# Appendix B – ICC Hotel Management RFP #17-29 – Form of Agreement

**HOTEL MANAGEMENT AGREEMENT**

THIS HOTEL MANAGEMENT AGREEMENT (the “**Agreement**”) is made and entered into this \_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_\_, 2018, by and between PROSPER PORTLAND, the assumed business name of the Portland Development Commission, the urban renewal authority of the City of Portland (“**Owner**”), and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (“**Manager**”). Owner and Manager may be referred to herein as the “**Parties**” or, in context, each individually a “**Party**”.

**RECITALS**

WHEREAS, Owner is the owner of certain real property located at 420 NE Holladay Street, Portland, Oregon, as more fully described in ***Exhibit A*** attached hereto, upon which has been constructed a 97 room hotel currently known as *The Inn at the Convention Center* (the “**Hotel**” as further defined below);

WHEREAS, subject to the terms and provisions of this Agreement, Owner desires to have Manager manage, operate and market the Hotel without any legal possessory interest; and

WHEREAS, Manager is willing to perform such services as an independent contractor in accordance with the terms hereof.

NOW THEREFORE, in consideration of the foregoing recitals and the premises and the mutual covenants herein contained, the parties hereto agree as follows:

**ARTICLE I**

**DEFINITIONS**

“**Accounting Period**” shall mean the consecutive twelve (12) month period beginning at each Fiscal Year.

“**Affiliate**” shall mean any person or entity that directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with another person or entity. The term “**control**” shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise, and shall in any event include the ownership or power to vote fifteen percent (15%) or more of the outstanding equity or voting interests, respectively, of such other person.

“**Annual Plan**” shall mean an annual plan for the operation of the Hotel prepared by the Manager and approved by Owner, as provided below, and in accordance with Section 6.1, consisting of the Operating Budget, Capital Expenditures Budget and FF&E Budget and shall include, without limitation, the following:

(a) Manager's reasonable estimate (on a monthly basis) of Gross Revenues, Gross Operating Expenses, property insurance, and amounts to be used for specific reserves for the Fiscal Year, each itemized in a reasonable manner consistent with the Uniform System of Accounts together with the assumptions (in narrative form) utilized in preparing the Operating Budget;

(b) In the Capital Expenditures Budget, Manager's recommended Capital Improvements to the Hotel for the Fiscal Year, including, without limitation, Manager's reasonable estimates for the cost of designs, plans and specifications, material, labor (including installation), storage, consultants, travel, overhead, sales tax and freight and a description of the extent of completion of any partially completed capital improvements included in a previously approved Capital Expenditures Budget;

(c) A description of the general marketing strategy which Manager intends to implement during the Fiscal Year to optimize both short and long-term profitability of the Hotel, together with a marketing plan that includes a positioning statement, competition analysis, group sales program, sales action plans, media schedule, public relations plan, travel schedule, pricing and rate schedules for rooms, commercial space and other amenities and services, and other segmentation analysis;

(d) Manager's estimate of any amounts Owner will be requested to provide as working capital pursuant to Section 3.4 or to fund expenditures contemplated by the Capital Expenditures Budget during the Fiscal Year;

(e) A compensation plan for Hotel employees performing services at the Hotel, including an organization chart, competitive wage and benefit survey and proposed wage guidelines (provided any third party costs associated therewith shall be a Gross Operating Expense of the Hotel);

(f) Any other matter deemed appropriate by Manager or reasonably requested in writing by Owner; and

(g) To the extent not included above, a reasonably detailed estimate of all Reimbursable Expenses to be included in the Operating Budget.

“**Base Fee**” [To be determined].

“**Capital Expenditures Budget**” shall mean each annual budget prepared by the Manager, which is subject to approval by Owner in its Sole and Absolute Discretion as part of the Annual Plan, reflecting the estimated costs for all capital expenditures (except for capital expenditures in the FF&E Budget), including those for Capital Improvements, which in the reasonable opinion of Manager are necessary to keep and maintain the Hotel during the applicable Fiscal Year in accordance with the terms of this Agreement.

