

- (9) You are prohibited in Section 9.2 of the License Agreement from your hotel participating in a frequent guest or customer loyalty program other than the one designated by us.
- (10) You are prohibited in Section 2.2.3 of the License Agreement from your hotel marketing, promoting or selling any product or service which would compete with our or our Brand Vendor's products or services sold at the Hotel pursuant to our "Placement Rights" and if you have entered into a lease or agreement with a third party with a duration longer than a year which we did not approve which offers a product or service which competes with our "Placement Rights", we can require you to terminate such lease or agreement at your expense.

Item 8 of this Offering Circular also refers to restrictions and controls on goods and services that will be used or sold at your hotel.

### Item 17

#### **RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

This table lists certain important provisions of the Franchise (License) Agreement. You should read these provisions in the agreements attached as Exhibit B to this offering circular.

<u>Provision</u>	<u>Section in Agreement</u>	<u>Summary</u>
(a) Term of the franchise	Section 2.3.1 of License Agreement.	Generally, 20 years
(b) Renewal or extension of the term	None. See Section 2.3.1 of License Agreement.	See note 1.
(c) Requirements for you to renew or extend	There are no renewal rights	See note 1.
(d) Termination by you	Sections 15.1, 15.2 and 16.3 of the License Agreement	Upon material condemnation or material casualty. Upon an uncured material default by Licensor (See note 4). Without cause upon six months notice at any time and payment of Liquidated Damages (See (i) in this Item and note 3). Within one year after we convert a hotel acquired as part of an acquisition of 4 or more hotels which is in the restricted territory, if it otherwise could not be operated as a Brand Hotel (See Item 12). If the hotel is a "condo hotel" and the partners do not agree upon and execute a Condominium Marketing License Agreement.
(e) Termination by us without "cause"	Sections 15.2 and 19.11.2 of License Agreement.	Upon material condemnation of Hotel or Premises. If the background investigation we conduct on Licensee and its principals is not completed until after we execute License Agreement and the investigation results are not satisfactory we may terminate. If the hotel is a "condo hotel" and the partners do not agree upon and execute a Condominium Marketing License Agreement.

<u>Provision</u>	<u>Section in Agreement</u>	<u>Summary</u>
(f) Termination by us with "cause"	Section 16.2 of License Agreement.	Termination for some defaults can be without opportunity to cure, financial defaults have a fifteen day cure period and other defaults have a thirty day cure period. With cause, only after notice and failure to cure curable defaults, and immediately upon notice for incurable defaults or critical defaults. We may suspend your reservation services ten days after you have received notice of a default if within that period the default is not cured to our satisfaction.
(g) "Cause" defined-defaults which can be cured	Section 16.2.2 of License Agreement	Any default of construction/pre-opening obligations listed in Section 6; failure to open or complete construction; failure to pay fee or amount due to us or our affiliates; failure to pass quality inspections; failure to comply with our guest satisfaction index policies; failure to maintain insurance coverage; failure to comply with laws and regulations; misuse of trademark; failure to operate in accordance with standards; control of licensee by a competitor of ours; any other default of obligations under License Agreement and particularly those things listed in Section 16.2.2 if not specifically listed above.
(h) "Cause" defined-defaults which cannot be cured	Section 16.2.1 of License Agreement	Default of your mortgage or lease; abandonment of the licensed business; allowing a levy of execution (not discharged within 30 days); filing of a bankruptcy or reorganization petition (See note 5); assignment for benefit of creditors; appointment of receiver or trustee; a final judgment in excess of \$250,000 which remains unsatisfied or of record for 60 days or longer (unless enforcement is stayed); criminal convictions by licensee, its owners or parent; two or more notices of default in a 24 month period; transfers or attempted transfers in violation of the License Agreement; violation of laws in the operation of your Hotel; violation of our proprietary rights; failure to identify the Hotel as a Brand Hotel. abandonment, losing possession or failure to operate the Hotel for 24 hours or longer, and other defaults listed in Section 16.2.1. (See note 2).
(i) Your obligations on termination/ non-renewal	Sections 16.4 and 16.5 of License Agreement.	To cease using our trademarks; de-identification of your Hotel; at our option, resale to us if requested all supplies, equipment and other items bearing our trademarks; non-disclosure and return of confidential information and payment of actual and liquidated damages, plus costs and attorney fees. Liquidated damages are 5 years of Continuing License and Marketing Fees (including GSO and Global Preference Fee), but can be 150% of this sum for a Consequential Termination (See note 3). Failure to perform post termination obligations can result in additional Liquidated Damages (See note 12 in Item 6).
(j) Assignment of agreement by us	Section 11.1 of License Agreement.	We have the right to assign the License Agreement .

