) from any source as long as our Standards and specifications are met. However, similar to our requirements related to the Brand Packages, in the future we may require you to purchase such other items from a supplier approved by us, or we may require you to purchase a particular brand or model of supplies or equipment that is available only from one source, and we may derive revenue as a result of those purchases.

With respect to other supplies that are not part of Brand Packages, HSM has various discount agreements with manufacturers and suppliers, under which it receives rebates and allowances based on the total volume or sales purchased from the manufacturer. These fees include sales to franchisees by the manufacturers and in some cases, through suppliers. HSM also receives certain volume and national account marketing allowances from manufacturers in connection with the sale to franchisees of certain items, such as coffee, soft drinks, cleaning compounds, and paper products. For three of our brands, Tru by Hilton, Spark by Hilton, and Project H3 by Hilton, HSM is either the sole procurement service provider or is one of multiple approved procurement service providers and may receive fees for its services. In addition, HSM receives cash discounts for early payment on orders it places with manufacturers and suppliers to fill purchase orders placed with it by franchisees of all of our brands.

HSM may derive profit from any revenues it receives from manufacturers and suppliers (whether received in the form of rebates, allowances, administration fees, or other purchasing fees). A portion of these revenues are used to offset the cost of establishing the purchasing programs and supporting the expenses of HSM. Currently, when HSM negotiates pricing and purchasing terms with manufacturers and suppliers for the benefit of our System, HSM may receive administrative fees from those manufacturers and suppliers that is between 0.5% and 7% of the purchases made by our franchisees (depending on the specific item).

In instances where we approve manufacturers or suppliers for certain specific items, we evaluate them based on many factors, including: (i) the quality and cost of the products and/or services; (ii) their established history in serving the System with products that consistently meet or exceed the standards and specifications as set forth in the Manual; (iii) the level of support and recognition of the manufacturer or supplier by us and our franchisees, as well as the System's demand for those products/services; and (iv) the manufacturer's or supplier's ability to service the needs of the System. If a manufacturer or supplier does not meet or criteria, we may not approve them. If a manufacturer or supplier no longer meets our criteria, we may disapprove them.

If you want to use a product, or a particular brand or model, that has not been specified as having met our standards, or if you want to purchase from an unapproved supplier an item that must be purchased from an approved supplier, then you can submit a written request for us to approve the product or supplier. We may require certain information or samples which you must provide at your expense. We will review all of the pertinent information. While we have no obligation to respond within a certain timeframe, our review typically takes 60 days to complete. We do not provide any material benefit (such as license renewal or the grant of additional licenses) to a franchisee based on a franchisee's use of designated or pre-approved suppliers (the Franchise Agreement is non-renewable).

No officer of ours owns a material interest in any approved supplier. Our affiliate, Hilton JV Acquisition LLC, currently holds a non-controlling equity interest in Groups360 LLC ("Groups360"), which is a third-party vendor that provides lead generation, advisory, and marketing services to the hotel industry (including us and our System hotels, and competitor hotels) for group and event business. Groups360 receives fees and commissions for the services it provides. As an equity owner, Hilton may receive its pro-rata share of distributions from Groups360. Other than Hilton JV Acquisition LLC, neither we nor any of our affiliates receive any direct or indirect fees, rebates, discounts, or other benefits from Groups360 in connection with purchases made by our franchisees.

## **14.2 Signage**

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 us for a current list in your area.

## **14.3 Reservation Service and Referrals**

You must participate in and use the Reservation Service, including any additions, enhancements, supplements, or variants which we or our affiliates develop or adopt. You must honor and give first priority on available rooms to all confirmed reservations referred to your Hotel through the Reservation Service. The Reservation Service is the only reservation service or system you may use for outgoing reservations referred by or from your Hotel to other hotels or other reservations services we or our affiliates designate.

We periodically adopt programs whereby our Systems and the systems of our affiliates, promote each other. Currently, under a program we refer to as "cross-selling," if a customer calls our Reservations Service Center and we are unable to find suitable accommodations in any hotel in the System (and the customer would otherwise terminate the phone call), we will try to find suitable accommodations with Network Hotels. We may implement a common platform for the reservation programs of our various hotel systems, so that we can cross-sell the hotels within our Network.

You must refer guests and customers, wherever reasonably possible, only to System Hotels and (if and as we direct) Network Hotels. However, we can require you to participate in programs designed to refer prospective customers to other hotels, whether in the System or otherwise). You must also display all material, including brochures and promotional material, that we provide to System Hotels and Network Hotels; and allow advertising and promotion only of System Hotels and Network Hotels on your Hotel premises. (Franchise Agreement, Paragraph 5.1.13)

You must use the Reservation Service for reservation referrals. You must also purchase computer terminal equipment and software compatible for use with the Reservation Service. The computer equipment and software you purchase for OnQ satisfies the requirement that you purchase computer equipment and software compatible with the Reservation Service. Although you must use the Reservation Service, you may also use other reservation services to refer reservations to (but not by or from) your Hotel.

#### **14.4 Business Computer Systems**

You must use our required business computer systems, which we may periodically change. Currently, we require you to use OnQ, which connects System Hotels to Hilton's reservation offices and travel planners worldwide. For OnQ you must have certain hardware, software, installation, and support. We also require you to use our required Guest Internet Access System. For Guest Internet Access you must have certain hardware, software, an internet access circuit, and internet service. In addition, you must have our designated GRO System, Delphi system, Connected Room system, a Digital Floor Plan, and Digital Key system that meet our Standards and specifications. All of these components must be acquired from either HSS or preferred providers or may be acquired from other (non-preferred) vendors, depending on the specific product or service and the individual circumstances of your Hotel. We will provide you with our Standards and specifications as appropriate. At certain times there might be only one approved software vendor for certain applications, such as the GRO system and the Delphi system. In the future, any of the products or services may be manufactured or provided by an approved supplier who is also our client or supplier. See Articles 6 and 7 for details.

#### **14.5 Promotional Programs**

We may develop promotional programs with third-party companies that feature those companies' branded products or services being offered or used by our System Hotels. By way of example, we have collaborated with Reckitt Benckiser and its Lysol® and Dettol® brands in connection with our Hilton CleanStay Program, and with Mars Petcare and its family of pet care brands in connection with our pet-friendly hotel programs. We may launch, modify, and end any such promotional programs at any time. We may require or permit your Hotel to participate in these promotional programs, which can involve: (1) offering specified promotional program products or services to guests; (2) participating in related marketing efforts; (3) following related operating Standards; (4) purchasing and using certain related equipment and supplies; and (5) paying any fees or costs associated with the promotional programs (if any). We may designate approved suppliers for any such promotional programs or related products and services, and we and our affiliates may receive fees, rebates, and other revenues from your purchases related to these promotional programs as described in this Article 14.

#### **14.6 General**

Before we permit you to proceed with your plans for construction or remodeling of your Hotel, and any time you make changes that affect usability or access to the Hotel, your architect or other applicable certified professional must certify to us that the Hotel's plans and specifications comply with all Laws related to accessibility/accommodations/facilities for those with disabilities, as further described in the Manual. If requested, you must arrange for us and/or our affiliates to participate in all progress meetings during the development, construction, and/or remodeling of the Hotel, to have access to all contract and construction documents for the Hotel and to have access to the Hotel during reasonable business hours to inspect the Hotel and its construction, completion, furnishing and equipment for conformity to the finally-approved construction documents.

However, we and our affiliates have no obligation to participate in progress meetings or to inspect the Hotel. Our approval is not a representation of the adequacy of the plans and specifications, the structural integrity, or the sufficiency of the mechanical and electrical systems for the Hotel. When you begin construction or remodeling of the Hotel and before your Hotel opens for business, both you and your architect or general contractor must provide us with a certificate stating that the plans and as-built premises comply with all applicable legal requirements relating to accessibility/ accommodations/facilities for those with disabilities, as is further described in the Manual.

During the term of the Franchise Agreement and any term extensions, we may require you to make additional expenditures and investments to maintain your Hotel in accordance with the Standards and to remove any deficiencies in your Hotel's operations. In addition to this general obligation, we currently require that you complete a significant renovation of guest rooms, corridors, and public facilities, including the replacement of all soft goods and case goods, at specific periodic intervals as required by the Standards and any applicable Renovation Schedule.

Except as stated above, we do not normally negotiate purchase arrangements with suppliers for the benefit of franchisees. There are no purchasing or distribution cooperatives. We provide you with no material benefits (such as franchise renewal or the grant of additional franchises) based on your use of designated or permitted sources (the Franchise Agreement is non-renewable). Except as described above, we currently receive no other payments, discounts, rebates, credits, or commissions from any supplier based on your purchases from that supplier.

#### **14.7 Restrictions on the Sale of Goods and Services**

We do not impose any restrictions as to the customers to whom you may sell goods or services. However, because Project H3 by Hilton is an extended-stay hotel Brand, we may place restrictions on the minimum length of stay that is required for guest reservations (and exceptions from those restrictions) and implement other Standards related to guest room inventory management.

In general, you must comply with our requirements as to the types and levels of services, amenities and products that must or may be used, promoted, or offered at or in connection with the Hotel. You must comply with our requirements regarding Supplies, including our specifications for all Supplies and our policies regarding suppliers from whom you purchase Supplies. High standards are the essence of the System we licence to you.

You must operate your Hotel 24 hours a day every day, except as we may otherwise permit based on special circumstances. You must operate, furnish, maintain, and equip your Hotel in a clean, safe, and orderly manner and in first-class condition under the Franchise Agreement and the Manual, and in compliance with all applicable laws, enactments, orders, and regulations applicable to the management and operation of the Hotel or the performance of the terms of the Franchise Agreement, including maintaining and conducting your business using sound business and financial practices. You must adopt, use, and comply with the Standards, requirements, services, products, programs, materials, specifications, policies, methods, procedures, and techniques in the Manual and keep your Manual current at all times. A copy of the Table of Contents of the Manual as of the date of this Disclosure Document is attached as Exhibit H-1. You must also provide efficient, courteous, and high-quality service to the public.

You may not make any change in the number of approved guest rooms set forth in the Addendum to your Franchise Agreement or any other significant change (including major changes in

structure, design, or decor) in the Hotel without our prior written approval. You may not offer products or services unless and until they have been approved by us. Minor redecoration and minor structural changes that comply with our Standards and specifications will not be considered significant.

We may require your Hotel to offer products, services, and amenities such as food service and other concessions, parking facilities, guest laundry, and housekeeping services. As described above, we may develop promotional programs with third-party companies that feature those companies' branded products or services, and we may require or permit your Hotel to participate in those promotional programs. We may also require or permit your Hotel to accept guests with pets, and provide amenities, products, or services related to those pets. The types and quality of the products, services, and amenities that your Hotel offers, and any related charges that you assess guests, must comply with our Standards.

We may periodically require you to modernize, rehabilitate and/or upgrade your Hotel's fixtures, equipment, furnishings, furniture, signs, computer hardware and software and related equipment, supplies and other items to meet the then-current Standards and specifications in the Manual. These Standards benefit the System as a whole. You must make these changes at your sole cost and expense. You must also maintain acceptable product quality and service ratings at your Hotel and maintain the Hotel in accordance with the Standards. We may make limited exceptions from some of those Standards based on local conditions or special circumstances, but we are not required to do so.

There is no limit on our right to make changes to the System. We make changes to the System based on our assessment of the long-term best interests of System Hotels, considering the interest of the System overall. You must comply with all changes we adopt. We may require that you purchase particular models or brands of merchandise for resale to be sold from the Hotel from us or from a source we designate.

You must participate in, and pay all charges related to, all guest frequency programs we or Hilton require, including the Hilton Honors Worldwide guest reward programs or any successor programs (see Article 6). You must also honor the terms of any discount or promotional programs (including any frequent guest program) that we or Hilton offer to the public on your behalf, any room rate quoted to any guest when the guest makes an advance reservation, and any award guest certificates issued to hotel guests participating in these programs. You may not charge any Mandatory Guest Fee without our consent, in accordance with the Standards and subject to our requirements for granting such consent.

You may not conduct or permit gaming or casino operations in the Hotel or on the Hotel premises without our express written prior permission, which we may withhold at our sole discretion.

Except as described in the following sentence, you may not conduct or permit the sale of timeshares, vacation ownership, fractional ownership, condominiums, or like schemes at or adjacent to your Hotel without our written permission, you may do so only as we permit and we may withhold permission at our sole discretion. You may conduct timeshare or condominium sales or marketing at any property that you own or lease which is located adjacent to the Hotel so long as you do not use any of the Marks in these sales efforts and you do not use the Hotel or its facilities in these timeshare or condominium sales, marketing efforts or business operations.

You may not share the business operations and your Hotel facilities with any other hotel, inn, conference center, lodging facility or similar business without our express permission, which we

may withhold for any reason. If we permit your Hotel to share facilities with another hotel in our Network (which is also franchised or managed by us or any of our Affiliates), then you must sign the Shared Facilities Addendum to the Franchise Agreement, shown in Exhibit A to this Disclosure Document. You are not allowed to engage in any tenant-in-common syndication or transfer of any tenant-in-common interest in the Hotel or the hotel site, other than a Transfer that is otherwise a Permitted Transfer, without our express permission, which we may withhold for any reason. If we permit you to share your business operation or engage in a tenant-in-common syndication or transfer, you must comply with any terms that we require as a condition to our approval.

## **ARTICLE 15 REBATES**

Any administrative fees, rebates, discounts, allowances, or other revenue that we realize in respect of purchases that we require you to make are set out in Article 14. Our affiliate, HSM, may derive profit from the revenues that it collects from such sources. A portion of these revenues are used to offset the cost of establishing the purchasing programs and supporting the operating expenses of HSM (see Article 14). Our affiliate, Hilton JV Acquisition LLC, may derive profit from its equity interest in the vendor Groups360 (see Article 14).

## **ARTICLE 16 TRADEMARKS AND COMMERCIAL SYMBOLS**

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

The initial Principal Mark for this franchise is “Project H3 by Hilton”. This initial Principal Mark is temporary. We plan to utilize this initial Principal Mark only during the early phase of franchising this Brand, and will designate the final Principal Mark in the future. Your hotel will open and operate under the final Brand name and Principal Mark that we designate.

Accordingly, we will grant you a limited, nonexclusive right to use our System in the operation of a hotel at a specified location under the licensed trademark “Project H3 by Hilton (“Principal Mark”). When we designate the final Brand name, we will change the Principal Mark accordingly. We will notify you of the final Brand name and Principal Mark in writing at that time. After we have designated the final Brand name and Principal Mark, you will no longer have the right to use the Brand name or the Mark “Project H3 by Hilton”.

As used in the Franchise Agreement and this Disclosure Document, the System includes the Marks, including the initial Principal Mark and the final Principal Mark (as applicable). The Marks include the Principal Mark and all other service marks, copyrights, trademarks, logos, insignia, emblems, symbols, and designs (whether registered or unregistered), slogans, distinguishing characteristics, trade names, domain names, and all other marks or characteristics associated or used with or in connection with the System, and similar intellectual property rights, that we designate to be used in the System.

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

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

You must operate under and prominently display the Marks in your Hotel. You may not adopt any other names or brands in operating your Hotel that we do not approve. You also may not use the initial or final Brand names, or any of the Marks (including the initial and final Principal Marks), or the words “Project H3”, “H3”, or “Hilton” or any similar word(s) or acronyms: (a) in your corporate, partnership, business or trade name except as we provide in the Franchise Agreement or the Manual; (b) any Internet-related name (including a domain name), except as we provide in the Franchise Agreement or in the Manual; or (c) any business operated separate from your Hotel, including the name or identity of developments adjacent to or associated with your Hotel, without our prior written consent or as provided in the Franchise Agreement or the Manual. Any unauthorized use of the Marks will be an infringement of our rights and a material breach of the Franchise Agreement.

Under 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.

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

Our affiliate, HWML holds the rights to the Marks, including the trademarks and service marks listed in the table below, which are registered in Canada. As detailed above, your Franchise Agreement will be transferred to HWML after the first Annual Sweep following your execution of the Franchise Agreement.

Mark	Registration Number	Registration Date	Franchisor’s Rights To Use Mark
PROJECT H3 BY HILTON	Not Applicable	Not Applicable	License
HILTON	TMA507817	1999-02-09	License
HILTON	TMA138763	1965-01-15	License

HWML entered into a license agreement with us, which grants us the right to use and sublicense the use of the Marks and other intellectual property in connection with the System in Canada. The license will expire on December 31, 2023. At that time, we anticipate renewing our license with HWML (or its successor) for another term. This license may be terminated early by either party on 90 days’ notice, or if either party defaults and does not cure the default within 30 days, or upon notice in the event of a bankruptcy. However, under the terms of this license as long as you are in compliance with your Franchise Agreement your right to use the Marks will not be affected by any expiration or termination. In the future, HWML may transfer the Marks to affiliates for administrative purposes periodically. If the Marks are transferred to any affiliates, we or HWML will continue to have a license to use and sublicense the Marks in our business, and your license to use the Marks will not be disturbed.

Currently, there are no pending infringement, opposition, or cancellation proceedings, nor any pending litigation involving the Marks that is material to their use by you in Canada. There are no infringing uses actually known to us that can materially affect your use of the Marks.

### **16.3 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 HWML.

## **ARTICLE 17 LICENCES, PERMITS AND AUTHORIZATIONS**

Below is a description of every license, registration, authorization, or other permission that you are required to obtain, under any applicable federal or provincial law or municipal by-law, to operate the franchised business (your Hotel) in British Columbia, Manitoba, New Brunswick, and Ontario.

In addition to those identified below, you may be required under other federal or provincial laws (including any province in Canada other than British Columbia, Manitoba, New Brunswick, Ontario, or on a location within a First Nations territory within any province or territory in Canada) or under the by-laws of a municipal or other local authority to obtain licences, registrations, authorizations, or other permissions to operate your Hotel. Accordingly, you should make inquiries to determine whether such licences, registrations, authorizations, or other permissions are required.

You must comply with all applicable local, provincial, and federal laws, regulations and codes including without limitation laws regarding hotel operations and innkeeper obligations, room rates and taxes, health and safety, food handling and preparation, menu labeling, alcoholic beverage control, public accommodation, land use, zoning, building, traffic, and similar codes. In addition, you also have to comply with any general laws and regulations relating to the acceptance of credit cards, including those set out by the Canadian Payment Association. You may also be required to comply with the Payment Card Industry Data Security Standard. Compliance with all such laws, regulations, and standards is your responsibility. In addition, you must comply with any government orders related to emergent conditions, such as natural disasters and public health emergencies. Since 2020 and continuing through the date of this Disclosure Document, government directives and business conditions related to the COVID-19 pandemic have resulted in limited operations, changes in operations, reduced occupancy, and closures at some of our



franchised hotels. Accordingly, you should make inquiries to determine whether any such directives or conditions may apply to your Hotel.

#### Federal Government Business Number:

The Business Number is a single number for businesses to deal with the federal government. The Business Number can encompass one or more of the following accounts: goods and services or harmonized taxes (see below), payroll deductions, import/export duties and corporate income tax. There is no fee for a Business Number. For more information on the Business Number, contact the Canada Revenue Agency (“CRA”).

#### Music Licensing:

Canadian copyright law requires certain users of music along with certain activities to obtain a license and file certain reports with the Society of Composers, Authors and Music Publishers of Canada (“SOCAN”). If you use music as part of your business or functions, you are a music user and require a SOCAN performing rights license. In addition, if you perform or authorize the performance of copyright-protected music in any public setting, or if you communicate those works to the public by telecommunication, you need the permission of the copyright owners. A SOCAN license entitles you to use the musical works contained in SOCAN’s repertoire in a particular way. You need a license whether the music is live or recorded. Further information may be obtained on the SOCAN website.

If you use recorded music, a licence from Re:Sound may be required. This may apply to businesses using recorded music as background music and/or telephone on-hold music. Further information may be obtained on the Re:Sound website.

#### Tanning:

Owners and operators of tanning salons and spas that provide tanning services must comply with the requirements for tanning equipment under the federal Radiation Emitting Devices Act and corresponding regulations (the “Act”). Under the Act, all tanning equipment sold, leased, or imported into Canada must comply with specific regulations. The Act also sets guidelines and requirements for, among others, tanning bulbs, eyewear, cleanliness, use of equipment, age guidelines, and certain disclosures to customers. More information can be found on the Health Canada website. In addition, the Joint Canadian Tanning Association has adopted guidelines for tanning facilities, which can be found on their website.

#### Harmonized Sales Tax and Retail Sales Tax:

The federal government of Canada and the provincial government of Ontario and New Brunswick have harmonized the federal Goods and Services Tax (“GST”) and their respective provincial sales taxes (“PST”) to create a combined federal and provincial harmonized sales tax (“HST”). Businesses in Ontario and New Brunswick are required to obtain a Business Number in order to register for HST with the CRA. There is no fee for either registration. Further information can be obtained from the CRA, or provincial retail sales tax offices, both of which are listed in the blue pages of the telephone directory. Further information on HST and GST is available on the CRA website.

Under the Manitoba Retail Sales Tax Act, Retail Sales Tax (“RST”) is collected on most goods and certain services sold for the purpose of consumption or use and not for resale. The tax is

calculated on the selling price before the GST is applied. To register for the RST, potential applicants may contact the General Office of the Manitoba Department of Finance – Taxation Division at 1-800-564-9789.

Under the British Columbia Provincial Sales Tax Act, PST applies when a taxable good or service is purchased, acquired, or brought into British Columbia, unless a specific exemption applies. If a business is required to register to collect PST, such business must charge and collect PST at the time the tax is payable, unless a specific exemption applies. To register to collect and remit PST, potential applicants can do so online, in person or by fax or mail. Further information on PST is available on the Government of B.C. website.

### *Business Licenses and Names:*

In British Columbia, before registering a business, a Name Approval Request must be submitted to the Name Reservation Unit for examination at the Corporate Registry. Once the business name is approved, it will be reserved for 56 calendar days. Within the 56 calendar days, a business must register with BC Registry Services. Registrations do not expire for unincorporated businesses and require no periodic renewal.

In Manitoba, before registering an unincorporated business in Manitoba, a Request for Name Reservation must be filed with the Manitoba Companies Office to determine if the name is available for use. Once the name is reserved, businesses will have 90 days to file the applicable Business Registration form required under *The Business Names Registration Act* or *The Corporations Act* of Manitoba. Unincorporated businesses must be renewed every three years.

In New Brunswick, before registering a business in New Brunswick, a business must select and register the proposed business name with the Corporate Registry, Services New Brunswick, after obtaining an Atlantic based NUANS name search report. After reviewing and approving the business name, the Corporate Registry will register the Certificate. The Certificate of Business Name will contain the Business Number, which is a common business identifier for provincial and federal purposes. Once a Certificate of Business Name is registered, a Certificate of Renewal must be filed every five years.

In Ontario, a Master Business License confirms that a business name has been registered on the public record maintained by the Ontario Ministry of Government Services, Companies and Personal Property Security Branch for registration on the public record. It includes the registration and expiry dates, as well as the Business Identification Number. It can also be used as proof of registration for a business name at financial institutions. A Business Name registration is required to be renewed every five years and a new Master Business License will be issued.

### *Municipal Permits and Licenses:*

Each municipal government in the provinces of Ontario, New Brunswick, British Columbia, and Manitoba has the authority to issue its own business licenses within its jurisdiction. Since there is no uniformity throughout the province regarding municipal licenses for businesses, you should consult with the appropriate local officials to determine whether your business will be affected by local regulations and licensing requirements. By way of example, you may be required to obtain permits relating to building codes, HVAC (heating, ventilation, and air conditioning), signage, electrical, mechanical, and plumbing, and food handling. Businesses must also meet the zoning by-laws that control property uses in their municipality. Contacts for local governments are in the blue pages of the telephone directory under municipal government.

### Register with Workplace Safety & Insurance Board (WSIB):

Most industries in Ontario are covered by the Workplace Safety & Insurance Act. Employers must pay into the insurance fund of the Workplace Safety & Insurance Board (“WSIB”) through assessments on their payrolls. By contacting the nearest WSIB office, you can obtain a registration kit, which includes information on assessments, coverage, accident reporting requirements and appeals procedures. Employers are required to contact the WSIB within ten days of hiring their first worker.

### Employer Health Tax (EHT):

The Ontario Ministry of Health administers a comprehensive government plan of health insurance for Ontario residents. Unless exempted, all employers with a permanent establishment in Ontario must register for the Employer Health Tax (“EHT”). Eligible employers are exempt from the EHT on all remuneration paid up to a specified threshold amount of total Ontario remuneration each year. For further information on the EHT, call the Ontario Ministry of Finance Information Centre at 1-866-668-8297.

### Health and Post-Secondary Education Tax Levy (Manitoba):

Manitoba Finance’s Taxation Division requires certain businesses to apply for registration or licensing under the Health and Post Secondary Education Tax Levy Act. The tax is imposed on remuneration that is paid to employees and is paid by employers with a permanent establishment in Manitoba. Employers with total remuneration in a year under a certain amount set by the government are exempted. Further information on the Health and Post Secondary Education Tax Levy may be obtained by contacting Manitoba Finance’s Taxation Division on their website or at 1-800-782-0318.

### Waste Diversion:

Legislation in British Columbia has been enacted to provide for the development, funding, and operation of waste diversion programs. The Recycling Regulation made under the Environmental Management Act requires producers of beverage container products and packaging and printed paper products to develop a Product Stewardship Plan and submit it for approval. If a franchisor and a franchisee operating under a franchise agreement are producers in relation to the same product, the duty to develop and comply with a Product Stewardship Plan must be carried out by the franchisor. Producers must review their Product Stewardship Plans every five years and either submit any proposed amendments to their plans to a director or advise a director in writing that no amendments to the approved plan are necessary not later than five years after the date the Product Stewardship Plan was initially approved. On or before July 1 of each year, producers must also provide to a director a report respecting the one-year period ending not later than March 31 of that year or December 31 of the previous year and post the report on the Internet.

In response to Manitoba’s product stewardship regulations under The Waste Reduction and Prevention (WRAP) Act, 13 producer responsibility organizations (PROs) have been established to enhance material recycling in Manitoba. You may be obligated to register as a steward depending on the PROs’ mandated criteria. For example, the Packaging and Printed Paper Stewardship Regulation may affect any business that supplies, distributes, or sells packaged products or printed paper in Manitoba. The regulation requires affected companies to register as

product stewards and to remit fees that are used to cover up to 80% of the cost of municipal recycling programs. For more information contact Stewardship Manitoba on their website.

Legislation in Ontario has been enacted to provide for the development, funding, and operation of waste diversion programs. The Ontario government has created a body called Stewardship Ontario that will ensure that certain companies that introduce packaging and printed materials into the Ontario consumer marketplace share in the funding of blue box recycling programs. Under the Stewardship Ontario program, franchisors or franchisees may be obligated to register and/or pay as “stewards” for all of the residential blue box waste distributed into the marketplace depending on certain mandated criteria, such as sales thresholds, and waste threshold exemptions. For more information, you may contact Stewardship Ontario on their website.

#### Liquor Licence (British Columbia):

Under the Liquor Control and Licensing Act, a liquor licence must be obtained from the B.C. Liquor Control and Licensing Branch, which regulates liquor service in bars and restaurants, private liquor stores, liquor manufacturers and importers, Ubrews and UVins (for personal liquor manufacturing), and liquor service at catered and special occasion events. Information on the various types of liquor licences, associated fees and application forms can be found on the Government of British Columbia website.

#### Liquor Licence (Manitoba):

A liquor licence must be obtained from the Manitoba Liquor Control Commission. There are different types of liquor licences available, depending on the nature of the franchised business. On average, it takes six to eight weeks to get a liquor licence in Manitoba. Before obtaining a liquor licence, it is necessary to ensure that the property is properly zoned and that community approval has been given for the intended use. A liquor licence cannot be issued without the prior approval of all government departments, including zoning, building code, health, and fire. Potential applicants should contact the Manitoba Liquor Control Commission Licensing Department at 204-474-5630 or visit their website in order to obtain an application guide.

#### Liquor Licence (New Brunswick):

A liquor licence must be obtained from the Department of Public Safety, under New Brunswick’s Liquor Control Act. There are different types of liquor licences available, depending on the nature of the franchised business. Information on the various types of liquor licences, associated fees and application forms can be found online on the Government of New Brunswick website.

#### Liquor Licence (Ontario):

A liquor licence must be obtained from the Alcohol and Gaming Commission of Ontario. In order to receive a liquor licence, you must ensure that the licensed premises are supervised by someone with 3 months experience in the food and beverage industry. Applicants will also require a Vendor’s Permit from the Ministry of Finance to operate the establishment which can be acquired by contacting the Retail Sales Tax Office. A liquor licence generally will take 6 to 8 weeks to obtain, however, the granting of a liquor licence is at the discretion of the Liquor Licence Board of Ontario. The Licensing Board conducts a background check on each applicant, and its owners. Potential applicants should contact the Alcohol and Gaming Commission’s Liquor Sales Licensing office at (416) 326-8700 or on their website in order to obtain an Application Guide for a New Liquor Licence.

WorkSafeBC (British Columbia):

All employers in British Columbia are required to have WorkSafeBC coverage unless the employer is exempt. An employer is a person or firm that hires workers or unregistered subcontractors and an employer can be a self-employed proprietor, partnership, corporation, society, or any other type of legal entity. In exchange for the benefits of your WorkSafeBC coverage, you have the following responsibilities as an employer: you need to register for coverage, pay premiums, report your payroll, report changes to your business, provide a safe workplace, report injuries and diseases, and investigate incidents. Applications for WorkSafeBC coverage can be completed on the WorkSafeBC website or by contacting WorkSafeBC toll-free at 1-888-WORKERS (967-5377).

WorkSafeNB (New Brunswick):

Employers having three or more workers are required to register for coverage with WorkSafeNB. WorkSafeNB administers no-fault workplace accident and disability insurance for employers and their workers, funded solely through employer assessments. Applications for WorkSafeNB coverage can be completed on the WorkSafeNB website or by contacting WorkSafeNB toll-free at 1-800-222-9775.

Workers Compensation Board (Manitoba):

Employers having employees in Manitoba may be required to register for coverage with the Worker's Compensation Board of Manitoba ("WCB") pursuant to the Workers Compensation Act. To determine eligibility and/or to register for coverage contact the WCB at 1-855-954-4321 or visit the WCB website.

Food Premises:

In New Brunswick, food premises must be licensed and are subject to inspection by Public Health or Agri-food Inspectors. In order to be issued a license by the Regional Director of the Health Protection Branch, you must complete an application with all corresponding documentation, pay the required fee and demonstrate compliance with the Public Health Act and its regulations. Food premises licenses are divided into various classes, and the type of licence required is determined by the types of food prepared and sold, and the way foods are handled. Licenses expire on March 31st of each year and must be renewed annually. For further information on applying for and obtaining a food premises license, please visit the Government of New Brunswick website.

In British Columbia, the Public Health Act and its accompanying regulation, the Food Premises Regulation, requires that every food service business obtain and display a Health Operating Permit. Note that the name of this permit varies by regional health authority. You must apply for this by submitting an application to your local health authority. For more information, including a link to help determine which regional health authority applies to your business, visit the Government of British Columbia website.

In Ontario, the Health and Promotion Act and its accompanying regulation, the Food Premises Regulation, requires that every person who intends to commence to operate a food premise shall give notice of the person's intention to the medical office of health of the health unit in which the food premise will be located. Ontario Regulation 493/17 outlines a list of general requirements including but not limited to: staffing at least one food handler who has completed food handler training at all times, all foods must come from approved government-inspected sources, minimum

standards for food temperatures and handling, and the premises must be protected from and maintained pest free at all times.

*Food and Food Handling Establishments Regulation:*

In Manitoba, any facility or location where food is prepared, stored, or served to the public is considered a food handling establishment and must apply for a Food Handling Establishment Permit or Food Services Establishment Permit in accordance with Manitoba's Food and Food Handling Establishments Regulation under The Public Health Act. Each licensed premise is subject to routine inspections by a public health inspector. The permits expire on March 31st of each year. For more information, please visit the Government of Manitoba website.

*FOODSAFE Certificate:*

Under the Food Premises Regulation under the BC Health Act in British Columbia, every operator of a food service establishment must hold a certificate, issued by a health official, for the successful completion of the food handler training program known as FOODSAFE or its equivalent. Every operator of a food service establishment must ensure that, while the operator is absent from the food service establishment, at least one employee present in the establishment holds the FOODSAFE certificate. For more information and for instructions on how to obtain a FOODSAFE certificate, please visit the FOODSAFE website.

*Elevator Safety Requirements:*

The Elevating Devices Safety Program is responsible for regulating elevating devices in Ontario under the Technical Standards & Safety Act 2000 ("TSSA"). This program incorporates devices such as elevators, escalators, moving walks, lifts for persons with physical disabilities, passenger ropeways and construction hoists. Elevating device designs must be registered with the Program and conform to the TSSA Elevating Device Regulations and adopted safety codes and standards in order to be eligible for the appropriate license. Relevant forms and guidelines can be found on the TSSA website.

Buildings containing elevators require an operating permit issued under the New Brunswick's Elevators and Lifts Act. A permit is also required to install an elevator.

Under the Elevator Act of Manitoba, a permit to install and operate an elevator is required. This permit also includes escalators, dumb-waiters, hoists, ski lifts and tows. Inspectors conduct a start-up inspection of new installations and also inspect each elevating device before the issued permit expires. Elevator permits are valid for a period of twelve months after the date of issue.

Under the Elevating Devices Safety Regulation, enacted under the Safety Standards Act of British Columbia, elevating devices may only be installed by individuals who are certified elevating device mechanics or individuals employed by a licensed elevating device contractor. Further, an operating permit must be obtained for, and displayed on, elevating devices. This permit also includes a passenger ropeway, an amusement ride, a recreational railway, a rotating platform, a personnel hoist, a stage lift, and a special elevating device.

*Commercial Sign Permit:*

If you are planning to erect or alter a sign or advertising device on a property in Ontario within 400 metres of any Provincial Highway Right-of-Way, you may require a permit. There are certain

restrictions as to setback, size, and location of which you should be aware. For further information, please visit the Ontario Ministry of Transportation website.

In Manitoba, businesses that wish to advertise by means of on and/or off-premises highway signs on private property must apply for an advertising sign permit with Highway Planning and Design. For more information on advertising sign permits, contact Manitoba Infrastructure and Transportation at 204-945-3660.

In New Brunswick, a business must obtain a permit for formatted signs outside the right-of-way along major highway. For more information, please visit the New Brunswick Transportation and Infrastructure Department's website.

British Columbia does not permit private signs along provincial highways. However, some signs are necessary to point out services and attractions at highway exits. If this is the case for your Franchised Business, you may apply to The Ministry of Transportation for a Service and Attraction Sign on their website.

#### Privacy Laws:

The Personal Information Protection and Electronic Documents Act and separate provincial legislation (collectively, the "Canadian Privacy Laws") regulate your collection, use and disclosure of personal information in Canada. Specifically, you must comply with requirements under the Canadian Privacy Laws in collecting personal information regarding your customers. Requirements include, among others, obtaining customer consent to the collection, use or disclosure of personal information, developing appropriate security safeguards to protect personal information, providing access of personal information to customers, and allowing individuals to address issues concerning compliance with Canadian Privacy Law principles. You must take all necessary steps under the Privacy Laws to ensure that we have independent, unlimited access to the information generated by your computer system. You should carefully review the Privacy Laws requirements and applicable provincial legislation to ensure that you comply with them in operating your Business.

#### Canadian Anti-Spam Legislation ("CASL"):

Individuals or businesses in Canada which send commercial emails, texts, social media messages or any other form of commercial electronic message (including software for installation) to another business, consumer or individual must comply with CASL. Prior positive consent of the recipient commercial electronic message or software is required. There are certain limited exceptions to the requirements, such as where the message is sent to respond to a consumer inquiry or business referral, or where there exists a prior business relationship between the parties and the content of the message is related to such business. If you solicit business or send commercial electronic messages to your customers or prospective customers, you should ensure that you comply with CASL. For more information, visit the Fight Spam website.

#### Canada Consumer Product Safety Act:

You must comply with any applicable requirements relating to the safety of consumer products which you advertise or sell.

In addition, you must identify and obtain any additional licenses required by the municipality in which your Hotel will be located.

**ARTICLE 18**  
**PERSONAL PARTICIPATION IN THE FRANCHISED BUSINESS,**  
**INCLUDING SECURITY INTERESTS AND PERSONAL GUARANTIES**

Management

You must provide qualified and experienced management that is satisfactory to us for the operation of your Hotel. To fulfill this responsibility, your Hotel must be operated either by you or by a third-party management company (“Management Company”) that we have approved in writing. No other person or entity may operate the Hotel. You may not enter into any lease, management agreement, or other arrangement for the operation of your Hotel or any part of your Hotel with any person or entity without first obtaining our written consent.

We will only grant approval when we consider you or your proposed Management Company to be qualified to manage the Hotel. We may refuse to approve you or any proposed Management Company that, in our reasonable business judgment, is inexperienced or unqualified in managerial skills or operating capacity or capability, or is unable to adhere fully to the obligations and requirements of the Franchise Agreement.

If you wish to manage your Hotel directly, you must have our prior written approval and successfully complete our training program, unless we waive this requirement. If we determine that you are not qualified to operate the Hotel, at any time, we may require you to retain a Management Company that is acceptable to us to manage the Hotel.

If you wish to hire or are required to hire a Management Company to manage your Hotel, you must obtain our prior written approval. Your Management Company must have the authority to perform all of your obligations under the Franchise Agreement, including all indemnity and insurance obligations. After we approve the Management Company, we can require the general manager and other personnel, such as the director of sales, to attend training programs that pertain to the operational functions of the Hotel related to those roles as are necessary to meet our Brand Standards. If your Management Company resigns or is terminated by you, or otherwise becomes unsuitable or unqualified to operate the Hotel as determined by us, in our sole judgment, you must retain a new Management Company that is acceptable to us within 90 days.

You are solely responsible for the management and operation of your Hotel at all times, regardless of whether you are an individual, corporation, limited liability company, partnership, or other entity. Your engagement of a Management Company does not reduce your obligations under the Franchise Agreement. We may communicate directly with your managers and Management Company, and we have the right to rely on their communications to us as being on made your behalf.

We will not require you or your Management Company to sign an agreement not to compete with us after the Franchise Agreement terminates or expires. However, you may not engage, directly or indirectly, in any cross-marketing or cross-promotion of your Hotel with any other hotel, motel or related business without our prior written consent, except for System Hotels or Network Hotels. You and your Management Company must not copy or disclose any confidential or proprietary materials without our prior written consent.



## Competitors

You may not be a Competitor (defined below) and we reserve the right to not approve a Competitor, or any entity that is the exclusive manager for a Competitor through itself or an affiliate, to manage your Hotel. If your Management Company becomes a Competitor, you will have 90 days to retain a qualified substitute Management Company that we approve.

A "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 by the Competitor under such Competing Brand. 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. A "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.

### Guaranties and Security Interests

After a review of the financial information submitted with your 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. In addition, we may require you to provide a Guaranty if you or any Equity Owner (as defined in the Franchise Agreement) pledge or mortgage the Hotel or an Equity Interest (as defined in the Franchise Agreement) for a loan that is made to other borrowers, cross-defaulted to other loans, secured by any other hotel(s) or real estate, and/or is not for the direct benefit of the Hotel. 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. If the guarantor is a resident of Alberta, if the Guaranty is to be entered into in respect of a Hotel to be operated in whole or in part within Alberta, or the Guaranty is otherwise governed by Alberta law, a certificate under the Guarantees Acknowledgement Act will need to be completed before a lawyer. A sample certificate is attached to our current form of Guaranty, which is attached as Exhibit D.

We do not generally require that franchisees grant us a security interest in its assets; however, if we offer you an Incentive as described in Article 10, we may require a security interest in certain of your assets as a condition of the Incentive. We do not require that your Management Company or manager have an equity interest in your business.

## **ARTICLE 19 TERRITORY**

We grant franchisees a non-exclusive licence to use the System during the term of the Franchise Agreement to operate a Brand hotel at a specified location. There are no provisions in the standard Franchise Agreement granting franchisees a protected area or territory. You may face competition from other franchisees, from hotels that we or our affiliates own, manage or franchise, or from other channels of distribution or competitive brands that we or our affiliates control. The standard Franchise Agreement permits us or our affiliates, to own, licence or operate any Other Business of any nature, whether in the lodging or hospitality industry or not and whether under

the Brand, or a competitive brand, or otherwise. We and our affiliates have the right to engage in any Other Businesses, even if they compete with your Hotel, the System, or the Brand, and whether we or our affiliates start those businesses, or purchase, merge with, acquire, are acquired by, come under common ownership with or associate with, the Other Businesses. We may also: (a) modify the System by adding, altering, or deleting elements of the System; (b) use or licence 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 other than the non-exclusive right to use the System in operating a Brand hotel at the site licenced and subject to the terms under the Franchise Agreement and that you will not make any claims, demands or damages arising from or related to any of these activities, which will not give rise to any liability on our part, including but not limited to liability for claims for unfair dealing, unfair competition, breach of contract, or breach of any applicable implied covenant of good faith and fair dealing. "Other Businesses" means any business activity we or our affiliates engage in other than the licensing of your Hotel.

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

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

2. **Restricted Area Provision.** The Restricted Area Provision will typically restrict us, and our affiliates from operating, or authorizing someone else to operate, another Brand hotel during the Restrictive Period and within the Restricted Area (except as described in Paragraph 3 below). In the Restricted Area Provision, the term "Brand" means the name used to identify the chain of hotels operated under the same Chain Code and Standards. It excludes any other brands or product lines containing "Project H3" and the final Brand name that we designate in the name. It also excludes Hilton Worldwide Holdings, Inc., its affiliates, and other chains of hotels that include the word "Hilton" as part of their brand name (such as "Hilton Garden Inn," "Doubletree by Hilton," or "Homewood Suites by Hilton").

3. **Exclusions from the Restricted Area Provision.** The Restricted Area Provision will generally not apply to: (a) any hotel or motel that is currently open or under construction or has been approved for development or opening as a Brand hotel as of the Effective Date, or any hotel located or to be located within the Restricted Area that replaces such hotel under the Brand; (b) hotels or motels under brands other than the Brand; (c) hotels or motels that will not begin operating under the Brand until after the expiration of the Restrictive Period; (d) gaming-oriented hotels or facilities using the Brand; (e) shared ownership properties (commonly known as

“vacation ownership” or “time share ownership” or similar real estate properties) under the Brand; and (f) any hotels, motels, or inns that are part of a chain or group of four (4) or more hotels, motels, or inns that we or our Affiliates, as a result of a single transaction or group of related transactions, own, operate, acquire, lease, manage, franchise, license, or join through a merger, acquisition or marketing agreement (or otherwise), whether under their existing name or the Brand name or any other name.

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

**IMPORTANT NOTES:** A Restricted Area Provision will not give you protection from previously existing hotels owned, managed, or licensed by us or our affiliates or their predecessors, or any hotel site for which we or one of our affiliates or their predecessors has approved an application and/or signed a franchise agreement, management agreement, lease, or license agreement for a System Hotel to be developed. In addition, a Restricted Area Provision will not give you protection from any replacement hotel that replaces or will replace another such existing hotel or hotel site.

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

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

See Article 1 for a description of the hotel brands licensed, operated, and managed by, or otherwise affiliated with Hilton Worldwide (the Hilton Worldwide Brands). You may compete with these guest lodging properties

We and our affiliates engage in a wide range of business activities in lodging and related services, both directly and through the activities of our and their parents and affiliates. Some of these activities may be competitive with your Hotel and the System. We and/or our affiliates may own, operate, manage, franchise, license, lease, acquire, create, or establish, or serve as franchisee or licensee for, competitive guest lodging facilities or networks anywhere, including within your Restricted Area, if any, under any brands or marks (but not a Brand Hotel, within your Restricted Area, if any,). We and/or our affiliates may also furnish services, products, advice and support to guest lodging facilities, networks, properties, or concepts located anywhere, including in your Restricted Area, if any, in any manner we or our affiliates determine. We and/or any of our affiliates may be sold to or otherwise acquired by an existing competitor or newly formed entity which itself has established or may establish competitive guest lodging facilities located anywhere (provided

that your Restricted Area protections, if any, will be observed). Further, we and/or our affiliates may purchase, merge, acquire, or affiliate in any other way with any franchised or non-franchised network or chain of guest lodging facilities or any other business operating guest lodging facilities regardless of the location of that network, chain or other business's facilities, including within your Restricted Area, if any, and that following such activity we may operate, franchise or license those other facilities under any brands or marks anywhere regardless of the location of those businesses and/or facilities (but not a Brand Hotel, within your Restricted Area, if any). There is no mechanism for resolving any conflicts that may arise between your Hotel and other hotels described in this paragraph.

5. **Proximity Policies.** Except as otherwise noted in this Article 19 and elsewhere in this Disclosure Document, we do not have any policies which relate to the proximity of your Brand Hotel to such things as: (a) another Brand Hotel; (b) any other distributor or licensee using our Marks; (c) a business or franchise owned or operated by us or our associate or affiliate that distributes similar goods or services under a different trademark, service mark, trade name, logo or advertising or other commercial symbol; (d) a franchise granted by us or our associate or affiliate that distributes similar goods or services to those under a different trademark, service mark, trade name, logo or advertising or other commercial symbol; (e) our outlet which may be established to distribute similar products or service under a different trademark, service mark, trade name or logo; or (f) our rights to conduct internet sales, telephone sales, catalogue sales or other forms of distance sales.

Except as otherwise described above, we reserve all rights with respect to the marketing of goods or services the same kind as are sold or distributed by your Hotel, whether under the same or different trademarks, trade names, logos, or advertising, or other commercial symbols.

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

## **ARTICLE 20 INFORMATION ON OTHER FRANCHISEES**

### **20.1 Existing Franchisees**

There were no franchisees operating a Project H3 by Hilton Brand hotel in Canada or the US as of December 31, 2022, as shown in Exhibit E.

### **20.2 Franchise Closures – Last Fiscal Year**

There were no Project H3 by Hilton Brand franchises in Canada or the US (including in Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, and Prince Edward Island) that were terminated, cancelled, not renewed, reacquired, or otherwise left the system during 2022, as shown in Exhibit F.

### **20.3 Franchise Closures – Last Three Fiscal Years**

There were no franchisees operating a Project H3 by Hilton Brand hotel in the US and Canada which have been terminated, cancelled, not renewed, reacquired by the franchisor, or have otherwise left the system in fiscal years 2020 through 2022, and no Project H3 by Hilton Brand hotels in which our affiliates had an ownership or lease interest, in whole or in part, during fiscal years 2020 through 2022, as shown in Tables 1 and 2 below.

**Table No. 1**  
**Status of Franchised Outlets**  
**For Years 2020 to 2022**  
**Project H3 by Hilton Hotels**

Location	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
United States	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Canada	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Total	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

**Table No. 2**  
**Status of Company-Owned Outlets**  
**For Years 2020 to 2022**  
**Project H3 by Hilton Hotels**

Location	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
United States	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Canada	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Total	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

**NOTES**

All numbers are as of December 31 of the stated year. Table 2 includes all hotels in which Hilton or one of its affiliates has an ownership interest. Table 2 does not include hotels that Hilton or its affiliates manage but which others own.

**ARTICLE 21**  
**AGREEMENTS RELATING TO THE FRANCHISE**

The following contracts are attached and made a part of this Disclosure Document:

Exhibit A Franchise Agreement and Addendum

Exhibit A-1 Development Incentive Note

Exhibit B Information Technology System Agreement (HITS Agreement)

- Exhibit C Franchise Application
- Exhibit D Guaranty of Franchise Agreement
- Exhibit I Lender Comfort Letter Forms
- Exhibit J Purchasing Program Agreement (HSM Agreement)

These exhibits are SAMPLES ONLY and are not for signature. These documents are not exhaustive and may vary significantly from province to province and from transaction to transaction.

## ARTICLE 22 TERMINATION

The following chart summarizes the provisions in the Franchise Agreement and related agreements dealing with the termination of the franchise. These summaries are presented in plain language and do not affect, replace, or supersede the cited provisions in the relevant agreement. Where indicated in the Franchise Agreement, we may unilaterally amend certain terms or conditions of the Franchise Agreement.

### 22.1 Termination

Document	Section	Summary
Franchise Agreement	11.1	Condemnation: You must immediately inform us of any proposed taking of any portion of the hotel by eminent domain, and we may terminate the Franchise Agreement on notice to you, and will release you from the obligation to pay Liquidated Damages.
Franchise Agreement	11.2	Casualty: You must immediately inform us if the hotel is damaged by fire or other casualty, or event of Force Majeure. If the casualty requires closing of the Hotel, you may choose to repair or rebuilding according to the Standards provided that the Hotel reopens no later than 18 months after the closing. If you elect not to repair or rebuild the Hotel after a condemnation or casualty to the Hotel, we may terminate the franchise agreement on notice to you. We will release you from the obligation to pay Liquidated Damages as long as you and your Affiliates do not operate a Hotel at the site with a Competitor within 3 years after the termination.
Franchise Agreement	8.6 & 13.1	We may terminate the Franchise Agreement by written notice to you at any time before its expiration on any of the following grounds: (1) you fail to pay us any sums due and owing to us or our Affiliates or to pay or fund any amounts due under any of Your Hotel Agreements within the cure period set forth in the notice (at least 10 days); (2) you fail to commence or complete the Hotel Work by the applicable deadline, including any extensions, or fail to open the Hotel on the Opening Date, and do not cure that default within the cure period set forth in the notice (at least 10 days); (3) you do not purchase or maintain required insurance or do not reimburse us for our purchase of insurance on your behalf within the cure period set forth in the notice (at least 10 days) or (4) you fail to comply with any provision of this Agreement, the Manual or any System Standard and do not cure that default within the cure period set forth in the notice (at least 30 days). If we send you a written notice that you are in default for failing to pay or fund amounts due, we may require an acceptable third-party guaranty as a condition of curing the default.