“**Capital Improvements**” shall mean any and all alterations and improvements to the Hotel and all repairs and replacements to the structural, mechanical, electrical, HVAC, plumbing or vertical transportation elements of or to the Hotel other than routine repairs and maintenance to the Hotel which are normally expensed under generally accepted accounting principles and, to the extent applicable, the Uniform System of Accounts.

“**City**” shall mean the City of Portland, Oregon.

“**Condemnation”** shall mean the acquisition of all or any portion of the Hotel by any Governmental Authority having the power of condemnation or eminent domain, by compulsory acquisition, conveyance in lieu of or under threat of condemnation or like procedure.

“**Default Rate”** shall mean nine percent (9%) per annum.

“**Event of Default**” shall have the meaning set forth in Section 11.l.

“**Executive Personnel**” shall mean all or any one of the following: general manager; director of sales; controller; and any other key executive of the Hotel designated by Manager.

“**FF&E**” shall mean items of furniture, fixtures, and equipment used in the ordinary course of operating the Hotel, which under generally accepted accounting principles (and to the extent applicable, with the Uniform System of Accounts) should properly be capitalized on the books of the Hotel.

“**FF&E Budget**” shall mean each annual budget prepared by the Manager which shall be approved by Owner in its sole and absolute discretion (subject to Section 5) as part of the Annual Plan, reflecting the estimated costs and expenses for all FF&E, which in the reasonable opinion of Manager are necessary or customary in order to operate the Hotel during the applicable Fiscal Year in accordance with the terms of this Agreement and the Operating Standards.

“**Fiscal Year**” shall mean each twelve (12) month operating period during the Term, and, if applicable, any Term Extension, commencing on July 1 and ending on June 30, except the first Fiscal Year shall be that period commencing on the Management Commencement Date and ending on the next succeeding June 30. In the event this Agreement shall terminate on a date other than June 30, the last Fiscal Year hereunder shall end on the date of termination.

“**Force Majeure Event**” shall mean an event or circumstance, or a series of events or circumstances, that (a) have a material adverse effect on the Hotel, directly or indirectly, and (b) are not within the reasonable control of the Manager, and (c) affect the performance of the Manager hereunder as a direct result of an event covered by clause (a) above. Provided that the conditions of clauses (a), (b) and (c) above are satisfied, events of Force Majeure include any catastrophic occurrence; acts of God; fire; tornado; explosion; civil disturbances; riots; war; acts of terrorism; strikes; lockouts; shortage of supplies, including energy supplies; flood; hurricanes; earthquakes; lightning; and sabotage. If any Party hereto elects to request an extension of time to perform its respective obligations under this Agreement as a result of the occurrence of a Force Majeure Event, such requesting Party must notify the other non-requesting Party within fifteen (15) days following the Force Majeure Event before such requesting Party may benefit from any additional time permitted hereunder.

“**Governmental Authority**” shall mean the United States of America, State of Oregon, the City, and any political or other subdivision of any of the foregoing, and any agency, department, commission, board, bureau, court or instrumentality of any of them which now or hereafter has jurisdiction over the Owner, the Manager, or any part of the Hotel, or its operation or management.

“**Governmental Permits**” shall mean all certificates, licenses and permits from any Governmental Authority required to operate the Hotel, required to evidence full compliance by Manager with all Legal Requirements (defined below), or required to evidence conformance of the Hotel with all Legal Requirements.

“**Gross Operating Expenses**” shall mean with respect to any period of time, all reasonable and necessary costs and expenses incurred during such period managing the Hotel, to the extent incurred in accordance with the Annual Plan and this Agreement, determined on an accrual basis in accordance with generally accepted accounting principles consistently applied (and, to the extent applicable, the Uniform System of Accounts), including, without limitation:

(a) Compensation, fringe benefits, bonuses, expenses, and payroll taxes (including FICA, unemployment and other employer payroll taxes) of Hotel employees (including the Executive Personnel, but excluding any extraordinary costs of such employment arrangements unless approved by Owner and excluding Excluded Employee Claims);

(b) Costs of inventories and operating equipment;

(c) Ordinary and routine repair and maintenance expenses logged and accounted by Manager;