<u>Provision</u>	<u>Section in Agreement</u>	<u>Summary</u>
(k) "Transfer" by you-defined	Exhibit B of License Agreement. See Definitions of "Approved Transfer," "Transfer," "Transfer of Control," "Assignment," "Hotel Transfer," "Ownership Interests" and "Transfer of Ownership Interests"	Includes the conveyance or pledge of any interest in you (if you are a corporation, partnership or other entity), the License Agreement, the premises or the hotel.
(l) Our approval of transfer by you	Section 11.2 of License Agreement.	All transfers are subject to our approval in our sole discretion with the exception we will not withhold our approval of Permitted Transfers, transfers which do not cause a Transfer of Control and transfers of ownership interest in Licensee to immediate family members and we may impose conditions for our approval. If a transfer is approved there is a \$10,000 administrative fee.
(m) Conditions for our approval of transfer	Section 11.2.2 (c) of License Agreement.	At our discretion (based on our assessment of the financial condition and other relevant factors concerning the proposed transferee the terms of transfer, the condition of the Hotel, whether the transfer is not to a competitor or person of poor business or moral reputation, and other material considerations), and subject to payment of fees described in Item 6 under "Transfer of Ownership," the conditions may include such conditions as completion of a hotel remodeling, execution of then current License Agreement, and other required agreements for new licensees, execution of a general release of claims against us and our affiliates, conditioning payment of obligations from transferee to you to first be applied to your obligations to us and our affiliates.
(n) Our right of first refusal to acquire your business	None	
(o) Our option to purchase your business	None	
(p) Your death or disability	Section 11.2.4 of License Agreement	Transfer is subject to our approval; transfer within twelve months of death required.
(q) Non-competition covenants during the term of the franchise	Sections 2.2.3, 5.1.1, 5.5, 9.6, 9.9, 11.4 of License Agreement	While Licensee may own and operate any other type of business away from the Hotel, Licensee may not promote or advertise competing facilities, services or products at or from the Hotel or with the Hotel, or construct a vacation club, timeshare or similar business next to the Hotel.
(r) Non-competition covenants after the franchise is terminated or expires	No non-competition covenants, but see Sections 15.1.2 and 16.5 of License Agreement, which prohibit any use of the System or Technology Systems after termination.	You may not use any part of the System or our Technology after expiration or termination and if you have terminated the License Agreement because of a casualty and then changed your mind within 3 years, we may reinstate the License Agreement or you may owe Liquidated Damages (See note 4 and Item 6 note 11).

<u>Provision</u>	<u>Section in Agreement</u>	<u>Summary</u>
(s) Modification of the agreement	Section 19.2.13 of License Agreement.	Both parties must agree in writing to amend agreements, however, certain provisions in the agreements by their terms allow us to make modifications.
(t) Integration/merger clause	Section 19.2.8 of License Agreement.	Only written terms of License Agreement are binding (subject to state law).
(u) Dispute resolution by arbitration or mediation	Sections 2.2.3 and 17.1 of License Agreement.	Disputes, with limited exceptions, must be mediated if requested by either party. Only one issue is subject to arbitration. (See paragraph 11 in Item 8 and Note 6 below.) The parties waive jury trial. Claims and litigation must be brought in New York. (See also any applicable state law described in Exhibit J which may make this provision unenforceable).
(v) Litigation	Section 17.4 of License Agreement.	Litigation must be brought in state or federal courts in New York (see also any applicable state law described in Exhibit J which may make this provision unenforceable).
(w) Governing Law	Section 19.1 of License Agreement.	Maryland law applies unless a provision of License Agreement would be unenforceable under Maryland law, in which case law of jurisdiction where Hotel is located may apply to that provision. However, this provision is not intended to subject the License Agreement to any franchise or similar law of Maryland to which it would not otherwise be subject (See also any applicable state law described in Exhibit J which may make this provision unenforceable).