Document	Section	Summary
Franchise Agreement	13.2	<p>We may terminate the Franchise Agreement immediately on notice to you, without giving you any opportunity to cure the default if: (1) after curing any material breach, you engage in the same non-compliance within any consecutive 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; (2) we send you 3 notices of material default in any 12-month period, regardless of whether the defaults have been cured; (3) you fail to pay debts as they become due or admit in writing your inability to pay your debts; (4) you (a) make or are deemed to make a general assignment for the benefit of creditors under the <i>Bankruptcy and Insolvency Act</i> or if a petition is filed against you; or (b) are declared or adjudicated bankrupt, or if an application is made against you or any of your creditors under the <i>Companies' Creditors Arrangement Act</i>, or if a liquidator, trustee in bankruptcy, custodian, receiver, receiver and manager, moderator or any other officer with similar powers is appointed of or for you or any of your creditors; or (c) commit any act of bankruptcy or insolvency or institute proceedings to be adjudged bankrupt or insolvent or consent to the institution of such appointment or proceedings; (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; (6) you fail to operate the hotel for 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; (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; (8) you or any Equity Owner with a controlling Equity Interest, or any of your Affiliates, employees, or Management Company, engage in conduct that we reasonably determine is likely to adversely reflect upon or affect in any manner the reputation, goodwill, or business of the Hotel, the System, us and/or our Affiliates; (9) you conceal revenues, maintain false books and records of accounts, submit false reports or information to us or otherwise attempt to defraud us; (10) you Transfer any interest that is not in compliance with the Franchise Agreement (11) you, your Affiliate, or any Guarantor become a Sanctioned Person or are owned or controlled by a Sanctioned Person or otherwise breach the representations in the Franchise Agreement; (12) information involving you or your Affiliates, whether provided by you or obtained through our own investigation, discloses facts concerning you or your Affiliates and/or the Hotel, or title to the property over which the Hotel is constructed or any other property used by the hotel, including leased commercial space, which, in our business judgment, is likely to adversely reflect on or affect in any manner, any gaming licenses or permits held by us or our Affiliates or the then-current stature of us or any of our Affiliates with any gaming commission, board, or similar governmental or regulatory agency; or (14) a threat or danger to public health or safety results from the construction, maintenance, or operation of the Hotel; or (15) you, your Affiliate or a Guarantor become a Competitor except as otherwise permitted by Subsection 5.1.28; or (16) any of Your Hotel Agreements is terminated based on a material breach or default by you or your Affiliates.</p>
Franchise Agreement	13.3	<p>If you fail to cure within the specified cure period, we may delay termination and elect to impose an interim remedy, including the suspension of our obligations under the Franchise Agreement and/or our or our Affiliates' obligations under Your Hotel Agreements. We may suspend the Hotel from the Reservation Service and any reservation and/or website services provided through or by us, and divert reservations for your Hotel to any System or Network Hotels; remove the listing of the Hotel from any</p>

<b>Document</b>	<b>Section</b>	<b>Summary</b>
		directories or advertising we publish; disable all or any part of the software provided to you under Your Hotel Agreements and/or suspend any one or more of the information technology and/or network services that we provide or support under Your Hotel Agreements; and 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 administrative fees as set forth in the Standards; and revoke any financial accommodations (including but not limited to any Monthly Fee discounts, fee ramps or fee waivers) that we have granted and charge you the then-current standard fee or charge that would have otherwise applied absent the temporary financial accommodation.
Franchise Agreement	13.4	You are not authorized to terminate the Franchise Agreement before expiration of the Term. If the Franchise Agreement terminates prematurely without cause, it is a material breach of the Franchise Agreement, and you must pay to us, on demand, Liquidated Damages.
Franchise Agreement	13.4.1.1 and 13.4.1.2	If the Franchise Agreement is terminated: (1) before you begin Hotel Work and you or a Guarantor enter into an agreement for, or begin the construction or operation of, another hotel at the site within 1 year after termination; or (2) after you begin the Hotel Work but before you open (unless excused by Force Majeure), you must pay liquidated damages equal to \$10,000 multiplied by the number of approved Guest Rooms at the Hotel.
Franchise Agreement	13.4.1.3, 13.4.1.4, and 13.4.1.5	If the Franchise Agreement is terminated on or after the Opening Date but before the 2 <sup>nd</sup> anniversary of the Opening Date you must pay liquidated damages equal to the greater of: (a) the Hotel's Average Monthly Royalty Fees multiplied by 60; or (b) \$10,000 multiplied by the number of approved Guest Rooms at the Hotel. If the Franchise Agreement is terminated after the 2 <sup>nd</sup> anniversary of the Opening Date but before the final 60 calendar months of the Term you must pay liquidated damages equal to the Hotel's Average Monthly Royalty Fees multiplied by 60. If the Franchise Agreement is terminated within the last 60 months of the Term you must pay liquidated damages equal to the Hotel's Average Monthly Royalty Fees multiplied by the number of months remaining in the Term. The term "Hotel's Average Monthly Royalty Fees" means: (a) if the Hotel has been operating for at least 24 months, the amount of all Monthly Royalty Fees due under the Franchise Agreement for the 24 month period before the month of termination divided by 24; and (b) if the Hotel has not been operating for at least 24 months, the amount of all Monthly Royalty Fees due under the Franchise Agreement for the period between the Opening Date and the termination date divided by the number of months between the Opening Date and the termination date. Any temporary financial accommodations and any period of Business Interruption are excluded from the calculation of Hotel's Average Monthly Royalty Fees.
Franchise Agreement	13.4.2	Liquidated damages must be paid within 30 days after the termination of the Franchise Agreement or on demand.
Franchise Agreement	6.4.4.1	You may not open the Hotel without our consent. Liquidated damages for unauthorized opening are \$5,000 per day for every day that your Hotel is open without our written authorization, plus our costs, including attorneys' fees.
Franchise Agreement	13.5	If we deem that Liquidated Damages described in 13.4 in connection with the premature termination of the Franchise Agreement are inadequate to compensate us for additional harm we may suffer, we reserve the right to seek to recover actual damages in certain circumstances.



Document	Section	Summary
Franchise Agreement	13.6	On termination or expiration of the Agreement you must immediately: (1) pay all sums due and owing to us or any of our Affiliates, including liquidated damages and any expenses incurred by us in obtaining injunctive relief for the enforcement of this Agreement; (2) cease operating the Hotel as a System Hotel and cease using the System; (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; deliver all goods and materials containing the Marks to us; 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; (4) cease representing yourself as then or formerly a System Hotel or affiliated with the Licensed Brand or the Network; (5) return all copies of the Manual and any other Proprietary Information to us; (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 (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 Licensed 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 Licensed 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; delete all references to our Marks, System, Network or Licensed Brand from any Sites you own, maintain or operate beyond the expiration or termination of the Franchise Agreement.
HITS Agreement	4.1	We can terminate the HITS Agreement if we terminate the Franchise Agreement or any other agreement that allows you to operate the hotel, and you have no right to cure once the Franchise Agreement terminates. We can also terminate the HITS Agreement if you (1) fail to pay us sums due and fail to cure your default within 10 days; (2) you breach your obligations of confidentiality; (3) you fail to timely refresh the Authorized Equipment; or (4) you default under any other provision of the HITS Agreement and fail to cure your default within 30 days after notice from us.
HITS Agreement	4.2	On termination you must stop using our software and related documents, return all copies to us, and certify to us that you have done so.
HITS Agreement	4.3	On termination, you will pay: (a) all unpaid fees related to the Agreement Products and Services, Software and Authorized Equipment incurred by Customer; (b) all costs to HSS of all the Agreement Products and Services, Software and Authorized Equipment that exceeds what the Customer paid for same; (c) all termination, penalty or administrative fees that would not be payable but for the termination for cause; (d) all costs related to disabling the Agreement Products and Services, together with the intervention or administration fees set forth in the Manual; (e) all costs and fees for any Authorized Equipment, Authorized Equipment maintenance Services, Software, Software maintenance Services, network and other Services HSS and its Affiliates provide after the termination effective date; and (f) all termination fees identified in your Order Document.

<b>Document</b>	<b>Section</b>	<b>Summary</b>
HITS Agreement	4.4	On default, instead of terminating, we may institute an interim remedy, as described above in the summary of Section 13.3 of the Franchise Agreement.
Franchise Application	N/A	The Franchise Application Fee submitted with the Franchise Application is non-refundable on our approval of the Franchise Application. If we do not approve the Franchise Application, we will retain \$7,500 and return the balance of the Franchise Application Fee to you, without interest.
HSM Agreement	8	<p>You must operate under the HSM Agreement as long as the Franchise Agreement is in effect.</p> <p>If we terminate the Franchise Agreement or any other agreement that allows you to operate the Hotel, HSM can terminate the HSM Agreement. Except as described above, we can terminate only if you fail to satisfy any obligations under the HSM Agreement. Termination of the Franchise Agreement also terminates the HSM Agreement.</p> <p>If you fail to pay us or breach any other material provision of the HSM Agreement. We can terminate if you (1) fail to pay us sums due and fail to cure your default within 10 days; (2) there is a material adverse change in your business or financial condition; (3) you cease doing business; (4) you breach your obligations of confidentiality. The HSM Agreement will automatically terminate on the termination or expiration of your Franchise Agreement.</p> <p>You have no right to cure once your Franchise Agreement terminates.</p>

## 22.2 Renewal

The following chart summarizes the provisions in the Franchise Agreement and the Other Agreements dealing with the renewal of the franchise. These summaries are presented in plain language and do not affect, replace, or supersede the cited provisions in the relevant agreement.

<b>Document</b>	<b>Section</b>	<b>Summary</b>
Franchise Agreement	3	The Franchise Agreement is non-renewable.
HITS Agreement	N/A	The HITS Agreement will run concurrently with the Franchise Agreement, and will automatically terminate under the termination or expiration of the Franchise Agreement.
HSM Agreement	8(a)	The HSM Agreement will run concurrently with the Franchise Agreement and will automatically terminate on the termination or expiration of the Franchise Agreement.

## 22.3 Transfer

The following chart summarizes the provisions in the Franchise Agreement and the Other Agreements dealing with the transfer of the franchise. These summaries are presented in plain language and do not affect, replace, or supersede the cited provisions in the relevant agreement.

<b>Document</b>	<b>Section</b>	<b>Summary</b>
Franchise Agreement	12.1	We may assign or transfer the Franchise Agreement and any of our rights, duties or assets to any person or entity without your consent so long as the assignee assumes all of our obligations to permit you to operate the Hotel.

<b>Document</b>	<b>Section</b>	<b>Summary</b>
Franchise Agreement	12.2	A Transfer of any interest in you, the Hotel, the Hotel Site, or the Franchise Agreement (or any rights or obligations under it) are prohibited unless expressly allowed in the Franchise Agreement. The Franchise Agreement allows 2 types of Transfers if certain conditions are satisfied: (a) Permitted Transfers; and (b) Change of Ownership Transfers. In any Transfer, the proposed Transferee may not be a Sanctioned Person or a Competitor.
Franchise Agreement	12.2.1	Permitted Transfers are Transfers that will not result in a change of Control of you, the Hotel, or the Hotel Site.
Franchise Agreement	12.2.1.1	You may complete the following types of Permitted Transfers without giving us notice or obtaining our consent: Transfers of (a) Publicly Traded Equity Interests; (b) privately held Equity Interests when the transferee will hold less than 50% after the Transfer(s), and there is no resulting change of Control; and (c) interests within and to designated institutional investment funds if the named asset manager does not change.
Franchise Agreement	12.2.1.2	For the following types of Permitted Transfers, unless the Transfer otherwise qualifies under 12.2.1.1, you must give us 60 days' written notice, obtain our consent, follow our then-current procedure for processing Permitted Transfers, sign documents required by us, and pay a processing fee: Transfers (a) to Affiliates; (b) to a family member or trust; (c) on death; and (d) of privately-held Equity Interests if more than 50% will have changed hands after the Transfer(s).
Franchise Agreement	12.2.2	Any Transfer that is not a Permitted Transfer under §12.2.1 is a Change of Ownership Transfer. You must give 60 days' written notice and provide any information we may require to consent to this type of transfer, not be in default; pay all amounts due to us and our Affiliates through closing; conclude any suit, action or proceeding that is pending or threatened against you, us, or any of our Affiliates with respect to the Hotel, or provide adequate security. Proposed Transferee must meet our then-current business requirements for new franchisees, including credit, background investigation, operations experience, prior business dealings, and other relevant factors. Proposed Transferee must submit a completed and signed Change of Ownership Application, pay our Franchise Application Fee, sign our then-current form of franchise agreement and agree to our request for upgrades to the Hotel (which may include payment of a PIP fee); agree to indemnify, hold harmless and defend us and our affiliates against any action by a Government Entity arising in connection with any fees or costs you charged to customers; and, if applicable, the Proposed transferee's guarantors must sign our then-current form of guaranty of franchise agreement. Proposed Transferee must not be a Sanctioned Person or a Competitor.
Franchise Agreement	12.3	Public Offering/Private Placement. You must give 60 days' advance notice; pay a processing fee when you submit the request, pay any additional costs we may incur; follow our instructions about the use of the Marks and disclosure; and indemnify us from any claims related to the offer or sale of your securities.
Franchise Agreement	12.4	Mortgages and Pledges to Lending Institutions. 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. Upon your request on behalf of your lender, we may issue a lender comfort letter agreement in a form satisfactory to us. We may charge a processing fee for preparation of a lender comfort letter.
Franchise Agreement	5.1.23	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

Document	Section	Summary
		review and approve the nature of the proposed business and the proposed brand and concept, all in keeping with our then current Standards for System Hotels.
HITS Agreement	2.1.2; Order Document	You cannot assign or transfer the HITS Agreement without our written consent. HSS may delegate certain of its operational responsibilities under the HITS Agreement to third parties but remains responsible.
Guaranty	1	The guarantor's liability under the Guaranty will continue until all of the guarantor's obligations have been satisfied, and will not be affected by a transfer of the Hotel.
HSM Agreement	21	HSM may delegate its operational responsibilities under the HSM Agreement to third parties but remains responsible.  Transfer is not defined in the HSM Agreement. HSM considers any attempt on your part to transfer or assign any of your rights or obligations under the HSM Agreement to be a "transfer" by you. A transfer or assignment of the HSM Agreement by you is prohibited unless authorized by HSM in writing.  You have no right to assign the HSM Agreement. If there is a Change of Ownership transfer of the Franchise Agreement, HSM may permit the HSM Agreement to be assigned upon written approval.

**ARTICLE 23  
ALTERNATIVE DISPUTE RESOLUTION  
(APPLICABLE ONLY IN THE PROVINCE OF ONTARIO)**

The following statement is required by the Arthur Wishart Act to be included in this Disclosure Document:

"Mediation is a voluntary process to resolve disputes with the assistance of an independent third party. Any party may propose mediation or other dispute resolution process in regard to a dispute under the Franchise Agreement, and the process may be used to resolve the dispute if agreed to by all parties."

**ARTICLE 24  
NOTICE OF RESCISSION AND EFFECT OF CANCELLATION IN ALBERTA  
(APPLICABLE ONLY IN THE PROVINCE OF ALBERTA)**

**Notice of Rescission and Effect of Cancellation**

Sections 13 and 14 of the *Alberta Franchises Act* are set forth below:

**Sec. 13. Failure to Give Disclosure Document.**

If a franchisor fails to give a prospective franchisee the Disclosure Document by the time referred to in section 4<sup>1</sup> of the *Alberta Franchises Act*, the prospective franchisee may

<sup>1</sup> Section 4(1) of the *Alberta Franchises Act* provides: A franchisor must give every prospective franchisee a copy of the franchisor's Disclosure Document. Section 4(2) of the *Alberta Franchises Act* provides: The Disclosure Document must be received by the prospective franchisee at least fourteen (14) days before (a) the signing by the prospective franchisee of any agreement relating to the franchise, or (b) the payment of any consideration by the prospective franchisee relating to the franchise, whichever is earlier.

rescind all the franchise agreements by giving a notice of cancellation to the franchisor or its associate, as the case may be,

- (a) no later than 60 days after receiving the Disclosure Document, or
- (b) no later than 2 years after the franchisee is granted the franchise, whichever occurs first.

**Sec. 14. Effect of Cancellation.**

- (1) A notice of cancellation given under section 13 operates
  - (a) to cancel the franchise agreements, or
  - (b) in the case of an agreement that is an offer to purchase, to withdraw the offer to purchase.

The franchisor, or its associate, as the case may be, must, within 30 days of receiving a notice of cancellation under section 13, compensate the franchisee for any net losses that the franchisee has incurred in acquiring, setting up and operating the franchised business.

**ARTICLE 25  
RIGHT OF ACTION FOR DAMAGES IN ALBERTA  
(APPLICABLE ONLY IN THE PROVINCE OF ALBERTA)**

Section 9 of the **Alberta Franchises Act** is as follows:

**Sec. 9. Misrepresentation in Disclosure Document.**

- (1) If a franchisee suffers a loss because of a misrepresentation contained in a Disclosure Document, the franchisee has a right of action for damages against any or all of the following:
  - (a) the franchisor;
  - (b) every person who signed the Disclosure Document.

If a Disclosure Document contains a misrepresentation, a franchisee who purchases a franchise to which the Disclosure Document relates is deemed to have relied on the misrepresentation.

**ARTICLE 26**  
**ADDITIONAL DISCLOSURE APPLICABLE IN NEW BRUNSWICK PROVINCE ONLY**

**Dispute Resolution**

Section 8 of the New Brunswick Franchises Act (the “Act”) describes a procedure for mediation of certain disputes between franchisors and franchisees. If either we or our franchisee delivers the other a notice of dispute pursuant to subsection 8(1) of the Act, which is optional, we will follow the procedure outlined in Section 8 of the Act and the regulations related to Section 8. Where any step in the procedure is optional, we reserve the right to decline to take that step.

**ARTICLE 27**  
**ADDITIONAL DISCLOSURE APPLICABLE IN MANITOBA PROVINCE ONLY**

**Dispute Resolution**

The Franchises Act (the “Act”) requires the following statement to be included in this Disclosure Document:

“Mediation is a voluntary process to resolve disputes with the assistance of an independent third party. Any party may propose mediation or other dispute resolution process in regard to a dispute under the franchise agreement, and the process may be used to resolve the dispute if agreed to by all parties.”

The franchise agreement does not contain any provisions related to arbitration, mediation, or any other alternative dispute resolution process.

**ARTICLE 28**  
**RECEIPT BY FRANCHISEE**

**Receipt by Franchisee**

Exhibit K is a detachable receipt.

**CERTIFICATE OF FRANCHISOR**  
**(ALBERTA)**

The information provided in this disclosure document, or in any changes made in respect of this disclosure document,


- (a) contains no untrue information of a material fact;
- (b) does not omit to state a material fact that is required to be stated; and
- (c) does not omit to state a material fact that needs to be stated in order for the information not to be misleading.

DATED at McLean, Virginia, U.S.A., this 1st day of August, 2023.

**HILTON WORLDWIDE FRANCHISING LP.**  
a United Kingdom limited partnership

By: **HILTON WORLDWIDE MANAGE LIMITED,**  
Its General Partner

By:   
Name: John Shults  
Title: Authorized Signatory

By:   
Name: William Fortier  
Title: Authorized Signatory

**CERTIFICATE OF FRANCHISOR**  
**(BRITISH COLUMBIA)**


This Disclosure Document:


1. contains no untrue information, representations or statements, whether of a material fact or otherwise; and
2. contains every material fact, financial statement, statement and other information required by the *Franchises Act* and the *Franchises Regulation*.

DATED at McLean, Virginia, U.S.A., this 1st day of August, 2023.

**HILTON WORLDWIDE FRANCHISING LP.**  
a United Kingdom limited partnership

By: **HILTON WORLDWIDE MANAGE LIMITED,**  
Its General Partner

By:  \_\_\_\_\_  
Name: John Shults  
Title: Authorized Signatory

By:  \_\_\_\_\_  
Name: William Fortier  
Title: Authorized Signatory



**CERTIFICATE OF FRANCHISOR**  
**(MANITOBA)**

*(Disclosure Document Regulation – The Franchises Act, ss. 2(3) and 2(4))*

This Disclosure Document:

- (a) contains no untrue information, representation or statement, whether of a material fact or otherwise; and
- (b) contains every material fact, document and other information that is required under *The Franchises Act* and the *Franchises Regulation*.

DATED at McLean, Virginia, U.S.A., this 1st day of August, 2023.

**HILTON WORLDWIDE FRANCHISING LP.**  
a United Kingdom limited partnership

By: **HILTON WORLDWIDE MANAGE LIMITED,**  
Its General Partner

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

Name: John Shults

Title: Authorized Signatory

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

Name: William Fortier

Title: Authorized Signatory

**CERTIFICATE OF FRANCHISOR  
(NEW BRUNSWICK)**

(Disclosure Document Regulation – Franchises Act, ss. 6, 8(2))

This Disclosure Document of which this Certificate forms part:

- (a) contains no untrue information, representation or statement, whether of a material fact or otherwise;
- (b) contains all the statements, documents and information required by subsection 5(4) of the *Franchises Act*;
- (c) states, in addition, any material fact required by subsection 5(5) of the *Franchises Act*.

DATED at McLean, Virginia, U.S.A., this 1st day of August, 2023.

**HILTON WORLDWIDE FRANCHISING LP.**  
a United Kingdom limited partnership

By: **HILTON WORLDWIDE MANAGE LIMITED,**  
Its General Partner

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

Name: John Shults

Title: Authorized Signatory

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

Name: William Fortier

Title: Authorized Signatory

**CERTIFICATE OF FRANCHISOR**  
**(ONTARIO)**


This Disclosure Document:


- (a) contains no untrue information, representations or statements; and
- (b) includes every material fact, financial statement, statement and other information required by the *Arthur Wishart Act* (Franchise Disclosure), 2000 and the Regulations thereunder.

DATED at McLean, Virginia, U.S.A., this 1st day of August, 2023.

**HILTON WORLDWIDE FRANCHISING LP.**  
a United Kingdom limited partnership

By: **HILTON WORLDWIDE MANAGE LIMITED,**  
its General Partner

By:   
Name: John Shults  
Title: Authorized Signatory

By:   
Name: William Fortier  
Title: Authorized Signatory

CERTIFICATE OF FRANCHISOR  
(PRINCE EDWARD ISLAND)

The information provided in this disclosure document, or in any changes made in respect of this disclosure document,

- (a) contains no untrue information, representation or statement of a material fact or otherwise;
- (b) does not omit a material fact that is required to be contained by the Act and the regulations made under it; and
- (c) does not omit a material fact that needs to be contained in order for this Disclosure Document not to be misleading.

DATED at McLean, Virginia, U.S.A., this 1st day of August, 2023.

**HILTON WORLDWIDE FRANCHISING LP.**  
a United Kingdom limited partnership

By: **HILTON WORLDWIDE MANAGE LIMITED,**  
Its General Partner

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

Name: John Shults

Title: Authorized Signatory

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

Name: William Fortier

Title: Authorized Signatory

# **EXHIBIT A**

## Brand Codes Used in the Franchise Agreement Exhibit

Canopy/Canopy by Hilton	PY
Curio Collection by Hilton	QQ
DoubleTree by Hilton/DoubleTree Suites by Hilton	DT
Embassy Suites/Embassy Suites by Hilton	ES
Hampton Inn by Hilton/Hampton Inn & Suites by Hilton	HAM
Hilton	HFS
Hilton Garden Inn	HGI
Home2 Suites by Hilton	H2
Homewood Suites by Hilton	HWS
LXR	OL
Motto by Hilton	UAB
Project H3 by Hilton	EY
Spark by Hilton	PE
Tapestry by Hilton	UP
Tempo by Hilton	PO
Tru by Hilton	RU

# **FRANCHISE AGREEMENT**

ENTER HOTEL NAME AND PROVINCE HERE

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ADDENDUM TO FRANCHISE AGREEMENT

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

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

[IF APPLICABLE EXHIBIT \_ – SHARED FACILITIES ADDENDUM TO FRANCHISE AGREEMENT

## FRANCHISE AGREEMENT

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

### INTRODUCTION

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

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

#### 1.0 DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**“Hilton Worldwide”** means Hilton Worldwide Holdings Inc., a Delaware corporation.

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

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

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

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

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

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

not made and recorded with sufficient accuracy, detail, and control to meet the standards in applicable Anti-Corruption Laws; or (c) any other transaction in violation of applicable Anti-Corruption Laws.

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

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

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

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

**“License”** has the meaning set forth in Subsection 2.1.

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

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

**“Mandatory Guest Fee”** means any separate fee that a patron or guest is charged for in addition to the base room rate for a guest room, including but not limited to resort fees, facility fees, destination fees, amenity fees, urban destination fees, or any other similar fee. Mandatory Guest Fees do not include employee gratuities, state or local mandatory taxes, and other tax-like fees and assessments that are levied on a stay, as determined by us, that are passed through to a third party (such as tourism public improvement district fees, tourism or improvement assessments, and convention center fees).

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

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

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

**[INSERT FOR HFS: “Monthly Food and Beverage Fee”** means the fee we require from you in Subsection 8.1, which is set forth in the Addendum.

**“Monthly Program Fee”** means the fee we require from you in Subsection 8.1, which is set forth in the Addendum.

**“Monthly Royalty Fee”** means the fee we require from you in Subsection 8.1, which is set forth in the Addendum.

**“Network”** means the hotels, inns, conference centers, time-share 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, time-share property or other similar facility within the Network.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**“Publicly Traded Equity Interest”** means any Equity Interest that is traded on any securities exchange or is quoted in any publication or electronic reporting service maintained by the National Association of Securities Dealers, Inc., or any of its successors.

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

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

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

**“Renovation Work Completion Date”** means 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.

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

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

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

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

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

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

**“System”** means the elements, including know-how, that we designate to distinguish hotels operating worldwide under the Brand (as may in certain jurisdictions be preceded or followed by a supplementary identifier such as “by Hilton”) that provide to the consuming public a similar, distinctive, high-quality hotel service. The System currently includes: the Brand, the Marks, the Trade Name, and the Standards; access to a reservation service; advertising, publicity and other marketing programs and materials; training programs and materials; and programs for our inspection of the Hotel and consulting with you.

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



**[DELETE FOR OL, PE, PY, UP, UAB, EY: “System’s Average Monthly Royalty Fees”** means the average Monthly Royalty Fees per Guest Room owed to us by all System Hotels in operation in the United States over the twelve (12) full calendar month period immediately preceding the month of termination (the **“System’s Average Measurement Period”**), multiplied by the number of approved Guest Rooms at the Hotel. Any temporary financial accommodations (including but not limited to any Monthly Fee discounts, fee ramps, or fee waivers) are excluded from the calculation of System’s Average Monthly Royalty Fees. For the avoidance of doubt, any System Hotel that has not been in operation for at least twelve (12) full calendar months immediately preceding the month of termination is not included in determining the System’s Average Monthly Royalty Fees.

In calculating the System’s Average Monthly Royalty Fees, if a Business Interruption occurred at any System Hotel(s) during the System’s Average Measurement Period, then for such System Hotel(s) the calendar month(s) in which the Business Interruption(s) occurred will be removed from the System’s Average Measurement Period, and the System’s Average Measurement Period for such System Hotel(s) will be extended earlier in time by one full calendar month for every whole or partial calendar month in which the Business Interruption(s) occurred. If the application of this provision would lead to the System’s Average Measurement Period for any System Hotel(s) being reduced to less than twelve (12) full calendar months, then the applicable System Hotel(s) will not be included in determining the System’s Average Monthly Royalty Fees.

**“Taxes”** means any and all withholding, sales, use, excise, consumption, VAT and other similar taxes or duties, levies, fees, and assessments of whatsoever nature, including but not limited to goods and services taxes.

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

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

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

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

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

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

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

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

## **2.0 GRANT OF LICENSE**

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

solely responsible for ensuring that any existing third-party franchise, management or similar agreement has terminated or expired on or before the Opening Date.]

## **2.2 Reserved Rights.**

**2.2.1** This Agreement does not limit our right, or the right of our Affiliates, to own, license or operate any Other Business of any nature, whether in the lodging or hospitality industry or not, and whether under the Brand, a Competing Brand, or otherwise. We and our Affiliates have the right to engage in any Other Businesses, even if they compete with the Hotel, the System, or the Brand, and whether we or our Affiliates start those businesses, or purchase, merge or amalgamate 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 dealing, breach of contract, breach of any applicable implied covenant or duty of good faith or fair dealing.

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

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

## **3.0 TERM**

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

## **4.0 OUR RESPONSIBILITIES**

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

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

**4.2 Reservation Service.** We will furnish you with the Reservation Service. The Reservation Service will be furnished to you on the same basis as it is furnished to other System Hotels, subject to the provisions of Subsection 13.3 below.

**4.3 Consultation.** We may offer consultation services and advice in areas such as operations, facilities, and marketing, but you will always remain responsible for hiring your employees and the terms

and conditions of their employment. We may establish fees in advance, or on a project-by-project basis, for any consultation service or advice you request. Any consultation services and advice that we provide will be given in the United States.

#### **4.4 Marketing.**

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

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

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

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

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

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

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

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

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

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

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

**4.5 Inspections/Compliance Assistance.** We will administer a quality assurance program for the System that may include conducting pre-opening and periodic inspections of the Hotel and guest satisfaction surveys and audits to ensure compliance with the Standards. You will permit us to inspect the Hotel without prior notice to you to determine if the Hotel is in compliance with the Standards. You will cooperate with our representatives during these inspections. You will then take all steps necessary to

correct any deficiencies within the times we establish. You may be charged a Quality Assurance Re-Evaluation Fee as set forth in the Standards. You will provide complimentary accommodations for the quality assurance auditor each time we conduct a regular inspection or a special on-site quality assurance re-evaluation after the Hotel has failed a regular quality assurance evaluation or to verify that deficiencies noted in a quality assurance evaluation report or PIP have been corrected or completed by the required dates.

**4.6 Manual.** We will issue to you or make available in electronic form the Manual and any revisions and updates we may make to the Manual during the Term. You agree to ensure that your copy of the Manual is, at all times, current and up to date. If there is any dispute as to your compliance with the provisions of the Manual, the master copy of the Manual maintained at our principal office will control. The Manual shall at all times remain our exclusive property and shall be returned to us promptly on request and, in any event, on termination or expiration of this Agreement. You may not at any time copy, duplicate, record or otherwise reproduce or transcribe the Manual without our prior written consent.

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

## **5.0 YOUR RESPONSIBILITIES**

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

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

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

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

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

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

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

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

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

**5.1.9** honour 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 honour 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, agents and independent contractors;

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

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

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

**5.1.18** not directly or indirectly conduct or permit the marketing or sale of time-shares, 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 time-share, vacation ownership, fractional ownership, or condominium sales or marketing at and for any property located adjacent to the Hotel that is owned or leased by you so long as you do not use any of the Marks in such sales or marketing efforts and you do not use the Hotel or its facilities in such sales and marketing efforts or in the business operations of the adjacent property;

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

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

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

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

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

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

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

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

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

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

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

## **6.0 HOTEL WORK**

### **6.1 Necessary Consents.**

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

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

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

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

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

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

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

**6.3.1** You will commence the Hotel Work on or before the Construction Commencement Date or Renovation Commencement Date specified in the Addendum or any PIP. You must promptly

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

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

**6.3.3** **[SELECT FOR ND/CV AND PRE-OPENING COO:]** Despite your obligation to commence and complete Hotel Work by the agreed deadlines, we agree that the Construction Commencement Date, Renovation Commencement Date, Construction Work Completion Date, or Renovation Work Completion Date specified in the Addendum or any PIP will be automatically extended by thirty (30) days on a rolling basis, unless we provide at least sixty (60) days' notice to you that these automatic extensions of the applicable deadline no longer apply. You must obtain our approval for any further extension of the applicable deadline after receipt of our notice. We may, in our sole discretion, grant or deny approval, or condition our approval of your extension request on (a) your payment of our then-current extension fee; (b) your prompt submission of a written status of the project, including such information as we might reasonably request; and/or (c) any other conditions we consider appropriate under the circumstances.] **[SELECT FOR POST-OPENING COO AND RL:]** You may request an extension of the Renovation Commencement Date or the Renovation Work Completion Date specified in the Addendum or any PIP by submitting a 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, in our sole discretion, grant or deny approval, or condition our approval of your extension request on (a) your payment of our then-current extension fee; (b) your prompt submission of a written status of the project, including such information as we might reasonably request; and/or (c) any other conditions we consider appropriate under the circumstances.]

## **6.4 Opening the Hotel.**

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

**7.1** You are solely responsible for the management of the Hotel's business, including the hiring of your employees and the terms and conditions of employment. You will provide qualified and experienced management (a "Management Company") [IF APPLICABLE: at least six (6) months before the Opening Date]. Your Management Company must be approved by us in writing. We have the right to communicate directly with the Management Company and managers at the Hotel. We may rely on the communications of such managers or Management Company as being on your behalf. Any Management Company and its employees must have the authority to perform all of your obligations under this Agreement. The

engagement of a Management Company does not reduce your obligations under this Agreement. In the case of any conflict between this Agreement and any agreement with the Management Company, this Agreement prevails.

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

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

## **8.0 PAYMENT OF FEES**

**8.1 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.

### **8.2 Calculation and Payment of Fees.**

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

**8.2.2** The Monthly Fees will be paid to us at the place and in the manner we designate on or before the fifteenth (15<sup>th</sup>) 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.

**8.2.3** 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.

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

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

**8.3 Other Fees.** You will timely pay or fund all amounts due us or any of our Affiliates for any invoices or for goods or services purchased by or provided to you or paid by us or any of our Affiliates on your behalf.

**8.4 Taxes.**

**8.4.1** All fees and charges payable to us or any of our Affiliates under this Agreement, including the franchise application fee and the Monthly Program Fee (but not the Monthly Royalty Fee), shall be exclusive of Taxes. The Monthly Royalty Fees payable under this Agreement shall be exclusive of any Taxes, except for any withholding taxes on Monthly Royalty Fees that the Franchisee is legally required to withhold and pay to the relevant tax authority (“**Royalty Withholdings**”).

**8.4.2** If you are required by any applicable law to make any deduction or withholding on account of Taxes or otherwise, excluding any Royalty Withholdings, from any payment payable to us or any of our Affiliates, you shall, together with such payment, pay such additional amount as will ensure that we or any of our Affiliates 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 Withholdings) had been required. We or our appropriate Affiliate may provide an invoice to you for any Taxes, deductions or withholdings (excluding Royalty Withholdings) that were deducted or withheld from any payment made to us or any of our Affiliates under this Agreement, which invoice you must promptly pay. Where appropriate, we 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.

**8.4.3** You will forward to us, promptly after payment (1) copies of official receipts or other evidence reasonably satisfactory to us showing the full amount of Taxes, including Royalty Withholdings, and/or any other deduction or withholding that has been paid to the relevant tax authority; and (2) a statement in English (in a form we require) listing the full amount of Taxes, including Royalty Withholdings, and/or any other deduction or withholding that has been paid in local currency and U.S. Dollars. Such tax receipts and statements should be sent to us at the Attention of the Withholding Tax Coordinator, at 755 Crossover Lane, Memphis, Tennessee 38117, USA, or such other place we may direct under Section 16.7.3 below.

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

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

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

**9.0 PROPRIETARY RIGHTS**

**9.1 Our Proprietary Rights.**

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

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

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

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

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

**9.1.2** You acknowledge that these Marks have acquired a secondary meaning or distinctiveness which indicates that the Hotel, Brand and System are operated by or with our approval. All improvements and additions to, or associated with, the System, all Marks, and all goodwill arising from your use of the System and the Marks, will inure to our benefit and become our property (or that of our applicable Affiliates), even if you develop them. **[SELECT FOR PE:** You acknowledge that the following Principal Mark owned by us (or which we have the right to use and sublicense) is still pending Canadian trademark registration as of the Effective Date:

**[SELECT FOR PE:**

Mark	Application Number	Registration Number	Registration Date
SPARK BY HILTON	2154860	Pending	Pending

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

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

**9.2.1 Trade Name.**

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

**9.2.1.2** You acknowledge and agree that you are not acquiring the right to use any business names, copyrights, 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 business names, 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 Affiliates in these matters. We will reimburse you for expenses incurred by you as the direct result of activities undertaken by you at our prior written request and specifically relating to the trademark dispute at issue. We will not reimburse you for any other expenses incurred by you for cooperating with us or our Affiliates.

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

#### **9.5 Web Sites.**

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

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

#### **9.6 Covenant.**

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

**9.6.2** If you engage in such non-compliance or unauthorized and/or improper use of the System or the Marks during or after the Term, we and any of our applicable Affiliates, along with the successors and assigns of each, will be entitled to both interlocutory and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies we or our Affiliates may have

at law. You consent to the issuance of such interim, interlocutory and permanent injunctions. You must pay all costs and expenses, including legal fees) on a substantial indemnity or solicitor and its own client basis), expert fees, costs and other expenses of litigation that we and/or our Affiliates may incur in connection with your non-compliance with this covenant.

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

### **10.1 Reports.**

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

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

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

### **10.3 Audit.**

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

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

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

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

any loyalty or frequent guest program operated by us or our Affiliates), at any time during or after the Term, to the extent that your use is permitted by Law.

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

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

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

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

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

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

**11.0 CONDEMNATION AND CASUALTY**

**11.1 Condemnation.** You must immediately inform us of any proposed taking of any portion of the Hotel by eminent domain. If, in our business judgment, the taking is significant enough to render the continued operation of the Hotel in accordance with the Standards and guest expectations impractical, then we may terminate this Agreement on written notice to you and you will not pay us Liquidated Damages [SELECT FOR OL] or a Termination Fee. If such taking, in our business judgment, does not require the termination of this Agreement, then you will make all necessary modifications to make the Hotel conform to its condition, character and appearance immediately before such taking, according to Plans and Designs approved by us. You will take all measures to ensure that the resumption of normal operations at the Hotel is not unreasonably delayed.

**11.2 Casualty.**

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

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

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

## 12.0 TRANSFERS

### 12.1 Our Transfer.

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

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

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

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

**12.2.1.1 Permitted Transfers That Do Not Require Notice or Consent.** We will permit you or any Equity Owner to engage in the following Permitted Transfers without giving notice or obtaining our consent if the Permitted Transfer meets the listed requirements.

**12.2.1.1.1 Privately Held Equity Interests: Less than 50% Change.** An Equity Interest that is not publicly traded may be Transferred if the transferee Equity Owner will own less than fifty percent (50%) of the Equity Interests, in total, immediately after the transaction(s) as a result of the transaction(s).

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

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

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



completing our then-current compliance process; and (d) execute our then-current standard documents required for processing Permitted Transfers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**12.3.3** We have the right to approve any description of this Agreement or of your relationship with us, or any use of the Marks, contained in any prospectus, offering memorandum or other communications or materials you use in the sale or offer of any Securities. You may not use any of the Marks except as legally required to describe the Hotel in these documents. Our review of 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.

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

**12.3.5** You must indemnify, defend and hold the Indemnified Parties free and harmless of and from any and all liabilities, costs, damages, claims or expenses arising out of or related to the sale or offer of any of your Securities to the same extent as provided in Subsection 14.1 of this Agreement.

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

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

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

## **13.0 TERMINATION**

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

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

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

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

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

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

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

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

**13.2.3** you fail to pay debts as they become due or admit in writing your inability to pay your debts severally as they become due;

**13.2.4** you (a) make or are deemed to make a general assignment for the benefit of creditors under the *Bankruptcy and Insolvency Act* or if a petition is filed against you; or (b) are declared or adjudicated bankrupt, or if an application is made against you or any of your creditors under the *Companies' Creditors Arrangement Act*, or if a liquidator, trustee in bankruptcy, custodian, receiver, receiver and manager, moderator or any other officer with similar powers is appointed of or for you or any of your creditors; or (c) commit any act of bankruptcy or insolvency or institute proceedings to be adjudged bankrupt or insolvent or consent to the institution of such appointment or proceedings;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**13.4.1.1** [DELETE IF COO/RL and insert: INTENTIONALLY DELETED] If termination occurs before you begin the Hotel Work and you or any Guarantor (or your or any Guarantor's Affiliates) directly or indirectly, enter into a franchise, license, management, lease and/or other similar agreement for or begin construction or commence operation of a hotel, motel, inn, or similar facility at the Hotel Site within one (1) year after termination, then you will pay us Liquidated Damages in an amount equal to [SELECT FOR DT, ES, H2, HAM, HFS, HGI, HWS, the System's Average Monthly Royalty Fees multiplied by sixty (60)]. [SELECT FOR PY, QQ \$11,200 multiplied by the number of approved Guest Rooms at the Hotel.] [SELECT FOR PO, UAB, PE, RU, UP, EY \$10,000 multiplied by the number of approved Guest Rooms at the Hotel.]

**13.4.1.2** [DELETE IF COO/RL and insert: INTENTIONALLY DELETED] If termination occurs after you begin the Hotel Work but before the Opening Date, unless your failure to complete the Hotel Work was the result of Force Majeure you will pay us Liquidated Damages in an amount equal to [SELECT FOR DT, ES, H2, HAM, HFS, HGI, HWS the System's Average Monthly Royalty Fees multiplied by sixty (60).] [SELECT FOR PY, QQ \$11,200 multiplied by the number of approved Guest Rooms at the Hotel.] [SELECT FOR PO, UAB, PE, RU, UP, EY \$10,000 multiplied by the number of approved Guest Rooms at the Hotel.]

**13.4.1.3** If termination occurs after the Opening Date but before the second anniversary of the Opening Date, you will pay us Liquidated Damages in an amount equal to [SELECT FOR DT, ES, H2, HAM, HFS, HGI, HWS the greater of: (a) the Hotel's Average Monthly Royalty Fees multiplied by sixty (60); or (b) the System's Average Monthly Royalty Fees multiplied by sixty (60).] [SELECT FOR PY, QQ the greater of: (a) the Hotel's Average Monthly Royalty Fees multiplied by sixty (60); or (b) \$11,200 multiplied by the number of approved Guest Rooms at the Hotel.] [SELECT FOR PO, UAB, PE, RU, UP, EY the greater of: (a) the Hotel's Average Monthly Royalty Fees multiplied by sixty (60); or (b) \$10,000 multiplied by the number of approved Guest Rooms at the Hotel.]

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

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

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

[SELECT FOR OL:

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

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

- (a) \$15,000 multiplied by the number of approved guest Rooms at the Hotel if termination occurs (i) before you begin the Hotel Work, and you or any Guarantor (or your or any Guarantor's Affiliates) directly or indirectly, enter into a franchise, license, management, lease and/or other similar agreement for or begin construction or commence construction operation of a hotel, motel, inn, or similar facility at the Hotel Site within one (1) year after termination, or (ii) after you begin the Hotel Work but before the Opening Date, unless your failure to complete the Hotel Work was the result of Force Majeure:

- (b) The greater of: (i) the Hotel's Average Monthly Royalty Fees multiplied by sixty (60); or (ii) an amount equal to \$15,000 multiplied by the number of approved Guest Rooms at the Hotel, if termination occurs on or after the Opening Date but before the second anniversary of the Opening Date; or
- (c) The Hotel's Average Monthly Royalty Fees (i) multiplied by sixty (60) if termination occurs after the second anniversary of the Opening Date but before the final sixty (60) calendar months of the Term, or (ii) multiplied by the number of months remaining in the Term if there are fewer than sixty (60) months remaining in the Term on the date of termination.

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

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

**13.5 Actual Damages Under Special Circumstances. [SELECT FOR ALL BRANDS EXCEPT OL:** You acknowledge that the Liquidated Damages described in Subsection 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, and we reserve the right to seek actual damages in lieu of Liquidated Damages under the following circumstances: **[SELECT FOR OL:** You agree that we may elect to seek actual damages in lieu of the Termination Fee under Section 13.4 above, in our sole and absolute discretion, under the following circumstances:

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

**13.5.2** This Agreement terminates due to an unapproved Transfer 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.

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

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

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

**13.6.3** cease using the Marks, the Trade Name, and any confusingly similar names, marks, trade dress systems, insignia, symbols, or other rights, procedures, and methods. You will deliver all goods and materials containing the Marks to us and we will have the sole and exclusive use of any items containing the Marks. You will immediately make any specified changes to the location as we may reasonably require for this purpose, which will include removal of the signs, custom decorations, and promotional materials;

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

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

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

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

## **14.0 INDEMNITY**

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

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

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

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

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

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

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

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

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

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

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

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

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

## **15.0 RELATIONSHIP OF THE PARTIES**

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

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

## **16.0 MISCELLANEOUS**

### **16.1 Severability and Interpretation.**

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

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



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

**16.2 Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the province in which the Hotel is located and the laws of Canada applicable therein.

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

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

**16.5 Amendment and Waiver.**

**16.5.1** No change, termination, or attempted waiver or cancellation of any provision of this Agreement will bind us unless it is in writing, specifically designated as an amendment or waiver, and signed by one of our officers. We may condition our agreement to any amendment or waiver on receiving from you, in a form satisfactory to us, an estoppel and general release of claims that you may have against us, our Affiliates, and related parties.

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

**16.6 Consent; Business Judgment.**

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

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

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

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

so at any time by sending a notice to us in accordance with Subsection 16.7.3 or as otherwise directed by us.

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

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

**16.8 General Release.** You, on your own behalf and on behalf of, as applicable, your officers, directors, managers, employees, heirs, administrators, executors, agents and representatives and their respective successors and assigns hereby release, remise, acquit and forever discharge us and our Affiliates and our and their respective officers, directors, employees, managers, agents, representatives and their respective successors and assigns from any and all actions, claims, causes of action, suits, rights, debts, liabilities, accounts, agreements, covenants, contracts, promises, warranties, judgments, executions, demands, damages, costs and expenses, whether known or unknown at this time, of any kind or nature, absolute or contingent, existing at law or in equity, on account of any matter, cause or thing whatsoever that has happened, developed or occurred relating to this Agreement or the relationship between you and us on or before the Effective Date of this Agreement. This release will survive the termination of this Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**16.13.1.3** neither you, nor any Person having Control over you or the Hotel, has been convicted of, pleaded guilty to, or otherwise been adjudged liable for any violation of laws, ordinances, rules or regulations that pertain to bribery or corruption, money laundering, competition, securities or financial fraud, trade sanctions or export controls, human trafficking, sex trade, or forced labor;

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

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

**16.13.1.6** neither you, nor any Person having Control over you or the Hotel who may be considered a Government Entity or Government Official, improperly uses their status or position

to influence official actions or decisions or to secure any improper advantages to or for the benefit of the Hotel or us; and

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

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

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

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

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

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

**16.17 Our Delegation of Rights and Responsibility.** In addition to the rights granted to us in Section 4 and Subsection 13.1 of this Agreement, we reserve the right to delegate to one or more of our Affiliates at any time, any and all of our rights, obligations or requirements under this Agreement, and to require that you submit any relevant materials and documents otherwise requiring approval by us under this Agreement to such Affiliates, in which case approval by such Affiliates will be conclusively deemed to be approval by us. During the period of such delegation or designation, any act or direction by such Affiliates with respect to this Agreement will be deemed the act or direction of us. We may revoke any such delegation or designation at any time. You acknowledge and agree that such delegation may result in one or more of our Affiliates which operate, license, or otherwise support brands other than the Brand, exercising or performing on our behalf any or all rights, obligations or requirements under this Agreement or performing shared services on our behalf.

**16.18 Currency.** All references to money amounts in this Agreement, unless otherwise specified, shall be in U.S. dollars. Furthermore, all amounts payable hereunder will be paid in U.S. dollars, or such other currency as we direct.

**16.19 Not Withhold Payment.** You agree that you shall not on the grounds of the alleged non-performance by us of any of our obligations under this Agreement or under any other agreement between us, withhold payment of any amounts due to us or any of our affiliates.

**16.20 Quebec Rider.** The Parties hereto confirm that it is their wish that this Agreement, as well as all other documents relating hereto, including all notices, have been and shall be drawn up in the English language only. Les parties aux présentes confirment leur volonté que cette convention, de même que tous les documents, y compris tout avis, qui s'y rattachent, soient rédigés en langue anglaise. **[INSERT THE FOLLOWING ADDITIONAL PROVISIONS IF HOTEL IS LOCATED IN QUEBEC PROVINCE:** The

following Subsections 16.20.1 through 16.20.4 apply only in the event that this Agreement has effect within the province of Quebec:

**16.20.1** In the event that this Agreement is entered into following the coming into force of article 45 of *An Act respecting French, the official and common language of Québec* (SQ 2022, c 14), you and any Guarantor confirm and acknowledge that a French language version of this Agreement, consisting of the same terms and conditions and including all schedules and exhibits hereto, has been remitted to you and any Guarantor by us and that it is the express intent of all parties to execute and agree to be bound by the English language version of this Agreement and all its related documents, including the Manual.

**16.20.2** You and any Guarantor hereby acknowledge and agree that we are and shall be entitled to communicate and otherwise fulfil any of our obligations under this Agreement, including the provision of any training, assistance or other services (and the provision of any documents related thereto) in English or in French, as determined by us from time to time, and you and any Guarantor expressly waive any right to be informed, served or serviced in French during the term of this Agreement. In addition, you and any Guarantor agree to communicate and otherwise fulfil any and all of your obligations under this Agreement, including the provision of reports and other communications to us or others, in English or in French, as determined by us, from time to time.

**16.20.3** To the extent that any law, such as the *Charter of the French Language* (Quebec), requires you to use, provide and/or make available translations or French versions of any online or written materials, software, supplies, communications or any other item provided by us or otherwise required to be used by the Hotel or made available by you, it shall be your sole responsibility to comply with such law, and where such things are not already translated and approved by us, you acknowledge and agree that we may require you to translate any and all such things and, to the extent permitted by law, to bear all costs of any such translation (with such translation being done in accordance with the relevant law), provided that any and all such translations and all the copyright therein and thereto shall be our sole and exclusive property. You shall execute such assignments or other documents or instruments as we deem necessary to evidence our ownership rights. No translated items may be used without our prior approval. For the avoidance of doubt, any such approval does not constitute a representation, warranty or guarantee, express or implied, that the translation in question is compliant with applicable law.

**16.20.4** To the extent that the Hotel is operated in the province of Quebec, when this Agreement refers to joint and several liability on your part and/or any Guarantor, it shall be read, as "solidary" liability. ]

**16.21 Privacy.** You expressly permit us to disclose in our disclosure document (whether required by law or made available on a voluntary basis) and other documents required by law, personal information related to you and the Hotel, including your name, any address, telephone number and facsimile number, and sales, revenues, expenses, costs, results of operations, and similar information regarding the Hotel, and any information regarding the non-renewal, closure, expiry or termination of this Agreement. Any such disclosure shall be for the purpose of soliciting prospective franchisees.

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

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

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

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

#### **18.0 NOTICE OF INTENT TO MARKET**

**[SELECT FOR ALL BRANDS EXCEPT HFS:** Except in the case of a Transfer governed by Subsection 12.2.1 of this Agreement, if you or a Controlling Affiliate wants to Transfer any Equity Interest, you must give us written notice, concurrently with beginning your marketing efforts.]