(d) Utility costs, administrative, legal, and general overhead costs of the Hotel;

(e) Charge or credit card discounts;

(f) Rents paid for FF&E under leases which constitute “**operating leases**” under generally accepted accounting principles consistently applied;

(g) Applicable governmental fees and assessments (other than taxes levied or imposed by any Governmental Authority upon the Hotel, or payments in lieu of said taxes, including income, profits, real property, personal property, goods and services, gross receipts or occupancy, sales, use, transfer, purchase, franchise, stamp, ad valorem, value added, capital stock or surplus, occupation or excise taxes);

(h) Food, beverages and laundry service expenses, license fees, advertising, marketing, administrative, audit costs and expenses and any and all other operating expenses incurred by Manager for the proper and efficient operation of the Hotel in accordance with this Agreement;

1. Reimbursable Expenses;
2. Fees paid for hotel asset management consulting; and
3. Base Fee.

Notwithstanding the above, the following shall not be included when determining Gross Operating Expenses:

(l) Rents paid for FF&E under leases which constitute “**capital leases**”' under generally accepted accounting principles consistently applied;

(m) Any applicable taxes required to be paid by Owner upon the Hotel, including, without limitation, income, profits, real property, personal property, goods and services, gross receipts or occupancy, sales, use, transfer, purchase, franchise, stamp, ad valorem, value added, capital stock or surplus, occupation or excise taxes;

(n) Any applicable federal, state, municipal, excise, room, property, occupancy, gross receipts, entertainment, admission, tourists, sales and use taxes or similar impositions collected directly from patrons and guests or as a part of the sales price of any goods, services or displays which are required to be paid over to federal, state or municipal governments;

(o) All expenditures for Capital Improvements that are either approved by Owner or otherwise deemed approved or expressly permitted pursuant to the terms of this Agreement; or

(p) All non-cash expenses.

“**Gross Operating Profit**” shall mean the excess, during each Fiscal Year (and proportionately for any period less than a Fiscal Year), of Gross Revenues over Gross Operating Expenses for such period.

**“Gross Revenues”** means with respect to any period of time all revenues, receipts and income of every kind derived directly or indirectly during such period from all or any part of the Hotel, as determined on an accrual basis in accordance with the Uniform System of Accounts and generally accepted accounting principles consistently applied, including but not limited to:

(a) All rentals and charges for guest rooms, suites, meeting rooms, conference rooms, ballrooms and other public rooms, including but not limited to all charges for room reservations and deposits not refunded to guests;

(b) All sales of food and beverages, whether served on or off the premises, including but not limited to all charges for room service, banquets and catering fees;

(c) All sales or leases of miscellaneous and sundry merchandise and services, including, but not limited to laundry, valet, garage, parking, telephone, telex, facsimile, audiovisual, check room, vault and other miscellaneous services, cover and minimum charges for guest entertainment, fees charged for the temporary use of facilities at the Hotel, all sales through vending machines and all other receipts from business conducted by, through or under Manager at, in, on, about or from the Hotel;

(d) All business interruption insurance awards received in respect of the Hotel;

(e) Condemnation awards for temporary use of the Hotel;

(f) All rentals, fees, commissions, concessions and other payments derived from lessees, licensees and concessionaires at the Hotel; and

(g) Interest earned on any amounts in the Operating Accounts.

Gross Revenues for any such period shall not include interest earned on:

(h) Any applicable excise, sales and use taxes or similar impositions charged directly to patrons or guests or included as part of the sales price of any goods or services and payable to any Governmental Authority, such as gross receipts, admission or similar equivalent taxes;

1. Security deposits and taxes, cost of maintenance and repairs payable by tenants, licensees and concessionaires, and sales and other receipts of the same, except to the extent payable as base rent or percentage rent under a lease or occupancy agreement;
2. Insurance proceeds (subject, however, to the inclusion of business interruption insurance awards as provided in clause (d) above);
3. Condemnation awards, except as provided in clause (e);
4. Proceeds from any Mortgage indebtedness;
5. Rebates, discounts, or credits to patrons or guests;
6. Funds furnished by Owner, including, without limitation, payments by Owner for any reserves or working capital; and
7. Payments under warranties and guaranties from providers of goods or services to the Hotel.