NOTE 1: Your License Agreement will not be renewed or extended at the expiration of their stated term. If you wish to continue to operate your hotel as a Brand Hotel, you must make application for a new License Agreement on the form then in use. It is our current policy, but not our binding obligation, to grant a new license to an existing franchisee for the same location if the franchisee does not have a history of being in default and makes the renovations and refurbishes the hotel as we require. If we issue a new License Agreement it will be our then-current form of License Agreement, and the fees charged will be based on our then-current charges.

NOTE 2: We may suspend your use of the Reservation System during the period of uncured defaults (See Sections 16.1 and 16.2.3 of the License Agreement).

NOTE 3: "Consequential Termination" means when any of the following have a nexus with the termination of the License Agreement: (i) the Hotel is part of a Transfer to a Competitor; (ii) there are three or more license agreements (including the License Agreement) between you and us or our respective Affiliates, which are terminated within a twelve (12) month period that includes the termination of the License Agreement due to your and/or one or more of your Affiliates default under or termination of those agreements, or (iii) the Hotel was sold or transferred to you or your Affiliates by us or our Affiliates, and the License Agreement was entered into as part of such sale or transfer, and the License Agreement is terminated by you for any reason other than our uncured default or terminated by us for your default under section 16.2.1 of the License Agreement or uncured default under Section 16.2.2 of the License Agreement. See definitions of Transfer, Competitor and Affiliates in Exhibit B-1 to the License Agreement. The effect of a Consequential Termination is to increase by 150% the Liquidated Damages which would otherwise be due (See Item 6 note 11).

NOTE 4: A condemnation sufficient to terminate the License Agreement must be of the entire Hotel or so much of the Hotel or Premises that it is imprudent, unsuitable, or commercially impracticable to operate what

remains in accordance with Standards or Policies. A casualty sufficient to terminate the License Agreement occurs when the cost to repair exceeds 40% of the replacement cost of the Hotel (excluding land, excavations, footing and foundations) and you decide either to demolish the building or cease using it as a hotel. If within three years you change your mind and either determine to rebuild the Hotel or use it again as a hotel, Licensor may reinstate the License Agreement or you may owe Liquidated Damages.

NOTE 5: Our right to terminate your License Agreement in the event of your bankruptcy may be restricted by federal bankruptcy law (11 U.S.C. Section 101 et seq.).

NOTE 6: *The only dispute which is arbitral under the License Agreement* is a dispute relating to the initial agreement between us on the Placement Program or Placement Charge. Also see Item 8 paragraph 11.

These states have statutes which may supersede the License Agreement and related agreements in your relationship with us, including termination and renewal of your license: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Tit. 6 Chpt. 25 Sections 2551 to 2556], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS Statute [815 ILCS 705/1-44], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], RHODE ISLAND [General Laws Section 19-28.1-14], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574 - 13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may also have court decisions which may supersede the License Agreement and related agreements in your relationship with us, including, with out limitation, termination and renewal of your license. See Exhibit J, Acknowledgment of Receipt, which may describe applicable laws in your state.

#### **Item 18**

#### **PUBLIC FIGURES**

We do not use any public figure in connection with the offer of our franchises.

#### **Item 19**

#### **EARNINGS CLAIMS**

We do not furnish or authorize our sales persons or anyone to furnish any oral or written information concerning the *actual or potential sales, costs, income, or profits of any LE MERIDIEN Hotel. Actual results may vary from hotel to hotel, and we cannot estimate the results of any particular hotel.*