#### **18.0 RIGHT OF FIRST OFFER [SELECT FOR HFS:**

**18.1** Except in the case of a Transfer governed by Subsection 12.2.1 of this Agreement, if you or a Controlling Affiliate wants to Transfer any Equity Interest, or you or a Controlling Affiliate receive an unsolicited bona fide offer from a third party to purchase or lease the Hotel or Hotel Site or an interest in it ("**Marketed Interest**"), you or the Controlling Affiliate shall notify us in writing of such offer ("**ROFO Notice**"). The ROFO Notice shall describe the Marketed Interest and state the intended sales or lease price and all terms and conditions of the proposed sale or lease. You or the Controlling Affiliate will provide us with all information and documentation relating to the Marketed Interest that we request.

**18.2** We or our designee(s) shall have the right, exercisable within thirty (30) days after receipt of all requested documentation and information from you ("**Option Period**"), to either make an offer to purchase or lease the Marketed Interest ("**Our Offer**") or waive our right to make an offer. During the Option Period, you may not change any of the terms and conditions in the ROFO Notice, and must deal exclusively with us or our designee(s).

**18.3** You will have twenty (20) days after receiving Our Offer to accept or reject Our Offer in writing. If Our Offer is for a price equal to or greater than stated in the notice and is on substantially similar terms and conditions as (or is more favorable than) those stated in the ROFO Notice, then you must accept Our Offer. If you do not accept Our Offer within twenty (20) days, it is deemed rejected.

**19.4** If you accept Our Offer, we or our designee and you will enter into an agreement and complete the transaction for the purchase or lease of the Marketed Interest at the price and on the terms and conditions of Our Offer within sixty (60) days of your written acceptance (the "**60-day Period**"). You will not offer the Hotel or Hotel Site to any third party during the 60-day Period. If the parties are unable to reach agreement despite good faith negotiations in the 60-day Period, you will be deemed to have rejected Our Offer.

**18.5** If you do not accept Our Offer, or it is deemed rejected, or we waive our right to make an offer, for two hundred seventy (270) days (the "**270-day Period**"), you or a Controlling Affiliate may Transfer the Marketed Interest to a third party for a price greater than and/or on more favorable terms than the price

and terms stated in Our Offer, but you or a Controlling Affiliate must comply with the Transfer provisions in Section 12.2.3 of this Agreement. If you or a Controlling Affiliate proposes to Transfer the Marketed Interest at a lesser price or on less favorable terms during the 270-day Period, then you must again give us notice of the proposed sale or lease and comply with the provisions of this Section 18.

**[INCLUDE ONLY IF KEY MONEY GRANTED / DELETE OTHERWISE AND UPDATE TOC]  
19.0 KEY MONEY/DEVELOPMENT INCENTIVE NOTE**

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

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

## ADDENDUM TO FRANCHISE AGREEMENT

Effective Date:

Facility Number:

Franchisor Name:

**Hilton Worldwide Franchising LP**

Brand:

**[SELECT:**

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

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

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

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

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

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

**Embassy Suites by Hilton**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards. The Brand does not mean



Hilton Worldwide, its Affiliates, or any other brands, product lines, or chains of hotels that include the words “Embassy,” “Suites,” or “Hilton” as any part of their brand name.

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

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

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

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

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

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

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

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

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

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

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

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

**Project H3 by Hilton**, as that name is used to identify the chain of hotels operated under the same Chain Code and Standards. The Brand does not mean Hilton Worldwide, its Affiliates, or any other brands, product lines, or chains of hotels that include the words “H3” or “Hilton” as any part of their brand name. This Brand may be changed by us upon written notice to you as provided below.

Initial Approved Hotel Name (Trade Name):

[

**[ADD FOR EY: This Initial Approved Hotel Name (Trade Name) may be changed by us upon written notice to you as provided below.**

Principal Mark in Brand:

- [SELECT]**
- Canopy**
- Curio**
- DoubleTree**
- Embassy**
- Hampton**
- SELECT FOR HFS HGI: Hilton**
- Home2**
- Homewood**
- LXR**
- Motto**
- Spark**
- Tapestry**
- Tempo**
- Tru**

**Project H3. This Principal Mark in Brand may be changed by us upon written notice to you as provided below.**

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

Address of Hotel:

Initial Number of Approved Guest Rooms:

Plans Submission Dates:

Preliminary Plans:

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

Design Development (50%) Plans and Specifications:

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

Final (100%) Plans and Specifications:

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

Construction Commencement Date: **[HAM, HGI, H2, HWS, PO, RU, UAB, EY] Due Fifteen (15) months from the Effective Date**  
**[DT, ES, HFS, OL, PY, QQ, UP:] Due Sixteen (16) months from the Effective Date**

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

Construction Work Completion Date: **[HAM, H2, RU, UAB, EY]: Due Twenty-seven (27) months from the Effective Date**  
**[HGI, HWS, PO]: Due Thirty (30) months from the Effective Date**  
**[DT, ES, HFS, OL, PY, QQ, UP]: Due thirty-six (36) months from the Effective Date**

Renovation Commencement Date: **[**

Renovation Work Completion Date: **[**

**[All due dates in the PIP that are a specified number of months or days shall mean the number of months or days from the Effective Date.]**

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

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

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

Monthly Fees:

**[DELETE UNLESS HFS: Monthly Food and Beverage Fee:**

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

Monthly Program Fee:

**[SELECT FOR DT, ES, HAM, HFS, HGI, OL, PY, PO, QQ RU UP UAB]:** Four percent (4%) of the Hotel's Gross Rooms Revenue ("GRR") for the preceding calendar month.

**[SELECT FOR HWS, H2, PE:** Three and one-half percent (3.5%) of the Hotel's Gross Rooms Revenue ("GRR") for the preceding calendar month.

**[SELECT FOR EY:** Two and one-half percent (2.5%) of the Hotel's Gross Rooms Revenue ("GRR") for the preceding calendar month

**[SELECT ONLY IF EARLY RL AND PREVIOUS MONTHLY PROGRAM FEE WAS LOWER:** From the Effective Date through [Expiration Date of prior FA, you will pay [\_\_\_\_] percent (\_\_\_\_%) ("Discounted Fee") of the Hotel's Gross Rooms Revenue ("GRR") for the preceding calendar month; then, from [Expiration Date of prior FA to the end of the Term, you will pay [\_\_\_\_] percent (\_\_\_\_%) of GRR. The Discounted Fee will not be used as a base for purposes of calculating any changes to the Monthly Program Fee during the Term.

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

Monthly Royalty Fee:

**[SELECT FOR DT, HFS, , OL, PY, QQ, RU, UP, UAB]:** Five percent (5%) of the Hotel's Gross Rooms Revenue for the preceding calendar month.

Monthly Royalty Fee:

**[SELECT FOR ES, HGI, HWS, PE:  
Five and one-half percent (5.5%) of the Hotel's  
Gross Rooms Revenue for the preceding calendar  
month.**

**BUT IF ES, HWS NEW  
DEVELOPMENT/CONVERSION USE THE  
FOLLOWING:**

**Three and one-half percent (3.5%) of the Hotel's  
GRR for the preceding calendar month for first  
twelve (12) full calendar months after the Opening Date  
(Year 1).**

**Four and one-half percent (4.5%) of the Hotel's GRR  
for the preceding calendar month for second twelve  
(12) full calendar months after the Opening Date (Year  
2).**

**Five and one-half percent (5.5%) of the Hotel's GRR  
for the preceding calendar month for the remainder  
of the Term.**

Monthly Royalty Fee:

**SELECT FOR HAM, H2, EY:  
Six percent (6%) of the Hotel's Gross Rooms  
Revenue for the preceding calendar month.**

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

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

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

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

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

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

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

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

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

**[IF EY:**

**Change of Branding Elements by Franchisor**

As used in this subsection, the Brand, Principal Mark, Initial Hotel Name (Trade Name), and any other identification elements that relate to the Brand and/or the Principal Mark (including any ancillary Marks and other identifiers that pertain to the Brand or the Hotel that are used in our System) are collectively referred to as the “**Branding Elements**.”

The parties acknowledge that the Branding Elements listed above are intended to be temporary, and used by the parties only until such time as we designate the final Branding Elements under which the Hotel will open and operate under this Agreement. Accordingly, notwithstanding anything to the contrary in this Agreement, you and we agree as follows:

- (a) We may change any of the Branding Elements in our sole and absolute discretion any time after the Effective Date upon written notice to you (the “**Brand Change Notice**”);
- (b) Upon the issuance of a Brand Change Notice: (i) the Brand Change Notice will be incorporated into this Agreement automatically by reference; (ii) any changes that we designate for any of the Branding Elements in the Brand Change Notice will become effective immediately; and (iii) you will no longer have any right or license to use any former Branding Elements that were initially set forth in this Agreement and are deleted, removed, replaced, superseded, altered, modified, or otherwise changed under the Brand Change Notice; and
- (c) For the avoidance of doubt, any and all references to the Brand, the Principal Mark, the Marks, and the Initial Approved Hotel Name (Trade Name) in this Agreement shall apply to each of those Branding Elements, respectively, as set forth in this Agreement before the issuance of a Brand Change Notice, and as set forth in a Brand Change Notice after its issuance, respectively.

You further understand and acknowledge that any Principal Mark that may be designated in a Brand Change Notice does not have federal trademark or service mark registration as of the Effective Date, and may not have federal trademark or service mark registration as of the date of the Brand Change Notice in which it is designated.

**Your Ownership Structure:**

**See Attached Schedule 1**

**IF FRANCHISEE’S AFFILIATE IS THE FEE TITLE OWNER, LESSOR OR SUBLESSOR OF THE HOTEL OR THE HOTEL SITE**

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

**See Attached Schedule 2**

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

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

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

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



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

**FRANCHISEE:**

[INSERT FRANCHISEE ENTITY],  
a [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: Authorized Signatory

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

**SCHEDULE 1**

**Your Ownership Structure:**

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

**SCHEDULE 2**

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

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

EXHIBIT - \_\_\_

**SHARED FACILITIES ADDENDUM TO FRANCHISE AGREEMENT**

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

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

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

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

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

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

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

**FRANCHISEE:**

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

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

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

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

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

**FRANCHISOR:**

HILTON WORLDWIDE FRANCHISING LP,  
a United Kingdom limited partnership

By: HILTON WORLDWIDE MANAGE LIMITED,  
Its General Partner

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

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

Title: Authorized Signatory

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

**[INSERT PIP OR OTHER ADDITIONAL TEXT HERE]**

# **EXHIBIT A-1**

## DEVELOPMENT INCENTIVE NOTE

McLean, Virginia

**\$(INSERT AMOUNT)**

**Date: (INSERT DATE)**

FOR VALUE RECEIVED, [INSERT NAME (whether one or more, jointly and severally, "**Maker**") promises to pay to the order of HILTON WORLDWIDE FRANCHISING LP, a United Kingdom limited partnership ("**Holder**"), the principal sum of [INSERT AMOUNT IN WORDS Canadian Dollars (\$[INSERT NUMERICAL AMOUNT CAD) which amount shall bear no interest unless Maker defaults or this Development Incentive Note (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 (a): Maker opens the Hotel with our consent; (b) there have been no material adverse changes in the business, legal, litigation, bankruptcy status or finances of the Maker, any guarantors, or the project since approval; (c) Maker has completed any PIP; and (d) Maker has paid the Franchise Application Fee. If the Franchise Agreement terminates before the Hotel opens and Holder has not disbursed 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 Note. On each anniversary of the Hotel's Opening Date, one-twentieth (1/20<sup>th</sup>) [UPDATE IF FA TERM IS NOT 20 YEARS] 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 automatically be canceled and discharged when and if the principal is completely forgiven or repaid in accordance with these terms. For the purposes of calculating the portion of the principal amount of this Note that is forgiven each year, Holder will be deemed to have disbursed the full principal amount regardless of whether or not Holder has set off any amounts from such principal amount pursuant to the Franchise Agreement prior to disbursement to Maker.

If a termination of the Franchise Agreement occurs for any reason; or a Transfer occurs, and the transferee does not assume Maker's obligation under this Note and cause a replacement co-maker acceptable to Holder to assume the obligations of any co-maker under this Note in a writing acceptable to Holder before the closing of such Transfer before the principal is forgiven or repaid, then 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 under this paragraph, and is not paid within ten (10) days after it is due, the outstanding principal balance shall bear simple interest from its due date until paid at a rate equal to the lesser of eighteen percent (18%) per annum or the highest rate allowed by applicable law. The outstanding principal balance of this Note shall be payable in lawful money of the United States of America at 7930 Jones Branch Dr., Suite 1100, McLean, VA 22102, Attention: General Counsel, or at such other place as Holder may periodically direct by written notice to Maker. Any payments shall be first applied to collection costs and expenses, if any, incurred by the Holder, second to any accrued but unpaid interest and last to principal. Maker has the right to prepay this Note, in whole or in part, at any time, without premium or penalty but amounts paid or prepaid may not be re-disbursed. 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 due and payable on demand or, at the Holder's election, may 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 Province in which the Hotel is located and the laws of Canada applicable therein. Each maker, co-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 Note, 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 Note.

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; provided that, Maker shall not assign or delegate any of its obligations or agreements hereunder without the Holder's prior written consent and any assignment or delegation without such prior written consent shall be null and void. 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, and all such parties signing or endorsing this Note shall be jointly and severally liable with the named Maker for all of Maker's obligations and liabilities under this Note.

IN WITNESS WHEREOF, the undersigned have executed this Note effective on the date indicated above.

**MAKER:**

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

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

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

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

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

[REQUIRED IF PRINCIPAL OF NOTE IS \$1,000,000 OR MORE:

**CO-MAKER:**

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

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

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

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

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

# **EXHIBIT B**

## INFORMATION TECHNOLOGY SYSTEM AGREEMENT

**THIS INFORMATION TECHNOLOGY SYSTEM AGREEMENT** (“Agreement”) is entered into as of **%HotelApprovedDate%** (the “Effective Date”) by and between Hilton Systems Solutions, LLC (“HSS”) and **%LegalEntity%** (“Customer”), each of which is a “Party” and both of which are, collectively, the “Parties”. This Agreement includes all of its attachments, exhibits, schedules and Order Documents as well as all other documents expressly incorporated into it by reference.

### RECITALS

Customer is a party to a management agreement and/or franchise agreement with an affiliate of HSS for the **%BrandCodeDesc%** hotel located at **%PropertyAddressLine%**, (the “Hotel”). Customer is entering into this Agreement in order to obtain and use certain information technology (“IT”) products, services and systems for and at the Hotel.

### ARTICLE 1. DEFINITIONS AND ORDER DOCUMENTS

1.1 **Use of Relationship Agreement.** The provisions of this Agreement will be deemed to include all of the terms, requirements, covenants and conditions contained in either (i) the Customer’s Franchise Agreement; or (ii) the Customer’s Management Agreement, (the “Relationship Agreement”), with such modifications as are necessary to make them applicable to this Agreement and the Parties as if set out in full in this Agreement. In the event that both a Customer’s Franchise Agreement and Customer’s Management Agreement exist, without prejudice to **Article 7 (Precedence and Interpretation)** then only the terms, requirements, covenants and conditions contained in the Customer’s Franchise Agreement will be deemed to be incorporated into this Agreement

1.2 **Definitions.** Unless otherwise defined in the body of this Agreement or in **Annex 1 – Definitions**, all of the defined words and expressions used in this Agreement have the meanings set out in the Relationship Agreement.

1.3 **Ordering Software, Services and Authorized Equipment.** Customer may order Software, Services and Authorized Equipment by submitting an HSS-approved form of order document (“**Order Document**”) to HSS. Once accepted by HSS the Order Document becomes part of this Agreement.

### ARTICLE 2. SOFTWARE, FEES AND MASTER AGREEMENTS

2.1 **License to Software.** HSS licenses to Customer the Proprietary Software and sublicenses to Customer the Certified Third Party Software set forth in the Order Document on the terms and conditions set forth in this Agreement.

2.1.1 Customer may be required to execute a separate license agreement directly with one or more third party software providers in connection with Certified Third Party Software not licensed from HSS and such Certified Third Party Software will be licensed on the terms and conditions set out in such separate license agreement.

2.1.2 The Proprietary Software and Certified Third Party Software for which there is no separate license agreement are licensed or sublicensed to Customer under this Agreement on the following terms and conditions:

- a) The license is personal, non-exclusive and non-transferable.
- b) The Software may be used by Customer solely on the Authorized Equipment and solely for the operation of the Hotel.
- c) Except for a single copy of Certified Third Party Software which may be maintained by Customer for archival back-up purposes, Customer will not reproduce or reuse, in whole or in part, any Software, documentation or materials comprising any portion of the Information System in any manner (whether directly or in creating a new use or otherwise) without the prior written consent of HSS. Customer will not cause or permit any reverse engineering, disassembly or de-compilation of any of the Software or any review of Software data structures.
- d) Customer will accept all patches, bug fixes, updates, version upgrades, maintenance and service packs (collectively, “Patches”) from HSS or the relevant Preferred Provider that are deemed necessary by HSS for the proper function and security of the Software. HSS is not responsible for performance or security issues that result from Customer’s failure to accept the application of Patches.
- e) Customer recognizes the confidential and proprietary nature of the Software and agrees to maintain the Software in confidence in accordance with **Article 6 (Confidentiality)**. Customer will not permit the Software and related documentation to be used or accessed by anyone other than Customer’s employees or contractors pursuant to Section 2.1.2 (b) who are bound by obligations of confidentiality no less stringent than those set forth herein.

2.1.3 Customer will not remove or obscure any copyright, trademark, other mark or confidentiality notices affixed to any Software and will not modify it or combine it with or into any other program, data or device.

2.1.4 No legal or equitable title to or ownership of any of the Software or any proprietary rights therein are transferred to Customer under this Agreement other than the limited software license specified herein.

2.1.5 Customer acknowledges and agrees that the Software is owned by HSS, HSS' Affiliates and/or their respective licensors and that everything in the Software, including all intellectual property, is proprietary to HSS, HSS's Affiliates and/or their licensors, respectively. Customer also acknowledges and agrees that HSS may, at its discretion, make changes in, and substitutions of, the Software. Any new or additional Software made available to Customer by HSS is licensed to Customer under the terms of this Agreement.

2.2 Fees and Payment. All Fees are subject to change by HSS and/or the relevant third party as applicable. Customer will make all payments under or required by this Agreement in United States Dollars and within thirty (30) days of receipt of the invoice therefore.

2.3 Master Agreements with Third Parties. HSS or its designee may, without warranty or representation of any kind, negotiate with any third-party vendor a master services, software or equipment purchase or lease agreement (collectively, the "Master Agreements") and permit Customer to purchase or lease Authorized Equipment, license software and purchase services from those third-party vendors (each a "Preferred Provider") pursuant to the terms of the applicable Master Agreements. The Preferred Providers may require Customer to execute a joinder or participation agreement for the applicable Master Agreement, in substantially the forms contained in schedules to the relevant Order Document (collectively, the "Joinder Agreements"). Customer will be bound by the terms of that Master Agreement as specified in the relevant Joinder Agreement(s) and will be directly and solely responsible for Customer's compliance with and performance under the Joinder Agreement.

2.4 Customer Cooperation. Customer will provide HSS and its Affiliates and its and their respective third-party providers with such cooperation relating to HSS's performance of its obligations under this Agreement as HSS may reasonably request from time to time. Customer agrees to comply with the Information System's regulations, rules and policies as HSS may determine from time to time. Customer also agrees to comply with the Brand Standards.

### **ARTICLE 3. AUDITS**

Customer will maintain records sufficient to permit verification of Customer's compliance with this Agreement. Upon forty-five (45) days written notice (or such shorter period of time as may be required under any applicable Master Agreement), HSS or its designee may perform examinations, tests, audits, inspections and reviews of Customer's compliance with this Agreement, including by using the services of one or more third parties. Customer will cooperate with HSS's audit activities and provide reasonable assistance and access to information when requested, including to all of the following: (a) any part of any facility, including the Hotel, at which any Services and products provided pursuant to this Agreement are performed, provided or used; (b) the employees and contractors Customer uses in connection with its operation of the Hotel; and (c) data and records. No such audit will unreasonably interfere with Customer's normal business operations. Customer agrees that HSS will not be responsible for any of Customer's costs incurred in cooperating with any audit.

### **ARTICLE 4. TERMINATION**

4.1 Termination. HSS may terminate this Agreement by written notice to Customer on any of the following grounds:

4.1.1 Customer fails to pay any sums due and payable under this Agreement and fails to cure such failure within the cure period set forth in the notice, which will not be less than ten (10) days;

4.1.2 Customer breaches its obligations under Article 6 (Confidentiality);

4.1.3 Customer fails to refresh the Authorized Equipment at the Hotel as required by HSS; and

4.1.4 Customer breaches any other provision of this Agreement and does not cure that breach within the cure period set forth in the notice, which will not be less than thirty (30) days.

This Agreement will automatically terminate upon the termination or expiration of the Relationship Agreement.

4.2 Customer's Obligations upon Termination or Expiration. Upon any such termination the licenses granted to Customer under this Agreement, and the obligations of HSS to provide any Agreement Products and Services will immediately terminate. Customer will immediately cease using all Agreement Products and Services and promptly at HSS's discretion return any and all Agreement Products to HSS other than Authorized Equipment Customer owns, or destroy the same; provided, however, that Customer must return to HSS all Software contained in such Authorized Equipment. All of Customer's covenants and obligations under this Agreement will survive termination and expiration.

4.3 Termination Fees. Upon termination of this Agreement Customer will pay: (a) all unpaid Fees related to the Agreement Products and Services, Software and Authorized Equipment incurred by Customer; (b) all costs to HSS of all the Agreement Products and Services, Software and Authorized Equipment that exceeds what the Customer paid for same; (c) all termination, penalty or administrative fees that would not be payable but for the termination for cause; (d) all costs related to disabling the Agreement Products and Services, together with related intervention or administration fees; (e) all costs and fees for any Authorized Equipment, Authorized Equipment maintenance Services, Software, Software maintenance Services, network and other Services HSS and its Affiliates, in their sole discretion, provide to Customer at Customer's request after the termination effective date; and (f) all termination fees identified in the Customer's Order Document.

4.4 Suspension of Service. If Customer fails to comply with the Information System use regulations, rules or policies, or is otherwise in default under this Agreement HSS may, in its sole discretion: (a) disable Customer's access to or use of all or any part of the Information System and suspend any part of the Services provided or supported under this Agreement and (b) suspend and withhold performance of HSS's obligations under this Agreement. Customer will not be entitled to any compensation, refund or reduction in charges as a result of such action. Customer agrees that any such disabled access and suspension from the Information System will not constitute or result in actual or constructive termination or abandonment of this Agreement, or a waiver or release of any right to terminate. HSS may charge Customer for the cost relating to such disabling and suspending and, if Customer's defaults are cured as required, re-enabling such access and resuming such obligations, if any, together with related intervention or administration fees.

4.5 Limitation on Access. If HSS determines in its sole discretion that it is necessary or advisable in order to protect in any way and for any reason the Information System, HSS may bar Customer's access to the Information System and may temporarily or permanently remove any or all data or other files. Such reasons include, without limitation, HSS or third party provider's determination that: (a) Customer's network connection, software, equipment or files may infect the Information System with Malicious Code, (b) internet access by the Customer or Customer's access to or use of the Information System is in violation of the applicable acceptable use policy governing use of the provider's services or any law or (c) Customer's network connection, software, equipment or files may cause harm to or disrupt the Information System. Neither HSS nor any such third-party provider will be liable for any inconvenience or disruption to the Customer or any consequences thereof caused by such measures.

## **ARTICLE 5. DISCLAIMERS**

**HSS makes no representations or warranties as to any Certified Third Party Software, any Authorized Equipment or any Services provided by any Preferred Provider and will have no liability whatsoever for the terms and conditions thereof, performance of any obligations or other agreements therewith, any equipment purchased, leased, or installed, any Services performed, any use of any software, or any software licensed or sublicensed by any Preferred Provider. The sole warranties provided to Customer, if any, with respect to the Certified Third Party Software, Authorized Equipment or Services provided by the Preferred Providers are provided by the applicable third party vendor pursuant to a written warranty, if any, provided to Customer by such third party vendor. In the event Customer notifies HSS of any condition which Customer believes constitutes a breach of any warranty provided by a Preferred Provider, HSS will, upon Customer's request, provide reasonable cooperation and assistance in notifying such third party vendor of such condition and in urging such third party vendor to correct such condition. HSS reserves the right to make changes and substitutions in the components of the Information System.**

**Except as specifically provided in this Article 5 (Disclaimers), HSS disclaims all express or implied warranties with respect to the Software, Authorized Equipment, Services and Information System, including without limitation, any implied warranties of merchantability, fitness for a particular purpose, title, non-infringement, design, accuracy, capability, sufficiency, suitability, capacity, completeness, availability, compatibility, or those that may arise from course of dealing or course of performance or that any Software, Services or Authorized Equipment provided hereunder will not violate the intellectual property rights of and person or entity. HSS does not guarantee, warrant, or make any representations to the effect that any of the Software, Authorized Equipment, Services or Information System provided or made available to Customer under this Agreement (a) will be continuously available, uninterrupted or defect-free, delay-free, or error-free, (b) will have its defects or errors corrected, (c) will operate in combination with any Customer or third party software, system, service, data or equipment not made available by HSS, (d) will be free of Malicious Code or other harmful components, or (e) will be accurate or complete. HSS does not guarantee, warrant or make any representations regarding the use of, or the results of, any of the Software, Authorized Equipment, Services or Information System in terms of its respective correctness, accuracy, reliability, or otherwise.**

**HSS will not be liable for, and makes no warranty or guarantee of, the confidentiality or privacy of any data or other files transmitted to, on, from or through the Agreement Products and Services and/or the Information System and is not responsible for any delays, delivery failures, or other damage resulting from such problems arising in connection therewith. HSS is not responsible for any issues related to the performance, operation or security of the Services that arise from Customer content, Customer applications or third party content. HSS is not responsible for incorrect or inaccurate entry information, or destroyed, impaired or lost data, whether caused by Customer or by any of the equipment or programming associated with or utilized in the Information System or by any technical or human error which may occur in the processing of any information related to the Information System.**

**HSS will have no liability to third parties for any claims, losses or damages of any type whatsoever arising out of or in any way related to the access to or any use of any of the Agreement Products and Services or any part of the Information System. Customer will be responsible for, and Customer will indemnify HSS and its Affiliates and hold them harmless from and**

against any and all allegations, losses, demands, claims (including taxes), liabilities, damages (including punitive and exemplary), fines, penalties and interest, and all related costs and expenses of whatever nature (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, experts, settlement, judgment, interest and penalties) from any individual or entity which arise out of Customer's (a) access to or any use of any of the Agreement Products and Services or any portion of the Information System, and (b) acts and omissions under this Agreement, including without limitation infringement of any intellectual property rights.

HSS reserves the right for any reason, including, but not limited to, Customer's failure to comply with the Information System's use regulations, rules and policies, to temporarily bar access of Customer to the Information System and/or to temporarily or permanently remove any or all data or other files if HSS or the third party provider hereunder determines or receives notice that Customer's network connection, software, equipment or files may infect the Information System with a virus, that internet access by the Customer or Customer's access to or use of the information system is in violation of the applicable acceptable use policy governing use of the internet service provider's services ("AUP") or any governmental law or regulation or that Customer's network connection, software, equipment or files may cause harm to or disrupt the Information System. HSS and the third party provider will not be liable for any inconvenience or disruption to the Customer caused by such measures.

HSS may inform governmental authorities or interested third parties if HSS suspects, believes or receives notice that Customer's data or other files contain legally prohibited information or are being used for illegal purposes. Customer acknowledges that HSS or the third party provider may monitor and review stored data and other files without restriction and Customer hereby acknowledges and consents to such monitoring. Customer also acknowledges that HSS or the third party provider may need to release Customer's data or other files when HSS or the third party provider believes it must do so in order to comply with a law, subpoena, warrant, order or regulation arising from litigants, law enforcement, courts and other governmental agencies. Neither HSS nor the third party provider will be responsible or liable to Customer for any such actions taken by HSS or the third party provider

The remedies provided in this Agreement constitute Customer's sole and exclusive remedies. In no event will HSS be liable for any special, incidental, consequential or exemplary damages, including without limitation damages for loss of use, lost profits or loss of data or information of any kind, arising out of or in connection with this Agreement, whether or not HSS has been advised of the possibility of such loss or damage. In no event will HSS's liability to Customer arising out of or in connection with this Agreement, whether in contract, tort or otherwise, exceed the amounts actually paid by Customer to HSS under this Agreement during the six (6) month period immediately preceding the time that the cause of action giving rise to such liability first accrues.

To the extent not prohibited by law, the warranties contained in this Article 5 (Disclaimers) are exclusive and there are no other express or implied warranties or conditions.

## **ARTICLE 6. CONFIDENTIALITY**

Customer will maintain the confidential and proprietary nature of the Proprietary Software, Certified Third Party Software, Information System, Services and any and all information, documentation and materials of HSS and HSS Affiliates which are disclosed under or provided or made available to Customer under or in connection with this Agreement. The foregoing includes without limitation proprietary ideas, patentable ideas, copyrights, trade secrets, existing and contemplated products and services, software, schematics, research and development, discoveries, inventions, methods, processes, materials, algorithms, formulas, specifications, designs, data, strategies, plans, and know-how, whether tangible or intangible (collectively, the "Confidential Information"). Customer will maintain such Confidential Information in confidence and agrees not to disclose or otherwise make available the Confidential Information to any person or entity other than Customer's employees at the Hotel who are bound by obligations of confidentiality no less stringent than those set forth herein, without prior written consent of HSS. Customer further agrees to take all reasonable steps and precautions necessary to protect the Confidential Information from unauthorized use or disclosure.

## **ARTICLE 7. PRECEDENCE AND INTERPRETATION**

The terms and conditions of Customer's use of the Agreement Products and Services and the Information System will be governed exclusively by this Agreement and any applicable Joinder Agreements notwithstanding any different terms submitted by Customer to HSS. In the event of any conflict between this Agreement and any Order Document, the Order Document will control. Terms in the Relationship Agreement addressing the same issue as terms in this Agreement will be deemed to be additional and complimentary to this Agreement's terms except to the extent that such Relationship Agreement terms specifically conflict with the terms of this Agreement in which case the terms of this Agreement will control.

**IN WITNESS WHEREOF**, by the signature of its respective authorized representative, each of the Parties agrees to be bound by all of the terms of this Agreement.

**HSS**  
**Hilton System Solutions, LLC**

**CUSTOMER:**  
**%LegalEntity%**

By: <u>          %<b>HiltonApproverSignature%</b>          </u>	By: <u>          %<b>HotelApproverSignature%</b>          </u>
Name: <u>          %<b>AMERCountersigner%</b>          </u>	Name: <u>          %<b>HotelApproverName%</b>          </u>
Title: <u>          %<b>AMERCountersignerTitle%</b>          </u>	Title: <u>          %<b>HotelApproverTitle%</b>          </u>
Date: <u>          %<b>HiltonApprovedDate%</b>          </u>	Date: <u>          %<b>HotelApprovedDate%</b>          </u>

## ANNEX 1 DEFINITIONS

As used in this Agreement, the following terms have the meanings given to them below.

1. "Agreement Products and Services" means, collectively, the Software, Authorized Equipment, Services, subscriptions, Information System, documentation and all other materials identified herein that is or may be made available to Customer pursuant to this Agreement.
2. "Authorized Equipment" means equipment that has met HSS standards for operating as part of the Information System and which is made available for purchase or lease under this Agreement or a Joinder Agreement.
3. "Certified Third Party Software" means software licensed by third parties to Customer or sublicensed by HSS to Customer and listed in the applicable Order Document.
4. "Fees" means, collectively, all of the fees, charges and expenses chargeable to or due from Customer under this Agreement, including any Order Document.
5. "Information System" means, collectively, the software, equipment and IT systems made available by HSS and its Affiliates for Customer's access, use or benefit, including without limitation PEP and the OnQ technology.
6. "Malicious Code" means any virus, worm, trojan horse, spyware, adware, rootkit, ransomware, scareware, rogueware, backdoor, trap door, logic bomb or similar item intended to cause or capable of causing undesired effects, security breaches and/or damage to a system or a system's contents.
7. "Proprietary Software" means software owned by HSS or its Affiliates.
8. "Services" means the services provided under this Agreement.
9. "Software" means the Certified Third-Party Software and Proprietary Software.



# ORDER DOCUMENT

**Customer Name:** %LegalEntity%                      **Customer Contact:** %GMName%

**Customer Address:** %PrimaryContactName%                      %PropertyName%  
%PrimaryContactAddressBlock%                      %PropertyAddressBlock%

**Property Name:** %PropertyName%                      **Issue Date:** %CreationDate%

This Order Document is issued under and is a part of the *Information Technology System Agreement* (“Agreement”) between Hilton Systems Solutions, LLC (“HSS”) and %LegalEntity% (“Customer”) and includes all of its schedules, attachments, and exhibits as well as all other documents expressly incorporated into it by reference. It becomes effective on the date identified by HSS under the signature blocks below (“Order Effective Date”) and when signed by both parties is automatically incorporated into and becomes part of the Agreement. All licenses and sublicenses of software, all subscriptions, all Services and all equipment provided herein or obtained hereunder are subject to the terms and conditions of the Agreement and to the terms of this Order Document. Unless otherwise specified the defined terms in this Order Document have the meanings given them in the Agreement.

The pricing provided here for goods and services provided by Hilton is valid for a period of ninety (90) days following the date of issue of this Order Document to Customer (“Issue Date”). Should this Order Document not be signed by the Customer within those (90) days, Customer must obtain written confirmation from HSS that the pricing requested by Customer remains in effect.

Except as otherwise noted herein or in the applicable invoice all payments required by this Order Document must be made in United States Dollars within thirty (30) days of receipt of the invoice therefore. Customer acknowledges and agrees that HSS or its Affiliates may derive revenues and/or other material consideration on all or a portion of the fees paid by Customer and that HSS may use third parties to perform the Services. All fees indicated are exclusive of applicable taxes, shipping, insurance, rigging, duties and other related fees and expenses, all of which are payable by Customer. Provision of the Authorized Equipment, Software and Services is made in consideration of the Customer’s promise herein to pay the fees therefor and is subject to Customer’s timely payment of such fees. HSS may delegate certain of its operational responsibilities hereunder to third parties but remains responsible therefore.

**EXECUTION INSTRUCTIONS:** Please sign this Order Document, each of the documents in Schedule C and any other Schedules indicated as needing your signature.

**IN WITNESS WHEREOF**, by the signature of its respective authorized representative, each of the parties agrees to be bound by all of the terms of this Order Document.

**HSS**  
**Hilton System Solutions, LLC**

**CUSTOMER:**  
**%LegalEntity%**

By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

The Order Effective Date for this Order Document is the date it is signed by HSS.

**1. Software, Systems and Related Services.**

**1.1 Software, Systems and Interfaces.** HSS licenses to Customer use of the Hilton Property Engagement Platform (“PEP”) and the following Proprietary Software and sublicenses to Customer use of the Certified Third Party Software included in PEP under the terms specified in the Agreement.

**A. Interfaces** (Proprietary Software unless otherwise noted):

	<b>Interfaces</b>	<b>Those Being Licensed to Customer are Noted with “X”</b>
1.	Call Accounting interface	%CallAccounting%
2.	PBX interface	%PBX%
3.	Voice Messaging interface	%VoiceMail%
4.	Point Of Sale interface	%POS%
5.	Movie Only Billing interface	%MovieSystem%
6.	TV Services (Express Checkout, Movies, etc.) interface	%VideoCheckOut%
7.	Mini-Bar Posting interface	%MiniBarPosting%
8.	Credit Card Authorization & Settlement interface	%CreditCard%
9.	Guest Internet Access interface	%INetCallAccounting%
10.	Combined HSIA & PayTV interface	%TVandHSIA%
11.	PPIC interface	%PPIC%
12.	Electronic Key interface	%ElectronicKey%
13.	Energy Management interface	%EnergyMgmt%
14.	Police interface	%Police%
15.	Back Office interface	%BackOffice%
16.	Guest Call Center interface	%CallCenter%
17.	Parking interface	%Parking%
18.	Spa interface	%SPA%
19.	Convention and Event interface	%CONFEVENT%
20.	Intelity interface	%Intelity%
21.	HOTSOS interface	%HOTSOS%

**B. Additional Software.** HSS may require that Customer use additional Proprietary Software and Certified Third Party Software for the proper operation of the Agreement Products and Services. Such Software made available to Customer by HSS is licensed to Customer under the terms of this Agreement.

**1.2 Reserved.**

**1.3 Training and Training Materials.**

There are a number of training modules applicable for each job role regarding PEP’s and the Proprietary Software’s function. The Hotel is responsible for ensuring that all employees who have responsibilities related to the use of PEP and the Proprietary Software complete the applicable training modules prior to the implementation of PEP, the Proprietary Software and Certified Third Party Software above at the Hotel, or within ten (10) days of employment, as agreed to with HSS. All such Hotel staff must successfully complete the training as a prerequisite to receiving permission from HSS’s installation team to complete the implementation of PEP, the Proprietary Software and Certified Third Party Software. The Training Matrix, part of the Required Training Documents (“RTD”) provided by HSS, must be completed and verified by the HSS Implementation Specialists.

**1.4 Cost of Certain Installation, Implementation and Training Services.** The cost of certain installation, implementation, and training services (including the HSS implementation specialists) and materials are set forth below. These costs and travel expenses will be billed to Customer by HSS or the Preferred Provider following installation of the Information System. Additional costs for training replacement General Managers or other Hotel personnel will be billed to Customer prior to such training dates at the then current rate charged by HSS for such training.

**1.5 Site Surveys.** HSS will determine if an onsite, remote or combined Site Survey is required. Customer and HSS will mutually determine the scope, schedule and timing of a site survey that may be required for the preparation, installation and/or implementation of PEP (the “Site Survey”). HSS and Customer will identify the responsible parties for each aspect of the Site Survey. In preparation for any Site Survey, Customer will provide information and documentation relative to the Hotel as requested by HSS, including, but not limited to, hotel drawings, room locations and wiring diagrams. If HSS performs on-site services during the Site Survey, the Customer is responsible for providing timely access to the Hotel property, as well as complimentary room nights with confirmed reservations at the Hotel, as needed in the course of performing the Site Survey. A Hotel representative will be appointed by Customer to provide escort and access to guest rooms for the room inspection portion of the Site Survey. The fees and costs for any work performed by HSS relative to the Site Survey, including any fees for creation and validation of the wireless network design, any travel expenses, per diem fees and other out-of-pocket related costs, will be billed separately by HSS to the Customer. Any additional costs incurred due to delays in performing the Site Survey caused by the Customer’s Hotel will also be billed to Customer.

**1.6 Implementation Services.** HSS may, in its sole discretion, provide remote, on-site or combined implementation services for Customer's Authorized Equipment and related Certified Third Party Software. Some are described below but more exact requirements may be set forth in the applicable Brand Standards and are subject to change by HSS or Hilton Domestic Operating Company Inc. ("HDOC") or their affiliates or subsidiaries from time to time. HSS will provide the services using Systems Implementation consultants. The number of consultants and number of days they will be used will be determined by HSS based upon the size and type of the Hotel and the Hotel's IT requirements. These consultants may:

- (a) work with the Hotel, which is responsible for the cost of building the Hotel's database, including the verification of the proper functioning of the Software, installation, conversion, implementation, data conversion or recovery;
- (b) provide procedural support for the property management system to the Hotel's management;
- (c) work with the Hotel's management to adapt their use of the Information System to meet the Hotel's requirements;
- (d) support the Hotel's staff in their use of the Information System through the Hotel's management;
- (e) work with the Hotel's management to assure that the Hotel has all necessary tools for the implementation of the Information System (i.e., Authorized Equipment, Certified Third Party Software, documentation, etc.);
- (f) install or approve the installation of equipment to meet the requirements of the Hotel, HSS and the manufacturer of the Authorized Equipment;
- (g) work with third party vendors to meet the technical criteria for interface communications (i.e., central reservations, call accounting, energy management, door lock, guest internet access, etc.);
- (h) verify that all front desk staff and Hotel's management have successfully completed the Information System Training;
- (i) identify and address operational problems that involve the Information System; and
- (j) formulate and present recommendations that maximize efficient use of the Information System.

**1.7 Authorized Equipment Installation.** Whether Customer elects to purchase or lease Authorized Equipment from a Preferred Provider through one of the Master Agreements HSS will coordinate the installation of such Authorized Equipment at the Hotel.

A. Customer or HSS, in HSS's discretion, will obtain and maintain throughout the term hereof, at Customer's cost, the necessary communication vehicles and services for direct communication between HSS and the Hotel as is reasonably necessary for the operation of, and for the diagnosing of issues involving, the Agreement Products and Services, including without limitation, network access and wide area network connections to the Central Reservation System and Internet.

B. Customer will make available, at its own expense, prior to the agreed upon installation date a location that, in HSS's opinion, is suitable for installation of such Authorized Equipment. Customer will furnish any electrical connections and dedicated phone lines which may be required by HSS and will perform and pay for all work, including alterations, which in the sole discretion of HSS is necessary to prepare the Hotel for the installation and proper operation of the Authorized Equipment.

C. Any delay in shipment and installation of Authorized Equipment or Certified Third Party Software, including delays by communications vendors, Preferred Providers, or any other retailers, will, for the duration of such delay, excuse any failure of HSS to install the Authorized Equipment on or before the agreed upon installation date. However, HSS will use commercially reasonable efforts to require such approved vendors to comply with their service level agreements as to installation and shipment timing for Customer's installation, in accordance with such approved vendor agreements.

D. If Customer elects to purchase such Authorized Equipment from another retailer, it will be installed at the Hotel on a date mutually agreed to by HSS and Customer following HSS's determination that it conforms to HSS's specifications and testing procedures and can be configured with the Software.

### **1.8. Software Installation.**

A. Unless specifically stated as being implemented by HSS, it is Customer's obligation to install the Software on the Authorized Equipment and any related hardware at such time as HSS designates in writing to Customer. The Software may be installed in phases such that one or more Software modules may be installed and/or be operational prior to other Software modules. Customer will be responsible for all fees and costs incurred in the installation of Software and any related Software.

B. If Customer purchases the Authorized Equipment from HSS or a Preferred Provider, the Preferred Provider or HSS will install the Software and any related software as described in this Agreement on the Authorized Equipment and HSS will complete the installation at the Hotel, as applicable, on the agreed upon installation date. If Customer does not purchase the Authorized Equipment from the Preferred Provider, HSS will install the Software and any related software at such time as HSS designates in writing to Customer. The Software may be installed in phases such that one or more Software modules may be installed and/or operational prior to other Software modules. The Software modules to be installed will be as set out above and in this Agreement, and Customer hereby

agrees to permit the Preferred Provider or HSS to install any and all other Software modules on the Authorized Equipment in or at the Hotel, as provided for herein.

C. If Customer purchases Authorized Equipment from a retailer other than the Preferred Provider, Customer will pay for configuring the Authorized Equipment purchased from such retailer, with the Software. Customer will also be responsible for shipping and shipping related costs to and from HSS for such configuration.

**1.9 Third Party Interface Testing and Connectivity.** If Customer requires the implementation of any interface Proprietary Software for connectivity to third party systems, Customer will be responsible for any fees assessed by the third party vendors to test and implement the necessary connectivity. In addition, Customer will be required to make arrangements with any such third party vendor to provide the necessary assistance required to test and to implement the interface connectivity. This assistance requires the vendor to be on-site at the time of testing and implementation, unless the third party vendor can perform all necessary tasks (as defined by HSS) through a remote connection to the Customer's third party system. The cost incurred by any third party vendors for testing and implementing connectivity to third party systems will be billed to Customer by HSS, or such vendors for the license of each copy of the Proprietary Software and the Certified Third Party Software licensed to Customer by HSS

**1.10 Certain Costs and Payment Terms.**

A. Software License Fees. Customer will pay HSS, Preferred Provider or another retailer approved by HSS, a fee for the license of each copy of the Proprietary Software and the Certified Third Party Software, licensed or sublicensed to Customer by third parties or installed on the Authorized Equipment at the Hotel (the "License Fees"). The License Fee to be paid for PEP, which is a one-time fee, is based on the number of guest rooms in Customer's Hotel

<b>Number of Guest Rooms (Tiers)</b>	<b>Current License Fees*</b>
1 to 300 Guest Rooms	\$ 8,000.00
301 to 500 Guest Rooms	\$ 9,500.00
501 or more Guest Rooms	\$12,500.00

\*These fees are subject to change.

If, after paying the original License Fee, the number of guest rooms in Customer's Hotel is increased to a new tier, Customer will pay the difference between the original License Fee and the License Fee payable under the new tier. As an example, if the Hotel had 280 guest rooms and Customer paid the \$8,000 License Fee, and then Customer expanded the Hotel to 350 guest rooms, Customer would pay HSS an additional \$1,500 (the difference between the License Fee for the 1 to 300 guest room tier and the License Fee for the 301 to 500 guest room tier).

PEP License Fee \$%SystemTwentyOneSWFee%

B. Cost of the Authorized Equipment, Certified Third Party Software and Other Fees. The cost of the Authorized Equipment, Certified Third Party Software and other fees are shown below. The costs will be invoiced to Customer by HSS or by the Preferred Provider.

Authorized Equipment and Certified Third Party Software	\$%SystemTwentyOneHWFee%
Standard Upgrade Fee	\$%StandardUpgradeFee%
Standard Plus Software License Fees	\$%StandardPlusSoftwareFee%

C. Cost of Training and Training Materials. The cost of the training is shown below. This cost will be invoiced to Customer by HSS or the third party provider HSS may use at the same time as it renders its invoice to Customer for the License Fees. Additional costs for training replacement general managers or other hotel personnel will be invoiced to Customer prior to such training dates. Customer will be responsible for charges incurred for use of Virtual Private Network ("VPN") to access the training hotel. These costs include fees from HSS's current VPN access provider, for up to 5,000 minutes of network access as well as HSS internal costs for configuration services. VPN access will be terminated for each property at the time of hotel opening or live utilization of the Information System.

Training System Access Fee \$%TrainSysAccessFee%

There is currently no additional charge for the CBT training modules which are included within the software.

Information System Planning Workshop \$%SystemTwentyOnePlanningWS%

Sales Skills Training: For the Hampton and Homewood brands (N/A for other brands), attendance is required by general manager, assistant general manager, or full-time sales manager within ninety (90) days of employment.

\$%SalesTrainingFee%

HITS Agreement (USA/CA) (PEP)

Inn Code/Project: %InnCodeProj% Version: %Version%

General Manager Leadership Program: \$%GMTrainingFee%  
 For ES/HH/HIS/HW/DT/DC (N/A for other brands):

Pre-Opening Materials \$%PreOpeningFee%  
 For ES/HH/HIS/HW/DT/DC (N/A for other brands):

D. Cost of Installation and Implementation Services. The cost of the installation and implementation Services (including the cost of the Systems Implementation Specialists but excluding the cost of any services described in any other schedules) is shown below. This cost will be invoiced to Customer by HSS or the Preferred Services Provider at the same time as it renders its invoice to Customer for the Proprietary Software.

Preferred Provider Fee: (Configuration fees and Training Room Network Installation, as applicable) (Includes travel expenses)	\$%ServicesPreferred%
Project Management, Contracting and Sales fee ("PMCS Fee")	\$%ServicesPMCS%
Site Survey (travel expenses are additional)	\$%HHCSiteSurvey%
Installation Support Fee	\$%InstallSupport%
Implementation services: (travel expenses to be billed at actual per guidelines below for others)	\$%ImplementationFee%
Delphi Project Management Fee	\$%DELPHIPM%
Delphi Implementation Fee	\$%DELPHIIMP%
Executive Briefing and Change Management	\$%DevRecovery%
Email Setup Fee:	\$%Email%
Hi Tech Fee:	\$%HiTechFeeOne%
Firewall Equipment and Configuration and/or Converged Network Install	\$%Firewall%
IT Opening Project Manager	\$%INTLITOPENPM%
Digital Floor Plan Billing Management	\$%DigitalFloorSetup%
Salesforce Community License	\$%SALESFORCE%
GRO Setup Fee	\$%GROSETUP%

Promptly following HSS's providing of the Services, an invoice will be submitted to Customer for HSS's representatives' out-of-pocket expenses, any additional per diem charges for its representatives (as described in the Notes below), any re-scheduling fee, and any additional travel expenses as set forth above, which invoice will be payable within fifteen days of Customer's receipt of same.

**TOTAL PRICE** **\$%TotalPrice%**

**\*TOTAL PRICE EXCLUDES TAXES, SHIPPING & ANY MONTHLY FEE ITEMS NOTED HEREIN**

Notes:

(i) Promptly following HSS's providing of the Services, if applicable, due to implementation delays or requested incremental days on-site, an invoice will be submitted to Customer for HSS's representatives' out-of-pocket expenses, any additional per diem charges for its representatives, any re-scheduling fee, and any additional travel expenses as set forth above, which invoice will be payable within fifteen days of Customer's receipt of same.

(ii) Customer will pay according to the terms of any invoice(s) submitted to Customer, including any provision for late charges, the fee for the installation of any telephone line(s) or wide area network connection(s) necessary for connection of the Authorized Equipment

(iii) The cost to configure equipment obtained by Customer from a non-preferred retailer, to be included here, when applicable.

E. Other. If Customer attaches or uses third party equipment, software, and/or interfaces with any of the Agreement Products and Services, the Central Reservation System or the internet which have not been certified or approved by HSS as meeting HSS's specifications and/or does not conform to the standards provided by the HSS or if Customer installs other third party non-HSS proprietary software which has not been certified or approved by HSS as meeting HSS's specifications, the Agreement Products and Services or such third party equipment, software, and/or interfaces may need to be reconfigured and the entire cost of such reconfiguration will be borne by Customer. Where HSS specifications cannot be met with such third party equipment, software, and/or interfaces, such third party equipment, software and/or interfaces will, at Customer's sole cost, be removed and/or replaced as directed by HSS.

**1.11 HSS Representatives on-Site at Hotel:** Customer must have its representative(s) on-site at the Hotel for the implementation of the Agreement Products and Services. Once HSS's representatives are on-site, any delays will result in additional expense to Customer. If a delay in implementation of any of the Agreement Products and Services caused solely by Customer necessitates the departure and re-scheduling of HSS's representatives, then, in addition to the other fees set forth in this Order Document, Customer will be required to pay a fee consisting of charges for such representatives' work days and travel days (currently US\$700.00 per representative per day), change fees, and additional travel expenses. The re-scheduled date will be determined based on the needs of the Hotel as well as the availability of HSS's representatives.