“**Guest Data**” shall mean personal information, data and statistics on guests of the Hotel.

“**Hazardous Materials**” shall mean (a) any “**hazardous waste**” as defined by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901 et seq), as amended from time to time, and regulations promulgated thereunder; (b) any “**hazardous substance**” as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 9601 et seq.), as amended from time to time, and regulations promulgated thereunder (including petroleum-based products as described therein); (c) asbestos in any quantity or form which would subject it to regulation under any applicable environmental law; (d) polychlorinated biphenyls; (e) any substance, the presence of which on the Hotel is prohibited by any Legal Requirements; (f) underground storage tanks; and (g) any other, substance which by any Legal Requirements requires special handling in its collection, storage, treatment or disposal. In no event, however, shall the term “**Hazardous Materials”** include: (h) approved chemicals routinely used in office areas; or (i) approved janitorial supplies, cleaning fluids or chemicals necessary for the day-to-day operation or other maintenance of the Hotel if the disposition, handling, storage or quantity of the items described in (h) and (i) herein are at all times in compliance with all applicable Legal Requirements.

“**Hazardous Materials Contamination**” shall mean the contamination (whether presently existing or hereafter occurring) of the improvements, facilities, soil, groundwater, air or other elements on or of the Hotel by Hazardous Materials, or the contamination of the buildings, facilities, soil, groundwater, air or other elements on or of any other property as a result of Hazardous Materials at any time (whether before or after the date of this Agreement) emanating from the Hotel.

**“Incentive Management Fee”** [To be determined].

“**Independent Auditor**” shall mean such certified public accountant that Owner may choose from time to time.

“**Inventories**” shall mean Inventories of Supplies, as defined in the Uniform System of Accounts, including, without limitation, all food and beverages, fuel, soap, light bulbs, mechanical supplies, cleaning supplies, stationery, paper supplies and other similar consumable and expendable items necessary or customary, now or in the future, in the reasonable opinion of Manager, in consultation with Owner, in order to operate the Hotel in accordance with the terms of this Agreement and the Operating Standards.

“**Legal Requirements**” shall mean any law, ordinance, order, rule or regulation of any Governmental Authority and any legal requirement, term or condition contained in any restriction or restrictive covenant affecting Manager, the Hotel or operation of the Hotel.

“**Loan Documents**” shall have the meaning set forth in Section 12.16.

“**Management Commencement Date**” shall mean 12:01 a.m. on \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

“**Management Fee**” in respect of any period shall mean the Base Fee and any other fees due Manager for such period.

“**Manager's Corporate Employees**” shall mean Manager's employees who are not employed on a full time basis at the Hotel, but which provide services to Owner or related to the Hotel at the direction of Manager.

“**Manager Event of Default**” shall have the meaning set forth in Section 11.1.

“**Mortgage**” shall mean any mortgage or deed of trust encumbering all or any portion of the Hotel, whether now in existence or hereafter created.

“**Mortgagee**” shall mean the mortgagee or beneficiary, whether one or more, under any Mortgage.

“**Net Cash Flow**” shall mean for each Fiscal Year, Gross Operating Profit.

“**Operating Accounts**” shall mean one or more accounts with a bank or banks designated by Owner, bearing a name identifying the Hotel and styled Operating Account, into which all funds advanced to the Hotel by Owner as working capital or otherwise derived from the operation of the Hotel shall be deposited and from which sums shall be withdrawn in accordance with this Agreement.

“**Operating Budget**” shall mean an annual budget prepared by the Manager, which is subject to approval by Owner in its reasonable discretion as part of the Annual Plan, reflecting in a form reasonably acceptable to Owner, the Hotel or estimated revenues and expenses, including Gross Operating Expenses, in respect of the Hotel for the applicable Fiscal Year.

“**Operating Equipment**” shall mean all blankets, linens, uniforms, silver, china, glassware, crockery, kitchen utensils, cleaning equipment or any other similar items necessary or customary, now or in the future, in order to operate the Hotel in accordance· with the terms of this Agreement and the Operating Standards.

