



FRANCHISE DISCLOSURE DOCUMENT

Hyatt Franchising, L.L.C.
a Delaware limited liability company
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The franchise offered is to operate an upper-midscale, select service Hyatt Select™ hotel.

The total investment necessary to begin operation of a 107 room newly constructed Hyatt Select™ hotel ranges from \$12,977,314 to \$17,145,350. This includes \$81,549 to \$597,476 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation if you are converting an existing structure to a 100 room Hyatt Select™ hotel ranges from ~~\$1,475,545~~ \$1,470,545 to \$9,187,081. This includes \$86,549 to \$607,476 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Rebecca Smetters (rebecca.smetters@hyatt.com) at 150 North Riverside Plaza, Chicago, Illinois 60606 and (312) 780-5828.

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

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

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

Special Risks to Consider About *This Franchise*

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Illinois. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Illinois than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.
4. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
5. **Unopened Franchises.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

**THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY
THE MICHIGAN FRANCHISE INVESTMENT LAW**

**~~THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT
ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING
PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE
VOID AND CANNOT BE ENFORCED AGAINST YOU.~~**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- ~~(a) A prohibition on the right of a franchisee to join an association of franchisees.~~
- ~~(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.~~
- ~~(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.~~
- ~~(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.~~
- ~~(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.~~
- ~~(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.~~
- ~~(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - ~~(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.~~
 - ~~(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.~~
 - ~~(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.~~
 - ~~(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.~~~~
- ~~(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (e).~~
- ~~(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.~~

~~If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.~~

~~**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.**~~

~~Any questions regarding this notice should be directed to:~~

~~State of Michigan
Consumer Protection Division
Attn: Franchise Section
670 G. Mennen Building
Lansing, Michigan 48913
Telephone Number: (517) 335-7567~~

~~Notwithstanding paragraph (f) above, we intend to enforce fully the provisions of the arbitration section in our Franchise Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing our arbitration provision. If you acquire a franchise, you acknowledge that we will seek to enforce that section as written, and that the terms of the Franchise Agreement will govern our relationship with you, including the specific requirements of the arbitration section.~~

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Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
World of Hyatt program assessment	Currently 4% of eligible revenue (or 2% of eligible revenue when a guest is enrolled on property in World of Hyatt for that enrolling stay), but could increase if costs increase, not to exceed our costs plus 5% (this cap may increase by up to 10% each year) . See Note 4	Monthly	See Note 4
Comfort letter fee	Currently \$2,500, but could increase if costs increase, not to exceed \$10,000 (this cap may increase by up to 10% each year)	As incurred	Due for each comfort letter you must obtain
Quality assurance, franchisee compliance and guest satisfaction programs	Will vary under circumstances based on the Focused Improvement Policy (“FIP”) or Brand Compliance Program (“BCP”) fees, which currently range from \$5,000 to \$20,000 per each stage of FIP or BCP, as applicable, plus personnel’s related expenses, and the Brand Protection Program (“BPP”) fees, which are currently \$45,000 per year. These fees may increase but the FIP fees will not exceed \$50,000 per stage of FIP, the BCP fees will not exceed \$100,000 per year, and the BPP fees will not exceed \$100,000 per year (these caps may increase by up to 10% per year) . See Note 5	As incurred	In addition to the FIP, BCP and BPP fees, you must reimburse us for all costs, actions and additional training for your personnel. You must also participate in best rate guarantee and guest satisfaction programs, and/or requirements to effect credits or discounts to guests, as we determine according to System Standards. We may introduce alternative or additional compliance programs in the future. See Note 5