## **2. Proprietary Software and PEP Maintenance.**

### **2.1 Proprietary Software and PEP Maintenance.**

A. HSS will provide Customer with Proprietary Software and PEP maintenance and support services (the "Proprietary Software Maintenance") for a term of one (1) year (with annual renewals thereafter at the option of HSS) commencing on the Order Effective Date. The annual fee, payable in monthly installments, is as follows:

**%SoftwareMaintTable%**

B. The first monthly payment will be invoiced in advance of the shipment date to the Hotel (the date of shipment being the "Start Date") of the Authorized Equipment purchased which will operate Proprietary Software to be maintained. For the avoidance of doubt, HSS has no obligation to provide Customer with maintenance, support or Help Desk services for any Certified Third Party Software; maintenance support and services for Certified Third Party Software is to be provided by the applicable Preferred Provider pursuant to the applicable Master Agreement. The Proprietary Software and PEP maintenance and support offered by HSS is described in Schedule A.

C. HSS is unable to modify, and does not provide support for, the Certified Third Party Software. Provided Customer has paid for all Proprietary Software Maintenance and other fees charged hereunder and satisfied all other obligations under the Agreement, HSS will supply Customer with any standard enhancements, improvements, updates, and/or modifications to the Proprietary Software and PEP ("Updates") generally made available by HSS as options or new releases to its Customers which are not charged for separately by HSS. Such Updates will be HSS's sole and exclusive property and will be deemed part of the Proprietary Software hereunder. Customer agrees that it may be required to purchase some Updates to the Proprietary Software and PEP, which are charged for separately by HSS, as well as additional hardware and/or software in order to utilize certain major upgrades or enhancements.

**2.2 Use of Certified Third Party Software Only.** In the event Customer uses or installs any third party software other than Certified Software on the Authorized Equipment or uses equipment that is not Authorized Equipment, HSS will have no further obligations to provide any Proprietary Software Maintenance services to Customer.

**2.3 Increases/Decreases.** HSS reserves the right to increase or decrease the Proprietary Software Maintenance cost on an annual basis to reflect increases or decreases in such costs and the addition or construction of additional guest rooms (or suites) by Customer for Customer's Hotel.

## **3. Additional Services.**

**3.1 Additional Services Purchased Under This Ordering Document.** HSS will provide the following additional Services (if any are listed) for the fees noted:

**%Misc%**

## **4. Authorized Equipment.**

**4.1 Authorized Equipment Purchased or Leased.** Customer will purchase or lease the Authorized Equipment required for the proper operation of the Hotel IT functionality identified by HSS. As of the Order Effective Date the purchasing and/or leasing fees for the Authorized Equipment described in Schedule B-1 – Authorized Equipment are:

### **AUTHORIZED EQUIPMENT**

#### **NETWORK AUTHORIZED EQUIPMENT:**

**%NetAuthEquipOne%**

#### **STANDARD PLUS EQUIPMENT:**

**%StdPlusEquipOne%**

The purchase fees will be invoiced by either HSS or the relevant Preferred Provider depending on the location of the Hotel and the source of the Authorized Equipment. Customer will be provided the specific information not later than 15 days following the Order Effective Date. Customer will purchase and replace any source, paper, ribbons, printer maintenance kits, toner and such other operating supplies as will be required for the operation of the Authorized Equipment, but Customer will utilize only such brands as are approved by HSS or the Authorized Equipment manufacturer.

**4.2. Authorized Equipment Maintenance.** Customer must purchase maintenance services as described in Schedule B-2 – Authorized Equipment Maintenance and Refresh for all of the Authorized Equipment it purchases or leases, including for all the Network Authorized Equipment when maintenance is not provided under the terms of the applicable Brand IT program. The fee for Authorized Equipment Maintenance includes a fee for Help Desk Services. As of the Order Effective Date Customer is purchasing Authorized Equipment Maintenance for the annual fee(s) shown, payable in monthly installments:

**%HardwareMaintTable%**

**5. Expenses.** If HSS or Preferred Provider personnel incur travel, lodging, meal, or any other out of pocket expenses in furnishing services hereunder, Customer will pay for or promptly reimburse HSS for same, subject to reasonable documentation of such expenses.

**6. Customer Responsibilities.** Customer will maintain on its staff at all times sufficient personnel that have been trained in and are knowledgeable about the use of the Information System in a professional, efficient and competent manner. Customer is responsible for maintaining duplicate or back-up copies of its software, data files and documentation. HSS will have no liability for any damages resulting from Customer’s failure to maintain such duplicate or back-up copies nor for any costs or expenses of reconstructing any such data or information that may be destroyed, impaired or lost.

**7. Exclusions.** HSS’s obligations under the Agreement will not apply to any errors, defects or problems caused in whole or in part by (i) any modifications or enhancements made to any Proprietary Software, Certified Third Party Software or Authorized Equipment by Customer or any third person or entity other than HSS; (ii) any software program, hardware, firmware, peripheral or communication device used in connection with the Information System which was not approved in advance in writing by HSS; (iii) the failure of Customer to follow the most current instructions promulgated by HSS or any third party vendor from time to time with respect to the proper use of the Information System; (iv) the failure of Customer to schedule regular preventive maintenance in accordance with standard HSS procedures; (v) forces or supplies external to the Authorized Equipment, including, without limitation, the reasons set forth in the force majeure provisions of the Agreement; and/or (vi) the negligence of Customer or any other third person or entity. Any corrections performed by HSS for any such errors, difficulties, or defects will be fixed, in HSS’s sole discretion, at HSS’s then current time and material charges. HSS will be under no obligation, however, to fix any such Customer or externally caused errors, defects or problems.

**8. Joinder Agreements.** Schedules C-1 and C-2 contain Joinder Agreements under which Customer can obtain products from Microsoft and reseller Insight Direct USA, respectively. Customer is required to sign those agreements if it is obtaining any products from those Preferred Providers in connection with this Order Document.

**9. Request for Products or Services.** The form to use when requesting products or services is contained in Schedule D – Form of Request for Products or Services.

**10. Notices.** Questions and notices regarding this Order Document should be directed to:

The Attention of:	Scott Greenberg
Address:	Hilton System Solutions LLC 755 Crossover Lane Memphis, Tennessee 38117
Telephone Number:	(901) 374-5510
Email Address:	Scott.Greenberg@hilton.com

**SCHEDULE A  
SOFTWARE MAINTENANCE**

1. General. HSS will provide Customer with maintenance and support for Proprietary Software and PEP for a term of one (1) year (with annual renewals at the option of HSS) commencing upon execution hereof, for the Proprietary Software and PEP, specifically excluding any maintenance and support of any Certified Third Party Software.

2. Certified Third Party Software Only. Customer understands that the use of any software other than that provided by HSS pursuant to this Agreement, unless such additional third party software has been approved in writing by the HSS Information Technology Department, is not warranted for use on the Authorized Equipment. In the event Customer uses or installs any third party software other than Certified Software on the Authorized Equipment or uses equipment that is not Authorized Equipment, HSS will have no further obligations to provide any software maintenance services to Customer hereunder.

3. Software Maintenance.

(a) Customer acknowledges and understands that HSS is unable to modify the Certified Third Party Software. HSS does not provide support the Certified Third Party Software. In the event Customer notifies HSS of any condition which Customer believes constitutes a breach of any warranty provided by a third party vendor or a defect in Certified Third Party Software, HSS will, upon Customer's request, provide reasonable cooperation and assistance in notifying such third party vendor of such condition and in urging such third party vendor to correct such condition.

(b) With respect to the Proprietary Software and PEP, provided Customer has paid all software maintenance and other fees and satisfied all other obligations under this Agreement, HSS will supply Customer with access to any standard enhancements, improvements, updates, and/or modifications to the Proprietary Software and PEP generally made available by HSS as options or new releases to its Customers which are not charged for separately by HSS as options or new releases. Such enhancements, improvements, updates, additions, and/or modifications which are supplied by HSS to Customer, and all Intellectual Property Rights therein, will be HSS's sole and exclusive property and will be deemed part of the Proprietary Software hereunder and will be subject to all of the terms and conditions of the Agreement. Customer acknowledges and agrees that Customer may be required to purchase some enhancements, improvements, updates, and/or modifications to the Proprietary Software and PEP which Customer will be charged for separately by HSS, as well as additional hardware and/or software in order to utilize certain major upgrades or enhancements.

4. Cooperation. Customer will provide HSS with all information, data and other required materials necessary for HSS to reproduce any problem identified by Customer. Customer will maintain for the term of this Agreement a modem and dial-up telephone line and a facsimile machine or other electronic communication capability mutually acceptable to both parties to facilitate HSS's ability to perform its maintenance services remotely.

5. Expenses. Customer will pay for all telephone toll charges incurred in providing maintenance and support hereunder.

6. Proprietary Rights. Any changes, improvements, additions, and/or modifications to any of the Proprietary Software or PEP which are licensed by HSS to Customer, and all proprietary rights therein, including without limitation, all Intellectual Property Rights, will be HSS's sole and exclusive property, and all such software will be subject to the terms and conditions of the Agreement.

7. Hotline. HSS will provide, in accordance with its customary business practices and procedures, telephone customer service support as reflected in this Schedule, for the purposes of receiving reports from Customer regarding software malfunctions subject to maintenance hereunder. HSS may attempt, to the extent practical, to resolve any reported problems by telephone or by accessing Customer's equipment remotely.

8. On-Site Services. In the event HSS is unable to resolve any reported problem by telephone or modem, HSS will dispatch service personnel to Customer's Site for the purpose of providing maintenance services hereunder at HSS's standard rates and charges.

9. Customer Responsibilities. HSS has no obligation to maintain or repair any software other than the Proprietary Software or PEP, nor to repair or replace any expendable or consumable components such as ribbons, paper, toner cartridges, print wheels, drums, batteries, or diskettes.

10. Cost and Payment Terms. Annual Cost of Software Maintenance is \$%AnnualSWMaint%. Payments will be calculated from the Start Date, payable in monthly installments of \$%MonthlySWMaint%. The monthly payment amount will be due in advance and will be billed by HSS. Interest at the then current highest rate allowed will be charged for any payments made by Customer after the payment due date (thirty (30) days after billing).

Travel expenses, per diem fees and related costs for any on-site maintenance will be billed separately.

HSS reserves the right to increase or decrease the Software Maintenance cost on an annual basis to reflect increases or decreases in such cost internally and from the Preferred Providers of such services and to reflect the addition or construction of additional guest rooms (or suites) by Customer for Customer's Hotel.



**SCHEDULE B-1  
AUTHORIZED EQUIPMENT**

The term Authorized Equipment includes (i) the equipment needed by Customer at Customer's hotel, as determined solely by HSS, for the Customer's use of the Proprietary Software (the "Network Authorized Equipment") (ii) and any additional equipment authorized by HSS for use at Customer's hotel, over and above the Network Authorized Equipment (the "Standard Plus Equipment").

1. **Authorized Equipment Purchase.** Customer may purchase the Authorized Equipment from the Preferred Provider who may provide a joinder agreement with Customer or from another retailer; however, if such Authorized Equipment is obtained from another retailer, it must conform to HSS's specifications. Furthermore, if Customer elects to purchase such Authorized Equipment from a third party other than the Preferred Provider, the file server and work stations must be shipped to HSS or its designee for certification that these components comply with HSS's specifications and testing procedures. Customer will also be responsible for the shipping and shipping related costs to and from HSS or its designee for such certifications.

2. **Authorized Equipment As Personal Property/Insurance Requirements.** In addition to any other specific purchase terms required by the Preferred Provider, the following purchase terms and conditions will apply to any Authorized Equipment obtained from a Preferred Provider or HSS. The Authorized Equipment will be at all times, personal property which will not, by reason of connection to the Hotel, become a fixture or appurtenance to the Hotel, and until such time as Customer or its designated third party pays to the Preferred Provider the total sum for the Authorized Equipment as required hereunder, the Authorized Equipment will remain the property of the Preferred Provider, and title will remain with the Preferred Provider, free from any claims of Customer or the holder of any lien or encumbrance on the Hotel and/or any other property of Customer. Customer will maintain fire, extended coverage, vandalism, and malicious mischief insurance on the Authorized Equipment in an amount not less than the purchase price of the Authorized Equipment. Said insurance will name HSS as an additional insured. For so long as this obligation remains in effect, Customer will furnish to HSS a certificate of the insurance carrier describing the terms and coverage of the insurance in force, the persons insured, and the fact that the coverage may not be canceled, altered or permitted to lapse or expire without thirty (30) days advance written notice to HSS. Upon payment in full, title to the Authorized Equipment will vest in the Customer and will be free and clear of the above requirements relating to insurance and of all of the Preferred Provider's liens, claims and encumbrances and the Authorized Equipment will become the sole property of Customer. Customer assumes the expense of delivery and in-transit insurance for the Authorized Equipment.

3. Authorized Equipment.

**NETWORK AUTHORIZED (PROGRAM FUNDED) EQUIPMENT:**

**%NetAuthEquipOne%**

**STANDARD PLUS (HOTEL FUNDED) EQUIPMENT:**

**%StdPlusEquipOne%**

**SCHEDULE B-2  
AUTHORIZED EQUIPMENT MAINTENANCE AND REFRESH**

1. Maintenance for the Authorized Equipment. Customer must take all steps necessary to provide all necessary maintenance services for the Authorized Equipment it purchases or leases so that it will receive such maintenance services for all such Authorized Equipment throughout the term of this Agreement. Customer may elect to use the maintenance company (the Preferred Provider) with whom HSS has arranged to provide maintenance services (“Equipment Maintenance”) for the Authorized Equipment provided that such Authorized Equipment, if not purchased from the Preferred Provider, is first certified as being suitable for Equipment Maintenance, at the expense of Customer, by either HSS or the Preferred Provider. For such services, the Customer will pay as set forth in this Schedule B-2 (the “Maintenance Fees”) and according to the terms of any invoice(s) submitted to Customer therefor, including any provision for late charges. If Customer elects to use the Preferred Provider and Equipment Maintenance is necessary, Customer will notify HSS, which in turn will notify the Preferred Provider to dispatch a Preferred Provider representative. Notwithstanding the foregoing, Customer may elect, subject to HSS’s approval in advance in writing, to not provide maintenance services through this Agreement for certain pieces of such Authorized Equipment allowed to be used in conjunction with the Information System (“Non-maintained Equipment”). Neither HSS nor the Preferred Provider will be responsible for any maintenance or support of Non-maintained Equipment.

The following Authorized Equipment will be designated Non-maintained Equipment:

**%OptOutMaint%**

2. Maintenance Fees. The Maintenance Fees are subject to increase or decrease by HSS, in its sole discretion, on January 1 of each year during the term of this Agreement or any extension thereof; however, HSS will not charge Customer any Maintenance Fees that are greater than the Maintenance Fees charged to any similarly situated Customer (based upon factors determined by HSS in its sole judgment) utilizing equipment substantially similar to the Authorized Equipment and pursuant to an agreement which has terms and conditions substantially similar to this Agreement. No maintenance fees will be charged to Customer for any Non-maintained Equipment as described in Section 1 above.

3. Refresh of Authorized Equipment. Under HSS’s refreshment program, Customer will be responsible for and will pay for all fees and costs for the replacement or refreshment of the Authorized Equipment in HSS’s sole discretion (“Refresh”) on an approximate three (3) year cycle, starting approximately three (3) years after the initial shipment of such Authorized Equipment and for the provision of maintenance services by the Preferred Provider on such refreshed equipment. The terms and conditions of the Authorized Equipment maintenance services for such equipment (included in such initial Refresh and included in any additional Refresh or Refreshes of Customer’s Authorized Equipment) will be the same as the terms and conditions of this Schedule B-2, including, but not limited to, the imposition of termination fees as described hereinafter, provided that the Maintenance Company may exclude from its maintenance obligations certain errors, defects or problems caused by Customer. Customer’s Refresh will be timed to occur prior to the end of the three (3) year cycle. If Customer fails to meet HSS’s timeline for such Refresh, including order dates for equipment and software, Customer will be responsible for all fees and costs incident to such delay, including, but not limited to, any rent extension costs on Network Authorized Equipment and higher fees and costs for equipment maintenance and software maintenance.

4. Termination. If this Agreement is terminated (or if Customer’s use of the Preferred Provider is terminated) prior to the third anniversary of the Start Date, which will be the shipment date of the Authorized Equipment to Customer’s Hotel, Customer will pay to HSS a termination fee which is designed to reimburse the Preferred Provider and/or HSS in part for any one or more of the following: reconfiguration costs, the unamortized fees and costs in the start-up and provision of maintenance services by the Preferred Provider under this Agreement. If such termination occurs during the first year following the Start Date, the termination fee will be in the amount of \$3600.00. If such termination occurs during subsequent years following such Start Date, the termination fee will be as follows:

During second year	\$2,600
During third year	\$1,300
Thereafter	\$1,200

Provided, however, if this Agreement is terminated, or if the Customer’s use of the Preferred Provider is terminated after a Customer Refresh of Authorized Equipment, the termination fee will depend upon the period elapsed after the Start Date applicable to shipment of such Authorized Equipment for each successive Customer Refresh as follows:

During first year	\$3,800
During second year	\$2,800
During third year	\$1,400
Thereafter	\$1,200

5. Use of Certified Software Only. Customer understands that use of any software other than the Proprietary Software and Certified Third Party Software provided by HSS pursuant to this Agreement, unless such additional third party software has been approved in writing by the HSS Information Technology Department, is not warranted for use on the Authorized Equipment. In the event Customer

uses or installs any third party software other than Certified Third Party Software or such approved software on the Authorized Equipment, HSS will have no further obligations to provide any equipment maintenance services to Customer hereunder.

6. Equipment Maintenance. Equipment Maintenance will be provided for Customer's Hotel.

7. Cost and Payment Terms. Annual Cost of Equipment Maintenance for Authorized Equipment is \$%AnnualHWMaint% payable in monthly installments of \$%MonthlyHWMaint% per month. Payments will be calculated from the Start Date. The monthly payment amount will be due in advance and will be billed by HSS or its designee. The first invoice will be issued upon the Start Date. Interest at the then current highest rate allowed by applicable state law will be charged for any payments made by Customer after the payment due date (thirty (30) days after billing).

Travel expenses, per diem fees and related costs for any on-site maintenance will be billed separately.

HSS reserves the right to increase or decrease the Equipment Maintenance cost on an annual basis as provided in Section 2 above. When certain Authorized Equipment or parts for certain Authorized Equipment are no longer being manufactured or reasonably obtainable, HSS or the Preferred Provider will notify Customer of such circumstance and maintenance on such Authorized Equipment will no longer be available. After such notice, Customer will no longer be charged for maintenance on such Authorized Equipment.

8. Customer Responsibilities as to Equipment Maintenance. Customer will maintain on its staff at all times sufficient personnel that have been trained in and are knowledgeable about the use of the Information System in a professional, efficient and competent manner. Customer is responsible for maintaining duplicate or back-up copies of its software, data files and documentation and Certified Third Party Software. Neither HSS nor Preferred Provider will have any liability for any damages resulting from Customer's failure to maintain such copies nor for any costs or expenses of reconstructing any data or information that may be destroyed, impaired or lost. Neither HSS nor Preferred Provider has any obligation to maintain or repair any equipment other than the Authorized Equipment, nor to repair or replace any cables, cords, expendable or consumable components such as ribbons, paper, toner cartridges, print wheels, drums, batteries, or diskettes, whether or not defined as Authorized Equipment. Customer will not move or perform maintenance services on any of such Authorized Equipment without HSS's or Preferred Provider's prior written consent.

9. Cooperation. Customer will provide HSS or Preferred Provider with all information, data and other required materials necessary to reproduce any problem identified by Customer. Customer will maintain for the term of this Agreement a modem and dial-up telephone line and a facsimile machine or other electronic communication capability mutually acceptable to both parties to facilitate the ability to perform the Equipment Maintenance services remotely.

In some instances, Equipment Maintenance will be provided using a depot program, where Customer ships failed Authorized Equipment to the depot when Customer receives replacement of such Authorized Equipment. If Customer does not ship such failed equipment, Customer will be responsible for any unreturned equipment charges billed by HSS, the Preferred Provider or the depot program provider.

10. Expenses. If Equipment Maintenance personnel incur travel, lodging, meal, or any other out of pocket expenses in furnishing the services hereunder, Customer will pay for or promptly reimburse HSS for same, subject to reasonable documentation of such expenses. Customer will also pay for all telephone toll charges incurred in providing maintenance and support hereunder.

11. Exclusions. The obligation of HSS or the Preferred Provider to provide Equipment Maintenance hereunder will not apply to any Non-maintained Equipment nor to any errors, defects or problems caused in whole or in part by (i) any modifications or enhancements made to any Proprietary Software or Certified Third Party Software by Customer or any third person or entity other than HSS or its designee; (ii) any software program, hardware, cables, cords, firmware, peripheral or communication device used in connection with the Information System which was not approved in advance in writing by HSS; (iii) the failure of Customer to follow the most current instructions promulgated by HSS or any third party vendor from time to time with respect to the proper access to or any use of the Information System; (iv) the failure of Customer to schedule regular preventive maintenance in accordance with standard HSS procedures; (v) any such Authorized Equipment that is non-repairable, taken out of service or for which any such Authorized Equipment or parts for same are no longer manufactured or reasonably available; (vi) forces or supplies external to such Authorized Equipment, including, without limitation, the reasons set forth in the Force Majeure section of the HITS Agreement; and/or (vi) the negligence of Customer or any other third person or entity. Any corrections performed by HSS for any such errors, difficulties, or defects will be fixed, in HSS's or Preferred Provider's discretion, at the then applicable current time and material charges. Neither HSS nor the Preferred Provider will be under any obligation, however, to fix any such Customer or externally caused errors, defects or problems.

**SCHEDULE C-1  
MICROSOFT PARTICIPATION AGREEMENT**

This Participation Agreement is entered into by the party signing below (“you” or “Customer Affiliate”) for the benefit of the Microsoft affiliate (“Microsoft” and “we”) and will be enforceable against you by Microsoft in accordance with its terms. You acknowledge that Microsoft and Hilton Worldwide Inc. (“Customer”) have entered into *Microsoft Enterprise Enrollment*, No. 68436885 (the “agreement”), under which you desire to sublicense certain Microsoft products. As used in this Participation Agreement, the term to “run” a product means to copy, install, use, access, display, run or otherwise interact with it. You acknowledge that your right to run a copy of any version of any product sublicensed under the agreement is governed by the applicable product use rights for the product and version licensed as of the date you first run that copy. Such product use rights will be made available to you by the customer, or by publication at a designated site on the World Wide Web, or by some other means. Microsoft does not transfer any ownership rights in any licensed product and it reserves all rights not expressly granted.

1. **Acknowledgment and Agreement.** You hereby acknowledge that you have obtained a copy of the product use rights located at <http://microsoft.com/licensing/resources/> applicable to the products acquired under the above-referenced agreement; you have read and understood the terms and conditions as they relate to your obligations; and you agree to be bound by such terms and conditions, as well as to the following provisions:

a. **Restrictions on use.** You may not:

- (i) Separate the components of a product made up of multiple components by running them on different computers, by upgrading or downgrading them at different times, or by transferring them separately, except as otherwise provided in the product use rights;
- (ii) Rent, lease, lend or host products, except where Microsoft agrees by separate agreement;
- (iii) Reverse engineer, de-compile or disassemble products or fixes, except to the extent expressly permitted by applicable law despite this limitation;

Products, fixes and service deliverables licensed under this agreement (including any license or services agreement incorporating these terms) are subject to U.S. export jurisdiction. You must comply with all domestic and international export laws and regulations that apply to the products, fixes and service deliverables. Such laws include restrictions on destinations, end-user, and end-use for additional information, see <http://www.microsoft.com/exporting/>.

b. **Limited product warranty.** Microsoft warrants that each version of a commercial product will perform substantially in accordance with its user documentation. This warranty is valid for a period of one year from the date you first run a copy of the version. To the maximum extent permitted by law, any warranties imposed by law concerning the products are limited to the same extent and the same one year period. This warranty does not apply to components of products which you are permitted to redistribute under applicable product use rights, or if failure of the product has resulted from accident, abuse or misapplication. If you notify Microsoft within the warranty period that a product does not meet this warranty, then Microsoft will, at its option, either (1) return the price paid for the product or (2) repair or replace the product. To the maximum extent permitted by law, this is your exclusive remedy for any failure of any commercial product to function as described in this paragraph.

c. **Free and beta products.** To the maximum extent permitted by law, free and beta products, if any, are provided “as-is,” without any warranties. You acknowledge that the provisions of this paragraph with regard to pre-release and beta products are reasonable having regard to, among other things, the fact that they are provided prior to commercial release so as to give you the opportunity (earlier than you would otherwise have) to assess their suitability for your business, and without full and complete testing by Microsoft.

d. **NO OTHER WARRANTIES.** TO THE EXTENT PERMITTED BY APPLICABLE LAW, MICROSOFT DISCLAIMS AND EXCLUDES ALL REPRESENTATIONS, WARRANTIES AND CONDITIONS, WHETHER EXPRESS, IMPLIED OR STATUTORY, OTHER THAN THOSE IDENTIFIED EXPRESSLY IN THIS AGREEMENT, INCLUDING WITHOUT LIMITATION WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, SATISFACTORY QUALITY, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO THE PRODUCTS AND RELATED MATERIALS. MICROSOFT WILL NOT BE LIABLE FOR ANY PRODUCTS PROVIDED BY THIRD PARTY VENDORS, DEVELOPERS OR CONSULTANTS IDENTIFIED OR REFERRED TO YOU BY MICROSOFT UNLESS SUCH THIRD PARTY PRODUCTS ARE PROVIDED UNDER WRITTEN AGREEMENT BETWEEN YOU AND MICROSOFT, AND THEN ONLY TO THE EXTENT EXPRESSLY PROVIDED IN SUCH AGREEMENT.

e. **Defense of infringement and misappropriation claims.** We will defend you against any claims, made by an unaffiliated third party, that any commercial product, fix or service deliverable infringes its patent, copyright or trademark or misappropriates its trade secret, and will pay the amount of any resulting adverse final judgment (or settlement to which we consent):

You must notify us promptly in writing of the claim and give us sole control over its defense or settlement. You agree to provide us with reasonable assistance in defending the claim, and we will reimburse you for reasonable out of pocket expenses that you incur in providing that assistance. The terms “misappropriation” and “trade secret” are used as defined in the Uniform Trade Secrets Act, except in the case of claims arising under any license agreement governed by the laws of any jurisdiction outside the United States, in which case “misappropriation” will mean intentionally unlawful use and “trade secret” will mean “undisclosed information” as specified in Article 39.2 of the TRIPs agreement.

Our obligations will not apply to the extent that the claim or adverse final judgment is based on (i) your running of the product or fix after we notify you to discontinue running due to such a claim; (ii) your combining the product or fix with a non-Microsoft

product, data or business process; (iii) damages attributable to the value of the use of a non-Microsoft product, data or business process; (iv) your altering the product or fix; (v) your distribution of the product or fix, or its use for the benefit of, any third party; (vi) your use of our trademark(s) without express written consent to do so; or (vii) for any trade secret claim, your acquiring a trade secret (a) through improper means; (b) under circumstances giving rise to a duty to maintain its secrecy or limit its use; or (c) from a person (other than us or our affiliates) who owed to the party asserting the claim a duty to maintain the secrecy or limit the use of the trade secret. You will reimburse us for any costs or damages that result from these actions.

If we receive information concerning an infringement claim related to a commercial product or fix, we may, at our expense and without obligation to do so, either (i) procure for you the right to continue to run the allegedly infringing product or fix, or (ii) modify the product or fix or replace it with a functional equivalent, to make it non-infringing, in which case you will stop running the allegedly infringing product or fix immediately. If, as a result of an infringement claim, your use of a commercial product or fix is enjoined by a court of competent jurisdiction, we will, at our option, either procure the right to continue its use, replace it with a functional equivalent, modify it to make it non-infringing, or refund the amount paid and terminate the license for the infringing product or fix.

If any other type of third party claim is brought against you regarding our intellectual property, you must notify us promptly in writing. We may, at our option, choose to treat these claims as being covered by this section. This Section e provides your exclusive remedy for third party infringement and trade secret misappropriation claims.

**f. Limitation of liability.** There may be situations in which you have a right to claim damages or payment from Microsoft. Except as otherwise specifically provided in this paragraph, whatever the legal basis for your claim, Microsoft's liability will be limited, to the maximum extent permitted by applicable law, to direct damages up to the amount you have paid for the product giving rise to the claim. In the case of free product, or code you are authorized to redistribute to third parties without separate payment to Microsoft, Microsoft's total liability to you will not exceed US\$5000, or its equivalent in local currency. The limitations contained in this paragraph will not apply with respect to the following in connection with the performance of the agreement:

(i) our obligations to defend third party claims of patent, copyright or trademark infringement or trade secret misappropriation, and to pay damages resulting from any final adjudication (or settlement to which we consent) of such claims;

(ii) our liability for damages for gross negligence or willful misconduct, to the extent caused by us or our agent and awarded by a court of final adjudication; and

**g. No liability for certain damages.** To the maximum extent permitted by applicable law, neither you, your affiliates or suppliers, nor Microsoft, its affiliates or suppliers will be liable for any indirect damages (including, without limitation, consequential, special or incidental damages, damages for loss of profits or revenues, business interruption, or loss of business information) arising in connection with any agreement, product, or fix, even if advised of the possibility of such damages or if such possibility was reasonably foreseeable. This exclusion of liability does not apply to either party's liability to the other for violation of the other party's intellectual property rights.

**h. Application.** The limitations on and exclusions of liability for damages set forth herein apply regardless of whether the liability is based on breach of contract, tort (including negligence), strict liability, breach of warranties, or any other legal theory.

**i. Verifying compliance.** You must keep records relating to the products you run. Microsoft has the right to verify compliance with these terms and any applicable product use rights, at its expense, during the term of the enrollment and for a period of one year thereafter. To do so, Microsoft will engage an independent accountant from a nationally recognized public accounting firm, which will be subject to a confidentiality obligation. Verification will take place upon not fewer than 30 days notice, during normal business hours and in a manner that does not interfere unreasonably with your operations. As an alternative, Microsoft may require you to accurately complete its self-audit questionnaire relating to the products you use. If verification or self-audit reveals unlicensed use of products, you must promptly order sufficient licenses to permit all product usage disclosed. If material unlicensed use is found (license shortage of 5% or more), you must reimburse Microsoft for the costs it has incurred in verification and acquire the necessary additional licenses as single retail licenses within 30 days. If Microsoft undertakes such verification and does not find material unlicensed use of products, it will not undertake another such verification for at least one year. Microsoft and its auditors will use the information obtained in compliance verification only to enforce its rights and to determine whether you are in compliance with these terms and the product use rights. By invoking the rights and procedures described above, Microsoft does not waive its rights to enforce these terms or the product use rights, or to protect its intellectual property by any other means permitted by law.

**j. Dispute Resolution; Applicable Law.** This Participation Agreement will be governed and construed in accordance with the laws of the jurisdiction whose law governs the agreement. You consent to the exclusive jurisdiction and venue of the state and federal courts located in such jurisdiction. This choice of jurisdiction does not prevent either party from seeking injunctive relief with respect to a violation of intellectual property rights in any appropriate jurisdiction. The 1980 United Nations Convention on Contracts for the International Sale of Goods and its related instruments will not apply to this agreement or any license entered into with Microsoft or its affiliates under this agreement.

Your violation of the above-referenced terms and conditions will be deemed to be a breach of this Participation Agreement and will be grounds for immediate termination of all rights granted hereunder.

Dated as of %HotelApprovedDate%.

**CUSTOMER:**

%LegalEntity%

By: \_\_\_\_\_  
          %HotelApproverSignature%

Name: \_\_\_\_\_  
          %HotelApproverName%

Title: \_\_\_\_\_  
          %HotelApproverTitle%

Date: \_\_\_\_\_  
          %HotelApprovedDate%

**SCHEDULE C-2  
JOINDER TO PREFERRED PROVIDER AGREEMENT**

The undersigned HSS Customer is acting as an Eligible Recipient (as defined in the Agreement) to acquire Products (as defined in the Agreement) under the terms of the Master Professional Products and Services Agreement, including any amendments and Supplements entered into thereunder (the "Insight Agreement") between Hilton Domestic Operating Company Inc, the successor in interest to Hilton Worldwide, Inc. ("HDOC") and Insight Direct USA, Inc. ("Preferred Service Provider"). As such Eligible Recipient, the undersigned joins in the Insight Agreement for the limited purpose of acknowledging and agreeing to be bound by and receive the benefits of the terms of the Insight Agreement to the extent of the rights, duties and responsibilities of an Eligible Recipient provided therein. The Eligible Recipient acknowledges and agrees that any dispute arising out of or relating to the Insight Agreement and any Products or Services provided by Preferred Service Provider to the Eligible Recipient will be resolved in accordance with **Article 19** of the Insight Agreement. HDOC will have the right to enforce the Insight Agreement on behalf of the Eligible Recipient, subject to the limitations of liability applicable under the Insight Agreement, and Eligible Recipient will bring no claim directly against HDOC or Preferred Service Provider in connection with the Insight Agreement, except for Eligible Recipient's right to seek indemnity against Preferred Service Provider under the express provisions of **Sections 17.1** and **17.3** of the Insight Agreement. HDOC will be a third party beneficiary of this Joinder and the Information Technology System Agreement between Eligible Recipient and Hilton Systems Solutions, LLC. For the avoidance of doubt, except as set forth in the preceding sentence, this Joinder and the Information Technology System Agreement are for the sole benefit of the Eligible Recipient and Hilton Systems Solutions, LLC, and will not be deemed to create any third party beneficiary rights for any person other than the Eligible Recipient and Hilton Systems Solutions, LLC.

**IN WITNESS WHEREOF**, the Eligible Recipient, acting through its duly authorized officer or representative, has executed this Joinder, on **%HotelApprovedDate%**.

**CUSTOMER:**

**%LegalEntity%**

By: **%HotelApproverSignature%** \_\_\_\_\_

Name: **%HotelApproverName%** \_\_\_\_\_

Title: **%HotelApproverTitle%** \_\_\_\_\_

Date: **%HotelApprovedDate%** \_\_\_\_\_

**SCHEDULE D  
FORM OF REQUEST FOR PRODUCTS OR SERVICES**

Date:  
INNCODE  
Name of Customer:  
Address of Customer:

Dear :

This Letter Agreement ("**Letter Agreement**") confirms your request to purchase, lease, use, license or sublicense ("**Acquire**") additional software and/or services in order to add options, features and/or systems ("**Additions**") to the Information System, and will constitute an amendment to the existing Hilton Information Technology System Agreement previously entered into between ("**Customer**") and Hilton Systems Solutions, LLC ("**HSS**") dated (the "**Agreement**").

It is agreed that you will Acquire the Additions and that you will be billed by HSS or the applicable vendor for the Additions, as listed below. The effective date of billing on the new items will be the date the equipment is shipped, the date upon which you Acquire the Additions, and/or the date upon which you request the Additions, whichever is earliest.

QTY	ITEM OF /SOFTWARE/EQUIPMENT	FEES/COSTS	MONTHLY MAINT.
<hr/>			
<b>TOTAL PRICE</b>			

The prices shown above exclude taxes, travel expenses, *per diem* fees, related costs, insurance and shipping.

**Travel Expenses / Per Diem Fees/Rescheduling**

If the Additions require travel by HSS and/or the applicable vendor, you will pay for or promptly reimburse any travel expenses, *per diem* fees and related costs of HDOC, HSS, any vendor hereunder or their designees, including without limitation: round-trip airfare (due to frequent scheduling changes, HSS is often unable to book airline tickets more than one week in advance of travel); single room accommodations (if the Hotel cannot provide accommodations, comparable accommodations will be utilized); meals; ground transportation (all ground transportation required to get to and from the Hotel as well as transportation used during HSS' representatives' stay at the Hotel); tips; taxes; and miscellaneous expenses (including phone, internet, laundry, etc.)

Promptly following HSS' providing of the services described in this schedule where not previously paid for or reimbursed by hotel, an invoice will be submitted to Customer for HSS' representatives' out-of-pocket expenses, any additional *per diem* charges for its representatives, any re-scheduling fee, and any additional travel expenses as described herein, which invoice will be payable within fifteen days of Customer's receipt of same.

**Notes:**

If Customer attaches or uses third party equipment and/or interfaces with the Authorized Equipment which have not been certified or approved by HSS as meeting HSS' specifications and/or does not conform to the standards provided by the supplier of any of the Agreement Products and Services or if Customer installs other third party non-HSS proprietary software which has not been certified or approved by HSS as meeting HSS' specifications on the equipment or that does not conform to the standards provided by the supplier of any of the Agreement Products and Services, the software may need to be reconfigured and the entire cost of the reconfiguration will be borne by Customer.

All fees indicated are exclusive of applicable taxes (see Agreement sections on taxes). Unless otherwise specified by HSS in writing, Customer will make all payments in United States dollars to HSS or any other party designated by HSS in its sole discretion. Customer will pay according to the terms of any invoice(s) submitted to Customer therefore, including any provision for late charges, the fee for the installation of any telephone line(s) or wide area network connection(s) necessary for connection of the Authorized Equipment.

Customer will purchase and replace, from any source, paper, ribbons, printer maintenance kits, toner and such other operating supplies as will be required for the operation of the Authorized Equipment, but Customer will utilize only such brands as are approved by HSS or the Authorized Equipment manufacturer.

Upon HSS' receipt of a copy of this Letter Agreement signed by a duly authorized representative of Customer, the Agreement will be deemed to have been automatically amended to incorporate the items of this Letter Agreement. Customer agrees that Customer's delivery to HSS by facsimile transmission of this Letter Agreement will be deemed to be as effective for all purposes as hand delivery of the manually executed Letter Agreement and that the terms of this Letter Agreement will be binding upon Customer without the necessity of any further action by HSS. This Letter Agreement will be effective as of the date inserted by Customer below.

Customer may be required to sign additional license agreements with the vendors or licensors of Certified Third Party Software.

Certain Other Equipment (for orders of \$5,000 or greater) may be leased by Customer. Any such leases will be entered into between Customer and the applicable lessor. Neither HSS nor Hilton will be a party to such leases.



In addition to any other specific purchase terms required by a retailer of the Additions, the following purchase terms and conditions will apply to any Other Equipment obtained from a Preferred Provider (as that term is defined in the Agreement. The Other Equipment will be at all times, personal property which will not, by reason of connection to the Hotel, become a fixture or appurtenance to the Hotel, and until such time as Customer or its designated third party pays to the Preferred Provider the total sum for the Other Equipment as required hereunder, the Other Equipment will remain the property of the Preferred Provider, and title will remain with the Preferred Provider, free from any claims of Customer or the holder of any lien or encumbrance on the Hotel and/or any other property of Customer. Customer will maintain fire, extended coverage, vandalism, and malicious mischief insurance on the Other Equipment. Said insurance will name HSS as an additional insured. For so long as this obligation remains in effect, Customer will furnish to HSS a certificate of the insurance carrier describing the terms and coverage of the insurance in force, the persons insured, and the fact that the coverage may not be canceled, altered or permitted to lapse or expire without thirty (30) days advance written notice to HSS. Upon payment in full, title to the Other Equipment will vest in the Customer and will be free and clear of the above requirements relating to insurance and of all of the Preferred Provider's liens, claims and encumbrances and the Other Equipment will become the sole property of Customer.

NEITHER THE AUTHORIZED EQUIPMENT NOR THE PROPRIETARY SOFTWARE OR CERTIFIED THIRD PARTY SOFTWARE WILL BE SHIPPED, NOR WILL CUSTOMER HAVE USE OF THE PROPRIETARY SOFTWARE MODULE OR ANY EQUIPMENT LISTED IN THIS LETTER AGREEMENT UNTIL HSS RECEIVES A COPY OF THIS LETTER AGREEMENT SIGNED BY CUSTOMER.

To indicate Customer's acceptance of this Letter Agreement, please have it signed by an authorized representative of Customer and return it to me. Upon HSS' receipt of the executed Letter Agreement, you will be advised of the shipment and installation dates.

If you have any questions, please contact me at \_\_\_\_\_.

Sincerely,

**HSS**  
**Hilton System Solutions, LLC**

**CUSTOMER:**

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

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

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

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

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

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

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

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

**SCHEDULE L**  
**SPARK by Hilton and H3 by Hilton AUTHORIZED EQUIPMENT REFRESH**

In connection with the Information Technology Systems Agreement (the “HITS Agreement”) entered into between HSS and Customer for Customer’s Hotel (and if applicable, in anticipation of the Hotel’s conversion and rebranding as a TRU by Hilton or Spark Brand Hotel), Customer provided the Authorized Equipment as defined in the HITS Agreement needed, as determined solely by HSS, for the network operation of PEP licensed by HSS, all as described in the HITS Agreement, for the internal operation of Customer’s Hotel.

In order that Customer’s Authorized Equipment will maintain compatibility with PEP and with updates to such software and in an effort to minimize Customer’s expenditures for maintenance and repair associated with older, out of warranty equipment, HSS plans for Customer’s Authorized Equipment to be replaced or refreshed by Customer on an approximate three (3) year cycle, commencing approximately three (3) years following Customer’s initial shipment of Authorized Equipment (the “Refresh”). Customer’s Refresh will be timed to occur prior to the end of the three (3) year cycle. If Customer fails to meet HSS’s timeline for such Refresh, including order dates for equipment and software, Customer will be responsible for all fees and costs incident to such delay, including, but not limited to, rent extension costs on Network Authorized Equipment and higher fees and costs for equipment maintenance and software maintenance.

Accordingly, in conjunction with any Refresh, Customer commits to the following:

1. Equipment Acquisition and Installation. Customer will provide by purchase or lease the Authorized Equipment for use by Customer’s Hotel, including, but not limited to, that required for any Refresh, together with shipping and transportation costs for such equipment. Customer is responsible for the fees and costs for installation services relative to all such Authorized Equipment as well as any other equipment (as described in the HITS Agreement) used by Customer.

2. Customer’s Additional Obligations. Customer will:

- (a) Perform all of its obligations under the HITS Agreement (including any amendments thereto), including, but not limited to, being fully responsible for maintenance of the Authorized Equipment using the designated Preferred Provider as defined in the HITS Agreement.
- (b) Obtain and keep current insurance on the Authorized Equipment against all risks for the approximate value of the Authorized Equipment
- (c) Pay any and all taxes (such as personal property and sales taxes) incident to the Authorized Equipment.
- (d) Pay for any and all de-installation, transportation and disposal costs of any Authorized Equipment currently being used by Customer’s Hotel at the time of installation by Customer of any new Authorized Equipment. It is also Customer’s responsibility to handle the return to Customer’s lessor of all such de-installed equipment in accordance with Customer’s current lease terms. Customer will be solely responsible for any missing, bad or damaged equipment.
- (e) Preserve and protect the Authorized Equipment from loss, damage or theft.
- (f) Not use any unauthorized backup in connection with the Authorized Equipment.
- (g) Make no unapproved repairs nor perform any unauthorized service to the Authorized Equipment.
- (h) Not allow any other equipment or software to be added to PEP, the Proprietary Software and/or Authorized Equipment without prior specific written permission of HSS.
- (i) Allow the removal and future refreshment of Authorized Equipment at such time and in such manner as may be determined by HSS in its sole discretion

3. Customer’s Conditions. Any Refresh is conditioned on the following:

- (a) Customer’s Hotel remains in the TRU by Hilton Brand division or Spark Brand division of Hilton Domestic Operating Company Inc. (“HDOC”) or its affiliate or subsidiary (after conversion and rebranding if applicable).
- (b) Customer remains bound by the HITS Agreement and any amendments in force at the time of a Refresh.

© If applicable, Customer must complete the Hotel's conversion and rebranding as a TRU by Hilton Brand Hotel or a Spark Brand Hotel.

4. Additional Equipment/Software. Any and all additional Authorized Equipment ("Standard Plus Equipment") may be purchased by Customer from a Preferred Provider. Any and all additional Certified Third Party Software authorized by HSS but not included in the Brand standard applicable to Customer ("Standard Plus Software"), may be licensed or sublicensed from HSS or a Preferred Provider.

5. Defined Terms. All capitalized terms used herein which are not specially defined will have the meaning ascribed to such terms in the HITS Agreement.

6. Other Important Provisions. This Schedule is a schedule to the HITS Agreement. The Refresh and its performance by the parties are a part of the transactions contemplated by the HITS Agreement. Upon Customer's Refresh of Authorized Equipment, the terms and conditions applicable to any equipment, software or services provided for the Refresh will be the same as the terms and conditions of the HITS Agreement and this Schedule. All terms and provisions hereof will apply as if the provisions of this Refresh were implemented on the Start Date (the shipment date of the Authorized Equipment to Customer's Hotel) for each such Refresh. Customer's participation in a Refresh will constitute acceptance of the terms and conditions of the Refresh. In the event of conflict between the provisions of this Schedule and the provisions of the HITS Agreement, the provisions of this Schedule will prevail.

# **EXHIBIT C**

**This application is to be completed online via the Hilton Application Tracker (HAT) internet portal. The online version may appear in a different format. Alternatively, we may provide a paper application. We may update or modify this application at any time.**

## **HILTON FRANCHISE APPLICATION**

**This franchise application (“Application”) includes the following:**

- Instructions for Submitting an Application
- Part 1 – Application Checklist
- Part 2 – Application Letter
- Part 3 – Application Form

### **Instructions for Submitting an Application:**

1. Have a required signer for the Applicant access the current Franchise Disclosure Document (“**Disclosure Document**”) for the applicable brand through the E-Disclosure procedure (not currently available in the Province of Ontario) and complete the procedure by clicking “Submit” on the Electronic Receipt page. If Applicant received a paper version of the Disclosure Document, have a required signer for the Applicant sign and date the “Receipt” page at the end of the Disclosure Document and return it immediately by mail to your development representative.
2. All information must be legible and in English. Please type or print the information. For your convenience, this Application may be filled out electronically, saved and printed.
3. Attach supporting documents/information indicated in the Application Checklist. If the Application is not completed and/or supporting documentation is not attached, you must include an explanation of why the Application is not completed or the supporting documentation is not attached.
4. The Applicant must be a natural person or an existing legal entity. You must provide a complete organizational chart up to the ultimate owning entity/entities and the ultimate individual owners of the Applicant.
5. A check (or wire transfer) for the franchise application fee (“**Franchise Application Fee**”) must be submitted with the Application. Please confirm the amount of your franchise application fee with your Developer.

**NOTE: APPLICANT SHOULD NOT SIGN OR SUBMIT THE APPLICATION OR PAY THE FRANCHISE APPLICATION FEE UNTIL AT LEAST THE DAY AFTER THE 14TH FULL CALENDAR DAY FOLLOWING THE DATE APPLICANT RECEIVED THE DISCLOSURE DOCUMENT IN PAPER FORM OR THROUGH THE E-DISCLOSURE PROCEDURE.**

**NOTE:** Applicant must also pay a Property Improvement Plan (“**PIP**”) fee if the Application is for a Conversion, Re-licensing, or Change of Ownership.

**Required Signatures:**

The Application Letter must be signed and dated by the Applicant, or on behalf of the Applicant, by a person or persons with the capacity and authority to do so. The signatures required for valid execution of the Application Letter may vary depending on the laws under which the Applicant is established or resident. These laws must be complied with. Our minimum requirements for signatures are as follows:

<b>Applicant</b>	<b>Signers</b>
Individual(s)	Each Individual
Corporate Entity	President, Vice President or other authorized officer
General Partnership	Each General Partner
Limited Partnership	Any General Partner
Limited Liability Company	Managing Member(s) or other authorized Member(s)
Trust	Trustee(s)
Estate	Executor or Administrator

### Part 1: Application Checklist

The following items must be included for the Application to be complete. We reserve the right to request additional information as we consider appropriate:

- Disclosure Document Receipt **signed and dated** or **submitted electronically** by Applicant (see Instructions).
- Application Letter (and, if Applicant is an individual, the Addendum to the Application for Individual Applicants), signed and dated no earlier than the day after the **14th full calendar day** after the date the Applicant received the Disclosure Document, along with the remaining completed Application pages. Example: If you receive the Disclosure Document on January 1<sup>st</sup>, then the earliest you may submit the Application Letter will be 15 days after that date, on January 16<sup>th</sup>.
- Franchise Application Fee dated and/or received no earlier than the day after the **14th full calendar day** after the date the Applicant received the Disclosure Document. Example: If you receive the Disclosure Document on January 1<sup>st</sup>, then the earliest you may pay the Franchise Application Fee will be 15 days after that date, on January 16<sup>th</sup>.
- A certification of formation or similar document evidencing the Applicant Entity's status in the jurisdiction of formation.
- Complete Ownership Structure Form for Applicant and its underlying ownership entities.
- Complete Ownership Structure Form for fee title holder or lessor/sublessor of Hotel/Hotel Site if related to Applicant.
- Market or feasibility study, if available, or on request.
- Site Control Document and all amendments (e.g., recorded deed, recorded ground lease, recorded purchase option, binding letter of intent, binding purchase agreement) in the name of Applicant or its affiliate.
- Site Plan, Aerial and Location Map with site identified (consult your Developer for site plan requirements).
- List of hotels owned or managed by Applicant.

**CONVERSION PROJECTS In addition to the above, include the following items:**

- Conversion Indemnity Letter (if applicable)
- 3 Years' Hotel Operating Statistics (Summary Statement)

**Part 2: Application Letter**

Name of Applicant:	(“Applicant”)
Location:	(“Location”)

**BRAND (check one):**

- |  |  |  |
|--|--|--|
| <input type="checkbox"/> Canopy by Hilton            | <input type="checkbox"/> Hampton Inn & Suites*     | <input type="checkbox"/> Project H3 by Hilton          |
| <input type="checkbox"/> Conrad                      | <input type="checkbox"/> Hilton                    | <input type="checkbox"/> Signia by Hilton              |
| <input type="checkbox"/> Curio Collection by Hilton  | <input type="checkbox"/> Hilton Garden Inn         | <input type="checkbox"/> Spark by Hilton               |
| <input type="checkbox"/> DoubleTree by Hilton        | <input type="checkbox"/> Home2 Suites by Hilton    | <input type="checkbox"/> Tapestry Collection by Hilton |
| <input type="checkbox"/> DoubleTree Suites by Hilton | <input type="checkbox"/> Homewood Suites by Hilton | <input type="checkbox"/> Tempo by Hilton               |
| <input type="checkbox"/> Embassy Suites*             | <input type="checkbox"/> LXR Hotels & Resorts      | <input type="checkbox"/> Tru by Hilton                 |
| <input type="checkbox"/> Hampton Inn*                | <input type="checkbox"/> Motto by Hilton           | <input type="checkbox"/> Waldorf Astoria               |
| <input type="checkbox"/> Hampton Inn by Hilton       |  |  |

\* Brand may include “by Hilton” tag line in Franchisor’s sole discretion.