“**Operating Standards**” shall mean the obligation of Manager under this Agreement to maintain at least a 3.0 out of 5.0 point score on Expedia.com and a 7.5 point out of 10.0 point score on Booking.com, and to operate, service, maintain, and refurbish the Hotel at a level of service and quality expected of hotels of a STR defined Midscale chain scale, and as such, to maintain the hotel’s service and cleanliness at a standard that would enable it to satisfy Best Western, La Quinta, Quality Inn, Ramada, Travelodge, and Vagabond brand reviews and inspections.

**“Hotel”** shall mean and include, in addition to the real property described in ***Exhibit A*** hereto, (a) the Hotel currently situated on the property, all restaurants and other facilities therein and all related improvements, equipment and facilities and (b) all FF&E, Inventories and Operating Equipment now or hereafter placed or installed therein.

“**Reimbursable Expenses**” shall mean all travel, lodging, entertainment, telephone, telecopy, postage, courier, delivery, employee training and other expenses incurred by Manager which are directly related to its performance of this Agreement and as set forth in the Annual Plan approved by Owner. Notwithstanding the foregoing, in no event shall Reimbursable Expenses include any of the following items, which items shall be paid for by Manager and shall not be charged to or borne by Owner:

(a) All costs, expenses, salaries, wages or other compensation of any corporate, home office or regional office level employees of Manager in excess of the expenses permitted to be incurred under the approved Annual Plan, excepting only employees who are regularly employed full time at the Hotel by Manager or persons employed on a full-time, part­ time or temporary basis by the Manager at or for the sole benefit of the Hotel;

(b) Any overhead expenses of Manager's principal or branch offices;

(c) Any expenses for advertising or promotional materials that feature Manager's name or activities but which do not promote the Hotel;

(d) Any part of Manager’s capital expenditures;

(e) Manager's overhead or general expenses, including but not limited to telephone, telex, duplicating, stationery and postage expenses incurred at Manager’s principal or branch offices, except as may be expressly agreed to by Owner pursuant to this Agreement;

(f) Any travel expenses of Manager's central office employees in excess of the expenses permitted to be incurred under the approved Annual Plan; and

(g) Excluded Employee Claims.

“**Restoration**” shall mean the repairing, rebuilding and replacing of the Hotel upon the destruction or damage of the Hotel or any part thereof or upon the taking of the Hotel or any part thereof by Condemnation to a value, condition and character substantially the same as (in the case of damage or destruction) or as near as possible to (in the event of Condemnation) the value, condition and character of the Hotel immediately prior to such damage, destruction or Condemnation in order to maximize the efficiency in operations and financial return to Owner from the Hotel's operation.

“**Severance Policy”** shall have the meaning set forth in Section 11.4(b).

“**Sole and Absolute Discretion**” shall mean that a Party to this Agreement entitled to exercise its “**Sole and Absolute Discretion**” may exercise such discretion for any reason or for no reason.

“**Term**” shall mean that period commencing on the Management Commencement Date and continuing until the third (3rd) anniversary of the Management Commencement Date, unless this Agreement shall be sooner terminated or extended as herein provided, in which case the word “**Term**” shall mean such lesser or greater period of time.

“**Term Extension**” shall mean, at the Sole and Absolute Discretion of Owner, a possible additional two (2) year period commencing on the day following the expiration of the initial Term, and, at the Sole and Absolute Discretion of Owner, a possible additional two (2) year period commencing on the day following the expiration of a possible initial Term extension described above.

“**Uncontrollable Expenses**” shall mean the amount of real estate taxes, utilities, insurance premiums, license and permit fees and any other charges provided for in contracts and leases (such contracts and leases to include only those that (a) have been entered into pursuant to the terms of this Agreement, or (b) are expressly approved by Owner) that are not within the ability of Manager to control.

“**Uniform System of Accounts**” shall mean the Uniform System of Accounts for the Lodging Industry, Eleventh Revised Edition, 2014, as adopted by the American Hotel and Lodging Association and all future amendments and supplements thereto approved by Manager and Owner.