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
On-site quality assurance inspections	Currently \$1,500 to \$2,000 per annual inspection, but could increase if our costs increase, <u>not to exceed \$10,000 per annual inspection (this cap may increase by up to 10% each year)</u>	As incurred	You must also pay for any re-inspection needed due to a failed inspection (currently, \$2,000 per inspection <u>and which will not exceed \$20,000 per inspection, but this cap may increase by up to 10% each year</u>) and reverse the folio charge for the inspection company. See Note 5
Additional training and assistance	\$1,050 per trainer per day plus our expenses, but could increase if our costs increase, <u>not to exceed \$5,000 per trainer per day plus our expenses (this cap may increase by up to 10% each year)</u>	As incurred	Due if you request, or we require, supplemental or optional training programs, including replacement training for new Core Management personnel hired after the Hotel opens. You also pay for the incurred travel, lodging, and other expenses for your attendees
PMS subscription fees	Currently \$3.90 per guest room per month, but could increase if costs increase, <u>not to exceed \$10.00 per guest room per month (this cap may increase by up to 10% each year)</u>	Monthly	Our designated PMS vendor currently charges \$3.90 per guest room per month for the PMS subscription service. We will invoice your Hotel as a pass-through without any additional charge. The subscription fee may be subject to increase by our vendor and we may pass on any adjustment to you with notice
Training tools and materials	Currently \$3.64 per guest room per year, but could increase if our costs increase, <u>not to exceed \$10.00 per guest room per year (this cap may increase by up to 10% each year)</u>	Annually	Covers the cost of developing certain training tools and materials relating to Hyatt standards and policies.
Fees for owner convention	Currently \$2,000 to \$5,000 per attendee, but could increase if our costs increase, <u>not to exceed \$15,000 per attendee (this cap may increase by up to 10% each year)</u>	As incurred (typically before the convention)	We and our affiliates hold owner conventions when we or they determine, typically annually or biennially. In addition to the fee for attendance, you must pay for the incurred travel, lodging, and other expenses for your attendees

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Fees for leadership summit	Currently \$3,000 to \$6,000 per attendee, but could increase if our costs increase, <u>not to exceed \$15,000 per attendee (this cap may increase by up to 10% each year)</u>	As incurred (typically before the leadership summit)	We and our affiliates periodically hold leadership summits that we recommend or may require your Hotel's general manager and/or above-property leaders to attend. Currently, a leadership summit occurs approximately once every 4 years. In addition to the fee for attendance, you must pay the travel, lodging, and other expenses for your attendees
Application fee for new guest rooms (added after Hotel opens)	Greater of the then current PIP fee, currently \$5,000 to \$10,000, or \$500 times number of new guest rooms, <u>not to exceed the greater of \$20,000 or \$1,000 times number of new guest rooms (this cap may increase by up to 10% each year)</u>	PIP fee, currently \$5,000 to \$10,000, due when you request approval, remainder due when we approve plans	Due only if you propose adding new guest rooms to the Hotel during Franchise Agreement's term
General Manager University	Currently \$2,700 per newly hired or promoted general manager, but could increase if costs increase, <u>not to exceed \$7,500 per newly hired or promoted general manager (this cap may increase by up to 10% each year)</u>	As incurred	Required training program for all newly hired or recently promoted general managers. In addition to the fee for attendance, you must pay the travel, lodging and other expenses for your attendees
Operator approval fee and re-entry fees	Currently \$15,000 to \$30,000, but could increase, <u>not to exceed \$50,000 (this cap may increase by up to 10% each year)</u>	Before the new management company enters our operator screening process	Applies if you appoint a new management company to operate the Hotel if that new management company is not already an approved operator of Brand Hotels
Transfer fee	No fee for transfers, but you or the transferee must pay the then-current amount of the change of ownership application fee, <u>not to exceed \$200,000 (this cap may increase by up to 10% each year)</u>	Together with transfer application	Applies to control transfers. We will refund the change of ownership application fee paid (less \$7,500) if we disapprove transfer