This franchise application letter (“**Application Letter**”) is provided to HILTON WORLDWIDE FRANCHISING LP, a limited partnership formed under the laws of England and Wales (“**Franchisor**”), an indirect subsidiary of HILTON WORLDWIDE HOLDINGS INC., a Delaware corporation (“**Hilton Worldwide**”) to consider and process an application for a franchise to operate a hotel under the Brand at the Location (“**Hotel**”). Hilton Worldwide’s present or future subsidiaries and affiliates and direct or indirect owners are referred to as the “**Entities.**” Applicant understands that Franchisor is relying on the information provided in this application and all documents submitted by Applicant and co-owners and their agents, advisers and representatives in connection with or in support of the application, including, but not limited to, this Application Letter (together, “**Application**”). Applicant agrees to supply such additional information, statements or data as may be requested by Franchisor. Applicant represents, warrants, and undertakes to Franchisor and the Entities that:

1. All information contained in the Application is true, correct and complete as of the date of this Application Letter. Applicant will promptly inform Franchisor of any change in any of the information provided in the Application.
2. Both Applicant and the undersigned have the authority to make the Application and to enter into a franchise agreement (“**Franchise Agreement**”) for the proposed Hotel at the Location. Neither the making of this Application nor the execution of a Franchise Agreement will conflict with nor put Applicant in breach of the terms of any agreements to which Applicant, its affiliates or the undersigned are a party or by which Applicant or its affiliates are bound. Neither Applicant nor its affiliates have been induced by Hilton Worldwide to terminate or breach any agreement with respect to the Location.
3. Certain information concerning Franchisor’s system for the Brand, including the Disclosure Document (if required under applicable law), the manual and the Franchise Agreement (together, the “**Franchise Information**”), has been made available to Applicant. Applicant is generally familiar with the Franchise Information and its requirements and is applying for the form of Franchise Agreement provided. Applicant undertakes to treat the manual which it may receive from Franchisor as confidential. Applicant acknowledges and agrees that the Franchise Information is the property of Hilton Worldwide and/or the Entities, and that Applicant obtains no right, title or interest in or to any of the Franchise Information. Applicant agrees not to use the Franchise Information unless and until a Franchise Agreement is entered into and then in accordance with the terms and conditions of the Franchise Agreement.



4. Applicant acknowledges that Hilton Worldwide and the Entities do not enter into oral agreements or understandings with respect to the Franchise Agreement, and as that of the date of this Application Letter there are no oral agreements or understandings between Applicant and Hilton Worldwide or the Entities with respect to the proposed Franchise Agreement.

5. The Franchise Application Fee is enclosed with the Application. If the Application is not approved or if Applicant withdraws the Application before it is approved, the Franchise Application Fee will be refunded, without interest, less \$7,500 for time and expenses incurred by Franchisor in processing the Application. If the Application is approved, the Franchise Application Fee will not be returned or refunded under any circumstances (even if approval is conditioned on Applicant providing additional information). For a Change of Ownership Application, if Franchisor approves the Application, and the approved change of ownership does not occur, then Franchisor will refund the Franchise Application Fee without interest, less \$7,500. Franchisor reserves the sole right and discretion to approve or disapprove the Application for any reason. If the Application is approved, Applicant must provide any additional information requested, meet any additional requirements and sign the Franchise Agreement within the time period Franchisor specifies, and all other ancillary documents within the time period designated by Franchisor, failing which Franchisor may terminate the proposed hotel project and retain the Franchise Application Fee. The Franchise Application Fee may be invested, combined with other funds or otherwise used as Hilton Worldwide deems appropriate.

6. Applicant authorizes credit agencies/bureaus, financial institutions, companies and individuals to disclose to Hilton Worldwide any and all information for the purpose of Hilton Worldwide and the Entities completing any necessary credit and/or background investigations in connection with this Application and execution of any Franchise Agreement.

7. Applicant, jointly and severally if applicable, agrees to indemnify and defend Hilton Worldwide and the Entities and their respective officers, directors, employees, agents, representatives, and assignees (collectively, "**Hilton Worldwide Indemnitees**") against, and to hold them harmless from, all losses in connection with the Application and the Location, including breach of any representations, warranties or undertakings contained herein and all claims, demands, suits, causes of action, liabilities, losses or otherwise, directly or indirectly incurred (including legal and accounting fees and expenses), and including claims as a result of Franchisor processing the Application and/or approving a Franchise Agreement. Each Hilton Worldwide Indemnitee shall have the right independently to take any action it may deem necessary in its sole discretion to protect and defend itself against any threatened action subject to Applicant's indemnification, without regard to the expense, forum or other parties that may be involved. Each Hilton Worldwide Indemnitee shall have sole and exclusive control over the defense of any such action (including the right to be represented by counsel of its choosing) and over the settlement, compromise or other disposition thereof. Hilton Worldwide may rely on any information, statement or notice from the Applicant pertaining to the Location or Franchise Agreement without having to investigate or ascertain the accuracy of any fact or allegation in the information, statement or notice.

8. This Application Letter may be executed in counterparts, each of which shall be deemed an original. This Application Letter must be signed by an authorized signatory for the Applicant (see Guidelines for Submitting a Franchise Application for required signatories).

9. This Application shall be governed by and construed in accordance with the substantive laws of the State of New York, without regard to its choice of law principles.

10. The parties confirm that it is their wish that the Application has been and shall be drawn up in the English language only. *Les parties aux présentes confirment leur volonté que le document intitulé « Application », de même que tous les documents, y compris tout avis, qui s’y rattachent, soient rédigés en langue anglaise.*

Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Individual’s  
Name: \_\_\_\_\_  
Entity Name,  
if any: \_\_\_\_\_ Position \_\_\_\_\_

**CANADA ADDENDUM TO THE FRANCHISE APPLICATION  
FOR INDIVIDUAL APPLICANT**

The provisions in this Canada Addendum to Franchise Application for Individual Applicant (“**Addendum**”) supersede and replace any conflicting provisions in the Application if Applicant is an individual and the Application is for a hotel located or to be located in Canada, and amend the Application by including the provisions below as if such language was stated in its entirety in the Application. Except to the extent herein specifically stated, the provisions of the Application shall be unmodified and in full force and effect.

1. In accordance with the *Personal Information Protection and Electronic Documents Act* (Canada), any consumer credit reporting legislation, and any similar federal, provincial or local statutory or common laws or regulations, Applicant expressly authorizes Franchisor, Hilton Worldwide and/or their respective representatives, owners, partners, parents, subsidiaries, affiliates, successors and assigns, and each of such entities’ officers, directors, representatives, agents and employees (collectively, “**Hilton**”) to collect, use and disclose Applicant’s personal information to and from the references named in the Application, any credit reporting agency, any law enforcement agency (federal/provincial/local) and any person, association, firm, company, financial institution, court system, personnel agency or credit bureau (collectively, “**References**”) and for Hilton to use such information for the purpose of evaluating the Application and periodically assessing Applicant's creditworthiness, including conducting any credit and/or background investigations. Applicant acknowledges that the Application requests a Canada social insurance number; however, this information is optional and Applicant is not required to provide his/her social insurance number to Hilton, but if he/she does, it will be used to match References information.

2. The Applicant hereby expressly authorizes any References to disclose and release to Hilton any information, including, but not limited to, information concerning the Applicant's education, employment history, financial transactions, credit payment history, civil record, criminal conviction record, legal proceedings or judgments or any other record or report requested by Hilton for the purpose of evaluating the Application and assessing the Applicant’s creditworthiness. In that regard, this document shall constitute and be deemed to be “written instructions” and “consents” pursuant to any applicable privacy, personal information and consumer reporting acts or similar legislation.

3. The Applicant understands and agrees that Hilton will maintain the personal information it receives about him/her from the Application and References in one or more files that will be available only to Hilton and its authorized employees, mandataries or agents who need to access such information for the purpose of evaluating the Application or assessing the Applicant’s creditworthiness or for the performance of their duties or mandates under this Addendum.

4. The Applicant understands that he/she has the right to access and rectify the information that Hilton maintains about him/her in its file(s), and in order to exercise this right, he/she may contact Franchisor’s or Hilton Worldwide’s Director of Corporate Compliance.

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

**Part 3: Application Form  
FRANCHISE APPLICATION**

**APPLICANT**

**NAME OF APPLICANT (entity name may not include any of our marks or any variations/initials):** \_\_\_\_\_

**Province/State in which Applicant’s principal business address (or if Applicant is an individual, permanent residence) is located:** \_\_\_\_\_

**Type:**             Corporation       Limited Partnership       General Partnership       Limited Liability Company  
                           Individual             Trust                             Other (specify)             Limited Liability Partnership

**Birth or Formation Information:**      Date: (Month/Day/Year)      State/Province, Country:      Canada SIN / US SSN (last 4 digits only) / EIN / Gov’t ID #: \_\_\_\_\_

**PRINCIPAL CORRESPONDENT**

**FOR LEGAL NOTICES**

**Name:** \_\_\_\_\_  
**Street Address:** \_\_\_\_\_  
**City** \_\_\_\_\_  
**State/Province** \_\_\_\_\_  
**Zip/Postal Code** \_\_\_\_\_  
**Telephone #:** \_\_\_\_\_  
**Fax #:** \_\_\_\_\_  
**Email:** \_\_\_\_\_

**FOR DAY-TO-DAY COMMUNICATIONS**

**Name:** \_\_\_\_\_  
**Street Address:** \_\_\_\_\_  
**City** \_\_\_\_\_  
**State/Province** \_\_\_\_\_  
**Zip/Postal Code** \_\_\_\_\_  
**Telephone #:** \_\_\_\_\_  
**Fax #:** \_\_\_\_\_  
**Email:** \_\_\_\_\_

**MANAGEMENT INFORMATION**

**THE PROPOSED HOTEL WILL BE MANAGED BY:**

- A General Manager who will be employed by the Applicant  
 The General Manager will be: \_\_\_\_\_
- A Management Group under a Management Agreement with the Applicant  
 Company Name and Contact: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_ Email: \_\_\_\_\_

**Approval of this Application does not mean that your proposed management is approved.  
 You must obtain Franchisor’s separate written approval of the proposed management of the Hotel.**

**LIST ALL HOTELS OWNED AND/OR OPERATED BY APPLICANT AND ITS EQUITY OWNERS  
 (attach additional pages if necessary)**

Owner/Operator Name	Brand/Property Name, City/State/Province	Description of Interest	% Equity

### OWNERSHIP STRUCTURE OF APPLICANT ENTITY

INSTRUCTIONS: Please provide a complete breakdown of the owners of the Applicant Entity and any related entity that holds/will hold fee title to the Hotel. For complex structures, please attach a detailed organizational chart (see next page). If these owners are other legal entities, please include a breakdown of their underlying ownership. That means you should provide the name and description/percentage of ownership interest of all individuals who own and/or control these entities. Copy this form as needed to provide multiple structures.

**Example:**

Entity/Person's Name	SSN (last 4 digits), EIN, Canada SIN or Gov't ID#	Description of Interest	% Interest	Business Address & Telephone Number
XYZ Corp.	12-3456789	General Partner	1%	XYZ Corp. Address/Phone
- John Doe, President 50%	1234			John Doe Address/Phone
- Jane Doe, Shareholder 50%	5678			Jane Doe Address/Phone
ABC, L.L.C.	23-4567891	Limited Partner	99%	ABC, L.L.C. Address/Phone
- BDC, Inc., its managing member 25%	34-5678912			BDC, Inc. Address/Phone
- Bill Davis, President 100%	9012			
- Bill Davis Family Trust, member 25%	45-6789123			Trust Contact Address/Phone
- Bill Davis, Trustee	2345			
- Bill Davis, Jr., Beneficiary 100%	6789			
- Bill Davis, member 50%	same as above			Bill Davis Address/Phone

**ENTITY NAME:** \_\_\_\_\_

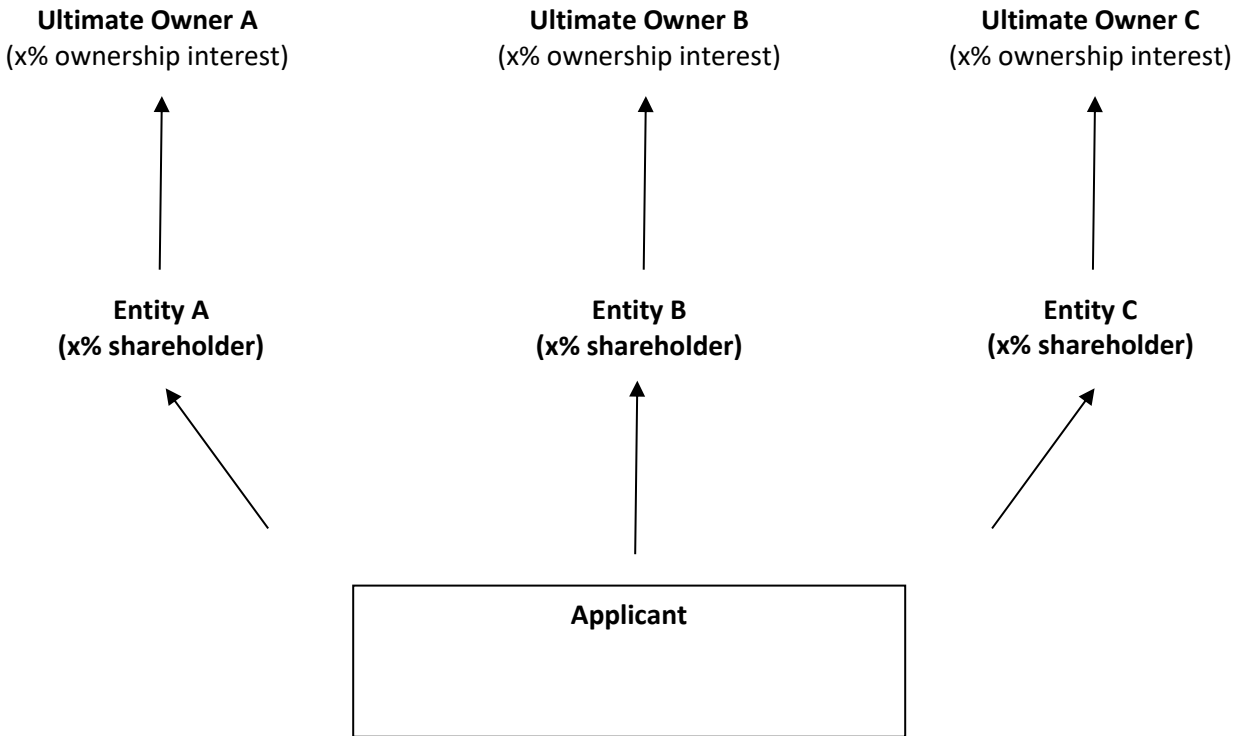
### OWNERSHIP STRUCTURE (provide additional pages if necessary)

Entity/Person's Name	SSN (last 4 digits), EIN, Canada SIN or Gov't ID #	Description of Interest	% Interest	Business Address & Telephone Number

### Organizational Chart

Please attach a full organizational chart for the Applicant entity (and Applicant’s affiliate that will lease or sublease the Hotel or the Hotel Site to Applicant, if applicable) showing all direct and indirect equity owners up to the ultimate individual owners (but excluding public shareholders or passive investors in an institutional investment fund). For each equity owner, please describe the type of interest held in the entity (e.g., shareholder, general partner, limited partner, manager, member, trustee, etc.) and show the percentage of ownership of each equity owner.

For example:



### HOTEL/SITE/SITE CONTROL INFORMATION

**Location of Hotel/Hotel site:**

Street Address/Coordinates:	
City, State/Province:	
Zip/Postal Code:	
Country:	

**Brand:**

<input type="checkbox"/> Canopy by Hilton <input type="checkbox"/> Conrad <input type="checkbox"/> Curio Collection by Hilton <input type="checkbox"/> DoubleTree by Hilton <input type="checkbox"/> DoubleTree Suites by Hilton <input type="checkbox"/> Embassy Suites* <input type="checkbox"/> Hampton Inn* <input type="checkbox"/> Hampton Inn by Hilton	<input type="checkbox"/> Hampton Inn & Suites* <input type="checkbox"/> Hilton <input type="checkbox"/> Hilton Garden Inn <input type="checkbox"/> Home2 Suites by Hilton <input type="checkbox"/> Homewood Suites by Hilton <input type="checkbox"/> LXR Hotels & Resorts <input type="checkbox"/> Motto by Hilton	<input type="checkbox"/> Project H3 by Hilton <input type="checkbox"/> Signia by Hilton <input type="checkbox"/> Spark by Hilton <input type="checkbox"/> Tapestry Collection by Hilton <input type="checkbox"/> Tempo by Hilton <input type="checkbox"/> Tru by Hilton <input type="checkbox"/> Waldorf Astoria
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\* Brand may include "by Hilton" tag line in Franchisor's sole discretion.

**Development Type:**

<input type="checkbox"/> New Development*	<input type="checkbox"/> Conversion	<input type="checkbox"/> Change of Ownership	<input type="checkbox"/> Re-licensing
---	-------------------------------------	--	---------------------------------------

(\*new build/adaptive reuse)

**Hotel Affiliation (for New Development/Conversion applications only):**

Has there ever been a franchise, branded management, affiliation or similar agreement pertaining to the proposed hotel or site?	
<input type="checkbox"/> No	<input type="checkbox"/> Yes/Describe:
Is the hotel currently under contract with another hotel chain?	
<input type="checkbox"/> No	<input type="checkbox"/> Yes/Specify hotel chain:

**Hotel Facilities (existing and/or proposed):**

Total Guest Units:	# of Standard Rooms:	# of Suites:	# of Stories:
Year Built (open hotel)	Meeting Space?	No	Yes: sq. ft # of Mtg Rms:
Ballroom?	No	Yes/Description/square footage:	
Health Club?	No	Yes/Description:	
Spa?	No	Yes/Description:	
Swimming Pool?	Indoor	Outdoor	None
Food & Beverage Facilities (outlets, capacity, meals served, operated/leased, current/planned brand names):			
Other Retail Outlets (type, operated/ leased, current/planned brand names):			
Other Amenities (specify):			
Shared Facilities?	No	Yes/Description:	

Condo Residences?	<input type="checkbox"/>	No	<input type="checkbox"/>	Yes/(#):
Hotel Rental Program?	<input type="checkbox"/>	No	<input type="checkbox"/>	Yes/Description:

**Hotel Site /Building Information:**

Total sq footage of site:	<input type="text"/>	Zoned for hotel development?	<input type="checkbox"/>	No	<input type="checkbox"/>	Yes
Max height allowed by zoning:	<input type="text"/>	Sq. Ft	<input type="text"/>	Stories	<input type="text"/>	
Site/Development Restrictions?	<input type="checkbox"/>	No	<input type="checkbox"/>	Yes/Describe:	<input type="text"/>	

**Please describe Applicant’s current form of site control for the Hotel or Hotel Site:**

<input type="checkbox"/>	Owned by Applicant (attach copy of recorded deed)	
<input type="checkbox"/>	Ground lease (attach copy of recorded ground lease)	Expiration Date: <input type="text"/>
<input type="checkbox"/>	Binding option agreement (attach copy of recorded agreement)	Exercise Deadline: <input type="text"/>
<input type="checkbox"/>	Binding purchase agreement (attach copy of executed agreement)	Closing Deadline: <input type="text"/>
<input type="checkbox"/>	Other/Describe:	<input type="text"/>

**If Hotel or Hotel Site is currently owned by someone else other than Applicant, please indicate:**

Hotel/Hotel Site owner name:	<input type="text"/>			
Street Address:	<input type="text"/>			
State/Province:	<input type="text"/>			
Zip/Postal Code:	<input type="text"/>			
Country:	<input type="text"/>			
Telephone:	<input type="text"/>			
Fax:	<input type="text"/>			
Email:	<input type="text"/>			
Related to Applicant?	<input type="checkbox"/>	No	<input type="checkbox"/>	Yes/Describe: <input type="text"/>

**If Hotel or Hotel Site will, upon close of purchase, be owned by someone other than Applicant, please indicate:**

Fee owner/Lessor name:	<input type="text"/>			
Street Address:	<input type="text"/>			
City, State/Province:	<input type="text"/>			
Zip/Postal Code:	<input type="text"/>			
Country:	<input type="text"/>			
Telephone:	<input type="text"/>			
Fax:	<input type="text"/>			
Email:	<input type="text"/>			
Related to Applicant?	<input type="checkbox"/>	No	<input type="checkbox"/>	Yes/Describe and provide ownership structure of fee owner <input type="text"/>



**FINANCIAL INFORMATION/PROJECT TIMELINE**

**Estimated Project Costs - New Development Project:**

Costs	Overall	Per Key
Land:	US\$	US\$
Construction:	US\$	US\$
FF&E:	US\$	US\$
Other:	US\$	US\$
Total Project Costs :	US\$	US\$

**Estimated Project Costs – Conversion or Change of Ownership (existing hotel):**

Costs	Aggregate	Per Key
Purchase Price/Current Market Value:	US\$	US\$
Renovations/Upgrades:	US\$	US\$
Other:	US\$	US\$
Total Project Costs:	US\$	US\$

**Estimated Project Timeline:**

Forecasted Construction/Renovation Start Date:	
Forecasted Construction/Renovation Completion Date:	

**Operating Projections:**

Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5
% Occupancy					
Avg. Daily Rate (US\$)					

**Financing/Refinancing Information:**

Do you have a loan or loan commitment for this project?	<input type="checkbox"/> No	<input type="checkbox"/> Yes (continue)
Name of Lender(s):		
Loan Amount:		Percentage Equity: <input type="checkbox"/>
Description:		
<input type="checkbox"/> New?	<input type="checkbox"/> Existing?	
Is the loan (or will the loan be) cross-collateralized by other hotels/real estate assets or cross-defaulted to any other loan(s)?		
<input type="checkbox"/> No	<input type="checkbox"/> Yes/Describe:	

**Deadlines associated with Project or Application:**

Are there any critical deadlines we should know about in processing your application, such as purchase closings or financing commitment deadlines?		
<input type="checkbox"/> No	<input type="checkbox"/> Yes/Describe:	

# **EXHIBIT D**

## GUARANTY OF FRANCHISE AGREEMENT

[Hotel Name]

### THIS DOCUMENT AFFECTS AND WAIVES IMPORTANT RIGHTS OF THE PERSONS AND ENTITIES SIGNING IT

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

THIS GUARANTY OF FRANCHISE AGREEMENT (“**Guaranty**”) is executed as of \_\_\_\_\_ (“**Effective Date**”) by \_\_\_\_\_, a \_\_\_\_\_/individually (“**we**,” “**us**” or “**Guarantor**”), in favor of HILTON WORLDWIDE FRANCHISING LP, a United Kingdom limited partnership (“**Franchisor**”) [**confirm Franchisor entity**], as consideration of and as an inducement to Franchisor to execute the franchise agreement with an Effective Date of \_\_\_\_\_ (referred to in this Guaranty collectively, along with all applicable amendments, addenda, riders, supplemental agreements and assignments, as the “**Franchise Agreement**”), by and between Franchisor and \_\_\_\_\_ (“**Franchisee**”), for that certain [HOTEL NAME] located or to be located at [STREET ADDRESS, MUNICIPALITY, PROVINCE, POSTAL CODE] (“**Hotel**”). [The province in which the hotel is located must be included in the description; this form cannot be used for multiple hotels if located in different provinces.] Capitalized terms not otherwise defined in this Guaranty shall have the same meaning as in the Franchise Agreement.

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

**WHEREAS**, for good and valuable consideration, including the execution of the Franchise Agreement by Franchisor, the receipt and sufficiency of which are acknowledged, Guarantor 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 or arising in connection with 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, legal costs in connection with enforcement of the Franchise Agreement; and (b) the performance of all other obligations of Franchisee arising under the Franchise Agreement (present and future, direct and indirect, absolute and contingent, matured or not, at any time or periodically, and whether Franchisee is bound alone, with another or with others (collectively, “**Obligations**”). On default by Franchisee and notice from Franchisor to Guarantor, Guarantor will immediately make payment in full of all amounts due and owing to Franchisor or Franchisor’s Affiliates, and perform each Obligation of Franchisee.

**2. Waivers of Certain Rights and Defences.** Each Guarantor waives, to the fullest extent permitted by law: (a) all rights to payments and claims for reimbursement which any of the undersigned may have against Franchisee arising as a result of Guarantor’s execution of and performance under this Guaranty; (b) presentment, protest and notice of any kind, including notice of default and notice of acceptance of this Guaranty; (c) any law or statute which requires Franchisor to 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) all suretyship defences or the benefits of discussion and of division; (e) any right Guarantor may have to require that Franchisor, as a condition of Guarantor’s liability under this Guaranty: (1) bring an action against Franchisee or any other person; (2) accelerate the Obligation or proceed and exhaust any recourse against Franchisee or any other persons; (3) realize on any security that Franchisor holds; (4) marshal or realize on the assets of either Franchisee or Guarantor; (5) pursue any other remedy that Guarantor may not be able to pursue itself, that might limit or reduce Guarantor’s burden; and (f) any and all other rights, notices and legal or equitable defences of every nature otherwise available under the laws of the Province

in which the Hotel is located, and the laws of any other jurisdiction to which Guarantor may be entitled, the assertion or exercise of which would in any way diminish the liability of Guarantor under this Guaranty.

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

**4. Additional Provisions.**

(a) Notices must be in writing and delivered in person, or by prepaid overnight commercial delivery service, or by prepaid overnight or certified United States mail or registered Canadian post, 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 (or its duly authorized representative) 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: (i) receipt or first refusal of delivery; (ii) one (1) day after posting if sent by overnight commercial delivery service or by overnight United States mail or Canadian post; or (iii) three (3) days after placement in the United States mail or Canadian post if overnight delivery is not available to the Notice address.

(b) Each Guarantor jointly and severally holds harmless, and agrees to defend, protect, and indemnify Franchisor from any actions, causes of action, liabilities, damages, losses, and fees (including legal costs on a solicitor and the solicitor's own client basis) 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. If any of the Obligations are not duly paid or performed by Franchisee, and are not recoverable for any reason whatsoever, Guarantor will, as a separate and distinct obligation, indemnify and save harmless Franchisor from and against all losses, costs, expenses and damages resulting from the failure of Franchisee to pay and perform any Obligation.

**[INSERT FOR TIC AND DELETE THE ABOVE 4(b) – Each Guarantor, jointly, severally, individually and collectively, agrees to defend, protect, and indemnify Franchisor from any actions, causes of action, liabilities, damages, losses, and fees (including legal costs on a solicitor and the solicitor's own client basis) 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. If any of the Obligations are not duly paid or performed by Franchisee, and are not recoverable for any reason whatsoever, Guarantor will, as a separate and distinct obligation, indemnify and save harmless Franchisor from and against all losses, costs, expenses and damages resulting from the failure of Franchisee to pay and perform any Obligation.]**

(c) Franchisor may assign this Guaranty without affecting Guarantor's liability in any way. 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. [INCLUDE IF GUARANTOR OWNS A BENEFICIAL INTEREST IN THE HOTEL AND FRANCHISEE IS A BARE TRUSTEE: Guarantor may not transfer any of its legal and beneficial interest in the real property and improvements comprising (or that will comprise) the Hotel without prior notice to Franchisor and Franchisor's express written permission, subject to and in accordance with the applicable transfer provisions of the Franchise Agreement.]

(d) 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 your 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 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, 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; (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 you to act on your own 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 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; 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 incorrect.

(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, 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 be construed as a waiver of its rights under this Guaranty. Guarantor agrees that the manner in which Franchisor may now or hereafter deal with Franchisee, Guarantor, any additional guarantor or pledgor, any security, any collateral subject to the security, or other guaranty in respect of the Obligations, shall have no effect on Guarantor's continuing liability under this Guaranty. Guarantor waives, to the fullest extent permitted by law, any defence based on (1) the unenforceability or invalidity of all or any part of the Obligations, or any other security, including any other guaranty, or any failure of Franchisor to take proper care or act in a commercially reasonable manner in respect of any security for the Obligations or any collateral subject to the security, including in respect of any disposition of such collateral; or (2) any act or omission of Franchisee or any other person, including Franchisor, that directly or indirectly results in the discharge or release of Franchisee or any other person or any of the Obligations or any security for the Obligations; or (3) Franchisor's present or future method of dealing with Franchisee, any additional guarantor or pledgor, or any other security, or any collateral subject to the security, including any other guaranty.

(h) 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.

(i) This Guaranty is a continuing guaranty and shall apply to and secure any ultimate balance due or amounts remaining unpaid to Franchisor or Franchisor's Affiliates. Guarantor's liability under this Guaranty shall continue until all Obligations have been satisfied in full and shall not be limited or affected in any way by transfer of the Hotel or any other defence of Franchisee or any other guarantor or pledgor. This Guaranty shall not be determined or affected, or Franchisor's rights under this Guaranty prejudiced, by the termination of any of the Obligations by operation of law or otherwise, including the bankruptcy, insolvency, dissolution or liquidation of Franchisee or Guarantor, any change in the name, business, powers, capital, structure, constitution, objects, organization, directors or management of Franchisee or Guarantor, with respect to transactions occurring either before or after such change. This Guaranty shall bind and extend to the liabilities of the person or persons for the time being and periodically carrying on the business now carried on by either Franchisee or Guarantor, notwithstanding any reorganization of Franchisee or Guarantor, or the amalgamation of Franchisee or Guarantor with one or more corporations (in this case, this Guaranty shall extend to the liabilities of the resulting corporation and, for purposes of this Guaranty, the terms "Franchisee" and "Guarantor" shall include such resulting corporation) or any sale or disposal of Franchisee's or Guarantor's business in whole or in part to one or more other persons and all of such liabilities shall be included in the Obligations.

(j) Guarantor agrees that any and all deposits, general or special term or demand, provision or final, matured or unmatured, and any other indebtedness at any time owed by Franchisor to Guarantor or for the credit or account of Guarantor, may be set-off and periodically applied by Franchisor at any time, without notice (such notice being expressly waived by Guarantor) against and on account of the Obligations even if any of them are contingent or unmatured.

(k) 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.

**[ADD THE FOLLOWING ONLY FOR A CORPORATE GUARANTEE AND HOTEL OR GUARANTOR INCORPORATED IN NEWFOUNDLAND:**

(l) After having granted this Guaranty, Guarantor is and continues to be able to pay its liabilities as they become due, and the realizable value of the assets of Guarantor is and continues to be greater than the aggregate of the liabilities and the stated capital of all classes of shares in the Guarantor.]

**5. Postponement of Claims and Subrogation.** All debts and claims against Franchisee now or hereafter held by Guarantor and all of Guarantor's rights of subrogation (collectively, "**Claims**") shall be for Franchisor's security and as between Guarantor and Franchisor, the Claims are postponed to the repayment and performance of the Obligations. Until all of the Obligations have been satisfied in full, any money that Guarantor receives in respect of any such Claims shall be received by Guarantor in trust for Franchisor and shall be paid immediately to Franchisor to be applied against or held as security for payment of the Obligations, all without prejudice to and without in any way affecting, relieving, limiting or lessening Guarantor's liability under this Guaranty. As security for and for the purpose of giving effect to the postponement of the Claims, Guarantor assigns, transfers and sets over to Franchisor all of the Claims and irrevocably constitutes and appoints Franchisor to be Guarantor's attorney in the name of and on behalf of Guarantor to collect, and enforce or prove any such Claims, and for that purpose to execute and do in the name and on behalf of Guarantor, all deeds, documents, transfers, assignment, assurances and things, and to commence and prosecute, at Franchisor's election and in Franchisor's sole discretion, any or all proceedings which may appear to Franchisor to be necessary or desirable. In the event of the bankruptcy, winding up or distribution of assets of Franchisee, Guarantor or any additional guarantor or pledgor, Franchisor's rights shall not be affected or impaired by its omission to prove its claim in full or otherwise, and Franchisor may prove such claim as it sees fit and may refrain from proving any claim in its sole discretion; and Franchisor may but shall not be obligated to prove in respect of the Claims assigned as a debt owing to it by Franchisee, and Franchisor shall be entitled to receive all amounts payable in respect of the Claims, such amounts to be applied on such part of parts of the monies periodically payable on account of the Obligations as Franchisor shall in its absolute discretion see fit until all of the Obligations shall have been paid in full and thereafter Guarantor shall be entitled to the balance, if any, of such amounts;

all of which Franchisor may do without in any way affecting, relieving, limiting or lessening Guarantor's liability under this Guaranty. Guarantor acknowledges and agrees that it shall not have any rights of subrogation or indemnification unless it pays the Obligations in full. Guarantor shall not prove a claim in the bankruptcy of Franchisee unless and until the Obligations are paid in full. Franchisor shall have no duty, obligation or liability as a result of the assignment of the Claims to Franchisor to protect, preserve or ensure that the Claims do not become prescribed by statute or otherwise invalidated or rendered unenforceable.

**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 (collectively, "**Original Currency**").

**7. Taxes.** If required to pay an Obligation pursuant to this Guaranty, Guarantor shall pay each such Obligation without deduction of any kind for any present or future withholding, sales, use, excise, consumption, VAT and other similar taxes or duties, levies, fees, assessments or charges of whatsoever nature, including but not limited to goods and services taxes (collectively, "**Taxes**"), except for any taxes in the nature of income tax imposed on measurement of net income with respect to the Monthly Royalty Fees. If Guarantor is required to deduct or withhold Taxes (excluding income tax as described above), Guarantor shall pay such additional amounts as may be necessary to ensure that the net amount received by Franchisor after such deduction or withholding is equal to the full amount Franchisor would have received if such Taxes had not been deducted.

**8. Judgment Currency.** If, for purposes of obtaining judgment in any court, it is necessary to convert a sum due to Franchisor under this Guaranty in Original Currency into another currency ("**Other Currency**"), the parties agree that, to the extent they may effectively do so, the rate of exchange shall be that at which Franchisor could purchase the Original Currency with the Other Currency in accordance with normal banking procedures on the Business Day before the date on which final judgment is paid or satisfied. Notwithstanding any judgment in any Other Currency, the obligations of Guarantor in respect of any sum due from Guarantor to Franchisor in the Original Currency shall be discharged only to the extent that on the Business Day after receipt by Franchisor of any sum adjudged to be so due in such Other Currency. Franchisor may, in accordance with normal banking procedure, purchase the Original Currency with such Other Currency. If the amount of the Original Currency so purchased is less than the sum originally due to Franchisor in the Original Currency, Guarantor shall, as a separate obligation and notwithstanding any such judgment, indemnify Franchisor against such loss. If the amount of the Original Currency so purchased exceeds the sum originally due to Licensor in the Original Currency, Franchisor shall remit such excess to Guarantor.

**9. Governing Law.** This Guaranty shall be governed by and construed in accordance with the laws of the Province in which the Hotel is located and the laws of Canada applicable therein.

**10. Jurisdiction and Venue.** The parties agree that any action related to this Guaranty shall be brought in any court of competent jurisdiction in the Province 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.

**11. Choice of Language.** The parties confirm that it is their wish that this Guaranty, as well as any other documents relating to this Guaranty, including notices, schedules and authorizations, have been and shall be drawn up in the English language only. Les signataires confirment leur volonté que la présente convention, de même que tous les documents s'y rattachant, y compris out avis, annexe et autorisation, soient rédigés en anglais seulement.

**12. WAIVER OF JURY TRIAL.** TO THE EXTENT ANY LITIGATION INVOLVING THIS GUARANTY OR ANY ASPECT OF THE RELATIONSHIP AMONG GUARANTOR, FRANCHISEE AND FRANCHISOR, OR BETWEEN OR AMONG ANY OF FRANCHISEE OR GUARANTOR'S OWNERS, AFFILIATES, OFFICERS, EMPLOYEE OR AGENTS, (EVEN IF OTHER PARTIES OR OTHER CLAIMS ARE INCLUDED IN SUCH LITIGATION), GUARANTOR WAIVES GUARANTOR'S RIGHT TO A TRIAL

BY JURY. THIS WAIVER WILL APPLY TO ALL CAUSES OF ACTION THAT ARE OR MIGHT BE INCLUDED IN SUCH ACTION, INCLUDING CLAIMS RELATED TO THE INTERPRETATION OR ENFORCEMENT OF THIS GUARANTY, ALLEGATIONS OF PROVINCIAL OR CANADIAN STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR SIMILAR CAUSES OF ACTION, AND IN CONNECTION WITH ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES BETWEEN OR AMONG GUARANTOR, FRANCHISEE AND FRANCHISOR, OR BETWEEN OR AMONG ANY OF FRANCHISEE OR GUARANTOR'S OWNERS, AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS.

**13. FULL KNOWLEDGE.** GUARANTOR ACKNOWLEDGES THAT GUARANTOR WAS GIVEN THE OPPORTUNITY TO REVIEW THE FRANCHISE AGREEMENT, INCLUDING THE REMEDIES THAT FRANCHISOR MAY PURSUE AGAINST FRANCHISEE IF FRANCHISEE DEFAULTS UNDER THE FRANCHISE AGREEMENT, AND TO REVIEW FRANCHISEE'S FINANCIAL CONDITION AND ABILITY TO PERFORM UNDER THE FRANCHISE AGREEMENT. GUARANTOR ACKNOWLEDGES THAT GUARANTOR IS NOT RELYING ON FRANCHISOR WITH RESPECT TO THE TRANSACTIONS UNDER OR RELATED TO THE FRANCHISE AGREEMENT OR THIS GUARANTY, AND THAT FRANCHISOR HAS NO DUTY TO DISCLOSE TO GUARANTOR ANY INFORMATION PERTAINING TO FRANCHISEE. GUARANTOR ACKNOWLEDGES THAT GUARANTOR WAS GIVEN THE OPPORTUNITY TO READ THIS GUARANTY AND TO REVIEW IT WITH AN ATTORNEY OF GUARANTOR'S CHOICE BEFORE SIGNING. GUARANTOR ACKNOWLEDGES HAVING READ AND UNDERSTOOD THE MEANING AND EFFECT OF THIS DOCUMENT BEFORE SIGNING IT.

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

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

**IN WITNESS WHEREOF,** [each] Guarantor has executed this Guaranty which has an effective date as of the date first written above.

**GUARANTOR:**

[ \_\_\_\_\_,  
a \_\_\_\_\_ ]

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**GUARANTOR:**

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
As: \_\_\_\_\_ An Individual



[ADD THE FOLLOWING NOTARY BLOCK AS A SEPARATE PAGE **ONLY** IF INDIVIDUAL (NOT CORPORATE) GUARANTOR **AND** GUARANTOR IS LOCATED IN ALBERTA:]

**Guarantees Acknowledgment Act**  
**(Section 3)**

**CERTIFICATE OF NOTARY PUBLIC**

I HEREBY CERTIFY THAT:

1. \_\_\_\_\_ of \_\_\_\_\_ in the Province of Alberta, the guarantor in the Guaranty Agreement dated \_\_\_\_\_, made in favor of \_\_\_\_\_, to which this certificate is attached or noted on, appeared in person before me and acknowledged that he/she had executed the Guaranty Agreement.

2. I satisfied myself by examination of him/her that he/she is aware of the contents of the Guaranty Agreement and understands it.

GIVEN under my hand and seal of office at \_\_\_\_\_ on \_\_\_\_\_.

(SEAL)

\_\_\_\_\_  
A Notary Public in and for the Province of:

\_\_\_\_\_  
(Printed Name of Notary Public)

**STATEMENT OF GUARANTOR**

I am the person named in this certificate.

\_\_\_\_\_  
\_\_\_\_\_, individually

# **EXHIBIT E**

Exhibit E

List of Current Franchisees

NONE

# **EXHIBIT F**

Exhibit F

List of Former Franchisees

NONE

# **EXHIBIT G**

**REPORT OF THE MEMBERS AND  
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022  
FOR  
Hilton Worldwide Franchising LP**

**Hilton Worldwide Franchising LP**

**CONTENTS OF THE FINANCIAL STATEMENTS  
for the year ended 31 December 2022**

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**Hilton Worldwide Franchising LP**

**GENERAL INFORMATION**  
for the year ended 31 December 2022

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**DESIGNATED MEMBERS:** Hilton Worldwide Services Limited  
Hilton Worldwide Manage Limited

**REGISTERED OFFICE:** Maple Court  
Reeds Crescent  
Watford  
United Kingdom  
WD24 4QQ

**REGISTERED NUMBER:** LP015958 (England and Wales)

**INDEPENDENT AUDITORS :** Ernst & Young LLP  
Statutory Auditor  
1 More London Place  
London  
SE1 2AF

## Hilton Worldwide Franchising LP

### REPORT OF THE MEMBERS for the year ended 31 December 2022

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The members present their report with the financial statements of the Limited Partnership ('LP') for the year ended 31 December 2022.

#### PRINCIPAL ACTIVITY

The principal activity of the LP under review was that of a franchise operator.

Hilton Worldwide Franchising LP is a limited partnership whose members are indirect subsidiaries of Hilton Worldwide Holdings Inc. and is based in the United Kingdom (UK). Hilton Worldwide Holdings Inc. and its worldwide subsidiaries are collectively known as "the group" or "the Hilton group". Further details are contained in the note "Parent Undertaking, Controlling Party and Consolidating Entity".

#### REVIEW OF BUSINESS

The LP's key financial indicators of performance during the year are considered to be:

	2022	2021
	\$	\$
Turnover	4,614,308	3,092,016
Gross profit	3,823,460	2,216,757

The primary driver behind the movement in turnover and gross profit is due to the continued recovery of the travel and hospitality industry from the coronavirus pandemic (referred to as "COVID-19" or "the pandemic") and increased access to and acceptance of vaccines. This is offset by the annual sweep of the recently signed Canadian franchise contracts held by the LP being transferred to another entity in the wider group at net book value and the impact of not recognising income from Russian hotels due to collectability concerns. During the year 14 contracts were transferred (2021: 18). The primary driver behind the movement in gross profit is related to the movements in revenue and foreign exchange.

#### FUTURE DEVELOPMENTS

The LP will continue to operate as a franchise operator in certain countries including Canada, Russia, China and Brasil.

#### DESIGNATED MEMBERS

The designated members during the year under review were:

Hilton Worldwide Services Limited  
Hilton Worldwide Manage Limited

#### RESULTS FOR THE YEAR AND ALLOCATION TO MEMBERS

The profit for the year before members' remuneration and profit shares was \$677,506 (2021 - \$88,074 profit).

#### MEMBERS' INTERESTS

The profits and losses (including profit and losses of a capital nature) shall be divided among the members in accordance with their percentage of capital contribution.

#### GOING CONCERN

The LP's activities, together with the factors likely to affect its future development, its competitive, economic and interest rate risks are set out in the 'Review of Business' and 'Principal Risks and Uncertainties' section.

As of 31 December 2022, the LP has net assets and net current assets. The financial statements have been prepared on a going concern basis because management believe that the LP can meet its liabilities as they fall due for a period from the date on which these financial statements are approved to the 16 June 2024.

**REPORT OF THE MEMBERS**  
for the year ended 31 December 2022

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**PRINCIPAL RISKS AND UNCERTAINTIES**

**Competitive risk**

This LP operates in various locations around the world. Risks arise from competitors offering better franchise deals or more successful brands that would be attractive to franchisors. The LP monitors its competitors' performance and participates in regular benchmarking to understand the LP's position compared to its competitors.

**Economic risk**

The LP is subject to the cyclical nature of the hospitality and travel industry and is also impacted by the effect that global socio-economic and political trends have on its customers. On 31 January 2020, the UK left the European Union (EU) with a transition period that ended on 31 December 2020 ("Brexit"). Brexit continues to create global economic uncertainty, but to date, Brexit is not considered to have had a material impact on Hilton's UK business although it may impact our customers' behaviours in the future, particularly with respect to closely monitoring their costs and reducing their spending on travel and corporate events. Therefore, there continues to be uncertainty over how the UK's exit from the EU will ultimately impact the LP but management continues to monitor this on an ongoing basis. Budgeting and forecasting processes enable the LP to identify risks in market trends at an early stage to help mitigate such risks.

**COVID-19**

The COVID-19 pandemic significantly affected the global economy and strained the hospitality industry due to travel restrictions and advisories, stay-at-home directives, limitations on public gatherings and modified work arrangements, all of which resulted in cancellations and reduced travel around the world, as well as complete and partial suspensions of certain hotel operations. Although distribution of approved vaccines for COVID-19 continued throughout 2022, access to and acceptance of vaccines has varied across regions and within individual countries. In addition, new strains of the virus have had increased transmissibility, complicating treatment and vaccination programs. As such, the COVID-19 pandemic had an adverse impact on the results of the LP for the year ended 31 December 2022 and COVID-19 or outbreaks of other contagious diseases or other adverse public health developments may continue to negatively affect future results. The long-term effects of the pandemic on our business and the travel industry at large remain uncertain and will depend on future developments, including, but not limited to the availability and public acceptance of vaccinations and other treatments to combat COVID-19 and the length of time it takes for demand to stabilize and normal economic and operating conditions to fully resume. The current and uncertain future impact of the COVID-19 pandemic, including its effect on the ability or desire of people to travel and use our hotel properties for lodging, food and beverage and other services, may negatively affect our results, operations, outlook, plans, growth, cash flows and liquidity.

**Ukraine risk**

As part of ongoing monitoring, management have identified the military invasion of Ukraine by Russia (referred to Ukraine invasion) as a risk that could cause significant disruption to the business operated by the LP and has negatively affected the global economy. Financial and economic sanctions imposed on certain industry sectors and parties in Russia by the United States of America, UK and EU, as well as potential retaliatory actions by Russia, could also have a negative impact on the global economy. Whilst it is expected that this unprecedented situation will be temporary, there could be a long period of business interruption during which the revenues, profitability and cash flows of the LP are expected to be negatively impacted. The LP earns income from hotels that operate in Russia and the broader consequences of this conflict, including rising energy prices and shortages of and increased costs for food, goods and services and transportation or further escalation in adjacent areas could have negative downstream effects on the LP and operations. Further expansion or escalation of military confrontations or related geopolitical tensions, including increased restrictions on global trade, could result in, among other things, lower travel demand, cyberattacks, terrorist activities, supply disruptions and changes to foreign currency exchange rates and constraints, volatility, or disruption in financial markets, any of which may adversely affect the global economy and the LP.

**Interest rate risk**

This LP is subject to interest rate risk on intercompany loans where the interest rate is linked to applicable market index rates such as the Sterling Overnight Index Average (SONIA) or the Euro Short Term Rate (ESTR). The group's treasury department monitors interest rates.

**Exchange rate risk**

The LP is subject to exchange rate risk on its income from franchise agreements. The group's treasury department monitors exchange rates.

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**REPORT OF THE MEMBERS**  
**for the year ended 31 December 2022**

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Management does not believe the LP is any more exposed to financial statement risk factors than others in the industry and has a system of internal controls and procedures that attempt to mitigate such risk.

**STATEMENT OF MEMBERS' RESPONSIBILITIES**

The members are responsible for preparing the Report of the Members and the financial statements in accordance with applicable law and regulations.

Legislation applicable to limited partnerships requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under legislation applicable to limited partnerships the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LP and of the profit or loss of the LP for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LP will continue in business

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LP's transactions and disclose with reasonable accuracy at any time the financial position of the LP and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the LP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

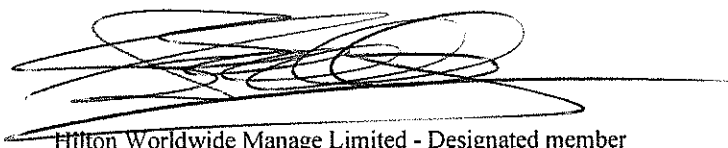
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the members are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the LP's auditors are unaware, and each member has taken all the steps that he ought to have taken as a member in order to make himself aware of any relevant audit information and to establish that the LP's auditors are aware of that information.

**AUDITORS**

The auditors, Ernst & Young LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE MEMBERS:**



Hilton Worldwide Manage Limited - Designated member

16 June 2023

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HILTON WORLDWIDE FRANCHISING LP

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### Opinion

We have audited the financial statements of Hilton Worldwide Franchising LP (the LP) for the year ended 31 December 2022 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Balance Sheet, Reconciliation of Members' Interests, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the LP's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the LP in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the LP's ability to continue as a going concern for a period of 12 months to 16 June 2024.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the LP's ability to continue as a going concern.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The members are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Companies Act 2006 as applied to qualifying partnerships

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the members' report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the members' report has been prepared in accordance with applicable legal requirements;

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
HILTON WORLDWIDE FRANCHISING LP**

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**Matters on which we are required to report by exception**

In light of the knowledge and understanding of the qualifying partnership and its environment obtained in the course of the audit, we have identified no material misstatements in the members' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the members were not entitled to prepare the financial statements in accordance with the small qualifying partnerships regime and take advantage of the small qualifying partnerships' exemption in preparing the members' report and the requirement to prepare a strategic report.

**Responsibilities of members**

As explained more fully in the Statement of Members' Responsibilities, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the LP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the LP or to cease operations, or have no realistic alternative but to do so.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HILTON WORLDWIDE FRANCHISING LP

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### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the LP and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the LP and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those that relate to the reporting framework; FRS 101 'Reduced Disclosure Framework' and the Companies Act 2006, the relevant tax compliance regulations in the jurisdictions in which Hilton Worldwide Franchising LP operates, Health and Safety Regulations, Modern Slavery Act, Employment Law, Bribery Act, Proceeds of Crime Act 2002, Money Laundering Regulations 2003 and the General Data Protection Regulation (GDPR).

- We understood how Hilton Worldwide Franchising LP is complying with those frameworks through enquiry with management, by identifying the LP's policies and procedures regarding compliance with laws and regulations, and through the review of minutes of meetings held by those charged with governance for any instances of non-compliance with laws and regulations.