**ARTICLE II**

**APPOINTMENT OF MANAGER AND RENEWAL RIGHTS**

**Section 2.1 Appointment of Manager**. Owner hereby appoints and engages Manager as its sole and exclusive manager of the Hotel during the Term, and, if applicable, any Term Extension, in accordance with the terms and conditions set forth in this Agreement. Owner and Manager agree that Manager shall be an independent contractor and Manager shall supervise, direct and control the management and operations of the Hotel during the Term, or, if applicable, any Term Extension, for the Owner in accordance with the Operating Standards, Legal Requirements and the terms and conditions of this Agreement. This Agreement may be terminated by Owner without cause upon 90 days' prior written notice.

**Section 2.2 Management Commencement Date**. Manager shall assume management and operation of the Hotel at 12:01 A.M., local City of Portland, Oregon, time, on the Management Commencement Date.

**Section 2.3 Conformity to Annual Plan**. Manager will operate the Hotel in accordance with the Annual Plan and in a commercially reasonable, business-like manner with the objective of optimizing the financial performance of the Hotel. Notwithstanding the foregoing, Owner understands and agrees as follows:

(a) Certain expenses provided for in the Operating Budget for any month in a Fiscal Year will vary based on the utilization of the Hotel and, accordingly, to the extent that utilization of the Hotel for the Hotel in a particular Operating Budget category for any month in a Fiscal Year exceeds the utilization of the Hotel for such category in the approved Operating Budget for such month, such category of the approved Operating Budget shall be deemed to include corresponding increases in variable expenses;

(b) Manager shall have the right to pay all Uncontrollable Expenses without reference to the amounts provided for in respect thereof in the approved Operating Budget and the Capital Expenditures Budget and FF&E Budget for any Fiscal Year;

(c) If any expenditures are required on an emergency basis to avoid damage to the Hotel or injury to persons or property, Manager shall make a good faith effort to obtain approval of Owner before making such expenditures, as may reasonably be required to avoid or mitigate such damage or injury, even if the amounts of such expenditures are not provided for or within the amounts provided for in the approved Operating Budget, the Capital Expenditures Budget and the FF&E Budget for the Fiscal Year in question. In no event may such emergency expenditures exceed $10,000; and

(d) Subject to Owner's right to direct Manager to contest such Legal Requirements or violation as set forth in this Agreement, if any expenditures are required to comply with any Legal Requirements which, if not complied with may, in Manager's reasonable determination, (i) give rise to criminal liability on the part of either Manager or Owner, or (ii) materially threaten the operation of the Hotel in accordance with the terms of applicable Legal Requirements, or (iii) result in danger to the life or safety of Hotel employees or guests, or (iv) give rise to the potential of imminent damage to material components of the Hotel, Manager may make such reasonable emergency expenditures as may be necessary to comply with such Legal Requirements.

**ARTICLE III**

**OPERATION OF THE HOTEL**

**Section 3.1. Duties, Responsibilities and Authority of Manager**. Subject to and consistent with this Agreement, the Operating Standards, Legal Requirements and the approved Annual Plan, Manager shall promote, operate and manage the Hotel in a reasonable, diligent and careful manner and shall:

(a) Enter into such contracts, leases and other agreements Manager may deem to be reasonably necessary or advisable in connection with the management, maintenance and operation of the Hotel, provided, however, that Manager shall not enter into any such contract, lease or other agreement without the approval of Owner if it obligates Owner for more than Five Thousand Dollars ($5,000), has a term, not cancelable upon not more than sixty (60) days' notice at no cost to Owner, of more than one (1) year, or is not assignable to a successor owner of the Hotel without further consent, unless such contract or agreement has previously been approved by Owner as part of the approved Annual Plan;

(b) Determine and implement terms of admittance, charges for rooms and commercial space, charges for entertainment and food and beverages, which right shall specifically allow Manager to charge varying rates to different customers or groups of customers, in the exercise of reasonable and sound business judgment consistent with the Operating Standards and any Legal Requirements;

(c) Determine and implement all phases of advertising, promotion and publicity relating to the Hotel (provided that, without the prior written consent of Owner, Manager shall not include in any advertising, promotion or publicity any ownership information or capital expenditures information made in respect of the Hotel);