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Fee for review of offering materials	\$5,000	When submitting materials for our review	Due only if you or your owners propose offering of ownership interests in you or an owner
PIP fee for successor franchise	Then current PIP fee – currently \$5,000 to \$10,000, but could increase, <u>not to exceed \$20,000 (this cap may increase by up to 10% each year)</u>	With franchise application for a successor franchise	Due only if you are applying for a successor franchise
Royalty fee upon termination	\$5,000 per day plus our costs and expenses	As incurred	Due only if, and while, you fail to properly de-identify the Hotel after expiration or termination
Liquidated damages upon termination	See Note 6	15 days after termination	Due if Franchise Agreement terminates before its term expires
Audit expenses	Cost of audit	As incurred	Due only if our audit reveals an understatement of 3% or more or if you fail to report on time or willfully underpay amounts
Late fee and interest	\$225 late fee plus lesser of 1½% per month or the highest rate law allows	As incurred	Late fee is due on all overdue amounts. Interest is due on all amounts more than 7 days late or not available for withdrawal by due date
Costs and attorneys' fees	Will vary under circumstances <u>Actual costs and fees</u>	As incurred	Due if we prevail in dispute
Indemnification	Will vary under circumstances <u>Actual costs</u>	As incurred	You must reimburse us and related parties for all claims and related costs arising from your application, the Hotel's development or operation (including failure to open on time), your breach, and your Hotel's proportionate share of our expenses in defending or controlling the defense of actions that involve both the Hotel and any other Hyatt Network Hotel
Review of alternative product/supplier	Our <u>actual</u> costs, currently \$20,000 for review of alternative products or suppliers	As incurred	Due only if you require our approval of supplier or item

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Consultant approval fees for required renovations	Our <u>actual</u> costs. Currently \$2,000 to \$30,000 for review of consultants you propose to assess whether the consultant(s) meet our requirements for renovation projects; cost varies based on number of consultants and scope of review	As incurred	Due if you require our approval of consultant(s)
Insurance	Premiums and our costs plus fee is . <u>The fee is currently \$200 per guest room per year; will not exceed \$500 per guest room per year (this cap may increase by up to 10% each year)</u>	As incurred	If you fail to obtain and maintain insurance, we may (if we choose) obtain it on your behalf and charge you our premiums and costs, plus a fee

System Services, System Services Costs, and System Services Charges

If you are in full compliance with your obligations under the Franchise Agreement, one or more members of the Hyatt Group will provide you those System Services we periodically specify. You must participate in all Mandatory Services and related programs, and may (at your option) participate in any or all Non-Mandatory Services and related programs, in the manner that we periodically specify. “System Services” means those services that the Hyatt Group generally and periodically makes available on a central, regional, or other shared or group basis (whether in whole or in part) to those Brand Hotels and other Hyatt Network Hotels that the Hyatt Group reasonably determines will be provided those services. We categorize System Services as either Mandatory Services or Non-Mandatory Services. “Mandatory Services” means those mandatory System Services that one or more members of the Hyatt Group provides to the Hotel and certain other Brand Hotels and other Hyatt Network Hotels, and that the Hyatt Group reasonably determines must be acquired only from the Hyatt Group. “Non-Mandatory Services” means those non-mandatory System Services that one or more members of the Hyatt Group provides to the Hotel and certain other Brand Hotels and other Hyatt Network Hotels that the Hyatt Group reasonably determines will be offered to the Hotel and certain other Brand Hotels and other Hyatt Network Hotels on an optional basis.

We may periodically add to, delete from, and otherwise modify System Services, the scope of and manner of providing System Services, upon written notice to you. “System Services Costs” means, for the System Services in which the Hotel participates (or is required to participate), all costs that the Hyatt Group actually incurs or properly accrues during the period of determination in providing those System Services, including out-of-pocket expenses, costs for employees, occupancy costs, capital costs, administrative expenses, carrying costs and other