- We assessed the susceptibility of the LP's financial statements to material misstatement, including how fraud might occur by enquiring with management to understand their interactions throughout the year with Internal Audit and the General Counsel's office to assess the risks of material misstatement due to fraud. As part of our procedures we reviewed the annual risk assessment process conducted by Internal Audit. This procedure evaluates the risk of material misstatement due to fraud by considering the nature and complexity of the LP's reporting structure, and most notably considering the likelihood of material misstatements. Based on the results of the risk assessment process no material instances of frauds were identified.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:

- Enquiry of members of senior management, and when appropriate those charged with governance regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements.
- Reading minutes of meetings of those charged with governance.
- Obtaining and reading correspondence from legal and regulatory bodies including HMRC where applicable.
- Journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding the business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
HILTON WORLDWIDE FRANCHISING LP**

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**Use of our report**

This report is made solely to the LP's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to LPs by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LP's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LP and the LP's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst + Young LLP.*

Peter McIver (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP  
Statutory Auditor  
1 More London Place  
London  
SE1 2AF

16 June 2023



Hilton Worldwide Franchising LP

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the year ended 31 December 2022

	Notes	2022 \$	2021 \$
<b>TURNOVER</b>		4,614,308	3,092,016
Cost of sales		<u>(790,848)</u>	<u>(875,259)</u>
<b>GROSS PROFIT</b>		3,823,460	2,216,757
Administrative expenses		<u>(3,581,579)</u>	<u>(2,077,657)</u>
<b>OPERATING PROFIT</b>	5	241,881	139,100
Profit/(loss) on disposal of intangible fixed assets	6	<u>(47,591)</u>	<u>(54,977)</u>
		194,290	84,123
Interest receivable		<u>483,216</u>	<u>3,951</u>
<b>PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS</b>		677,506	88,074
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>677,506</u></u>	<u><u>88,074</u></u>

The notes form part of these financial statements

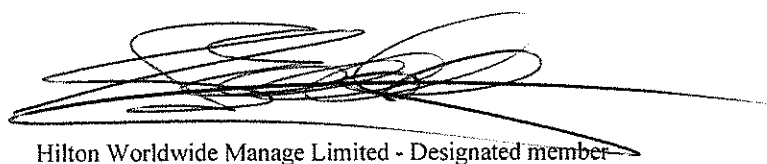
Hilton Worldwide Franchising LP (Registered number: LP015958)

**BALANCE SHEET**  
31 December 2022

	Notes	2022 \$	2021 \$
<b>FIXED ASSETS</b>			
Intangible assets	8	976,306	986,882
<b>CURRENT ASSETS</b>			
Debtors	9	31,135,260	29,454,183
<b>CREDITORS</b>			
Amounts falling due within one year	10	(3,288,144)	(2,068,711)
<b>NET CURRENT ASSETS</b>		<u>27,847,116</u>	<u>27,385,472</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		28,823,422	28,372,354
<b>CREDITORS</b>			
Amounts falling due after more than one year	11	(3,818,395)	(4,044,832)
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS</b>		<u>25,005,027</u>	<u>24,327,522</u>
<b>LOANS AND OTHER DEBTS DUE TO MEMBERS</b>			
	12	2,851,632	2,174,127
<b>MEMBERS' OTHER INTERESTS</b>			
Capital accounts		<u>22,153,395</u>	<u>22,153,395</u>
		<u>25,005,027</u>	<u>24,327,522</u>
<b>TOTAL MEMBERS' INTERESTS</b>			
Loans and other debts due to members	12	2,851,632	2,174,127
Members' other interests		<u>22,153,395</u>	<u>22,153,395</u>
		<u>25,005,027</u>	<u>24,327,522</u>

The financial statements have been prepared in accordance with the provisions applicable to LPs subject to the small LPs regime.

The financial statements were approved by the members of the LP and authorised for issue on 16 June 2023 and were signed by:



Hilton Worldwide Manage Limited - Designated member

The notes form part of these financial statements

Hilton Worldwide Franchising LP

**RECONCILIATION OF MEMBERS' INTERESTS**  
for the year ended 31 December 2022

	EQUITY		
	Members' capital (classified as equity) \$	Members' other interests Other reserves \$	Total \$
Balance at 1 January 2022	22,153,395	-	22,153,395
Profit for the financial year available for discretionary division among members	-	677,506	677,506
Members' interests after profit for the year	22,153,395	677,506	22,830,901
Other divisions of profit	-	(677,506)	(677,506)
Balance at 31 December 2022	22,153,395	-	22,153,395

	DEBT	TOTAL MEMBERS' INTERESTS
	Loans and other debts due to members less any amounts due from members in debtors Other amounts \$	Total \$
Amount due to members	2,174,126	
Amount due from members	-	
Balance at 1 January 2022	2,174,126	24,327,521
Profit for the financial year available for discretionary division among members	-	677,506
Members' interests after profit for the year	2,174,126	25,005,027
Other divisions of profit	677,506	-
Amount due to members	2,851,632	
Amount due from members	-	
Balance at 31 December 2022	2,851,632	25,005,027

The notes form part of these financial statements

Hilton Worldwide Franchising LP

**RECONCILIATION OF MEMBERS' INTERESTS**  
for the year ended 31 December 2022

	EQUITY		
	Members' capital (classified as equity) \$	Members' other interests Other reserves \$	Total \$
Balance at 1 January 2021	22,153,395	-	22,153,395
Profit for the financial year available for discretionary division among members	-	88,074	88,074
Members' interests after profit for the year	22,153,395	88,074	22,241,469
Other divisions of profit	-	(88,074)	(88,074)
Balance at 31 December 2021	22,153,395	-	22,153,395

	DEBT	TOTAL MEMBERS' INTERESTS
	Loans and other debts due to members less any amounts due from members in debtors Other amounts \$	Total \$
Amount due to members	2,086,053	
Amount due from members	-	
Balance at 1 January 2021	2,086,053	24,239,448
Profit for the financial year available for discretionary division among members	-	88,074
Members' interests after profit for the year	2,086,053	24,327,522
Other divisions of profit	88,074	-
Amount due to members	2,174,127	
Amount due from members	-	
Balance at 31 December 2021	2,174,127	24,327,522

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2022**

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**1. FUNDAMENTAL ACCOUNTING CONCEPT**

As of 31 December 2022, the LP has net assets and net current assets. The financial statements have been prepared on a going concern basis because management believe that the LP can meet its liabilities as they fall due for a period from the date on which these financial statements are approved to the 16 June 2024.

**2. STATUTORY INFORMATION**

Hilton Worldwide Franchising LP is registered in England and Wales. The LP's registered number and registered office address can be found on the General Information page.

**3. ACCOUNTING POLICIES**

**Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework", the Companies Act 2006 and the Statement of Recommended practice, Accounting by Limited Liability Partnerships. The financial statements have been prepared under the historical cost convention.

The financial statements are presented in US Dollar (USD), which is the LP's functional currency. Amounts have been rounded to the nearest \$.

**Financial Reporting Standard 101 - reduced disclosure exemptions**

The LP has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 52, the second sentence of paragraph 89 and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of paragraph 58 of IFRS 16;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a to c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 16, and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 130(f), 134(d to f) and 135(c to e) of IAS 36 Impairments of Assets.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2022**

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3. **ACCOUNTING POLICIES - continued**

**Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

**Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

**Foreign currency**

An entity's functional currency is determined (not chosen). IAS 21 (The Effects of Changes in Foreign Exchange Rates) provides factors, often referred to as indicators, that are considered when identifying the functional currency. In some cases, the indicators will clearly identify a particular currency as the functional currency. In other cases they will not. When the factors provide a varied result and the functional currency is not obvious, management must use judgement based on the entity's individual facts and circumstances to determine its functional currency in a way that gives a fair presentation (ie faithfully represents the economic effects of transactions, events and conditions). As Hilton Worldwide Franchising LP has an array of differing cash flows, economic environments, and lack of autonomy, management has used their judgement in determining the functional currency to be USD.

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year.

**Impairment of trade and other debtors**

The LP makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note "Debtors: amounts falling due within one year" for the net carrying amount of the trade debtors including associated impairment provision.

**Impairment of intangibles**

Determining whether an intangible asset is impaired requires an estimation of the value in use of the intangible asset. The value in use calculation requires the members to estimate the future cash flows expected to arise from the underlying management contract and a suitable discount rate in order to calculate present value. Each management contract is an individual cash generating unit.

**Revenue recognition**

Turnover which arose worldwide is derived from franchise and programme fees from franchised hotels. Turnover is recognised when earned and realised or realisable under the terms of the contract. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

Application, initiation and other fees, charged when new hotels enter our system, there is a change of ownership or contracts are extended, are recognized over the term of the franchise contract.

3. ACCOUNTING POLICIES - continued

**Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and accumulated impairments losses. Intangible assets with finite lives are amortised on a straight line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed annually.

Development costs are comprised of key money paid to the hotel owner or development commissions paid to team members directly related to the acquisition of a hotel agreement. Key money or development commission is amortised over the length of the associated agreement which is typically a period of 10 to 20 years.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2022**

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**3. ACCOUNTING POLICIES - continued**

**Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial assets**

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through the Statement of Profit or Loss and Other Comprehensive Income. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the LP has applied the practical expedient, the LP initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through the Statement of Profit or Loss and Other Comprehensive Income, transaction costs.

**Subsequent measurement**

The LP measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when the asset is derecognised, modified or impaired.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e., removed from the LP's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The LP has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the LP has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the LP continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the LP also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the LP has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the LP could be required to repay.



**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2022**

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**3. ACCOUNTING POLICIES - continued**

**Impairment of financial assets**

The LP recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through the Statement of Profit or Loss and Other Comprehensive Income. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the LP expects to receive, discounted at an approximation of the original effective interest rate. For trade receivables and some intercompany loans, the LP applies a simplified approach in calculating ECLs. Therefore, the LP does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The LP has established a provision matrix, that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The LP considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the LP may also consider a financial asset to be in default when internal or external information indicates that the LP is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the LP. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through the Statement of Profit or Loss and Other Comprehensive Income, loans and borrowings, or payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**Subsequent measurement - Intercompany loans**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when the liabilities are derecognised, as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit or Loss and Other Comprehensive Income.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

**Taxation**

Taxation on the profits of the Partnership is solely the responsibility of the members. Consequently neither the partnership taxation nor deferred taxation are dealt with in these financial statements. Any foreign tax deducted on non-UK income is treated as an administration expense of the LP.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into USD at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into USD at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**4. EMPLOYEE INFORMATION**

All operations of the LP during the year ended 31 December 2022 have been undertaken by employees of other companies within Hilton Worldwide Holdings Inc.. A charge of \$- (2021: \$-) has been included in cost of sales in respect of their services.

NOTES TO THE FINANCIAL STATEMENTS - continued  
for the year ended 31 December 2022

5. OPERATING PROFIT

This is stated after charging/(crediting):

	2022	2021
	\$	\$
Fee income repayable to group undertakings	2,333,698	1,295,643
Foreign tax deducted on non-UK income	74,963	119,490
Fees payable to group undertakings	1,172,918	662,524
Amortisation of intangible fixed assets	29,498	23,388
	<u>2,333,698</u>	<u>1,295,643</u>

The remuneration of the auditors of £36,542 (2021: £33,294) is borne entirely by Hilton Worldwide Limited.  
The foreign exchange (gain)/losses are disclosed within cost of sales within the profit or loss account.

6. PROFIT/(LOSS) ON DISPOSAL

	2022	2021
	\$	\$
Profit/(loss) on disposal of intangible fixed assets	<u>(47,591)</u>	<u>(54,977)</u>

7. INFORMATION IN RELATION TO MEMBERS

	2022	2021
The average number of members during the year was	<u>2</u>	<u>2</u>

8. INTANGIBLE FIXED ASSETS

	Development costs
	\$
<b>COST</b>	
At 1 January 2022	1,037,109
Additions	151,653
Disposals	(67,843)
Transfer	(64,888)
At 31 December 2022	<u>1,056,031</u>
<b>AMORTISATION</b>	
At 1 January 2022	50,227
Amortisation for year	29,498
At 31 December 2022	<u>79,725</u>
<b>NET BOOK VALUE</b>	
At 31 December 2022	<u>976,306</u>
At 31 December 2021	<u>986,882</u>

During the year, 14 franchise contracts held by the LP were transferred to another entity in the wider group at net book value.

NOTES TO THE FINANCIAL STATEMENTS - continued  
for the year ended 31 December 2022

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	\$	\$
Trade debtors	393,769	1,518,732
Amounts owed by group undertakings	30,741,491	27,935,451
	<u>31,135,260</u>	<u>29,454,183</u>

Amounts owed by group undertakings are included in amounts due within one year where there are no specified repayment terms. Amounts owed by group undertakings are technically repayable on demand and hence are included in amounts due within one year. The loans bear interest at SONIA, or another applicable market rate, plus a margin.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	\$	\$
Amounts owed to group undertakings	1,861,293	942,512
Social security and other taxes	41,816	127,944
Value Added Tax	526,195	511,673
Other creditors	727,980	380,482
Accruals and deferred income	130,860	106,100
	<u>3,288,144</u>	<u>2,068,711</u>

Amounts owed to group undertakings are included in amounts due within one year where there are no specified repayment terms and there is no fixed repayment schedule in place. While amounts owed to group undertakings are technically repayable on demand, and hence are included in amounts due within one year, the members are of the opinion (as a result of their group role in relation to the group undertakings amounts are owed to) that in the ordinary course of business, repayment within such a timescale would not be required. The loans bear interest at SONIA, or another applicable market rate, plus a margin.

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2022	2021
	\$	\$
Accruals and deferred income	3,818,395	4,044,832
	<u>3,818,395</u>	<u>4,044,832</u>

12. LOANS AND OTHER DEBTS DUE TO MEMBERS

	2022	2021
	\$	\$
Loans from members	2,174,126	2,086,053
Amounts owed to members in respect of profits	677,506	88,074
	<u>2,851,632</u>	<u>2,174,127</u>
Falling due within one year	<u>2,851,632</u>	<u>2,174,127</u>

13. CONTINGENT LIABILITIES

The LP had jointly and severally guaranteed the value added tax liability of other companies within the same UK VAT group, which amounted to approximately £7.2m/\$8.7m (2021: £2.6m/\$3.5m) at 31 December 2022

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2022**

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**14. CAPITAL COMMITMENTS**

The LP has not entered into any capital commitments contracted for but not provided in the financial statements at period end.

**15. PARENT UNDERTAKING, CONTROLLING PARTY AND CONSOLIDATING ENTITY**

The LP's members are Hilton Worldwide Manage Limited and Hilton Worldwide Services Limited. Both members are limited companies registered in England and Wales. Hilton Worldwide Manage Limited is the controlling party.

The ultimate parent, the only undertaking for which group financial statements were prepared and into which the LP is consolidated for 31 December 2022, was Hilton Worldwide Holdings Inc., a company incorporated in Delaware in the United States of America. These group financial statements are available from the company secretary, Hilton Worldwide Holdings Inc., 7930 Jones Branch Drive, McLean, Fairfax County, Virginia VA 22102-3302, United States of America.

# **EXHIBIT G-1**

**REGISTERED NUMBER: 07462067 (England and Wales)**

**Hilton Worldwide Manage Limited**

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

**CONTENTS OF THE FINANCIAL STATEMENTS  
for the year ended 31 December 2021**

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**COMPANY INFORMATION**  
for the year ended 31 December 2021

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**DIRECTORS:**

Mr S Beasley  
Mr J O Percival  
Mr B Wilson  
Mr R Beeston  
Mr S Cassidy  
Mrs M Momdjian  
Mr G C Ogle  
Ms K J Coari

**SECRETARY:**

HLT Secretary Limited

**REGISTERED OFFICE:**

Maple Court  
Central Park  
Reeds Crescent  
Watford  
Hertfordshire  
WD24 4QQ

**REGISTERED NUMBER:**

07462067 (England and Wales)

**AUDITORS:**

Ernst & Young LLP  
Senior Statutory Auditor  
1 More London Place  
London  
SE1 2AF



## Hilton Worldwide Manage Limited

### STRATEGIC REPORT for the year ended 31 December 2021

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The principal activity of the company in the year under review was that of a hotel manager, hotel development services provider and an investment holding company.

Hilton Worldwide Manage Limited is an indirect subsidiary of Hilton Worldwide Holdings Inc. and is based in the United Kingdom (UK). Hilton Worldwide Holdings Inc. and its worldwide subsidiaries are collectively known as "the group" or "the Hilton group". Further details are contained in the note "Parent Undertaking, Controlling Party and Consolidating Entity".

#### REVIEW OF BUSINESS

The company's key financial indicators of performance during the year are considered to be:

	2021	2020
	\$	\$
Turnover	351,632,954	221,706,468
Gross profit	296,325,099	167,586,540
Carrying value of investments	133,065,356	187,885,524

The primary driver behind the movement in turnover is the upward trend in travel and tourism with the easing of many restrictions related to the coronavirus pandemic (referred to as "COVID-19" or "the pandemic") and the more expansive distribution of COVID-19 vaccinations. The pandemic significantly impacted the economy and strained the hospitality industry since the beginning of 2020 due to travel restrictions, safety concerns and the complete and partial suspensions of hotel operations. Steps were taken to reduce operating costs in 2020, including temporarily reducing compensation, reducing the workforce and furloughing a substantial number of employees, however, costs could not be reduced in line with the reduction in turnover. We continued to manage operating costs into 2021, which contributed an improvement to gross profit. The gross profit was further impacted by movements in foreign exchange.

During the year one investment was impaired totalling \$54,820,168 as the underlying net assets were not sufficient to support the investments' carrying value. During the prior year an investment was liquidated which had a cost of \$61,591. Further details are contained in the note "Investments".

**STRATEGIC REPORT**  
**for the year ended 31 December 2021**

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**PRINCIPAL RISKS AND UNCERTAINTIES**

**Impairment Risk**

One of the company's activities is that of an investment holding company. As such a risk and uncertainty facing the company relates to the recoverability of the value of its investments. The company monitors the fair value of all underlying assets to determine whether there are indicators that the carrying values of investments are not recoverable.

**Competitive risk**

Risks that arise come from competitors opening new hotels or improving an existing hotel. The company monitors its competitors' performance and participates in regular benchmarking to understand the company's position compared to its competitors.

**Economic risk**

The company is subject to the cyclical nature of the hospitality and travel industry and is also impacted by the effect that global socio-economic and political trends have on its customers. On 31 January 2020, the UK left the European Union (EU) with a transition period that ended on 31 December 2020 ("Brexit"). Brexit continues to create global economic uncertainty, but to date, Brexit is not considered to have had a material impact on Hilton's UK business although it may impact our customers' behaviours in the future, particularly with respect to closely monitoring their costs and reducing their spending on travel and corporate events. Therefore, there continues to be uncertainty over how the UK's exit from the EU will ultimately impact the company but management continues to monitor this on an ongoing basis. Budgeting and forecasting processes enable the company to identify risks in market trends at an early stage to help mitigate such risks.

**COVID-19**

The COVID-19 pandemic has significantly affected the economy and strained the hospitality industry since the beginning of 2020 due to travel restrictions and stay-at-home directives that have resulted in cancellations and reduced travel around the world, as well as complete and partial suspensions of hotel operations. Distribution of approved vaccines for COVID-19 began in late 2020, and continued throughout 2021, with access to and acceptance of vaccines varying across regions and within individual countries. In addition, new strains of the virus have had increased transmissibility, complicating treatment and vaccination programs. As such, the COVID-19 pandemic had a material negative impact on the results of the company and its subsidiaries for the year ended 31 December 2021, and will continue to negatively affect future results. The current and uncertain future impact of the COVID-19 pandemic, including its effect on the ability or desire of people to travel and use our hotel properties for lodging, food and beverage and other services, is expected to continue to negatively affect our results, operations, outlook, plans, growth, cash flows and liquidity.

**Ukraine risk**

As part of ongoing monitoring, management have identified the military invasion of Ukraine by Russia (referred to Ukraine invasion) as a risk that could cause disruption to the business operated by the company and has negatively affected the global economy. Financial and economic sanctions imposed on certain industry sectors and parties in Russia by the United States of America, UK and EU, as well as potential retaliatory actions by Russia, could also have a negative impact on the global economy. Whilst it is expected that this unprecedented situation will be temporary, there could be a long period of business interruption during which the revenues, profitability and cash flows of the company are expected to be negatively impacted. The company earns income from hotels that operate in Russia, Ukraine or Belarus and the broader consequences of this conflict, including rising energy prices and shortages of and increased costs for food, goods and services and transportation or further escalation in adjacent areas could have negative downstream effects on the LP/company and operations. Further expansion or escalation of military confrontations or related geopolitical tensions, including increased restrictions on global trade, could result in, among other things, lower travel demand, cyberattacks, terrorist activities, supply disruptions and changes to foreign currency exchange rates and constraints, volatility, or disruption in financial markets, any of which may adversely affect the global economy and the company. Due to the complexity of the situation and its rapid evolution, it is not practicable as of the date of approval of these financial statements to make a reliable quantified estimate of its potential impact on the company. Any such impact will be reflected in the financial statements for the year ending 31 December 2022.

**STRATEGIC REPORT  
for the year ended 31 December 2021**

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**Interest rate risk**

This company is subject to interest rate risk on intercompany loans where the interest rate is linked to applicable market index rates such as the Sterling Overnight Index Average (SONIA) or the Euro Short Term Rate (ESTR). The group's treasury department monitors interest rates.

**Exchange rate risk**

This company is subject to exchange rate risk on intercompany loans held in foreign currencies. The group's treasury department monitors exchange rates.

Management does not believe the company is any more exposed to financial statement risk factors than others in the industry and has a system of internal controls and procedures that attempt to mitigate such risk.

**SECTION 172(1) STATEMENT**

Information required under section 172(1) of the Companies Act 2006 which is not documented below is shown within the strategic report and under the headings "Review of Business" and "Principal Risks and Uncertainties".

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires directors to have regard to, amongst other matters, the:

- a) likely consequences of any decisions in the long-term,
- b) interests of the company's employees;
- c) need to foster the company's business relationships with suppliers, customers and others,
- d) impact of the company's operations on the community and environment,
- e) desirability of the company maintaining a reputation for high standards of business conduct; and
- f) need to act fairly as between members of the company.

In discharging our section 172 duties we have regard to the matters set out above. In addition, we also have regard to other factors which we consider relevant to the decision being made.

We set out below examples of how we have had regard to the matters set out in section 172(1)(a)-(f) when discharging our section 172 duties:

The directors act in a way that they consider to be most likely to promote the success of the company for the benefits of all stakeholders, fostering both high standards of business conduct, the need to act fairly for all members of the company as well as considering carefully the impact of their decisions on the medium and long term outlook for the business. The directors consider that the company's key stakeholder is its customers which in this case are the owners of the hotels the business supports under franchise and management agreements. It is considered vital that strong relationships are built with owners given both the long-term nature of the agreements in place and that a large proportion of contracts for new hotels are signed with existing owners. Due diligence is completed on any proposed new owner to ensure the propriety of their business operations including consideration of environmental and social responsibilities. The due diligence as well as a full review of the financial viability of any new contract ensures that the directors can decide whether to approve signing of contracts. All supplier arrangements are performed by other companies in the wider Hilton Worldwide Holdings Inc. group and therefore this company does not include suppliers as a stakeholder.

**Hilton Worldwide Manage Limited**

**STRATEGIC REPORT  
for the year ended 31 December 2021**

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**FUTURE DEVELOPMENTS**

The company will continue to operate as hotel development services provider and an investment holding company in the future.

**ON BEHALF OF THE BOARD:**



Mr R Beeston - Director

21 July 2022

## **Hilton Worldwide Manage Limited**

### **REPORT OF THE DIRECTORS for the year ended 31 December 2021**

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The directors present their report with the financial statements of the company for the year ended 31 December 2021.

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2021.

#### **EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is given in the notes to the financial statements.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

Mr S Beasley  
Mr J O Percival  
Mr B Wilson  
Mr R Beeston  
Mr S Cassidy  
Mrs M Momdjian  
Mr G C Ogle  
Ms K J Coari

#### **BUSINESS RELATIONSHIPS**

In accordance with the Companies (Miscellaneous Reporting) Regulations 2018 there is a requirement to disclose how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others. This disclosure is included within the strategic report under the heading Section 172(1) statement.

#### **GOING CONCERN**

The company's activities, together with the factors likely to affect its future development, its competitive, economic and interest rate risks are set out in the "Review of Business" and "Principal Risks and Uncertainties" sections in the Strategic Report.

As of 31 December 2021, the company has net assets and net current assets. The financial statements have been prepared on a going concern basis because management believe that the company can meet its liabilities as they fall due for a period from the date on which these financial statements are approved to the 21 July 2023.

#### **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

During the year, Hilton Worldwide Holdings Inc. purchased and maintained on behalf of the company liability insurance for its directors and officers, in respect of proceedings brought by third parties, as permitted by section 236 of the Companies Act 2006.

**REPORT OF THE DIRECTORS**  
**for the year ended 31 December 2021**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

**AUDITORS**

Ernst & Young LLP will be re-appointed as the company's auditor in accordance with the elective resolution passed by the company under section 385 of the Companies Act 1985.

**ON BEHALF OF THE BOARD:**



Mr R Beeston - Director

21 July 2022

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HILTON WORLDWIDE MANAGE LIMITED

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### **Opinion**

We have audited the financial statements of Hilton Worldwide Manage Limited (the 'company') for the year ended 31 December 2021 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions related to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months to 21 July 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HILTON WORLDWIDE MANAGE LIMITED

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### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HILTON WORLDWIDE MANAGE LIMITED

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### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those that relate to the reporting framework; FRS 101 "Reduced Disclosure Framework and the Companies Act 2006, the relevant tax compliance regulations in the jurisdictions in which Hilton Worldwide Manage Limited operates, Health and Safety Regulations, Modern Slavery Act, Bribery Act, Proceeds of Crime Act 2002, Money Laundering Regulations 2003 and the General Data Protection Regulation (GDPR).
- We understood how Hilton Worldwide Manage Limited is complying with those frameworks through enquiry with management, by identifying the company's policies and procedures regarding compliance with laws and regulations, and through the review of minutes of meetings held by those charged with governance for any instances of non-compliance with laws and regulations.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by enquiring with management to understand their interactions throughout the year with Internal Audit and the General Counsel's office to assess the risks of material misstatement due to fraud. As part of our procedures we reviewed the annual risk assessment process conducted by Internal Audit. This procedure evaluates the risk of material misstatement due to fraud by considering the nature and complexity of the company's reporting structure, and most notably considering the likelihood of material misstatements. Based on the results of the risk assessment process no material instances of frauds were identified.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
  - Enquiry of members of senior management, and when appropriate those charged with governance regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements.
  - Reading minutes of meetings of those charged with governance.
  - Obtaining and reading correspondence from legal and regulatory bodies including HMRC where applicable.
  - Journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding the business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
HILTON WORLDWIDE MANAGE LIMITED**

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**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Rebecca Turner (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP  
Senior Statutory Auditor  
1 More London Place  
London  
SE1 2AF

22 July 2022

Hilton Worldwide Manage Limited

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the year ended 31 December 2021

	Notes	2021 \$	2020 \$
<b>TURNOVER</b>	4	351,632,954	221,706,468
Cost of sales		(55,307,855)	(54,119,928)
<b>GROSS PROFIT</b>		296,325,099	167,586,540
Other operating items		(54,820,169)	(4,604,451)
Administrative expenses		(242,246,315)	(242,848,592)
<b>OPERATING LOSS</b>		(741,385)	(79,866,503)
Profit/(loss) on disposal of intangible fixed assets	6	(5,479,086)	-
Profit/(loss) on disposal of investment	6	-	(61,591)
		(6,220,471)	(79,928,094)
Income from shares in group undertakings	7	272,309	133,610,317
Interest receivable	8	49,782,474	52,453,783
		43,834,312	106,136,006
Interest payable and similar expenses	9	(2,298,905)	(2,615,445)
<b>PROFIT BEFORE TAXATION</b>	10	41,535,407	103,520,561
Tax on profit	11	(5,749,434)	3,375,768
<b>PROFIT FOR THE FINANCIAL YEAR</b>		35,785,973	106,896,329
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Deferred tax on hedging		(934,197)	(305,140)
Hedging gains/(losses)		3,889,987	(1,534,529)
Income tax relating to items that will not be reclassified to profit or loss		-	-
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX</b>		2,955,790	(1,839,669)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		38,741,763	105,056,660

The notes form part of these financial statements

Hilton Worldwide Manage Limited (Registered number: 07462067)

**BALANCE SHEET**  
31 December 2021

	Notes	2021 \$	2020 \$
<b>FIXED ASSETS</b>			
Intangible assets	12	491,300,701	455,521,015
Investments	13	133,065,356	187,885,524
		<u>624,366,057</u>	<u>643,406,539</u>
<b>CURRENT ASSETS</b>			
Debtors	14	2,138,306,521	2,075,443,720
Cash at bank		1,572,731	335,141
		<u>2,139,879,252</u>	<u>2,075,778,861</u>
<b>CREDITORS</b>			
Amounts falling due within one year	15	(221,086,785)	(201,303,390)
<b>NET CURRENT ASSETS</b>			
		<u>1,918,792,467</u>	<u>1,874,475,471</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		2,543,158,524	2,517,882,010
<b>CREDITORS</b>			
Amounts falling due after more than one year	16	(56,963,818)	(75,320,957)
<b>NET ASSETS</b>			
		<u>2,486,194,706</u>	<u>2,442,561,053</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	31,663,638	31,663,638
Share premium	19	21,874	21,874
Other reserves	19	(532,343,264)	(532,343,264)
Retained earnings	19	2,986,852,458	2,943,218,805
<b>SHAREHOLDERS' FUNDS</b>			
		<u>2,486,194,706</u>	<u>2,442,561,053</u>

The financial statements were approved by the Board of Directors and authorised for issue on 21 July 2022 and were signed on its behalf by:



Mr R Beeston - Director

The notes form part of these financial statements

Hilton Worldwide Manage Limited

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2021

	Called up share capital \$	Retained earnings \$	Share premium \$	Other reserves \$	Total equity \$
<b>Balance at 1 January 2020</b>	31,663,638	2,836,120,898	21,874	(532,343,264)	2,335,463,146
<b>Changes in equity</b>					
Total comprehensive income	-	105,056,660	-	-	105,056,660
Tax on share based payments	-	2,041,247	-	-	2,041,247
<b>Balance at 31 December 2020</b>	<u>31,663,638</u>	<u>2,943,218,805</u>	<u>21,874</u>	<u>(532,343,264)</u>	<u>2,442,561,053</u>
<b>Changes in equity</b>					
Total comprehensive income	-	38,741,763	-	-	38,741,763
Tax on share based payments	-	4,891,890	-	-	4,891,890
<b>Balance at 31 December 2021</b>	<u><u>31,663,638</u></u>	<u><u>2,986,852,458</u></u>	<u><u>21,874</u></u>	<u><u>(532,343,264)</u></u>	<u><u>2,486,194,706</u></u>

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2021**

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1. **FUNDAMENTAL ACCOUNTING CONCEPT**

As of 31 December 2021, the company has net assets and net current assets. The financial statements have been prepared on a going concern basis because management believe that the company can meet its liabilities as they fall due for a period from the date on which these financial statements are approved to the 21 July 2023.

2. **STATUTORY INFORMATION**

Hilton Worldwide Manage Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

3. **ACCOUNTING POLICIES**

**Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Hilton Worldwide Manage Limited financial statements are presented in US Dollar (USD), which is Hilton Worldwide Manage Limited's functional currency. Amounts have been rounded to the nearest \$.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 52, the second sentence of paragraph 89 and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of paragraph 58 of IFRS 16;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a to c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 130(f), 134(d to f) and 135(c to e) of IAS 36 Impairments of Assets.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2021**

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3. **ACCOUNTING POLICIES - continued**

**Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

**Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

**Taxation**

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in the note "Taxation".

**Group reorganisation**

In preparing these accounts, management has made the following judgements where the group restructuring transaction has had the most significant impact on the amounts recognised in the financial statements:

- Transfer of trade and assets that represent a business

Where management and franchise contracts have been transferred as part of the group restructuring transaction, management have considered whether these represent the transfer of a collection of assets and liabilities or whether they represent the transfer of trade and assets that constitute a business. Management concluded that these transfers represent a transfer of a business and therefore have applied the pooling of interest method as described in the basis of preparation. In reaching this conclusion, Management considered the relevant guidance in IFRS 3 where the definition of a business is defined as a set of activities and assets that are capable of being managed for the purpose of providing a return to the business.

In the application of the pooling of interest method, the assets and liabilities transferred are recognised at book value using the carrying values reported at the level of the financial statements of the combining entities (i.e. that entity's own financial statements) and not those reported in the consolidated financial statements of the parent. This is based on the conclusion by management that these values are considered most relevant to the users of the financial statements and ensure consistency of the results reported to group from before and after the group restructuring was executed.

- Gains or losses on transfers of investments and business through the group

As part of the group restructuring there are a number of transactions whereby investments and trade and assets which represent a business are transferred through the company to other group companies. The company only received the business on the condition that it was transferred on to its subsidiary immediately. Management concluded that the company acted as an agent in the flow through of the transaction. In these circumstances management did not consider it appropriate to recognise any gains or losses on transfer, because the intermediate entity never meaningfully had 'control' over the business, and it was simply passed through the group in accordance with the legal contractual arrangements.

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2021**

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**3. ACCOUNTING POLICIES - continued**

**Impairment of trade and other debtors**

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note "Debtors" for the net carrying amount of the trade debtors including any associated impairment provision.

**Impairment of intangible fixed assets**

Determining whether intangible fixed assets are impaired requires an estimation of the value in use of the cash generating unit. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Each hotel is one cash generating unit. Details of any impairment loss are set out in the note "Intangible Fixed Assets".

**Impairment of investments**

Determining whether a investment is impaired requires an estimation of the value in use of the investment in its subsidiary. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the subsidiary and a suitable discount rate in order to calculate present value. Each subsidiary is an individual cash generating unit. Details any impairment losses are disclosed in 'Investments' note.

**Revenue recognition**

**Turnover**

Turnover which arose worldwide (excluding North America) is derived from management and service fees from third parties as well as intellectual property and service fees from other entities within the Hilton Worldwide group. Management fees are earned by the company through the rendering of goods and services, usually under long-term contracts with the hotel owner and can include a base fee, which is generally a percentage of hotel revenue, and/or an incentive fee, which is generally based on the hotel's profitability or cash flows.

Turnover is recognised when earned and realised or realisable under the terms of the contract. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

**Interest income**

Interest is recognised as it accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

**Dividend income**

Dividend income is recognised when the right to receive payment is established.



**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2021**

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3. **ACCOUNTING POLICIES - continued**

**Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through the Statement of Profit or Loss and Other Comprehensive Income. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through the Statement of Profit or Loss and Other Comprehensive Income, transaction costs.

Subsequent measurement

The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when the asset is derecognised, modified or impaired.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e., removed from the company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2021**

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**3. ACCOUNTING POLICIES - continued**

**Impairment of financial assets**

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through the Statement of Profit or Loss and Other Comprehensive Income. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. For trade receivables and some intercompany loans, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix, that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through the Statement of Profit or Loss and Other Comprehensive Income, loans and borrowings, or payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**Subsequent measurement - Intercompany loans**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when the liabilities are derecognised, as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit or Loss and Other Comprehensive Income.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

**Derivative financial instruments**

The company uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Derivatives are entered into by a central treasury entity within the wider group. The forward exchange contracts recognised in this entity are between the company and the group treasury entity.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2021**

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3. **ACCOUNTING POLICIES - continued**

**Fair values**

None of the company's financial instruments are traded in an active markets. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in the note "Financial Instruments".

**Taxation**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into USD at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into USD at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2021**

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3. **ACCOUNTING POLICIES - continued**

**Investments**

Investments in subsidiary undertakings are stated at cost. The carrying value of investments is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

**Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and accumulated impairments losses. Intangible assets with finite lives are amortised on a straight line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed annually. Intangible assets with infinite lives are not amortised but are assessed for impairment annually.

Development costs are comprised of key money paid to the franchisee or development commissions paid to team members directly related to the acquisition of a franchise agreement. Key money or development commission is amortised over the length of the associated franchise agreement which is typically a period of 10 to 20 years.

**Group reorganisation**

In accounting for a group reorganisation as a business combination under common control, the following principles have been adopted:

- Where a transfer is affected via transferring trade and assets of a business rather than shares of the company, as the transaction is the transfer of a business under common control the company has chosen to adopt the principles of merger accounting under common control as scoped out in IFRS 3.
- Where investments were acquired in exchange for the issue of shares the company has chosen to account for these transactions using the previous parent's book value with the difference between the value of the investments received and the nominal value of the shares issued being recognised within other reserves in equity.
- In circumstances where assets, including investments, were transferred in exchange for nil consideration these have been recognised at zero (i.e. the fair value of the consideration received) as the fair value of those assets could not be reliably estimated. This policy choice has been applied consistently to all contributions for nil consideration across the group.

**Share-based payments**

**Equity-settled transactions**

The cost of equity-settled transactions with employees is measured by reference to the fair value, which is equal to the closing stock price of Hilton Worldwide Holdings Inc. on the date granted and is recognised as an expense when services from the employees are rendered, over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of Hilton Worldwide Holdings Inc. (market conditions).

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the Statement of Profit or Loss and Other Comprehensive Income, with a corresponding entry in equity.

**Cash-settled transactions**

The cost of cash-settled transactions is measured initially at fair value at the grant date and is remeasured at each reporting date up to and including the settlement date, with changes in fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income for the period.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2021**

**4. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

**5. EMPLOYEES AND DIRECTORS**

Most operations of the company during the year ended 31 December 2021 have been undertaken by employees of other companies within Hilton Worldwide Holdings Inc.. A charge of \$41,575,220 has been included in cost of sales in respect of their services (2020: \$ 26,220,033).

	2021	2020
	\$	\$
Wages	34,866,275	21,239,911
Security costs	5,137,670	3,621,549
Pensions	1,571,275	1,358,573
	<u>41,575,220</u>	<u>26,220,033</u>

The average monthly number of employees during the year was 39 (2020: 39).

The costs of the directors' remuneration borne by this company for the period are:

	2021	2020
	\$	\$
Director's remuneration	2,999,540	2,714,236
Emoluments	1,433,040	1,857,612
Amounts paid under long term incentive schemes		

	2021	2020
	\$	\$
Remuneration of the highest paid director	657,831	553,809
Emoluments	481,775	904,336
Amounts paid under long term incentive schemes		

**6. PROFIT/(LOSS) ON DISPOSAL**

	2021	2020
	\$	\$
Profit/(loss) on disposal of investment	-	(61,591)
Profit/(loss) on disposal of intangible fixed assets	<u>(5,479,086)</u>	<u>-</u>

**7. INCOME FROM SHARES IN GROUP UNDERTAKINGS**

	2021	2020
	\$	\$
Shares in group undertakings	<u>272,309</u>	<u>133,610,317</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2021**

8.	<b>INTEREST RECEIVABLE</b>	2021 \$	2020 \$
	Interest receivable from fellow group undertakings	48,646,407	51,276,794
	Interest receivable from other third parties	1,136,067	1,176,989
		<u>49,782,474</u>	<u>52,453,783</u>
9.	<b>INTEREST PAYABLE AND SIMILAR EXPENSES</b>	2021 \$	2020 \$
	Interest payable to fellow group undertakings	2,298,905	2,615,445
		<u>2,298,905</u>	<u>2,615,445</u>
10.	<b>PROFIT BEFORE TAXATION</b>		
	This is stated after charging:		
		2021 \$	2020 \$
	IP and service fees payable to group undertakings	185,145,717	168,678,898
	Amortisation of intangible fixed assets	1,420,639	1,007,229
		<u>186,566,356</u>	<u>169,686,127</u>
	Other operating items consist of:		
		2021 \$	2020 \$
	Impairment losses on investments	54,820,169	1,405,778
	Foreign exchange on currency loans	-	3,198,673
		<u>54,820,169</u>	<u>4,604,451</u>

The remuneration of the auditors of £ 56,653 (2020: £55,085) is borne entirely by Hilton Worldwide Limited.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2021**

**11. TAXATION**

**Analysis of tax expense/(income)**

	2021	2020
	\$	\$
Current tax:		
Corporation tax	577	126,802
Foreign tax	2,251,352	9,244,011
Foreign tax - prior period adjustment	(1,636,703)	(2,088,064)
Corporation tax - prior period adjustment	(3,411,658)	2,395,054
Total current tax	<u>(2,796,432)</u>	<u>9,677,803</u>
Deferred tax:		
Origination and reversal of temporary differences	(656,796)	(12,685,945)
Effect of change in tax rate	(1,705,535)	(421,619)
Adjustments in respect of prior periods	10,908,197	53,993
Total deferred tax	<u>8,545,866</u>	<u>(13,053,571)</u>
Total tax expense/(income) in statement of profit or loss and other comprehensive income	<u>5,749,434</u>	<u>(3,375,768)</u>

**Factors affecting the tax expense**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2021	2020
	\$	\$
Profit before income tax	<u>41,535,407</u>	<u>103,520,561</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	7,891,727	19,668,907
Effects of:		
Non-deductible depreciation and amortisation	1,422,564	1,322,609
Expenses not deductible for tax purposes	11,487,055	(20,382,191)
Partnership profit share	(1,910,819)	325,654
Group relief surrendered to/(from) fellow subsidiaries free of charge	(5,468,750)	-
Higher tax on foreign income	(1,027,657)	7,436,616
Temporary differences subject to initial recognition exemption	(10,559,821)	(10,559,821)
Profit apportionment	577	126,801
Tax rate reduction	(1,705,535)	(421,619)
Share based payments	(239,743)	(1,253,706)
Adjustments in respect of prior periods	5,859,836	360,982
Tax expense/(income)	<u>5,749,434</u>	<u>(3,375,768)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
for the year ended 31 December 2021

11. TAXATION - continued

Tax effects relating to effects of other comprehensive income

	Gross \$	2021 Tax \$	Net \$
Deferred tax on hedging	(934,197)	-	(934,197)
Hedging gains/(losses)	3,889,987	-	3,889,987
	<u>2,955,790</u>	<u>-</u>	<u>2,955,790</u>
	Gross \$	2020 Tax \$	Net \$
Deferred tax on hedging	(305,140)	-	(305,140)
Hedging gains/(losses)	(1,534,529)	-	(1,534,529)
	<u>(1,839,669)</u>	<u>-</u>	<u>(1,839,669)</u>

Deferred tax assets and liabilities are netted down where they relate to income taxes receivable from and payable to the same taxation authority.

The deferred tax asset of \$12,754,156 (2020: \$18,288,280) is expected to be recovered and settled after more than one year.

The Finance Act 2021, which received Royal Assent on 10 June 2021, confirmed that the rate of corporation tax would rise to 25% from 1 April 2023. This change does not have a material effect on these financial statements.

The group's and therefore the company's future tax charge could be affected by numerous factors including, but not limited to, any future consequences of the UK leaving the European Union and any tax reforms adopted from the Organisation for Economic Co-operation and Development (OECD's) Base Erosion and Profit Shifting (BEPS) actions such as those in relation to the deductibility of interest, anti-avoidance or transfer pricing. No quantification of these changes is currently possible due to uncertainty around when any currently proposed rules will be enacted or effective.



**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2021**

12. **INTANGIBLE FIXED ASSETS**

	Intellectual Property \$	Development costs \$	Totals \$
<b>COST</b>			
At 1 January 2021	257,190,000	238,274,008	495,464,008
Additions	-	39,729,805	39,729,805
Disposals	-	(3,751,506)	(3,751,506)
Transfer	-	10,306,848	10,306,848
	<u>257,190,000</u>	<u>284,559,155</u>	<u>541,749,155</u>
At 31 December 2021	257,190,000	284,559,155	541,749,155
<b>AMORTISATION</b>			
At 1 January 2021	-	39,942,993	39,942,993
Amortisation for year	-	12,604,952	12,604,952
Eliminated on disposal	-	(1,992,985)	(1,992,985)
Transfer	-	(106,506)	(106,506)
	<u>-</u>	<u>50,448,454</u>	<u>50,448,454</u>
At 31 December 2021	-	50,448,454	50,448,454
<b>NET BOOK VALUE</b>			
At 31 December 2021	<u>257,190,000</u>	<u>234,110,701</u>	<u>491,300,701</u>
At 31 December 2020	<u>257,190,000</u>	<u>198,331,015</u>	<u>455,521,015</u>

Development costs additions relate to key money and development commissions relating to future hotel openings.

During the year, 18 franchise contracts held by another entity in the wider group, were transferred to the company at net book value.

13. **INVESTMENTS**

	Shares in group undertakings \$
<b>COST</b>	
At 1 January 2021 and 31 December 2021	<u>222,530,998</u>
<b>PROVISIONS</b>	
At 1 January 2021	34,645,474
Impairments	<u>54,820,168</u>
At 31 December 2021	<u>89,465,642</u>
<b>NET BOOK VALUE</b>	
At 31 December 2021	<u>133,065,356</u>
At 31 December 2020	<u>187,885,524</u>

**Hilton Worldwide Manage Limited**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2021**

**13. INVESTMENTS - continued**

During the year one investment was impaired totalling \$54,820,168 as the underlying net assets were not sufficient to support the investments' carrying value.

During the prior year an investment was liquidated which had a cost of \$61,591.

Details of the principal investments in which the company holds nominal value of any class of share capital are as follows:

Investments in directly held subsidiary undertakings are denoted below with an asterisk; all other investments in subsidiary undertakings are indirectly held.