(d) Except as otherwise provided herein, determine and implement all employment policies for Manager’s employees (including, without limitation, salaries, wages, fringe benefits and other compensation, the recruiting, hiring, training, relocation and discharge of employees and the establishment of any employee retirement and other benefit plans, and severance policy);

(e) Determine and implement credit policies pertaining to operation of the Hotel within the terms of this Agreement (including, without limitation, agreements with credit card organizations);

(f) Receive, hold and disburse funds, maintain bank accounts, procure Inventories, Operating Equipment, supplies and services;

(g) Engage independent contractors to provide legal, accounting or other professional or technical services in connection with the operation of the Hotel (provided that all legal counsel engaged to provide services in connection with the operation of the Hotel shall be subject to Owner's prior written approval);

(h) Manage and direct generally all activities incidental to the operation of the Hotel in the ordinary course of business;

(i) Subject to Owner's compliance with Section 2.3 use commercially reasonable efforts to cause the Hotel to comply with all Legal Requirements;

(j) Cause the Executive Personnel to be available to consult with and advise Owner or Owner's designees at Owner's reasonable request concerning policies and procedures affecting the conduct of the business of the Hotel; provided, however, in no event shall the Executive Personnel be obligated to accept or carry out the direction or instruction of Owner or Owner's designees, except as otherwise provided herein;

(k) Provide complimentary rooms or services to any guests, employees or other persons provided: (i) reservations for complimentary rooms and services shall be separately tracked and accounted for and set forth in the monthly reports to be delivered to Owner by Manager, and (ii) the aggregate value of such complimentary rooms and services will not exceed the amount allocated in the approved Operating Budget for such complimentary rooms and services;

(1) Direct and supervise all aspects of the Hotel reservation system, including, without limitation, using commercially reasonable good faith efforts, consistent with sound business practices, to provide reservations for the Hotel; and

(m) Present quarterly to Owner the results of operations for the preceding quarter and projections for the succeeding quarter.

Except as otherwise expressly provided in this Agreement, to the extent that Owner's approval is required for any matter in connection with the foregoing or any other matter in connection with this Agreement. Owner shall approve or disapprove such matter within thirty (30) days after being notified thereof in writing by Manager.

**Section 3.2 Limitations on Authority**. Notwithstanding anything to the contrary in this Agreement, Manager shall have no authority on behalf of Owner to do any of the following without Owner's prior written approval in its Sole and Absolute Discretion in each instance:

(a) Borrow money, guaranty the debts of any third person (other than in the ordinary course of business), or mortgage, pledge, grant a security interest in or otherwise encumber all or any part of the Hotel;

(b) Enter into any lease for the use of the Hotel;

(c) Incur any liabilities or obligations to third parties which are unrelated to the operation, maintenance and security of the Hotel or to the performance of Manager's responsibilities under this Agreement;

(d) Prosecute or settle any tax claims or appeals;

(e) Initiate, settle or otherwise dispose of litigation or claims relating to the ownership, maintenance, use or operation of the Hotel that may give rise to litigation, including, but not limited to, the adjustment of insurance claims in Owner's name;

(f) Consent to any condemnation or participate in any condemnation proceeding relating to the Hotel;

(g) Sell, transfer or otherwise dispose of all or any portion of the Hotel, except for dispositions of FF&E to the extent expressly permitted in this Agreement and expressly provided for in the approved Annual Plan, or in the ordinary course of Manager's discharge of its maintenance and repair obligations under this Agreement;

(h) Perform any alterations to the Hotel or any portion thereof, except to the extent Manager's performance of any such alteration shall be expressly provided for in the approved Annual Plan or otherwise permitted pursuant to the terms of this Agreement;

(i) Take any other action which, under the terms of this Agreement, is prohibited or requires the approval of Owner; or

(j) Except as provided in Section 2.3(c) and (d), expend any sum not already approved in the Annual Plan without prior written approval of Owner.