OTHER FEES

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Commercial Services Fee	Currently 3% of Gross Rooms Revenue, but could increase if costs increase, <u>not to exceed 6% of Gross Rooms Revenue (this cap may increase by up to 10% each year)</u>	Payment Day, based on Gross Rooms Revenue during previous month	See Note 7
Digital Acquisition Fee	Currently 1.35% of Gross Rooms Revenue through the Digital Channels, but could increase if costs or scope of services increase, <u>not to exceed 5% of Gross Rooms Revenue through the Digital Channels (this cap may increase by up to 10% each year)</u>	Payment Day	See Note 8
Global distribution services and other reservation services	Currently averages about \$8.50 per reservation, but could increase if costs increase, <u>not to exceed \$15.00 per reservation (this cap may increase by up to 10% each year)</u>	Payment Day	At our option, you must subscribe to certain GDS and/or ADS through us. See Note 9
Costs for mandatory contracts	Your allocable share of Hyatt Group's costs, currently \$1,500 to \$7,500 per month but could increase if costs increase, <u>not to exceed \$25,000 per month (this cap may increase by up to 10% each year)</u>	Payment Day	Covers contracts with vendors or service providers (like certain credit card acceptance agreements, music license agreements and telecommunications agreements) that cover the Hotel and all or certain subsets of Brand Hotels. See Note 10
Other corporate services	Your share of Hyatt Group's costs, currently \$500 to \$5,000 per month, but could increase if costs increase, <u>not to exceed \$25,000 per month (this cap may increase by up to 10% each year)</u>	Payment Day	See Note 11

Current System Services Charges for Non-Mandatory Services

The following reflects the current System Services Charges for the current Non-Mandatory Services. Currently you may choose to use, or not use, any of these Non-Mandatory Services at your Hotel.

OTHER FEES

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Subscription fee for Hyatt Select Services Program	Currently \$2,950 per month for Basic Tier and \$4,450 per month for High Tier, but could increase if costs or scope of services increase, <u>not to exceed \$5,000 per month for Basic Tier or \$7,500 per month for High Tier (these caps may increase by up to 10% each year)</u>	Within 30 days after receiving invoice	Applies under the Hyatt Select Services Program Schedule. Mandatory for the first 2 years of operations and optional after that
Purchasing services	Will vary depending on items purchased, <u>but will not exceed our or our affiliates' actual costs and expenses plus 5% (this cap may increase by up to 10% each year)</u>	As incurred	You might choose to buy items through our affiliate
Optional corporate services	Actual costs, which will vary depending on assistance needed	As incurred	The Hyatt Group corporate office may provide temporary employees for your Hotel at your request
Other related party transactions	Will vary depending on assistance provided and other circumstances, <u>but will not exceed our or our affiliates' actual costs and expenses plus 5% (this cap may increase by up to 10% each year)</u>	As incurred	Your Hotel will routinely engage in transactions with Brand Hotels and other Hyatt Network Hotels, some of which our affiliate may own or operate. For example, your Hotel may pay for using another hotel's staff (during high demand periods) or for another hotel redeeming quality assurance certificates that your Hotel previously issued to resolve a guest service problem at the Hotel

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Optional technology services	Will vary depending on service(s) you acquire, <u>but will not exceed our or our affiliates' actual costs and expenses plus 5% (this cap may increase by up to 10% each year)</u>	As incurred	Covers some point-of-sale, accounting, procurement, guest service and other IT-related services that you may choose to acquire
Hyatt Sales Force ("HSF") national sales team booking fees	<ul style="list-style-type: none"> • 6% (reduced to 3% if an intermediary is involved) of the Group Contract Revenue for group bookings resulting from HSF leads, but in neither case exceeding \$30,000 (<u>this cap may increase by up to 10% each year</u>); • 3% of Gross Rooms Revenue per transient room night resulting from HSF leads; and • 1% of Gross Rooms Revenue per room night for leads generated from the sales sourcing center (e.g., referrals) 	As incurred	<p>HSF offers sales services to Brand Hotels and other Hyatt Network Hotels for small to mid-sized accounts on a local/regional basis. Your acceptance of the business that HSF generates is optional and fees only apply to bookings that your Hotel confirms.</p> <p>"Group Contract Revenue" means 90% of the total revenue included in the group contract</p>