	Country of registration and operation	Principal activities	Proportion of voting rights and shares held
Mayaguez Hilton LLC*	Puerto Rico	Dormant	100%
	Trinidad and Tobago		
Hilton Tobago Unlimited*	Tobago	Hotel operator	100%
Hilton International Manage (Argentina) SRL*	Argentina	Hotel manager	100%
Hilton International Barbados Limited	Barbados	Hotel manager	100%
Conrad International (Thailand) Limited*	Thailand	Hotel manager	100%
Conrad International Hotels (HK) Limited*	Hong Kong	Hotel manager	100%
Conrad International (Egypt) LLC*	United States	Hotel manager	100%
Hilton Hotel Management Services Private Limited	India	Hotel manager	100%
Hilton Argentina SRL*	Argentina	Dormant	100%
HIRO Verwaltungs GmbH	Germany	Dormant	100%
HIRO Hotel GmbH & Co KG	Germany	Dormant	100%
HIRO Grundstücks GmbH & Co KG	Germany	Dormant	100%
Hilton Hotel Management (Shanghai) Co. Ltd.	China	Hotel manager	100%
		Investment holding company	
HLT German Manage GmbH	Germany		100%
		Investment holding company	
HLT German Services GmbH	Germany		100%
		Investment holding company	
Grand Hotel Imperial DD (JV)	Croatia		17.54%
	United Kingdom	Investment holding company	
Hilton Worldwide Services Limited*	Kingdom		100%
Hilton International (Thailand) Limited*	Thailand	Hotel operator	100%
Nagoya Hilton Co Limited (JV)	Japan	Hotel operator	24%
Osaka Hilton Co Limited (JV)	Japan	Hotel owner	70.36%
Tokyo Bay Hilton Co Limited (JV)	Japan	Hotel operator	24%
Addis Ababa Hilton Private Limited Company	Ethiopia	Hotel operator	100%
African American Investment Corporation (PTY) Limited	South Africa	Dormant	100%
Madagascar Hilton SARL	Madagascar	Hotel operator	100%
International Hotels (Kenya) Limited (JV)	Kenya	Hotel owner	59.42%
Societe Tunis Hilton SARL	Tunisia	Dormant	100%
Hilton (Hellas) Monoprosopi EPE*	Greece	Hotel operator	100%
Hilton International (Germany) GmbH	Germany	Hotel operator	100%
Hilton Cyprus Limited*	Cyprus	Hotel manager	100%
Hilton Enternasyonal Otelcilik AS*	Turkey	Hotel operator	100%

**Hilton Worldwide Manage Limited**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2021**

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<b>13. INVESTMENTS - continued</b>			
Hilton International (Switzerland) GmbH*	Switzerland	Hotel operator	100%
Hotelbetriebsgesellschaft Hochstrasse GmbH	Germany	Hotel operator	100%
Grundstücksgesellschaft Belvederer Allee Weimar GmbH	Germany	Dormant	100%
Hilton Malta Limited*	Malta	Hotel operator and manager	100%
Hilton International (Bulgaria) EAD*	Bulgaria	Hotel operator	100%
Hilton Enternasyonal Otelcilik AS*	Turkey	Hotel manager	100%
Hilton International Holdings LLC	United States	Investment holding company	100%
Comfort Inns BV*	Netherlands	Investment holding company	100%
HIC Roissy Netherlands BV	Netherlands	Investment holding company	100%
World Hotels BV	Netherlands	Investment holding company	100%
Hilton Worldwide Franchising LP*	United Kingdom	Franchisor entity	100%
Hilton Worldwide Manage Branchco Limited*	United Kingdom	Investment holding company	100%
Hilton Worldwide Holding 1 Limited*	United Kingdom	Investment holding company	100%
Hilton Worldwide International Myanmar Company Limited*	Myanmar	Hotel manager	100%
Hilton Copenhagen ApS*	Denmark	Hotel manager	100%
HLT Owned Mezz V-A Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-B Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-C Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-D Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-E Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-F Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-G Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-H Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-I Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-J Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz V-K Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz IX-A Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz IX-B Limited	United Kingdom	Investment holding company	100%
HLT Owned Mezz IX-C Limited	United Kingdom	Investment holding company	100%

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NOTES TO THE FINANCIAL STATEMENTS - continued  
for the year ended 31 December 2021

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13.	<b>INVESTMENTS - continued</b>			
	HLT Owned Mezz IX-D Limited	United Kingdom	Investment holding company	100%
	HLT Owned Mezz IX-E Limited	United Kingdom	Investment holding company	100%
	HLT Owned Mezz IX-F Limited	United Kingdom	Investment holding company	100%
	HLT Owned Mezz IX-G Limited	United Kingdom	Investment holding company	100%
	HLT Owned Mezz IX-H Limited	United Kingdom	Investment holding company	100%
	HLT Owned Mezz IX-I Limited	United Kingdom	Investment holding company	100%
	HLT Owned Mezz IX-J Limited	United Kingdom	Investment holding company	100%
	HLT Owned Mezz IX-K Limited	United Kingdom	Investment holding company	100%
	HLT Managed Mezz XI-A GmbH	Germany	Investment holding company	100%
	HLT Managed Mezz XI-B GmbH	Germany	Investment holding company	100%
	HLT Managed Mezz XI-C GmbH	Germany	Investment holding company	100%
	HLT Managed Mezz XI-D GmbH	Germany	Investment holding company	100%
	HLT Managed Mezz XI-E GmbH	Germany	Investment holding company	100%
	HLT Managed Mezz XI-F GmbH	Germany	Investment holding company	100%
	HLT Managed Mezz XI-G GmbH	Germany	Investment holding company	100%
	HLT Managed Mezz XI-H GmbH	Germany	Investment holding company	100%
	HLT Managed Mezz XI-I GmbH	Germany	Investment holding company	100%
	HLT Managed Mezz XI-J GmbH	Germany	Investment holding company	100%
	HLT Managed Mezz XI-K GmbH	Germany	Investment holding company	100%
	HLT Operating Mezz VII-A Limited	United Kingdom	Investment holding company	100%
	HLT Operating Mezz VII-B Limited	United Kingdom	Investment holding company	100%
	HLT Operating Mezz VII-C Limited	United Kingdom	Investment holding company	100%
	HLT Operating Mezz VII-D Limited	United Kingdom	Investment holding company	100%
	HLT Operating Mezz VII-E Limited	United Kingdom	Investment holding company	100%
	HLT Operating Mezz VII-F Limited	United Kingdom	Investment holding company	100%
	HLT Operating Mezz VII-G Limited	United Kingdom	Investment holding company	100%
	HLT Operating Mezz VII-H Limited	United Kingdom	Investment holding company	100%

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Hilton Worldwide Manage Limited

NOTES TO THE FINANCIAL STATEMENTS - continued  
for the year ended 31 December 2021

13. INVESTMENTS - continued

HLT Operating Mezz VII-I Limited	United Kingdom	Investment holding company	100%
HLT Operating Mezz VII-J Limited	United Kingdom	Investment holding company	100%
HLT Operating Mezz VII-K Limited	United Kingdom	Investment holding company	100%
HLT Operating VII-A Borrower GmbH	Germany	Investment holding company	100%
HLT Managed XI-A Borrower GmbH	Germany	Investment holding company	100%
HLT Owned V Holding Limited	United Kingdom	Investment holding company	100%
HLT Owned V-A Holding Limited	United Kingdom	Investment holding company	100%
HLT Owned IX Holding Limited	United Kingdom	Investment holding company	100%
HLT Owned IX-A Holding Limited	United Kingdom	Investment holding company	100%
Hilton International Canada CRA ULC (HC ULC)*	Canada	Dormant	100%
Hapeville Investors LLC	United States	Dormant	100%
Servicios y Recursos Administrativos Hoteleros S. de R.L. de C.V.	Mexico	Hotel manager	100%
Operadora de Hoteles Loreto, S. de R.L. de C.V.	Mexico	Hotel manager	100%
HLT Mexico LLC	United States	Investment holding company	100%
HLT Managed XII-A Holding LLC	United States	Investment holding company	100%
Hilton International Manage LLC*	United States	Investment holding company	100%
HLT Waldorf Astoria International Manage LLC	United States	Investment holding company	100%
Hilton Internacional de Venezuela CA*	Venezuela	Hotel manager	100%
Hilton Russia LLC	United States	Hotel manager	100%
Hilton International Malaysia Sdn Bhd	Malaysia	Hotel manager	100%
HLT International Manage LLC	United States	Hotel manager	100%
PT Hilton International Manage Indonesia	Indonesia	Hotel manager	100%
Nippon Hilton Co Limited (JV)	Japan	Hotel operator	68.76%
Ankara International Otelcilik AS*	Turkey	Hotel operator	10.30%
Izmir Hilton Enternasyonal Otelcilik AS*	Turkey	Hotel operator	100%
Mersin Hilton Enternasyonal Otelcilik AS*	Turkey	Hotel operator	100%
Istanbul Park Hilton Enternasyonal Otelcilik Limited Sirketi*	Turkey	Hotel operator	100%
Hilton Hotel Service Co Limited	Japan	Hotel manager	70%
Hilton Munich Airport Hotel Manage GmbH*	Germany	Catering operator	100%
Societe de Developpement Hotel Pointe des Blagueurs B.V. (JV)	Netherlands	Dormant	25%
ATM Hotels Pty Limited*	Australia	Hotel business nameowner	100%
Morning Light Co Limited (JV)	Mauritius	Hotel manager	19.48%
HI Investment (Colombia) EU*	Colombia	Hotel manager	100%
Vista Real Estate Management Company (JV)	Egypt	Dormant	55%
Hilton International Jamaica Limited	Jamaica	Hotel operator	100%

**Hilton Worldwide Manage Limited**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2021

**13. INVESTMENTS - continued**

		Investment holding	
Hilton International Management LLC*	United States	company	100%
Doubletree International Franchise LLC	United States	Franchisor entity	100%
		Investment holding	
Hilton International LLC*	United States	company	100%
Hilmex Holdings S.de.R.L. de CV	Mexico	Non trading	100%
Hilton Worldwide International Puerto Rico LLC*	Puerto Rico	Hotel operator	100%
Hilton International Manage (Maldives) PVT Ltd*	Maldives	Hotel manager	100%
Hilton International Franchisor LLC*	United States	Franchisor entity	100%
Hilton Worldwide International do Brasil Ltda*	Brazil	Hotel manager	100%
Hilton Worldwide International Japan Godo-Kaisha*	Japan	Hotel operator	100%
HLT International Existing Franchise Holding LLC*	United States	Franchisor entity	100%
Hilton Worldwide International Singapore Pte. Ltd	Singapore	Hotel manager	100%
Hilton Hotels Management India Private Limited	India	Hotel manager	100%
Izmir Enternasyonel Otelcilik Anonim Sirketi	Turkey	Hotel operator	1.26%
	United Kingdom	Finance company	100%
Hilton Worldwide FS Treasury Limited*		Non trading	100%
Hilton International New Zealand Limited*	New Zealand		
Hilton International (Gaborone) (Proprietary) Limited*	Botswana	Hotel Manager	100%
Hilton Worldwide Manage Ghana Limited*	Ghana	Hotel operator	100%

Consolidated financial statements have not been prepared as the company is consolidated into the financial statements of a larger group, for which the consolidated financial statements are publicly available, as disclosed in the below note "Parent undertaking, controlling party and consolidating entity".

In the opinion of the directors the aggregate value of the investment in subsidiary and joint venture undertakings is not less than the amounts at which they are stated in these financial statements.

**14. DEBTORS**

	2021	2020
	\$	\$
Amounts falling due within one year:		
Trade debtors	88,524,015	50,962,499
Amounts owed by group undertakings	1,959,878,426	1,957,074,101
Other debtors	55,441,138	9,992,439
Tax	3,742,383	-
Prepayments and accrued income	17,966,403	39,126,401
	<u>2,125,552,365</u>	<u>2,057,155,440</u>
Amounts falling due after more than one year:		
Deferred tax asset	<u>12,754,156</u>	<u>18,288,280</u>
Aggregate amounts	<u>2,138,306,521</u>	<u>2,075,443,720</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2021**

14. **DEBTORS - continued**

Amounts owed by group undertakings are included in amounts due within one year where there are no specified repayment terms. Amounts owed by group undertakings are technically repayable on demand and hence are included in amounts due within one year. A majority of the loans bear interest at SONIA, or another applicable market rate, plus a margin.

15. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021	2020
	\$	\$
Trade creditors	1,074	7,265
Amounts owed to group undertakings	194,090,484	176,938,581
Social security and other taxes	3,989,450	5,729,551
Value Added Tax	4,514,217	1,369,927
Other creditors	1,344,808	3,322,694
Accruals and deferred income	17,146,752	13,935,372
	<u>221,086,785</u>	<u>201,303,390</u>

Amounts owed to group undertakings are included in amounts due within one year where there are no specified repayment terms and there is no fixed repayment schedule in place. While amounts owed to group undertakings are technically repayable on demand, and hence are included in amounts due within one year, the directors are of the opinion (as a result of their group role in relation to the group undertakings amounts are owed to) that in the ordinary course of business, repayment within such a timescale would not be required. The loans bear interest at SONIA, or another applicable market rate, plus a margin.

16. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2021	2020
	\$	\$
Tax	-	25,448,620
Accruals and deferred income	56,963,818	49,872,337
	<u>56,963,818</u>	<u>75,320,957</u>

17. **DEFERRED TAX**

Balance at 1 January 2021	\$ (18,288,280)
Credit to Statement of Profit or Loss and Other Comprehensive Income during year	(5,374,073)
Prior year adjustment	10,908,197
Balance at 31 December 2021	<u>(12,754,156)</u>

The asset at 1 January 2021 and 31 December 2021 relates to share based payments and short term timing differences including bad debt and carried forward losses.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2021**

**18. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2021	2020
			\$	\$
1,860,531,927	Ordinary	0.017	31,663,638	31,663,638

**19. RESERVES**

	Retained earnings	Share premium	Other reserves	Totals
	\$	\$	\$	\$
At 1 January 2021	2,943,218,805	21,874	(532,343,264)	2,410,897,415
Profit for the year	35,785,973	-	-	35,785,973
Hedging gains/(losses)	2,955,790	-	-	2,955,790
Tax on share based payments	4,891,890	-	-	4,891,890
At 31 December 2021	2,986,852,458	21,874	(532,343,264)	2,454,531,068

**20. CAPITAL COMMITMENTS**

The company has not entered into any capital commitments contracted for but not provided in the financial statements at period end.

**21. EVENTS AFTER THE REPORTING PERIOD**

In February 2022, Russia commenced a military invasion of Ukraine, which has negatively affected the global economy. Financial and economic sanctions imposed on certain industry sectors and parties in Russia by the United States of America, UK and EU, as well as potential retaliatory actions by Russia, could also have a negative impact on the global economy. The company has entered into management and franchise agreements for hotels that operate in Russia, Ukraine and Belarus, and the broader consequences of this conflict, including rising energy prices and shortages of and increased costs for food, goods and services and transportation or further escalation in adjacent areas could have negative downstream effects on the company and operations. Further expansion or escalation of military confrontations or related geopolitical tensions, including increased restrictions on global trade, could result in, among other things, lower travel demand, cyberattacks, terrorist activities, supply disruptions and changes to foreign currency exchange rates and constraints, volatility, or disruption in financial markets, any of which may adversely affect the global economy and the company. Due to the complexity of the situation and its rapid evolution, it is not practicable as of the date of approval of these financial statements to make a reliable quantified estimate of its potential impact on the company. Any such impact will be reflected in the financial statements for the year ending 31 December 2022 and is considered to be a non-adjusting post balance sheet event.



**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2021**

**22. SHARE-BASED PAYMENT TRANSACTIONS**

Under a long term incentive scheme Hilton Worldwide Holdings Inc. grants restricted stock units (RSU's) and stock options to corporate employees located in corporate offices. The RSU's granted vest equally over either a 3 year period. Under the rules of the plan, if the participant ceases to be employed by the Hilton group, the participants' unvested RSU's would be forfeited. The RSU's granted are generally equity settled with the exception of certain awards that will be settled in cash. For equity settled RSU's, the employees will receive shares based on the share price at the date of grant. For cash settled RSU's, the amount of the cash payment is determined based on the share price of Hilton Worldwide Holdings Inc. at the date of vesting. Stock options vest over 3 years from the grant date in equal installments and terminate 10 years from the date of grant or earlier if the employee's service terminates under certain circumstances

The expense recognised for cash settled share-based payments in respect of employee services received during the year to 31 December 2021 is £20,665 (2020: £8,088). The expense arising from equity-settled share-based payment transactions is £16,973,745 (2020: £6,722,645).

The carrying amount of liability relating to RSU and stock options at 31 December 2021 is £17,317 (2020: £8,088).

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, RSU's during the year.

	2021 No.	2021 WAEP (\$)	2020 No.	2020 WAEP (\$)
Outstanding as at 1 January	206,855	96.14	193,523	77.61
Granted during the year	62,129	123.17	130,912	86.90
Exercised	(98,427)	94.84	(125,909)	67.05
Forfeited during the year	(3,659)	88.56	(4,287)	87.31
Expired during the year	-	-	-	-
Reallocation on staff transfer	6,480	108.56	12,616	84.24
Outstanding at 31 December	<u>173,378</u>	<u>107.17</u>	<u>206,855</u>	<u>96.14</u>

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, stock options during the year.

	2021 No.	2021 WAEP (\$)	2020 No.	2020 WAEP (\$)
Outstanding as at 1 January	257,423	75.31	247,983	64.14
Granted during the year	40,624	123.13	65,810	93.33
Exercised	(9,544)	78.38	(64,092)	51.65
Forfeited during the year	-	-	-	-
Expired during the year	-	-	-	-
Reallocation on staff transfer	9,765	88.64	7,722	85.58
Outstanding at 31 December	<u>298,268</u>	<u>82.16</u>	<u>257,423</u>	<u>75.31</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2021**

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**23. PARENT UNDERTAKING, CONTROLLING PARTY AND CONSOLIDATING ENTITY**

The company's immediate parent undertakings are Hilton International IP Holding Ltd (19.73%) and Hilton International Hotels (UK) Ltd, both hotel operators registered in England.

The ultimate parent, the only undertaking for which group financial statements were prepared and into which the company is consolidated for 31 December 2021, was Hilton Worldwide Holdings Inc., a company incorporated in Delaware in the United States of America. These group financial statements are available from the company secretary, Hilton Worldwide Holdings Inc., 7930 Jones Branch Drive, McLean, Fairfax County, Virginia VA 22102-3302, United States of America.

**24. CONTINGENT LIABILITIES**

The company had jointly and severally guaranteed the value added tax liability of other companies within the same UK VAT group, which amounted to approximately £2.6m/\$3.5m (2020: £2.7m/\$3.7m) at 31 December 2021.

**25. PENSION GUARANTEE OBLIGATION**

The company has entered into a joint guarantee obligation, with another entity in the group, to act as guarantor to Hilton HHC Limited and future obligations and liabilities (whether actual or contingent) of each of the employers to make payments to the Hilton Worldwide Holdings Inc UK Pension plan.

The guarantee obligation amounted to approximately \$290m/£215m (2020: \$245m/£180m) at 31 December 2021.

# **EXHIBIT H**

Main Table of Contents	Summary of Changes	100 THE BRAND EXPERIENCE	200 GUEST SERVICES	300 GUEST ROOM AND BATHROOM	400 FOOD AND BEVERAGE	500 WELLNESS, RECREATION, AND ENTERTAINMENT
600 MEETINGS AND EVENTS	700 BUILDING OPERATIONS AND INFRASTRUCTURE	800 IDENTITY, SALES, AND DISTRIBUTION	900 ACCESSIBILITY, SAFETY AND SECURITY	1000 MULTI-BRAND STANDARDS	1100 NOT APPLICABLE TO THIS BRAND	1200 NOT APPLICABLE TO THIS BRAND
		2500 DESIGN, CONSTRUCTION & RENOVATION				
						Glossary

## Summary of Changes

Summary of Changes .....	Summary-1
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## 100 THE BRAND EXPERIENCE

101.00 CORE STANDARDS .....	100-2
102.00 NOT APPLICABLE TO THIS BRAND .....	100-3
103.00 QUALITY ASSURANCE .....	100-3
104.00 PRODUCT IMPROVEMENT PLAN .....	100-5
105.00 STRUCTURE AND DECOR .....	100-5
106.00 BRAND HOSPITALITY .....	100-6
107.00 LEADERSHIP .....	100-6
108.00 TEAM MEMBERS .....	100-8
109.00 TRAINING .....	100-9
110.00 ACCORDANCE WITH LOCAL LAW .....	100-30
111.00 HILTON HONORS .....	100-30
112.00 NOT APPLICABLE TO THIS BRAND .....	100-34
113.00 SERVICE RECOVERY .....	100-34
114.00 GUEST ASSISTANCE.....	100-35

## 200 GUEST SERVICES

201.00 CONCIERGE SERVICES .....	200-2
202.00 NOT APPLICABLE TO THIS BRAND .....	200-2
203.00 DRY CLEANING AND LAUNDRY SERVICE .....	200-2
204.00 FRONT DESK .....	200-2
205.00 DELIVERY SERVICES .....	200-3
206.00 NOT APPLICABLE TO THIS BRAND .....	200-3

207.00 NOT APPLICABLE TO THIS BRAND.....	200-3
208.00 NOT APPLICABLE TO THIS BRAND.....	200-3
209.00 NOT APPLICABLE TO THIS BRAND.....	200-3
210.00 PARKING.....	200-4
211.00 PET POLICIES AND AMENITIES.....	200-4
212.00 HYDRATION STATION / ICE MACHINE OPERATIONAL REQUIREMENTS.....	200-6
213.00 NOT APPLICABLE TO THIS BRAND.....	200-6
214.00 THIRD-PARTY CONCESSIONAIRE.....	200-6
215.00 NOT APPLICABLE TO THIS BRAND.....	200-7
216.00 NOT APPLICABLE TO THIS BRAND.....	200-7
217.00 TRANSPORTATION.....	200-7
218.00 NOT APPLICABLE TO THIS BRAND.....	200-9
219.00 NOT APPLICABLE TO THIS BRAND.....	200-9
220.00 NOT APPLICABLE TO THIS BRAND.....	200-9
221.00 HOTEL OPERATOR.....	200-9

## 300 GUEST ROOM AND BATHROOM

301.00 NOT APPLICABLE TO THIS BRAND.....	300-2
302.00 CLOSET / ARMOIRE.....	300-2
303.00 IN-ROOM COFFEE AND TEA SERVICE.....	300-3
304.00 GUEST ROOM ACCESSORIES.....	300-3
305.00 THE BED.....	300-4
306.00 NOT APPLICABLE TO THIS BRAND.....	300-6
307.00 NOT APPLICABLE TO THIS BRAND.....	300-6
308.00 CRIBS / BABY COTS.....	300-6
309.00 BATHROOM ACCESSORIES AND EXPENDABLES.....	300-6
310.00 BATH AMENITIES.....	300-7
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404.00 NOT APPLICABLE TO THIS BRAND.....	400-6
405.00 NOT APPLICABLE TO THIS BRAND.....	400-6
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# EXHIBIT I



**\*\*SAVE AS NEW DOCUMENT\*\***

Insert Expected Closing Date

Lender [also insert in 2<sup>nd</sup> page header]  
Attention:  
Address  
Address

**Re: [Name of Hotel (City, State) – Facility No. \_\_\_\_\_; ALSO INSERT IN 2<sup>nd</sup> page header]**

Ladies and Gentlemen:

HILTON FRANCHISE HOLDING LLC, a Delaware limited liability company [IF NEEDED: successor by-merger to SELECT DOUBLETREE FRANCHISE LLC, a Delaware limited liability company, EMBASSY SUITES FRANCHISE LLC, a Delaware limited liability company, HILTON FRANCHISE LLC, a Delaware limited liability company, HAMPTON INNS FRANCHISE LLC, a Delaware limited liability company, HILTON GARDEN INNS FRANCHISE LLC, a Delaware limited liability company, HOMEWOOD SUITES FRANCHISE, LLC, a Delaware limited liability company, HLT ESP FRANCHISE LLC, a Delaware limited liability company OR SELECT HLT EXISTING FRANCHISE HOLDING LLC, a Delaware limited liability company, successor in interest to SELECT [DT] Doubletree Hotel Systems, Inc. [ES, HAM, HWS] Promus Hotels, Inc. [HFS, HGI, CON, WA] Hilton Inns, Inc.] SELECT FOR CANADA: HILTON WORLDWIDE FRANCHISING LP, a limited partnership formed under the laws of England and Wales ] (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”) are parties to a franchise agreement dated \_\_\_\_\_, including all amendments, riders, supplemental agreements, and assignments (collectively, “Franchise Agreement”). Franchisee operates [ will operate ] the [INSERT brand] hotel [ to be ] located at \_\_\_\_\_ (“Hotel”) under the terms of the Franchise Agreement.

This letter agreement is being entered into in connection with a mortgage loan in the amount of \$\_\_\_\_\_ dated \_\_\_\_\_, as such mortgage loan may be periodically amended, modified, supplemented, extended or restated (“Loan”) from \_\_\_\_\_ [IF LENDER IS NOT A BANK: , a [State] [Type of Entity] (“Lender”) [IF NEEDED: as administrative agent for itself and other participant lenders (in its capacity as administrative agent, “Lender”) ] to Franchisee [IF NOT FRANCHISEE: \_\_\_\_\_, a [State] [Type of Entity] (“Borrower”) ] to be used [IF MULTIPLE PROPERTIES: in part ] for the direct benefit of the Hotel. [DESCRIBE BORROWER’S RELATIONSHIP TO FRANCHISEE, e.g. Borrower is the owner of the real property on which the Hotel is located, which Borrower leases to Franchisee, its affiliate.]

**IF MULTIPLE LENDERS, REFERENCE SHORT NAMES ABOVE AND USE CONSISTENTLY:**

**FIRST ALTERNATIVE:** Franchisor is entitled to presume conclusively that notice to and actions or failures to act by INSERT NAME OF ONE LENDER \_\_\_\_\_ (“Lead Lender”) are sufficient for all purposes under this letter agreement and that rights under this letter agreement may only be exercised by and the obligations under this letter agreement may only run to Lead Lender. Lead Lender may designate in writing a different party to this letter agreement to represent all lenders, provided that one party must be designated to represent all lenders.

**SECOND ALTERNATIVE:** First Lender [MODIFY AS NEEDED], Second Lender [MODIFY AS NEEDED] and Third Lender [MODIFY AS NEEDED] will be collectively referred to as “Lender.” First Lender, Second Lender and Third Lender have represented to Franchisor that they have entered into an intercreditor agreement that establishes priorities among the lenders. Franchisor is not a party to the

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Lender

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intercreditor agreement and is relying on the representations of First Lender, Second Lender and Third Lender. Franchisor is entitled to presume conclusively that the rights and obligations under this letter agreement will run to the Lender who contacts Franchisor and represents that it is entitled by the terms of the intercreditor agreement to exercise the rights of Lender under this letter agreement. Lender agrees that Franchisor shall have no obligation to resolve inconsistent instructions if it receives instructions from more than one lender and Franchisor shall have no liability to any lender as a result of any action that Franchisor takes in good faith at the direction of another lender, or any failure of Franchisor to act in the face of inconsistent instructions.

**[IF PRIOR LENDER COMFORT LETTER EXISTS:**

Reference is also made to a letter agreement dated \_\_\_\_\_, among Franchisor **[CONFIRM ENTITY]**, Franchisee **[CONFIRM ENTITY]** and Lender **[CONFIRM ENTITY]** (“**Existing Comfort Letter**”). **[IF EXISTING COMFORT LETTER IS WITH SAME LENDER:** This letter agreement replaces the Existing Comfort Letter, which is null and void, and of no further force or effect. **] [IF MORE THAN ONE EXISTING COMFORT LETTER, MODIFY THIS AND §§ 5 AND 6 AS NEEDED]**

1. **Cure Period.**

(a) **Notice of Franchisee Default.** Franchisor will concurrently provide Lender a copy of any default notice sent to Franchisee under the Franchise Agreement. The notice will be sent to Lender at the address set forth above or such other address designated by Lender in writing, provided that only a single address may be designated and it may not be a P.O. Box.

(b) **Lender's Cure Periods.** Lender shall have the right, but not the obligation, to cure the default within fifteen (15) calendar days beyond the expiration of any cure period given to Franchisee (“**Lender's Cure Period**”). If the default is for failure to comply with physical standards or other non-monetary default which could only be cured by Lender acquiring possession and/or ownership of the Hotel (each, an “**Acquisition**”), Lender may have an additional period of one hundred eighty (180) calendar days, commencing at the expiration of Lender's Cure Period, for Lender to complete its Acquisition, through foreclosure or other appropriate proceedings (“**Additional Period**”); provided that Lender must: (i) notify Franchisor no later than the date it commences proceedings (or promptly after action is stayed or enjoined) that Lender wants the Additional Period; (ii) commence proceedings and diligently prosecute such proceedings to completion; and (iii) comply with the obligations of Franchisee under the Franchise Agreement not being performed by Franchisee during the Additional Period including payment of all monetary obligations but excluding those obligations which can only be performed by Franchisee or which Lender cannot perform without possession and/or ownership of the Hotel. On request by Lender, the Additional Period may be further extended by Franchisor in its determination, which determination shall take into consideration the period of time required to complete an Acquisition in the applicable jurisdiction, and any period of time in which Lender's action has been stayed or enjoined. If Franchisor has not issued a default notice to Franchisee or Lender has cured Franchisee's default during Lender's Cure Period and Lender commences a foreclosure or other proceeding intended to result in an Acquisition, Lender may exercise the rights under this letter agreement under the terms and timelines outlined in this Subparagraph. If Franchisor has not issued a default notice, Lender's notice to Franchisor of Franchisee's default under the Loan will be deemed to initiate the timeline outlined under the Lender's Cure Period and Additional Period. Franchisor acknowledges and agrees that an Acquisition shall not be deemed a sale or lease of the Hotel under the Franchise Agreement, nor a violation of any control or transfer provisions of the Franchise Agreement, and shall not be subject to any right of first refusal or right of first offer contained in the Franchise Agreement.

(c) **Franchisor's Rights to Terminate Franchise Agreement.** Notwithstanding any other provision of this letter agreement, Franchisor may terminate the Franchise Agreement if any of the following occur: (i) Franchisee's default or any subsequent default, in the sole opinion of Franchisor,

Lender

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damages the image or reputation of Franchisor or any brand name owned and/or licensed by Hilton Worldwide Holdings Inc., a Delaware corporation, or its subsidiaries or affiliates (collectively, “Hilton”); (ii) Franchisor is required to terminate the Franchise Agreement by court order or action of any trustee in bankruptcy or debtor in possession of the Hotel; or (iii) the Additional Period expires without other arrangements, satisfactory to Franchisor in its sole discretion, having been entered into between Franchisor and Lender.

(d) Expiration of Franchise Agreement. Nothing in this letter agreement will extend the Franchise Agreement beyond its stated expiration date.

(e) Receiver Appointment. If a receiver is appointed to operate the Hotel at the request of Lender, Franchisor may require the receiver to enter into Franchisor’s then-current form of receiver agreement, with such modifications as mutually agreed between Franchisor, Lender and receiver, or other documentation that Franchisor considers reasonably necessary.

2. **Acquisition and Assumption.**

(a) **[DELETE THIS SUBPARAGRAPH 2(a) IF THE HOTEL IS HILTON-MANAGED WITH A FRANCHISE OR FOR PORTFOLIO LOANS IF THE NUMBER OF HOTELS OPERATING UNDER THE SAME BRAND EXCEEDS THE THRESHOLD OR IF EQUITY ACQUISITION LANGUAGE IS REQUESTED]** Lender’s Election to Waive Assumption of Franchise Agreement. Lender may give written notice to Franchisor of Lender’s election to waive Lender’s right to assume the Franchise Agreement at any time (i) during Lender’s Cure Period, or the Additional Period, as the Additional Period may be extended in accordance with Subparagraph 1(b) of this letter agreement, or (ii) within twenty (20) calendar days after the Acquisition. If given, the notice will be effective twenty (20) calendar days after Franchisor’s receipt of the notice, and Franchisor may rely on the notice to exercise its remedies against Franchisee under the Franchise Agreement, including termination of the Franchise Agreement. Lender shall not be liable for any termination fees or liquidated damages arising from the early termination of the Franchise Agreement; provided, however, if Lender or its designee is or comes into possession of the Hotel before the notice is effective, then Lender shall be responsible for post-termination de-identification obligations at the Hotel, and for payment of any fees owed to Franchisor pursuant to the Franchise Agreement that accrued while Lender was in possession of the Hotel before the notice is effective, but excluding termination fees or liquidated damages.

(b) Acquisition and Franchise Agreement Assumption. **[DELETE FIRST SENTENCE ONLY IF ¶ 2(a) IS DELETED:** If Lender does not give written notice to Franchisor under Subparagraph 2(a), the Franchise Agreement will continue in full force and effect. **]** If Lender acquires possession and/or ownership of the Hotel as the result of an Acquisition, Lender will be deemed to have assumed the Franchise Agreement as of the date of the Acquisition. Lender will be obligated to perform all of the obligations of Franchisee under the Franchise Agreement existing at or accruing after the Acquisition date, including the payment of fees owed to Franchisor (“**Assumption**”). Any conditions in the transfer provisions of the Franchise Agreement that Franchisor deems relevant shall apply with respect to the Assumption, including but not limited to the obligation for Lender to submit its ownership structure, organizational documents and evidence of insurance. Lender must, within ten (10) business days after receipt of a request from Franchisor, provide to Franchisor all information necessary for Franchisor to determine that Lender is not a Sanctioned Person (as defined below), as well as the other information reasonably requested. If Franchisor confirms that Lender is not a Sanctioned Person, Franchisor will promptly prepare Franchisor’s then-current form assumption agreement (“**Assumption Agreement**”) to document the Assumption, and deliver the Assumption Agreement to Lender. Lender must execute and return the Assumption Agreement to Franchisor within ten (10) business days after receipt from Franchisor. Lender’s failure to timely execute and deliver the Assumption Agreement may be deemed a default under the Franchise Agreement entitling Franchisor to terminate the Franchise Agreement. Any

Lender

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renovation requirements imposed by Franchisor in connection with the Assumption will not exceed those which Franchisor could have imposed had Franchisee remained as the Franchisee under the Franchise Agreement. In lieu of any transfer or application fee for the Assumption, Lender agrees to pay Franchisor a processing fee of Five Thousand Dollars (\$5,000). In connection with the Assumption, Lender must diligently cure all defaults which it could not cure before the Acquisition under the terms of Subparagraph 1(b), within the time period determined by Franchisor based on the nature of the default and/or the condition of the Hotel at the time of Lender's Acquisition except for personal and non-curable defaults. "Personal and non-curable defaults" means that the default (i) occurred before the date of Lender's Acquisition; (ii) is a non-curable default; (iii) is purely personal to Franchisee (e.g., failure to provide adequate notice or past failure to maintain Franchisee's company status); and (iv) is unrelated to the operation of the Hotel.

(c) **[INCLUDE ONLY IF EQUITY ACQUISITION LANGUAGE IS REQUESTED]**  
Equity Acquisition and Amendment. If Lender acquires ownership of the Franchisee by means of an Equity Acquisition, Lender will be deemed to have assumed the rights and obligations of the Franchisee under the Franchise Agreement as of the date of the Equity Acquisition, and Lender must diligently cure all defaults which Lender could not cure before the Equity Acquisition under the terms of Subparagraph 1(b), within the time period determined by Franchisor based on the nature of the default and/or the condition of the Hotel at the time of Lender's Equity Acquisition. Lender must enter into an amendment to the Franchise Agreement to document the change of control of Franchisee, which will, among other things, contain a new ownership structure for Franchisee ("**Amendment**"). Subject to confirmation that Lender is not a Sanctioned Person, Franchisor will prepare the Amendment promptly after receipt of any information requested under this Subparagraph 2(b). Franchisor will deliver the Amendment to Lender, and Lender will execute and return the Amendment to Franchisor within ten (10) business days after Franchisor delivers it. Lender's failure to timely execute and deliver to Franchisor the Amendment shall be a default under the Franchise Agreement entitling Franchisor to terminate the Franchise Agreement. In lieu of any transfer or application fee, Lender agrees to pay Franchisor a processing of Five Thousand Dollars (\$5,000).

(d) Lender's Sale to Third Party After Assumption. The transfer provisions of the Franchise Agreement will apply to any sale, assignment or transfer by Lender after an Assumption. If the transfer is to a third party who desires to continue to operate the Hotel, these provisions require a change of ownership application, approval of the third party, and payment of an application fee.

3. Notice to Franchisor. Lender agrees to notify Franchisor (a) contemporaneously with commencement of any action that may result in an Acquisition, (b) contemporaneously with the filing of a petition for appointment of a receiver or any other action initiated by Lender that materially impacts possession of the Hotel, (c) promptly after an Acquisition of the date the Acquisition occurred, or (d) promptly after Lender no longer has a security interest in the Hotel or the Loan is paid in full, but Lender's failure to give notice under this Subparagraph 3(d) will not affect the automatic termination of this letter agreement under Paragraph 13 **[NO ESTOPPEL]** 14 **[ESTOPPEL]**. Lender further agrees to promptly provide to Franchisor a copy of any order appointing a receiver, or any other judicial or administrative order from an action initiated by Lender that materially impacts possession of the Hotel. All notices to Franchisor should be sent to the following address or such other address periodically designated by Franchisor in writing:

Hilton Worldwide Holdings Inc.  
Attention: General Counsel  
7930 Jones Branch Drive, Suite 1100  
McLean, VA 22102



Lender

Re: Hotel Name – Facility No. \_\_\_\_\_

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4. **Confidentiality and Non-Disclosure.** The provisions of this letter agreement shall not be disclosed by Lender or Franchisee to any third party, excepting (a) the respective employees, directors, officers, agents, regulators or legal and financial representatives of each of Franchisee, Lender and Lender's servicers, trustees and certificate holders, on a need-to-know basis; (b) as required by law; (c) as mutually agreed to by the parties; (d) as part of any due diligence performed as a part of a sale, assignment, participation or securitization of the Loan by Lender or a sale of the Hotel after an Acquisition; (e) any investor or potential investor in, or underwriter of, the Loan; and/or (f) any rating agency that rates securities backed by the Loan. Except as provided above, Franchisee and Lender agree not to copy, reproduce or otherwise make available in any form whatsoever to any other person, firm, corporation, or business, the provisions of this letter agreement.

5. **Franchisee Estoppel and Release.** As consideration for this letter agreement relating to the Loan:

(a) Franchisee hereby certifies to Franchisor that the Franchise Agreement is in full force and effect, and no default, claim, breach, offset, defense to full and strict enforcement, waiver, or estoppel (collectively, a "Claim"), or condition that could with passage of time, giving notice or otherwise become a Claim, currently exists or has existed against Franchisor under the Franchise Agreement **[IF APPLICABLE: or the Existing Comfort Letter]**.

(b) **[IF APPLICABLE: Franchisee hereby represents that the loan referenced in the Existing Comfort Letter has been paid in full [DELETE FIRST CLAUSE IF LOAN IS BEING ASSUMED]** and agrees that the Existing Comfort Letter is null and void and of no further force and effect, and Franchisor has no obligations of any kind under the Existing Comfort Letter.]

(c) Franchisee hereby agrees that this letter agreement will remain in full force and effect in favor of Lender with respect to the Loan, as the Loan may periodically be modified, amended, extended, supplemented, or restated.

(d) Franchisee hereby agrees that this letter agreement was provided to Lender at Franchisee's request.

(e) Franchisee hereby fully and forever releases, discharges, and agrees to indemnify, defend, and hold harmless Franchisor, its predecessors, successors and assigns and each of their respective former and present officers, employees, directors, shareholders, partners, members, parents, subsidiaries, affiliates, alter egos, representatives, agents, and attorneys (collectively, the "Released Parties"), from any and all Claims, demands, liens, actions, agreements, suits, causes of action, obligations, controversies, debts, costs, attorney's fees, expenses, damages, judgments, orders, and liabilities of whatever kind or nature in law, equity, or otherwise, whether now known or suspected which have existed, may or do exist ("Released Claims"), based on any facts, events, or omissions occurring before the execution of this letter agreement which arise out of, concern, pertain, or relate in any way to the Franchise Agreement **[IF APPLICABLE: or the Existing Comfort Letter ]**. Franchisee acknowledges that it may hereafter discover Claims presently unknown or unsuspected, or facts in addition to or different from those which it now knows or believes to be true, with respect to the matters released by this letter agreement. Nevertheless, Franchisee fully and finally settles and releases all such matters, and all Claims relative thereto, which do now exist, may exist or have existed between the Released Parties and Franchisee.

6. **Lender Estoppel and Release.** As consideration for this letter agreement relating to the Loan:

(a) Lender hereby certifies to Franchisor that Lender is not a Sanctioned Person. "Sanctioned Person" means any person, entity, or Government, including those with Control over such

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persons or entities, or acting on behalf of such persons or entity, who is subject to Trade Restrictions that prohibit or restrict the Parties' performance of the Parties' obligations under this Agreement. "**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.

(b) **[DELETE FOR OL, QQ, UP]** Lender hereby represents and warrants in favor of Franchisor that Lender is not a Competitor of Franchisor.

(c) Lender hereby represents and warrants in favor of Franchisor that **[IF LENDER IS A BANK]** Lender does not own any Equity Interest in Franchisee **[IF LENDER IS NOT A BANK]** neither Lender nor any of its officers or directors own any Equity Interest in Franchisee.

(d) Lender hereby agrees that this letter agreement shall remain in full force and effect in favor of Lender with respect to the Loan, as the Loan may periodically be modified, amended, extended, supplemented or restated, without the need for further action by Lender or Franchisor.

(e) **[IF LENDER IS A PARTY TO EXISTING COMFORT LETTER:]** Lender hereby certifies to Franchisor that no Claim, or condition that could with the passage of time, giving notice or otherwise become a Claim by Lender, currently exists or has existed against Franchisor under the Existing Comfort Letter; agrees that the Existing Comfort Letter is null and void and of no further force and effect; and agrees that Franchisor has no obligations of any kind under the Existing Comfort Letter.

(f) **[IF FOR A LOAN ORIGINATED AT AN EARLIER DATE:]** Lender hereby represents and warrants as of the date of its signature below that Lender has not issued a notice of default with respect to the Loan and is not aware of any issue that currently constitutes a default under the Loan and that Lender has not taken any action intended to result in Lender acquiring possession and/or ownership of the Hotel.

(g) Lender hereby fully and forever releases, discharges, and agrees to indemnify, defend and hold harmless the Released Parties from any and all Released Claims by Lender based on any facts, events, or omissions occurring before the execution of this letter agreement which arise out of, concern, pertain, or relate in any way to this letter agreement. **[IF LENDER IS A PARTY TO EXISTING COMFORT LETTER, ADD** or the Existing Comfort Letter.] **[FOR CANADA ONLY;** provided, however that this release will not relieve any of the Released Parties from any liability imposed by the *Ontario Arthur Wishart Act (Franchise Disclosure), 2000*, that may have existed as of the Effective Date of this Agreement.]

7. **[IF REQUESTED, CHECK ¶ REFERENCES IN ¶¶ 3 / 6: Franchisor Estoppel.]** Subject to the acknowledgement by Lender that Franchisor does not own or operate the Hotel, Franchisor hereby certifies to Lender that, to Franchisor's knowledge as of the date indicated on the first page of this letter agreement, (a) the Franchise Agreement is in full force and effect, and (b) no Default currently exists under the Franchise Agreement. "**Franchisor's knowledge**" means the actual knowledge of applicable and reasonably obvious Hotel operational matters regularly reviewed by company employees who have given their attention to such matters in the ordinary course of business and does not include any investigation by those employees or others of other matters or beyond their usual and customary reviews of the Hotel, nor does it include constructive notice of matters or information located in public or Hotel records. "**Default**" means matters which have been the subject of an actual notice of default under the Franchise Agreement and does not include matters which are or may be in process, under discussion, or otherwise addressed. **[IF QUALIFIERS:]** Notwithstanding the foregoing, Lender is advised that the Hotel failed its most recent Quality Assurance Inspection, but the failure is not a Default.]

Lender

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8. **Assignment.** This letter agreement may not be assigned by Lender without the written consent of Franchisor; provided, however, Franchisor's consent is not required for any assignment to:

(a) a direct or indirect subsidiary or affiliate of Lender in connection with an Acquisition.

(b) the trustee in a securitization **if** Lender (i) directly transfers the Loan to the trustee **and** (ii) gives notice to Franchisor within thirty (30) days of the transfer, identifying the new "Lender" and the new address for notice. If Lender fully complies with the provisions of this Subparagraph, Franchisor will recognize the trustee as "Lender" under this letter agreement; but Franchisor may, in its discretion, reject any notice that is not sent by Lender or that is not sent in a timely manner in accordance with this Subparagraph.

(c) **[IF LENDER IS ACTING AS AN ADMINISTRATIVE AGENT;]** any successor administrative agent with respect to the Loan if the successor is a national bank, a state-chartered bank, commercial bank, or the U.S. branch of a foreign bank authorized to operate in the U.S., and the administrative agent identified as "Lender" under this letter agreement gives notice to Franchisor, identifying the new "Lender" and the new address for notice, within thirty (30) days of the transfer, but Franchisor may, in its discretion, reject any notice that is not sent by Lender or that is not sent in a timely manner in accordance with this Subparagraph.

(d) any subsequent holder or holders of the Loan ("**Assignee**") **if** (1) the Loan is not in default when notice is given; (2) Lender gives notice to Franchisor, identifying Assignee and the new address for notice, within thirty (30) days of the transfer; and (3) the Assignee (i) is a national bank, state-chartered bank, commercial bank, investment bank, pension fund, finance company, insurance company, or other financial institution engaged in the business of making loans or any fund managed by any of the foregoing, (ii) is not a Competitor of Franchisor, and (iii) does not own directly or indirectly, any equity interest in Franchisee or its constituent owners; provided, however, that Franchisor may, in its discretion, reject a notice if the Loan is in default when notice is given, or if the notice is not sent by Lender, or if notice is not sent in a timely manner in accordance with this Subparagraph. On receipt and acceptance of the notice, Franchisor will promptly prepare its then-current form of Assignment and Assumption Agreement ("**Assignment**") and Lender and Assignee must promptly execute and return the Assignment. Franchisor may charge a nominal fee for processing the Assignment. If there is more than one Assignee, the Assignees must (i) designate a single representative to receive notices, negotiate on behalf of and bind each Assignee in connection with this letter agreement and any assignment thereof, and (ii) acknowledge that Franchisor shall be entitled to rely on such designation and deal solely with such representative without the necessity of notifying, negotiating with, or obtaining the consent of, each Assignee.

9. **Communication with Lender.** Franchisee agrees that Franchisor may discuss with Lender or its designee the status of the Hotel, the Franchise Agreement, or any matter to which Lender is entitled to notice under the terms of this letter agreement. Franchisee agrees that the Released Parties shall not be liable to Franchisee for taking any action or providing any information required or contemplated by this letter agreement.

10. **Management.** Any change to the management company for the Hotel ("**Management**") made by Lender or a receiver before an Assumption is subject to Franchisor's prior written approval. Franchisor will use its business judgment in determining whether to approve the new Management. After an Assumption, the terms of the Franchise Agreement will govern with respect to Management, provided, however, Lender shall not be bound by any requirements of the Franchise Agreement to manage the Hotel itself.

Lender

Re: Hotel Name – Facility No. \_\_\_\_\_

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11. **Subordination.** Franchisor acknowledges and agrees that the Franchise Agreement, to the extent that it creates any interest in the Hotel, is and shall be subordinate to the mortgage or deed of trust of Lender placed or to be placed on the Hotel in accordance with the terms of the Loan.

12. **Collateral Assignment.** If the Franchise Agreement is being pledged by Franchisee to Lender as security for Franchisee's obligations to Lender under the Loan, issuance of this letter agreement evidences Franchisor's consent to the collateral assignment. Lender's rights in connection with the Franchise Agreement are governed by the terms and conditions in this letter agreement.

13. **Execution.** This letter agreement may be signed in counterparts, each of which will be considered an original. The parties agree to conduct the transaction by electronic means which will be initiated by Franchisor. An authorized representative of Franchisor will countersign on behalf of Franchisor when all conditions are fulfilled.

14. **Effectiveness and Termination.** This letter agreement will be effective only when Franchisor receives signatures indicating acceptance by Lender and Franchisee and Franchisor's authorized representative countersigns on the signature page. If Franchisor does not receive signed copies from Lender and Franchisee within thirty (30) days from the date indicated on the first page of this letter agreement, Franchisor's offer to enter into this letter agreement may be withdrawn. Once effective, this letter agreement will automatically terminate if (a) Lender no longer has a security interest in the Hotel or the Loan is paid in full, (b) Lender transfers the Loan to another entity unless this letter agreement is assigned in compliance with its terms, (c) Lender materially breaches this letter agreement, (d) Lender has been taken over in any manner by any state or federal agency, (e) Franchisee transfers the Franchise Agreement and the transfer results in a new franchise agreement being entered, or (f) Franchisor terminates the Franchise Agreement in accordance with the terms of this letter agreement.

15. **General.** No entity may exercise any rights as Lender under this letter agreement if the entity or any affiliate is or becomes the owner of a direct or indirect beneficial interest (except a strictly passive interest) in Franchisee, other than through the exercise of rights under the Loan. The provisions of this letter agreement are applicable only for the Hotel and the parties to this letter agreement. Issuance and execution of this letter agreement or the granting of any conditions provided in this letter agreement does not constitute an obligation on Franchisor's part to provide the same at any future date. This letter agreement sets forth the entire agreement of the parties to this letter agreement in regard to the matters addressed in this letter agreement. Capitalized terms not otherwise defined in this letter agreement shall have the meanings assigned to the term in the Franchise Agreement.

Sincerely,

HILTON FRANCHISE HOLDING LLC

OR SELECT HLT EXISTING FRANCHISE HOLDING LLC

OR IF HOTEL IS IN CANADA LOOK UP CORRECT FRANCHISOR

Signature Blocks on Following Page

Lender

Re: Hotel Name – Facility No. \_\_\_\_\_

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**LENDER:**

[NAME]

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

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

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

Accepted and agreed to \_\_\_\_\_  
DATE

**FRANCHISEE:**

[NAME]

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

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

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

Accepted and agreed to \_\_\_\_\_  
DATE

**FRANCHISOR:**

HILTON FRANCHISE HOLDING LLC

OR SELECT HLT EXISTING FRANCHISE HOLDING LLC

OR IF HOTEL IS IN CANADA LOOK UP CORRECT FRANCHISOR

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

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

Title: \_\_\_\_\_ Authorized Signatory

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



755 Crossover Lane  
Memphis, TN 38117

**\*\*SAVE AS NEW DOCUMENT\*\***

Insert Expected Closing Date

Lender [also insert in 2<sup>nd</sup> page header]

Attention:

Address

Address

Re: [Name of Hotel (City, State) – Facility No. \_\_\_\_\_]; **ALSO INSERT IN 2<sup>nd</sup> page header**  
**Mezzanine Lender Comfort Letter**

Ladies and Gentlemen:

HILTON FRANCHISE HOLDING LLC, a Delaware limited liability company **[IF NEEDED]**, successor-by-merger to **SELECT** DOUBLETREE FRANCHISE LLC, a Delaware limited liability company, EMBASSY SUITES FRANCHISE LLC, a Delaware limited liability company, HILTON FRANCHISE LLC, a Delaware limited liability company, HAMPTON INNS FRANCHISE LLC, a Delaware limited liability company, HILTON GARDEN INNS FRANCHISE LLC, a Delaware limited liability company, HOMEWOOD SUITES FRANCHISE, LLC, a Delaware limited liability company, HLT ESP FRANCHISE LLC, a Delaware limited liability company **OR SELECT** HLT EXISTING FRANCHISE HOLDING LLC, a Delaware limited liability company, successor-in-interest to [DT Doubletree Hotel Systems, Inc. [ES, HAM, HWS Promus Hotels, Inc. [HFS, HGI, CI, WAC Hilton Inns, Inc.] **SELECT FOR CANADA:** HILTON WORLDWIDE FRANCHISING LP, a limited partnership formed under the laws of England and Wales] (“**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”) are parties to a franchise agreement dated \_\_\_\_\_, including all amendments, riders, supplemental agreements and assignments (collectively, “**Franchise Agreement**”). Franchisee operates [ will operate ] the **[INSERT brand ]** hotel [ to be ] located at \_\_\_\_\_ (“**Hotel**”) under the terms of the Franchise Agreement.

This letter agreement is being entered into in connection with a mezzanine loan in the amount of \$ \_\_\_\_\_, dated \_\_\_\_\_, as such mezzanine loan may be periodically amended, modified, supplemented, extended or restated (“**Loan**”) from \_\_\_\_\_ **[IF LENDER IS NOT A BANK:** , a [State] [Type of Entity] (“**Lender**”) **[IF NEEDED]** as administrative agent for itself and other participant lenders (in its capacity as administrative agent, (“**Lender**”)) ] to Franchisee **[IF NOT FRANCHISEE:** \_\_\_\_\_, a [State] [Type of Entity] (“**Mezzanine Borrower**”) ] to be used **[IF MULTIPLE PROPERTIES:**, in part, ] for the direct benefit of the Hotel. **[DESCRIBE BORROWER’S RELATIONSHIP TO FRANCHISEE. (e.g., Mezzanine Borrower is the owner of the real property on which the Hotel is located, which Borrower leases to Franchisee, its affiliate. ]**

**[IF MULTIPLE LENDERS, REFERENCE SHORT NAMES ABOVE AND USE CONSISTENTLY:**

**FIRST ALTERNATIVE:** Franchisor is entitled to presume conclusively that notice to and actions or failures to act by **INSERT NAME OF ONE LENDER** \_\_\_\_\_ (“**Lead Lender**”) are sufficient for all purposes under this letter agreement and that rights under this letter agreement may only be exercised by and the obligations under this letter agreement may only run to Lead Lender. Lead Lender may designate in writing a different party to this letter agreement to represent all lenders, provided that one party must be designated to represent all lenders.

**SECOND ALTERNATIVE:** First Lender **[MODIFY AS NEEDED]**, Second Lender **[MODIFY AS NEEDED]** and Third Lender **[MODIFY AS NEEDED]** will be collectively referred to as “**Lender**.” First Lender, Second Lender and Third Lender have represented to Franchisor that they have entered into an



Lender

Re: Hotel Name – Facility No. \_\_\_\_\_  
Mezzanine Lender Comfort Letter

Page 2

intercreditor agreement that establishes priorities among the lenders. Franchisor is not a party to the intercreditor agreement and is relying on the representations of First Lender, Second Lender and Third Lender. Franchisor is entitled to presume conclusively that the rights and obligations under this letter agreement will run to the Lender who contacts Franchisor and represents that it is entitled by the terms of the intercreditor agreement to exercise the rights of Lender under this letter agreement. Lender agrees that Franchisor shall have no obligation to resolve inconsistent instructions if it receives instructions from more than one lender and Franchisor shall have no liability to any lender as a result of any action that Franchisor takes in good faith at the direction of another lender, or any failure of Franchisor to act in the face of inconsistent instructions.

**[IF THERE IS A MORTGAGE LENDER]**

Franchisor, Franchisee and \_\_\_\_\_ (“Mortgage Lender”) [SELECT: entered into a letter agreement dated \_\_\_\_\_ OR are contemporaneously entering into a letter agreement ] containing substantially the same terms as this letter agreement with respect to the mortgage loan (“Mortgage Letter Agreement”). Lender agrees that any and all rights under this letter agreement are subordinate to any and all rights of Mortgage Lender under the Mortgage Letter Agreement as long as the Mortgage Letter Agreement is effective. [IF MORTGAGE LENDER IS THE MEZZANINE LENDER If, when a notice of default is issued, the notice address for "Lender" under more than one letter agreement is the same, Franchisor's obligation to provide notice to Lender at the address designated in more than one letter shall be satisfied by sending one notice, and multiple notices shall not be required.]

**[IF PRIOR LENDER COMFORT LETTER EXISTS:**

Reference is also made to a letter agreement dated \_\_\_\_\_ among Franchisor [CONFIRM], Franchisee [CONFIRM] and Lender [CONFIRM] (“Existing Comfort Letter”). [IF WITH SAME LENDER: This letter agreement replaces the Existing Comfort Letter, which is null and void, and of no further force or effect. ] [IF MORE THAN ONE EXISTING COMFORT LETTER, MODIFY THIS AND §§ 5 AND 6 BELOW]

1. **Cure Period.**

(a) **Notice of Franchisee Default.** Franchisor will concurrently provide Lender a copy of any default notice sent to Franchisee under the Franchise Agreement. The notice will be sent to Lender at the address set forth above or such other address designated by Lender in writing, provided that only a single address may be designated and it may not be a P.O. Box.

(b) **Lender's Cure Periods.** Lender shall have the right, but not the obligation, to cure the default within fifteen (15) calendar days beyond the expiration of any cure period given to Franchisee (“Lender's Cure Period”). If the default is for failure to comply with physical standards or other non-monetary default which could only be cured by Lender acquiring possession of the Hotel and/or ownership of Franchisee (each, an “Acquisition”), Lender may have an additional period of one hundred eighty (180) calendar days, commencing at the expiration of Lender's Cure Period, to complete its Acquisition, through UCC sale, foreclosure or other appropriate proceedings (“Additional Period”); provided, that Lender must: (i) notify Franchisor no later than the date it commences proceedings (or promptly after action is stayed or enjoined) that Lender wants the Additional Period; (ii) commence proceedings and diligently prosecute such proceedings to completion within the Additional Period; and (iii) comply with the obligations of Franchisee under the Franchise Agreement not being performed by Franchisee during the Additional Period including payment of all monetary obligations but excluding those obligations which can only be performed by Franchisee or which Lender cannot perform without possession of the Hotel and/or ownership of Franchisee. On request by Lender, the Additional Period may be extended by Franchisor in its determination, which determination shall take into consideration the period of time required to complete an Acquisition in the applicable jurisdiction, and any period of time in which Lender's action has been stayed or enjoined. If Franchisor has not issued a default notice to

Lender

Re: Hotel Name – Facility No. \_\_\_\_\_  
Mezzanine Lender Comfort Letter

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Franchisee, and Lender commences a UCC sale, foreclosure or other proceeding intended to result in an Acquisition, Lender may exercise the rights under this letter agreement under the terms and timelines outlined in this Subparagraph. If Franchisor has not issued a default notice, Lender's notice to Franchisor will be deemed to begin Lender's Cure Period and Additional Period. Franchisor acknowledges and agrees that an Acquisition shall not be deemed a sale or lease of the Hotel under the Franchise Agreement, nor a violation of any control or transfer provisions of the Franchise Agreement, and shall not be subject to any right of first refusal or right of first offer contained in the Franchise Agreement.

(c) Franchisor's Rights to Terminate Franchise Agreement. Notwithstanding any other provision of this letter agreement, Franchisor may terminate the Franchise Agreement if any of the following occur: (i) Franchisee's default or any subsequent default, in the sole opinion of Franchisor, damages the image or reputation of Franchisor or any brand name owned and/or licensed by Hilton Worldwide Holdings Inc., a Delaware corporation, or its subsidiaries or affiliates (collectively, "**Hilton**"); (ii) Franchisor is required to terminate the Franchise Agreement by court order or action of any trustee in bankruptcy or debtor in possession of the Hotel; or (iii) the Additional Period expires without other arrangements satisfactory to Franchisor in its sole discretion having been entered into between Franchisor and Lender.

(d) Expiration of Franchise Agreement. Nothing in this letter agreement will extend the Franchise Agreement beyond its stated expiration date.

(e) Receiver Appointment. If a receiver is appointed to operate the Hotel at the request of Lender, Franchisor may require the receiver to enter into Franchisor's then-current form of receiver agreement, with such modifications as mutually agreed between Franchisor, Lender and receiver, or other documentation that Franchisor considers reasonably necessary.

## 2. Assumption and Amendment.

(a) Assumption. Lender will be deemed to have assumed the rights and obligations of Franchisee under the Franchise Agreement as of the date of the Acquisition, and will be obligated to perform all of the obligations of Franchisee under the Franchise Agreement existing at or accruing after the date of the Acquisition, including the payment of fees owed to Franchisor ("**Assumption**"). In connection with the Assumption, Lender must diligently cure all defaults which it could not cure before the Acquisition, within the time period determined by Franchisor based on the nature of the default and/or the condition of the Hotel at the time of Lender's Acquisition.

(b) Amendment. Lender must, within ten (10) business days after Franchisor's request, provide Franchisor all information necessary for Franchisor to determine that Lender is not a Sanctioned Person (as defined below), and deliver any other documents regarding Lender's ownership structure that Franchisor reasonably requests. Franchisor will promptly prepare an amendment to the Franchise Agreement ("**Amendment**") to document the Assumption, and deliver the Amendment to Lender. Lender must execute and return the Amendment to Franchisor within ten (10) business days after receipt from Franchisor. Lender's failure to timely execute and deliver to Franchisor the Amendment shall be a default under the Franchise Agreement entitling Franchisor to terminate the Franchise Agreement. Any renovation requirements imposed by Franchisor in connection with the Assumption will not exceed those which Franchisor could have imposed had Franchisee remained as the Franchisee under the Franchise Agreement. In lieu of any transfer or application fee for the Assumption, Lender agrees to pay Franchisor a processing fee equal to the permitted transfer fee in the Franchise Agreement. If the Franchise Agreement does not reference a permitted transfer fee, then the processing fee will be Five Thousand Dollars (\$5,000).



Lender

Re: Hotel Name – Facility No. \_\_\_\_\_  
Mezzanine Lender Comfort Letter

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(c) Lender's Sale to Third Party After Assumption. The transfer provisions of the Franchise Agreement will apply to any sale, assignment or transfer by Lender after an Assumption. If the transfer is to a third party who desires to continue to operate the Hotel, these provisions require a change of ownership application, approval of the third party and payment of an application fee.

3. Notice to Franchisor. Lender agrees to notify Franchisor (a) contemporaneously with the commencement of any action that may result in an Acquisition; (b) contemporaneously with the filing of a petition for appointment of a receiver or any other action initiated by Lender that materially impacts possession of the Hotel; (c) promptly after an Acquisition of the date the Acquisition occurred, or (d) promptly after Lender no longer has a security interest in the equity ownership of Franchisee or the Loan is paid in full, but Lender's failure to give notice under this Subparagraph 3(d) will not affect the automatic termination of this letter agreement under Paragraph 11 [NO ESTOPPEL] 12 [ESTOPPEL]. Lender further agrees to promptly provide to Franchisor a copy of any order appointing a receiver or any other judicial or administrative order from an action initiated by Lender that materially impacts possession of the Hotel. All notices to Franchisor should be sent to the following address or such other address periodically designated by Franchisor in writing:

Hilton Worldwide Holdings Inc.  
Attention: General Counsel  
7930 Jones Branch Drive, Suite 1100  
McLean, VA 22102

4. Confidentiality and Non-Disclosure. The provisions of this letter agreement shall not be disclosed by Lender or Franchisee to any third party, excepting (a) the respective employees, directors, officers, agents, regulators or legal and financial representatives of each of Franchisee, Lender and Lender's servicers, trustees and certificate holders, on a need-to-know basis; (b) as required by law; (c) as mutually agreed to by the parties; (d) as part of any due diligence performed as a part of a sale, assignment, participation or securitization of the Loan by Lender, or a sale of the Hotel after an Acquisition; (e) any investor or potential investor in, or underwriter of, the Loan; and/or (f) any rating agency that rates securities backed by the Loan. Except as provided above, Franchisee and Lender agree not to copy, reproduce or otherwise make available in any form whatsoever to any other person, firm, corporation, or business the provisions of this letter agreement.

5. Franchisee Estoppel and Release. As consideration for this letter agreement relating to the Loan, Franchisee hereby:

(a) certifies to Franchisor that the Franchise Agreement is in full force and effect, and no default, claim, breach, offset, defense to full and strict enforcement, waiver, or estoppel (collectively, "**Claim**"), or condition that could with passage of time, giving notice or otherwise become a Claim, currently exists or has existed against Franchisor under the Franchise Agreement [IF APPLICABLE: or the Existing Comfort Letter].

(b) [IF APPLICABLE: represents that the loan referenced in the Existing Comfort Letter has been paid in full [DELETE FIRST CLAUSE IF LOAN IS BEING ASSUMED] and agrees that the Existing Comfort Letter is null and void and of no further force and effect, and Franchisor has no obligations of any kind under the Existing Comfort Letter.]

(c) agrees that this letter agreement will remain in full force and effect in favor of Lender with respect to the Loan, as the Loan may periodically be modified, amended, extended, supplemented, or restated.

(d) agrees that this letter agreement was provided to Lender at Franchisee's request.

Lender

Re: Hotel Name – Facility No. \_\_\_\_\_  
Mezzanine Lender Comfort Letter

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(e) fully and forever releases, discharges, and agrees to indemnify, defend, and hold harmless Franchisor, its predecessors, successors and assigns and each of their respective former and present officers, employees, directors, shareholders, partners, members, parents, subsidiaries, affiliates, alter egos, representatives, agents, and attorneys (collectively, the **“Released Parties”**), from any and all Claims, demands, liens, actions, agreements, suits, causes of action, obligations, controversies, debts, costs, attorney’s fees, expenses, damages, judgments, orders, and liabilities of whatever kind or nature in law, equity, or otherwise, whether now known or suspected which have existed, may or do exist (**“Released Claims”**), based on any facts, events, or omissions occurring before the execution of this letter agreement which arise out of, concern, pertain, or relate in any way to the Franchise Agreement **[IF APPLICABLE: or the Existing Comfort Letter]**. Franchisee acknowledges that it may hereafter discover Claims presently unknown or unsuspected, or facts in addition to or different from those which it now knows or believes to be true, with respect to the matters released by this letter agreement. Nevertheless, Franchisee fully and finally settles and releases all such matters, and all Claims relative thereto, which do now exist, may exist or have existed between the Released Parties and Franchisee.

6. **Lender Estoppel and Release.** As consideration for this letter agreement relating to the Loan:

(a) Lender hereby certifies to Franchisor that Lender is not a Sanctioned Person. **“Sanctioned Person”** means any person, entity, or Government, including those with Control over such persons or entities, or acting on behalf of such persons or entity, who is subject to Trade Restrictions that prohibit or restrict the Parties’ performance of the Parties’ obligations under this Agreement. **“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.

(b) **[DELETE FOR OL, QQ, UP]** Lender hereby represents and warrants in favor of Franchisor that Lender is not a Competitor of Franchisor.

(c) Lender hereby represents and warrants in favor of Franchisor that **[IF LENDER IS A BANK]** Lender does not own any Equity Interest in Franchisee **[IF LENDER IS NOT A BANK]** neither Lender nor any of its officers or directors own any Equity Interest in Franchisee.

(d) Lender hereby agrees that this letter agreement shall remain in full force and effect in favor of Lender with respect to the Loan, as the Loan may periodically be modified, amended, extended, supplemented or restated without the need for further action by Lender or Franchisor.

(e) **[IF LENDER IS A PARTY TO EXISTING COMFORT LETTER:]** Lender hereby certifies to Franchisor that no Claim, or condition that could with the passage of time, giving notice or otherwise become a Claim by Lender, currently exists or has existed against Franchisor under the Existing Comfort Letter; agrees that the Existing Comfort Letter is null and void and of no further force and effect; and agrees that Franchisor has no obligations of any kind under the Existing Comfort Letter.

(f) **[IF FOR A LOAN ORIGINATED AT AN EARLIER DATE:]** Lender hereby represents and warrants as of the date of its signature below that Lender has not issued a notice of default with respect to the Loan and is not aware of any issue that currently constitutes a default under the Loan and that Lender has not taken any action intended to result in Lender acquiring possession of the Hotel and/or ownership of Franchisee.

Lender

Re: Hotel Name – Facility No. \_\_\_\_\_  
Mezzanine Lender Comfort Letter

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(g) Lender hereby fully and forever releases, discharges, and agrees to indemnify, defend and hold harmless the Released Parties from any and all Released Claims by Lender based on any facts, events, or omissions occurring before the execution of this letter agreement which arise out of, concern, pertain, or relate in any way to this letter agreement. **[IF LENDER IS A PARTY TO EXISTING COMFORT LETTER:; ADD** or the Existing Comfort Letter.] **[FOR CANADA ONLY**; provided, however that this release will not relieve any of the Released Parties from any liability imposed by the *Ontario Arthur Wishart Act (Franchise Disclosure), 2000, that may have existed as of the Effective Date of this Assignment.*]

7. **[IF REQUESTED, CHECK REFERENCES in ¶¶ 3 / 6 Franchisor Estoppel.** Subject to the acknowledgement by Lender that Franchisor does not own or operate the Hotel, Franchisor hereby certifies to Lender that, to Franchisor's knowledge as of the date indicated on the first page of this letter agreement, (a) the Franchise Agreement is in full force and effect, and (b) no Default currently exists under the Franchise Agreement. "**Franchisor's knowledge**" means the actual knowledge of applicable and reasonably obvious Hotel operational matters regularly reviewed by company employees who have given their attention to such matters in the ordinary course of business and does not include any investigation by those employees or others of other matters or beyond their usual and customary reviews of the Hotel, nor does it include constructive notice of matters or information located in public or Hotel records. "**Default**" means matters which have been the subject of an actual notice of default under the Franchise Agreement and does not include matters which are or may be in process, under discussion, or otherwise addressed. **[IF QUALIFIERS:** Notwithstanding the foregoing, Lender is advised that the Hotel failed its most recent Quality Assurance Inspection, but the failure is not a Default **]**.

8. **Assignment.** This letter agreement may not be assigned by Lender without the written consent of Franchisor; provided, however, Franchisor's consent is not required for any assignment to:

(a) a direct or indirect subsidiary or affiliate of Lender in connection with an Acquisition.

(b) the trustee in a securitization **if** Lender (i) directly transfers the Loan to the trustee **and** (ii) gives notice to Franchisor within thirty (30) days of the transfer, identifying the new "Lender" and the new address for notice. If Lender fully complies with the provisions of this Subparagraph, Franchisor will recognize the trustee as "Lender" under this letter agreement but Franchisor may, in its discretion, reject any notice that is not sent by Lender or that is not sent in a timely manner in accordance with this Subparagraph.

(c) **[IF LENDER IS ACTING AS AN ADMINISTRATIVE AGENT:]** any successor administrative agent with respect to the Loan if the successor is a national bank, state-chartered bank, commercial bank, or the U.S. branch of a foreign bank authorized to operate in the U.S., and the administrative agent identified as "Lender" under this letter agreement gives notice to Franchisor, identifying the new "Lender" and the new address for notice, within thirty (30) days of the transfer, but Franchisor may, in its discretion, reject any notice that is not sent by Lender or that is not sent in a timely manner in accordance with this Subparagraph.

(d) any subsequent holder or holders of the Loan ("**Assignee**") **if** (1) the Loan is not in default when notice is given; (2) Lender gives notice to Franchisor, identifying Assignee and the new address for notice, within thirty (30) days of the transfer; and (3) the Assignee (i) is a national bank, state-chartered bank, commercial bank, investment bank, pension fund, finance company, insurance company, or other financial institution engaged in the business of making loans or any fund managed by any of the foregoing, (ii) is not a Competitor of Franchisor, and (iii) does not own directly or indirectly, any equity interest in Franchisee or its constituent owners; provided, however, that Franchisor may, in its discretion, reject a notice if the Loan is in default when notice is given, or if the notice is not sent by Lender, or if

Lender

Re: Hotel Name – Facility No. \_\_\_\_\_  
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notice is not sent in a timely manner in accordance with this Subparagraph. On receipt and acceptance of the notice, Franchisor will promptly prepare its then-current form of Assignment and Assumption Agreement (“**Assignment**”) and Lender and Assignee must promptly execute and return the Assignment. Franchisor may charge a nominal fee for processing the Assignment. If there is more than one Assignee, the Assignees must (i) designate a single representative to receive notices, negotiate on behalf of and bind each Assignee in connection with this letter agreement and any assignment thereof, and (ii) acknowledge that Franchisor shall be entitled to rely on such designation and deal solely with such representative without the necessity of notifying, negotiating with, or obtaining the consent of, each Assignee.

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10. **Management.** Any change to the management company for the Hotel (“**Management**”) made by Lender or a receiver before an Assumption is subject to Franchisor’s prior written approval. Franchisor will use its business judgment in determining whether to approve the new Management. After an Assumption, the terms of the Franchise Agreement will govern with respect to Management, provided, however, Lender shall not be bound by any requirements of the Franchise Agreement to manage the Hotel itself.

11. **Execution.** This letter agreement may be signed in counterparts, each of which will be considered an original. The parties agree to conduct the transaction by electronic means which will be initiated by Franchisor. An authorized representative of Franchisor will countersign on behalf of Franchisor when all conditions are fulfilled.

12. **Effectiveness and Termination.** This letter agreement will be effective only when Franchisor receives signatures indicating acceptance by Lender and Franchisee and Franchisor’s authorized representative countersigns on the signature page. If Franchisor does not receive signed copies from Lender and Franchisee within thirty (30) days from the date indicated on the first page of this letter agreement, Franchisor’s offer to enter into this letter agreement may be withdrawn. Once effective, this letter agreement will automatically terminate if (a) Lender no longer has a security interest in Franchisee or the Loan is paid in full, (b) Lender transfers the Loan to another entity unless this letter agreement is assigned in compliance with its terms, (c) Lender materially breaches this letter agreement, (d) Lender has been taken over in any manner by any state or federal agency, (e) Franchisee transfers the Franchise Agreement and the transfer results in a new franchise agreement being entered, or (f) Franchisor terminates the Franchise Agreement in accordance with this letter agreement.

13. **General.** No entity may exercise any rights as Lender under this letter agreement if the entity or any affiliate is or becomes the owner of a direct or indirect beneficial interest (except a strictly passive interest) in Franchisee, other than through the exercise of rights under the Loan. The provisions of this letter agreement are applicable only for the Hotel and the parties to this letter agreement. Issuance and execution of this letter agreement or the granting of any conditions provided in this letter agreement does not constitute an obligation on Franchisor’s part to provide the same at any future date. This letter agreement sets forth the entire agreement of the parties to this letter agreement in regard to the matters addressed in this letter agreement. Capitalized terms not otherwise defined in this letter agreement shall have the meanings assigned to the term in the Franchise Agreement.

Lender

Re: Hotel Name – Facility No. \_\_\_\_\_  
Mezzanine Lender Comfort Letter

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Sincerely,

HILTON FRANCHISE HOLDING LLC  
OR SELECT HLT EXISTING FRANCHISE HOLDING LLC  
OR IF HOTEL IS IN CANADA HILTON WORLDWIDE FRANCHISING LP

Signature Blocks on Following Page

Lender

Re: Hotel Name – Facility No. \_\_\_\_\_  
Mezzanine Lender Comfort Letter

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**LENDER:**

[NAME]

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

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

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

Accepted and agreed to \_\_\_\_\_  
DATE

**FRANCHISEE:**

[NAME]

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

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

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

Accepted and agreed to \_\_\_\_\_  
DATE

**FRANCHISOR:**

HILTON FRANCHISE HOLDING LLC  
**OR SELECT** HLT EXISTING FRANCHISE HOLDING LLC

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

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

Title: \_\_\_\_\_ Authorized Signatory

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

Lender

Re: Hotel Name – Facility No. \_\_\_\_\_  
Mezzanine Lender Comfort Letter

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**FRANCHISOR IF HOTEL IS IN CANADA**

HILTON WORLDWIDE FRANCHISING LP,  
a limited partnership formed under the laws of England and Wales

By: HILTON WORLDWIDE MANAGE LIMITED,  
Its General Partner

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

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

Title: \_\_\_\_\_ Authorized Signatory

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

# **EXHIBIT J**



## PURCHASING PROGRAM AGREEMENT

This **PURCHASING PROGRAM AGREEMENT** ("Agreement") is entered into as of %HotelApprovedDate% (the "Effective Date"), by and between Hilton Supply Management LLC, ("HSM"), and %LegalEntity% ("Customer").

### RECITALS

A. Customer is a party to a management agreement and/or franchise agreement with an affiliate of HSM for the %BrandCodeDesc% hotel located at %PropertyAddressLine%, (the "Hotel"). Customer is entering into this Agreement to obtain certain products and services for and at the Hotel.

B. HSM operates as a stockless distributor and has contractual arrangements with various suppliers, manufacturers and other providers (collectively, the "**Suppliers**") for the purchase and supply of items, including but not limited to furniture, fixtures, equipment and operating supplies (collectively, the "**Items**"), for use in Customer's hotel or other locations where the Items will be used (the "**Property**").

C. Customer desires to utilize HSM project management services and purchase Items for use in the Property through HSM as merchant of record from the Suppliers, and to authorize and direct HSM to execute the ordering requirements for certain items (the "**Services**").

D. HSM will provide Customer with various documents related to the items to be purchased through HSM which documents may include, without limitation, a Project Cost Agreement, a Delivery Status Report, and a Payment Reminder Form (collectively, the "**Project Documents**").

NOW, THEREFORE, in consideration of the terms and conditions hereinafter set forth, and for other good and valuable consideration, the parties agree as follows:

1. **Ordering Services.** HSM shall provide the Services and procure the Items ordered by Customer pursuant to a project cost agreement ("**PCA**"). Each PCA will (i) reference this Agreement, (ii) summarize the Items and cost, and (iii) include any other necessary or advisable terms.

2. **Customer's Authorization and Request to Order Items.** Customer represents and warrants that Customer is duly organized, validly existing, in good standing and qualified to do business under applicable laws where it is formed and where it operates. Customer hereby authorizes HSM to procure the Items set forth in a PCA. Customer will review and verify the quantities and prices of all Items to be purchased through HSM. Customer will be bound to purchase the Items covered by each PCA unless Customer delivers a notice in writing received by HSM within ten (10) business days after submitting the PCA that the order is not correct, and specifying the deviation from the Items as authorized. Customer shall reimburse, indemnify and hold harmless HSM for any cost or expenses incurred by HSM due to Customer's revisions to a PCA or related orders. Customer acknowledges that HSM does not operate the supply chain of contract Suppliers; therefore, it cannot guarantee the timeliness or completeness of deliveries. Delivery dates may be affected by a variety of factors, including but not limited to unpredictable circumstances, such as homeland security inspection, weather, Supplier issues, labor disputes, etc. Customer acknowledges and agrees that (i) under no circumstance shall HSM have any responsibility with respect to any and all claims, disputes and liabilities arising from, or in connection with Items, and (ii) it shall look exclusively to the applicable Supplier, with respect to any such claims, including, without limitation, all warranty and indemnification claims. Notwithstanding the foregoing, HSM shall use commercially reasonable efforts to facilitate the resolution of any dispute or issue between Customer and a Supplier.

3. **Price Quotes.** Any quotations by HSM to Customer of prices for Items shall only be valid for thirty (30) days from the date of the quotation.

4. **Additions.** If Customer desires to make additions to an order after a PCA has been executed, Customer shall request and sign an Authorization for Budget Adjustment form.

5. **Payment for Items.** Customer shall pay HSM (i) the amount invoiced by Supplier for each Item ordered pursuant to a PCA, including Item changes, together with all applicable taxes, packaging, freight, transportation, storage, and insurance charge(s) related to each Item; and (ii) HSM's procurement services fee. Purchases executed by HSM from the Change Order form are payable to HSM within ten (10) business days after Customer executes such Change Order. Warehouse and redelivery charges, if any, caused by failure of Customer to accept delivery, shall be borne by Customer. Customer acknowledges that any prices quoted for the Items are based upon current price lists or quotations available to HSM, and that such prices are subject to change. Customer shall pay to HSM the prices in effect at the time the Items are ordered by HSM. Customer acknowledges industry standards for overages and underage's and pricing variations which may result from these standards (see Exhibit I) and agrees to timely pay all such overages and underage's. Customer acknowledges standard freight insurance offered by freight carriers may not cover full replacement value. Customer may authorize HSM to obtain full replacement value freight coverage at an additional expense.

(a) **Freight Charges.** Customer shall pay all freight charges for the Items. Freight charges are calculated as a percentage of the overall project amount, and the overall project freight costs shall not exceed the proposal percentage for freight using standard means. Charges for expedited shipping or special delivery requests made by Customer will be added and billed above and beyond the overall freight percentage. When specified as "budgetary only," freight charges will be reconciled at the end of the project to bill or credit the Customer based on the actual amount.

(b) **Reimbursable Expenses.** Customer shall reimburse HSM for its out-of-pocket expenses that are reasonably incurred by HSM for work requested by Customer. Such expenses include HSM's travel in connection with the project, when required by Customer, which shall be limited to the cost of any lodging, meals, air travel (coach class), taxi, bus, railway, or rented automobile expenses directly related to the project. Reimbursables to be submitted with a pass-through rate of 1.0.

6. **Payment Schedule.** Customer shall make payments to HSM for the Items according to the schedule listed in the PCA. If Customer fails to timely pay any amounts hereunder, HSM may, in addition to any other remedies to which it may be entitled, cease delivery of any and all Items yet to be delivered to the Property, and all amounts for Items already placed by HSM hereunder shall become immediately due in full. After the completion of the final project reconciliation, HSM will issue a reimbursement check, if the proposal amount paid by Customer is greater than the actual costs incurred on the project. Customer shall pay to HSM the amount outstanding no later than thirty (30) days after receiving a final invoice from HSM.

7. **Late Charges; Collection Costs.** Customer shall pay to HSM a one and one-half percent (1-1/2%) late charge per month (or the highest percentage late charge permissible by law, if less) on all amounts not paid when due. Customer shall reimburse HSM on demand for all costs (including reasonable attorney's fees) and other expenses HSM incurs in collecting the amounts due HSM by Customer which are not paid when due.

8. **Term and Termination.**

(a) This Agreement shall commence on the Effective Date and shall run concurrently with the Franchise Agreement and will automatically terminate on the termination or expiration of the Franchise Agreement unless terminated earlier as specified below ("**Term**").

(b) This Agreement may be terminated by HSM upon thirty (30) days prior written notice, or immediately in the event: (i) Customer materially breaches this Agreement and fails to cure such breach where such breach is capable of being cured within 10 days' of written notice of termination from HSM, (ii) there is a material adverse change in Customer's business or financial condition; (iii) Customer ceases doing business; or (iv) Customer violates the Confidentiality or Restrictions provisions of this Agreement.

9. **Grant of Security Interest.** To the extent permitted by any loan or indebtedness agreements to which Customer is a party ("Customer's Loan Agreements"), HSM shall retain a security interest and Customer hereby grants to HSM a security interest in all the Items purchased hereunder, and in the proceeds of all sales or other dispositions of the foregoing (collectively, the "Collateral"), to secure Customer's full payment and performance of all its obligations hereunder. So long as Customer is not in default hereunder or under the any agreement with HSM or its affiliates, Customer may in the regular course of business install and use the Items. The Collateral shall at all times be and remain as personal property and Customer warrants to HSM that the Collateral is and shall remain personal property, unless otherwise noted in the Project Documents. Customer shall not misuse, abuse, or permit the Collateral to deteriorate except for ordinary wear and tear from its intended primary use. The Collateral may be examined and inspected by HSM at any reasonable time during business hours, and shall not be sold, transferred or otherwise disposed of, except as provided above, or subjected to any unpaid charge, including taxes or to any subsequent interest of a third party, unless HSM gives written consent in advance thereto, or all the obligations of Customer hereunder have been fully discharged. To the extent permitted by Customer's Loan Agreements, Customer authorizes HSM to file and/or record such financing statements and other documents as HSM deems necessary or appropriate to perfect its security interest in the Collateral, and at HSM's request, Customer shall sign and execute alone or with HSM any financing statement or other document and pay all related costs HSM deems necessary or appropriate to protect the security interest granted hereunder.

10. **Default.** In the event of a material default by Customer or any provision of this Agreement, HSM may require Customer, at its expense, to assemble the Collateral and make it available to HSM at a place designated by HSM, for the purpose of the sale of the collateral by HSM.

11. **Force Majeure.** Neither party shall be liable for delays or failure in its performance hereunder caused by an act of God, war, strike, fire, act of government, or any other cause, whether similar or dissimilar, beyond the control of that party.

12. **Risk of Loss; Acceptance.** Risk of loss for the Items shall pass to Customer when they are shipped from the Supplier to the Property. Items shall be delivered F.O.B. destination. HSM will assist Customer in arranging such shipping but shall not be the Customer's agent for shipment purposes. Customer shall inspect the Items immediately upon delivery and comply with the carrier's requirements for reporting and filing any claims in accordance with the guidelines set forth in Exhibit II attached hereto. HSM will assist Customer in filing and pursuing any claims against a Supplier for loss, damages, shortages, nonconformity, failure to deliver on time or any other breach or failure in accordance with the guidelines set forth in Exhibit II. HSM will cooperate with Customer to the extent necessary and appropriate to enable Customer to pursue its claims, provided that Customer reimburse HSM for any out-of-pocket costs incurred as a result of such cooperation. Once claims are paid by the carrier to HSM, HSM will apply the credit to the project account.

13. **Confidentiality.** Customer will maintain the confidential and proprietary nature of the Brand Packages and any other information acknowledges on its behalf and on behalf of the other Participants, that is disclosed under or provided or made available to Customer under or in connection with this Agreement. The foregoing includes without limitation proprietary ideas, patentable ideas, copyrights, trade secrets, existing and contemplated products and services, software, schematics, research and development, discoveries, inventions, methods, processes, materials, algorithms, formulas, specifications, designs, data, strategies, plans, and know-how, whether tangible or intangible (collectively, the "Confidential Information"). Customer will maintain such Confidential Information in confidence and agrees not to disclose or otherwise make available the Confidential Information to any person or entity other than Customer's employees at the Hotel who are bound by obligations of confidentiality no less stringent than those set forth herein, without prior written consent of HSM. Customer further agrees to take all reasonable steps and precautions necessary to protect the Confidential Information from unauthorized use or disclosure.

14. **Warranties; Standards.** HSM will make commercially reasonable efforts to ensure that Suppliers provide commercially-available warranties with respect to the Items purchased by Customer through HSM. HSM will ensure that all such warranties are completely assignable to Customer and the Customer can assume all rights HSM has under all such warranties. Should any issue arise with product deficiencies or warranties, HSM will use its best efforts to assist the Customer with such claims. HSM will assign to Customer or otherwise provide to Customer the benefit of all warranties provided by the applicable Suppliers with respect to the Items purchased by HSM on behalf of Customer. **HSM MAKES NO REPRESENTATIONS OR WARRANTIES AS TO PRODUCTS AND SERVICES COMPRISING THE BRAND PACKAGES, ANY BRAND PACKAGE PROVIDED BY ANY APPROVED SUPPLIER AND WILL HAVE NO LIABILITY WHATSOEVER FOR THE TERMS AND CONDITIONS THEREOF, PERFORMANCE OF ANY OBLIGATIONS OR OTHER AGREEMENTS THEREWITH, ANY EQUIPMENT PURCHASED, LEASED, OR INSTALLED, ANY SERVICES PERFORMED. THE SOLE WARRANTIES PROVIDED TO CUSTOMER, IF ANY, WITH RESPECT TO THE BRAND PACKAGE OR SERVICES PROVIDED BY THE APPROVED SUPPLIERS ARE PROVIDED BY THE APPROVED SUPPLIERS PURSUANT TO A WRITTEN WARRANTY, IF ANY, PROVIDED TO CUSTOMER BY SUCH APPROVED SUPPLIERS. IN THE EVENT CUSTOMER NOTIFIES HSM OF ANY CONDITION WHICH CUSTOMER BELIEVES CONSTITUTES A BREACH OF ANY WARRANTY PROVIDED BY A APPROVED SUPPLIER, HSM WILL, UPON CUSTOMER'S REQUEST, PROVIDE REASONABLE COOPERATION AND ASSISTANCE IN NOTIFYING SUCH APPROVED SUPPLIER OF SUCH CONDITION AND IN URGING SUCH APPROVED SUPPLIER TO CORRECT SUCH CONDITION. HSM RESERVES THE RIGHT TO MAKE CHANGES AND SUBSTITUTIONS IN THE COMPONENTS OF THE BRAND PACKAGES. EXCEPT AS SPECIFICALLY PROVIDED IN THIS AGREEMENT, HSM DISCLAIMS ALL EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE BRAND PACKAGE, INCLUDING WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, NON-INFRINGEMENT, DESIGN, ACCURACY, CAPABILITY, SUFFICIENCY, SUITABILITY, CAPACITY, COMPLETENESS, AVAILABILITY, COMPATIBILITY, OR THOSE THAT MAY ARISE FROM COURSE OF DEALING OR COURSE OF PERFORMANCE OR THAT BRAND PACKAGES PROVIDED HEREUNDER WILL NOT VIOLATE THE INTELLECTUAL PROPERTY RIGHTS OF AND PERSON OR ENTITY. HSM DOES NOT GUARANTEE, WARRANT, OR MAKE ANY REPRESENTATIONS TO THE EFFECT THAT ANY OF THE BRAND PACKAGES UNDER THIS AGREEMENT (A) WILL BE CONTINUOUSLY AVAILABLE, UNINTERRUPTED OR DEFECT-FREE, DELAY-FREE, OR ERROR-FREE, OR (B) WILL HAVE ITS DEFECTS OR ERRORS CORRECTED. HSM DOES NOT GUARANTEE, WARRANT OR MAKE ANY REPRESENTATIONS REGARDING THE USE OF, OR THE RESULTS OF, THE BRAND PACKAGES IN TERMS OF ITS RESPECTIVE CORRECTNESS, ACCURACY, RELIABILITY, OR OTHERWISE. THE REMEDIES PROVIDED IN THIS AGREEMENT CONSTITUTE CUSTOMER'S SOLE AND EXCLUSIVE REMEDIES. IN NO EVENT WILL HSM BE LIABLE FOR ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR EXEMPLARY DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOSS OF USE OR LOST PROFITS OF ANY KIND ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, WHETHER OR NOT HSM HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSS OR DAMAGE. IN NO EVENT WILL HSM'S LIABILITY TO CUSTOMER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, WHETHER IN CONTRACT, TORT OR OTHERWISE, EXCEED THE AMOUNTS ACTUALLY PAID BY CUSTOMER TO HSM UNDER THIS AGREEMENT DURING THE SIX (6) MONTH PERIOD IMMEDIATELY PRECEDING THE TIME THAT THE CAUSE OF ACTION GIVING RISE TO SUCH LIABILITY FIRST ACCRUES.** Customer agrees that any such warranties and any warranty claims shall be the sole responsibility of Supplier. Customer understands and acknowledges that the effectiveness of certain warranties may be subject to Customer's provision of appropriate installation conditions. Suppliers are to be required to provide items that are new, free from defects in material and workmanship and shall conform to all applicable plans, specifications, requirements, and samples.

15. **Waiver; Limitation of Liability.** Except for the negligence of either party, each party hereby waives, to the fullest extent permitted by law, any right to, or claim for, any exemplary, special, incidental or consequential damages, including, but not limited to, lost profits or loss resulting from business interruption even if either party has been advised of the possibility or likelihood of such damages.

16. **Taxes.** Customer shall be solely and directly responsible for prompt payment of all international, national, federal, state and local excise, sales, use, value-added, duty, tariff and all other taxes or charges imposed on any party related to the Items or in any way to this Agreement, now imposed or hereafter imposed and hereby indemnifies and holds HSM harmless from any such impositions.

17. **Notices.** All notices must be in writing and will be effective on the earlier of: (i) the day it is sent via facsimile with a confirmation of receipt; (ii) the day it is delivered by express delivery service; or (iii) the third business day after it is sent by first-class or certified mail to the appropriate party at the following single address, or such other single address as may be designated by the party to be notified (which, in no event, is a P.O. Box). If to HSM, the notice shall be addressed to: Office of General Counsel, Hilton Worldwide, Inc., 7930

Jones Branch Drive, McLean, VA 22102. Any notice sent to Customer shall be sent to Customer's address set forth in the introduction of this Agreement.

18. **Governing Law; Venue.** This Agreement shall be governed by and interpreted pursuant to the internal laws of the State of New York USA, excluding any laws regarding the choice or conflict of laws. Any litigation concerning this Agreement or any aspect of the relationship between HSM and Customer created by this Agreement shall be heard exclusively in the United States District Court for the Eastern District of Virginia in Alexandria, Virginia or, if federal jurisdiction is lacking, in the courts of the Commonwealth of Virginia in Fairfax County, Virginia.

19. **Complete Agreement; Modification.** This Agreement contains the full and complete understanding of the parties regarding the Services and supersedes any prior written or oral agreements. In the event of any conflict between the terms of this Agreement and the terms of any attachments, proposals, invoices, purchase orders, or any other documents or correspondence, the terms of this Agreement shall prevail. This Agreement may only be modified by a subsequent writing executed by duly-authorized representatives of both parties which expressly states that it is a modification of this Agreement.

20. **Restrictions.** Customer represents, warrants, and covenants that Customer (including its owners, shareholders, officers and directors) is not owned or controlled by a "Restricted Person", which is defined as (1) the government of any country subject to an embargo imposed by the United States government, (2) an individual or entity located in or organized under the laws of a country that is subject to an embargo imposed by the United States Government, (3) individuals or entities ordinarily resident in any country subject to an embargo imposed by the United States Government, or (4) individuals or entities identified by an government or legal authority with whom Costumer, HWI or affiliates are prohibited or restricted including persons designated under the U.S. Department of Treasury's Office of Foreign Assets Control (OFAC) List of Specially Designated Nationals and Other Blocked Persons (including terrorists and narcotics traffickers); and similar restricted party listings, including those maintained by other governments pursuant to United Nations, regional or national trade or financial sanctions. Customer shall notify HSM or HWI in writing immediately upon an occurrence of the above events.

21. **Miscellaneous.** Neither party shall be deemed to be the drafter of this Agreement and if this Agreement is construed in any court or arbitration proceeding, said court or arbitrator shall not construe this Agreement or any provision hereof against either party as the drafter hereof. If any arbitration, litigation or other proceeding is commenced arising out of, concerning or related to any provision of this Agreement, or the rights and duties of any party hereunder, the prevailing party in such litigation or proceeding shall be entitled, in addition to such other relief as may be granted, to recover its actual attorneys' fees and expenses incurred by reason of such proceeding. If any phrase, clause or provision of this Agreement is declared invalid or unenforceable by a court of competent jurisdiction or arbitrator, such phrase, clause or provision shall be deemed separate from this Agreement but will not affect any other provision of this Agreement, which shall otherwise remain in full force and effect. Customer may not assign any of its rights, duties or obligations under this Agreement without the prior written consent of HSM. This Agreement shall inure to the benefit of and be binding upon the parties hereto and the respective successors and permitted assigns.

**IN WITNESS WHEREOF**, by the signature of its respective authorized representative, each of the Parties agrees to be bound by all of the terms of this Agreement.

**HSM**  
**Hilton Supply Management, LLC**

**CUSTOMER:**  
%LegalEntity%

By: %HiltonApproverSignature%

By: %HotelApproverSignature%

Name: %AMERCountersigner%

Name: %HotelApproverName%

Title: %AMERCountersignerTitle%

Title: %HotelApproverTitle%

Date: %HiltonApprovedDate%

Date: %HotelApprovedDate%

**EXHIBIT I**

**INDUSTRY STANDARD GUIDELINES – Quantity overages & Underages**

<b><u>Bedsread &amp; Drapery Fabric</u></b> .....	<u>Subject to overage not to exceed 10%. (Must take all first quality goods. Close orders if over or under quantity ordered. Negotiate additional discounts on orders for quantities over 10%.)</u>
<b><u>Carpeting</u></b> .....	<u>Orders &lt; 500 SQY Subject to overage not to exceed 10%. Orders &gt; 500 SQY not to exceed 7%</u>
<b><u>Carpet Padding</u></b> .....	<u>Must take full rolls. No overage</u>
<b><u>Drapery Lining</u></b> .....	<u>Must take full bolts. No overage</u>
<b><u>Fabric (Upholstery)</u></b> .....	<u>Subject to overage not to exceed 10%</u>
<b><u>Wall Covering</u></b> .....	<u>Subject to overage not to exceed 10%. Custom orders &lt; 1000 YDS subject to overage per terms of quote. Subject to overage not to exceed 5% on 'running line' or standard patterns.</u>

## EXHIBIT II

### **Freight Scheduling, Claims & Shortages Important Instructions for Properly Receiving Merchandise**

#### **Shipment Schedules**

1. HSM has contracts in place with multiple 3<sup>rd</sup> party freight companies to arrange pickup and delivery of product using all methods of transport from the supplier's dock to the requested destination (property, warehouse, etc.).
2. Where project items are shipped along with other commercial shipments, delivery schedules are controlled by the transportation companies. These schedules are tied to their particular routes, loading position in the trailer (items placed in the front of a trailer cannot be delivered first, for example) and driver availability.
3. Standard delivery service for Less than Truckload (LTL) carriers is "delivery by 5:00 PM".
4. Transit time for each shipment varies by carrier, service level, origin and destination point.
5. If a delivery appointment is required prior to receiving, LTL appointments are not scheduled until **after** the freight has arrived at the carrier's terminal servicing the local area. Depending on when goods are received at the local terminal, delivery may be delayed until an appointment is set.
6. Parcel carriers (UPS, FedEx, DHL, etc.) do not offer a delivery appointment service.
7. Expedited, time specific and guaranteed delivery services are available at additional cost. Shipment guarantees if purchased **only** cover transportation costs. Details and exclusions vary by carrier. If these services are needed contact the HSM Project Supply Manager prior to shipment for more information.
8. Every effort will be made to work with the project contact on site and carriers to facilitate good communication in order to meet the requested delivery schedules however, standard transit times and delivery dates are not guaranteed. **HSM assumes no liability for loss related to transport and delivery (Refer to paragraph 7 of Purchase & Security Agreement.)**

#### **Shipment Receiving**

1. The owner's representative's signature on the carrier's delivery receipt indicates **the shipment has been received in its entirety and product(s) are in good condition unless otherwise noted.** It is extremely difficult to obtain a successful claim for loss or damage unless all discrepancies are noted on the carrier's paperwork at the time of delivery.
2. Transportation companies will usually disclaim liability for any damages if goods are handled or transported by others after their initial delivery is completed.
3. Good receiving practices and proper inspection of goods at the time of delivery for all shipments is required to insure collection of bona fide claims from transportation companies.
4. Unloading of product is the responsibility of the buyer or their designated agent. If the site does not have a loading dock that is truck high there should be sufficient labor and equipment available to unload the truck.
5. Hydraulic Liftgate service is usually not available for full truckload shipments (48' or 53' trailers). If this service is requested and available there will be an additional cost to the buyer. Cost will vary according to shipment origin and will need to be quoted prior to shipment pickup each time this service is requested.
6. Proper site preparation before delivery is required as unpaved surfaces or soft ground make maneuvering of heavy trucks difficult and place products at increased risk of damage during unloading.

7. The available “free time” for unloading varies by transportation provider. The receiver must be prepared to unload the truck upon arrival. If receiving multiple full truckload shipments on the same day adequate time between trucks should be allotted. Any additional costs for detention or delay during unloading may be billed back to buyer.
8. Verify, inspect and count every shipment received by comparing the Bill of Lading/Packing List to the Purchase order to ensure complete delivery. Note any shortages or discrepancies on the freight bill.
9. Each carton should be in good condition when it arrives, if not, describe completely any signs of bad condition, excessive wear or handling marks, dents, crushes or appearance of improper handling or dropping with each carton on all copies of the freight bill. Generic notes such as “subject to inspection” generally do not hold up in claims litigation.
10. If a carton appears to be damaged to the extent the material inside may have been affected, make a joint inspection of the contents with the driver noting any findings on the delivery receipt. Always retain a copy of the delivery receipt with damage notations and a driver signature.
11. Use a digital camera to document any damage, packaging, loading irregularities or incidents. These photographs will help to support a damage claim.
12. Do not sign the freight bill until inspection of the shipment is completed. A driver cannot leave until the freight bill is signed; damage is reviewed, and noted in writing on all copies of the freight bill (bill of lading). Driver and receiver should both sign any paperwork and agree on any damage notes. Please contact HSM immediately regarding any problems with delivery while the driver is still on the premises.

#### **Refusing Delivery**

1. It is the buyer’s responsibility to advise the HSM Project Supply Manager before refusing any shipment for any reason. Failure to advise HSM of an impending delivery refusal may result in additional charges to the buyer for storage or re-delivery costs.

#### **Deliveries to a Warehouse**

1. When using a warehouse, the warehouse will be the ‘end’ destination for FOB responsibility for the supplier and HSM.
2. Buyer must be sure proper receiving procedures will be followed with warehouse personnel when receiving product and acting as an agent for such receipts.
3. Buyer’s designated warehouse will be responsible for notifying all parties of any damage and will either file damage claims on behalf of the buyer or provide information to the buyer of such damages in order for timely claims to be filed with suppliers or transportation providers.

#### **Product Storage**

1. Once products are unloaded, placed in temporary facility/container and stored the responsibility for loss or damage rests with the buyer. Without proper climate control, items improperly stored are subject to damage and/or deterioration and additional costs may be required for repair/replacement.
2. It is the responsibility of the buyer to assure that materials/products are not subjected to conditions or positioned/stacked in ways which could cause damage. Any questions about durability or storage sensitivity (for such things as heat and humidity) of a particular product should be directed to the HSM Project Supply Manager. They will facilitate communication with the supplier regarding proper storage instructions.
3. It is strongly recommended that when storing products, the buyer check with their insurance carrier about purchasing a rider to their existing insurance policy or obtaining a separate umbrella policy to insure against losses or damage while items are in storage.

4. **Window treatments should NOT be stored at a warehouse or in a container.** They should be delivered directly to the property to avoid damage, tearing or additional costs for dry cleaning due to periods of storage. The delivery should coincide with the arrival of installers.

### **Damage Discovery**

1. If ***concealed damage*** is discovered after the driver departs (damage not visible or apparent at the time of delivery), contact your HSM project manager immediately so HSM can start the claims process. Concealed damages on LTL (less than truckload) shipments must be reported within 15 days of delivery. Damages on FTL (full truckload) shipments must be reported within 30 days of delivery.
2. If visible damaged is discovered at the time of delivery, this must be notated on the receiving documents the driver supplies. You must keep a copy of these notated documents for your records in order to begin the claims process.
3. Notify the HSM Project Supply Manager of the damages and actions with the carrier immediately.

### **Filing Damage Claims**

1. **Buyer is responsible for filing all damage claims.** Claims should be filed with HSM within the time limits for claims and carrier requirements. HSM can assist in obtaining the necessary documents to help file a claim.
2. Always retain copies of all documentation pertaining to a claim.
3. ***Concealed damages (not apparent or visible at the time of delivery) must be reported to HSM and an inspection requested within 15 calendar days of delivery.*** After 15 days the burden of proof shifts to the claimant to prove that the damages occurred before delivery was made.
4. Damage claims must be filed immediately once discovered so the claims process can begin..
5. The carrier must acknowledge receipt of a damage claim within 30 days after receiving.
6. The carrier must pay, decline or make a firm compromise offer within 120 days after receipt of claim.
7. If the carrier is unable to resolve the matter within 120 days they must explain why they are unable to conclude the claim. They must then send a follow up every 60 days thereafter until resolved.
8. If a claim is denied in whole or in part there is a time limit of two years from the date of declination to file a civil suit against a carrier or its insurance company.
9. More information regarding the claims liability of carriers can be found under [Title 49 of the United States Code, specifically at 49 U.S.C. § 14706.](#)

### **Carrier Inspection of Damage**

1. The inspector will fill out a report of the damages and ask for signature. If not in agreement with conclusions do not sign the report.
2. Damaged goods and the packing materials they came in must be retained until the claim has been resolved. The carrier may pick up the damaged items and issue a Salvage Receipt as part of the



claim. Discarding damaged goods or packaging may result in the claim being declined. Retain any receipts for merchandise/materials picked up by the carrier as part of a claim.

### **Replacement**

1. If damaged materials are beyond repair, notify the HSM Project Supply Manager immediately so that a replacement purchase order can be processed without delay. The buyer will be financially responsible for replacement purchase orders.

### **Return of Merchandise**

1. Most manufacturers will not accept merchandise that is returned to them for any reason unless prior approval has been given (usually in writing); therefore, do not return any merchandise until an "RGA" (Return Goods Authorization) has been obtained.
2. The HSM Project Supply Manager will begin the process promptly following the request from the buyer. The notification must include information justifying the return. If merchandise is returned prior to return authorization approval, the end result may be continued liability for payment notwithstanding the loss of merchandise. There may be additional costs to the buyer for return shipments depending on the circumstances.
3. Always retain and return merchandise in the original packing materials.

### **Assistance**

1. The HSM Project Supply Manager is ready to advise and or assist in any given situation, regardless of the circumstances. If there is a problem in connection with merchandise or the delivery of any order please contact the Project Supply Manager as soon as possible.

# **EXHIBIT K**

**HILTON WORLDWIDE FRANCHISING LP**

**PROJECT H3 BY HILTON®**

**RECEIPT BY PROSPECTIVE FRANCHISEE**

I, on my behalf and/or as an officer, shareholder and/or director, member or partner of the corporation or other legal entity which is the prospective franchisee, acknowledge receipt of a Disclosure Document dated August 1, 2023. This disclosure document included the following exhibits.

- EXHIBIT A Franchise Agreement and Addendum
- EXHIBIT A-1 Development Incentive Note
- EXHIBIT B Information Technology System Agreement (HITS Agreement)
- EXHIBIT C Franchise Application
- EXHIBIT D Guaranty of Franchise Agreement
- EXHIBIT E List of Current Franchisees
- EXHIBIT F List of Former Franchisees
- EXHIBIT G Financial Statements of Hilton Worldwide Franchising LP
- EXHIBIT G-1 Financial Statements of Hilton Worldwide Manage Limited
- EXHIBIT H Table of Contents – Brand Standards Manual
- EXHIBIT I Lender Comfort Letter Forms
- EXHIBIT J Purchasing Program Agreement (HSM Agreement)
- EXHIBIT K Receipt

Issuance Date: August 1, 2023

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Address

\_\_\_\_\_  
City, Province, Postal Code

\_\_\_\_\_  
Area Code and Telephone Number

\_\_\_\_\_  
Date Signed

**HILTON WORLDWIDE FRANCHISING LP**

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