In addition to any sales, use and other taxes that applicable law requires or permits us to collect from you for providing goods or services under the Franchise Agreement, you must pay us all federal, state, local or foreign (a) sales, use, excise, privilege, occupation or any other transactional taxes, and (b) other taxes or similar exactions, no matter how designated, that are imposed on us or that we are required to withhold relating to the receipt or accrual of amounts you pay us under the Franchise Agreement, excluding only taxes imposed on us for the privilege of conducting business and calculated based on our net income, capital, net worth, gross receipts, or some other basis or combination of those factors, but not excluding any gross receipts taxes imposed on us or our affiliates for your payments intended to reimburse us or our affiliates for expenditures incurred for your benefit and on your behalf. You must make these additional required payments in an amount necessary to provide us with after-tax receipts (taking into account any additional required payments) equal to the same amounts that we would have received if the additional tax liability or withholding had not been imposed or required.

Explanatory Notes to All Charts

1. Gross Rooms Revenue. "Gross Rooms Revenue" means "Total Rooms Revenue" or its equivalent, as determined in accordance with the Uniform System of Accounts for the Lodging Industry, Eleventh Edition, as published by the Educational Institute of the American

group of Brand Hotels or other Hyatt Network Hotels to which that Provider provides products or services, then our calculation of that fee or other charge among the Hotel and other Participating Hotels is final. The Providers may periodically increase the fees and other charges they impose. At our option, you must begin paying these fees and other charges directly to the applicable Provider(s).

10. Mandatory Contracts. The Hyatt Group periodically enters into relationships with vendors or providers of services that may require mandatory participation by all or certain subsets of Participating Hotels, such as certain contracts provided through Avendra, LLC, credit card acceptance agreements, music license agreements and certain telecommunications agreements. While the Hyatt Group does not receive any fees, rebates or commissions under these mandatory contracts, certain of the mandatory contracts may provide for promotional or other allowances that the Hyatt Group then allocates among Participating Hotels, as the Hyatt Group determines or the applicable vendor or supplier requires, or that the Hyatt Group uses for activities benefiting all or substantially all Participating Hotels.

11. Other Corporate Services. The Hyatt Group provides a number of other corporate services and programs for the benefit of Participating Hotels for which those hotels reimburse the Hyatt Group on a cost recovery basis, including taxes, if applicable. These services and programs include group sales promotional programs and events that 2 or more Participating Hotels sponsor, property evaluations, profit improvement services, quality assurance materials, security services, certain training programs and other various services. As part of these other corporate services, the Hyatt Group may provide “upsell” services for Brand Hotels and other Participating Hotels, offering room upgrades to guests having reservations at the Hotel before they arrive. If the guest purchases the room upgrade, you may be required to pay the Hyatt Group a commission on the additional revenue. That commission currently is 5% of the difference between the Gross Rooms Revenue at the upgraded rate and the Gross Rooms Revenue at the rate the guest originally booked, excluding taxes (the “Upsell Revenue”). The Upsell Revenue currently does not include any additional revenue resulting from the upgrade, such as early arrival fees and additional revenue derived from upgrades to the F&B Operations. The Upsell Revenue will not exceed 15% of the difference between the Gross Rooms Revenue at the upgraded rate and the Gross Rooms Revenue at the rate the guest originally booked, excluding taxes (this cap may increase by up to 10% each year).

12. Potential Increases. Some of the fees listed above are identified as our “current” fees or as otherwise subject to increase. For those fees only, we have the right to increase the fee and the corresponding fee cap during the term of your Franchise Agreement as indicated. If we do not exercise any right to increase during one or more calendar years, the unused increase will carry forward and may be applied in any subsequent year. The fact that we have the right to increase a fee or a fee cap up to this maximum does not mean that we will do so. We may choose not to increase any fee or any fee cap at all, or we may increase a fee or a fee cap by less than the maximum amount.

{Item 7 begins on next page}