**Section 3.3 Food and Beverage Operations**. Manager shall not arrange leases or concessions for any restaurant or food service operation in or about the Hotel without the written consent of Owner, which consent shall be granted in Owner's Sole and Absolute Discretion. Notwithstanding the foregoing, in the event Owner approves more than one food or bar service operation within the Hotel and such additional food or bar service operation(s) is not profitable to the Hotel, Owner shall reasonably consider Manager's request to eliminate the additional food and/or bar service operation(s). Any agreements for such operations shall be entered into in Owner's name and shall be executed by Owner. Manager shall use commercially reasonable efforts to collect all revenues falling due under any such agreements and concessions and shall deposit the same in the Operating Accounts.

**Section 3.4** **Working Capital**. Subject to the immediately succeeding sentences, in accordance with the approved Annual Plan, Owner shall at all times cause sufficient funds to be on hand in the Operating Accounts to assure the timely payment of all current liabilities of the Project. Owner and Manager agree that the Annual Plan shall provide a working capital reserve based upon assumptions of Project operations sufficient to assure the timely payment of all liabilities anticipated to be incurred and paid with respect to the Project and as set forth in the approved Annual Plan. Owner agrees to keep or deposit in the Operating Accounts such amounts to fund such working capital reserve for not less than the following thirty (30) days or more than the following sixty (60) days. In the event sufficient funds are not available in the Operating Accounts (as determined above), Owner shall deposit sufficient funds (as described above) into the Operating Account within fifteen (15) business days following Manager's written request for such funds.

**Section 3.5 Expenses**. Except as otherwise provided in this Agreement, all expenses incurred by Manager in performing its duties hereunder and in managing and operating the Hotel pursuant to this Agreement shall be borne by Manager. Except as otherwise provided herein, Manager shall in no event be required to advance any of its funds or utilize Manager's credit for the operation of the Hotel, nor shall Manager be required to incur any liability in connection therewith.

**Section 3.6 Transactions with Affiliates**. Except with respect to goods and services provided by Manager (which goods or services shall be comparable to, and the terms of any such program or arrangement shall be no less favorable to the Hotel than those obtainable from other unrelated parties on an arms-length basis for the Hotel, evidence of which shall be delivered by Manager to Owner upon request), Manager may not engage one or more of its Affiliates or other related parties to furnish goods or services to the Hotel without the written consent of Owner in its Sole and Absolute Discretion; provided, however Manager may from time to time assign one or more of its employees to the staff of the Hotel on a part-time or temporary basis.

**Section 3.7 Centralized Management**.

(a) Goods and Services. Manager may cause the Hotel to participate, along with other Properties owned, managed or franchised by Manager or one of Manager's Affiliates, in one or more centralized purchasing programs or arrangements for the procurement of goods or services used in connection with the operation of the Hotel, provided, however, that the quality of such goods or services shall be comparable to, and the terms of any such program or arrangement shall be no less favorable to the Hotel than, those obtainable from other unrelated parties on an arms-length basis for the Hotel (and, upon request by Owner, Manager shall provide reasonable evidence thereof to Owner).

(b) Reservations and Accounting. Manager shall provide centralized reservations and accounting services to the Hotel. Manager shall allow reservations to be made by calling the Hotel directly. Manager and Owner agree that the cost of such services shall be equal to the cost estimated in the Operating Budget. These costs shall be reimbursed to Manager on a cost reimbursement basis.

(c) Marketing. Owner and Manager agree that Hotel marketing costs shall be included in the Operating Budget, and reimbursed to Manager on a cost reimbursement basis.

(d) Audit. Owner shall have the right, either directly or through an Independent Auditor examine and audit the books, records and accounts of Manager relating to the Hotel in order to determine the accuracy of the allocation of costs and expenses to the Hotel as provided for in Section 3.7. Such examination and audit shall be at Owner's expense. Manager understands that the Owner and the Hotel are also subject to audit and review by Office of the City Auditor of the City of Portland, Oregon, at the discretion of the City Auditor.

(e) Frequent Guest Programs. Owner may participate in any frequent Hotel guest programs established by Manager. Manager hereby agrees that any frequent Hotel guest programs established by Manager shall be established on an equitable basis.

**Section 3.8 Cooperation**. Manager shall meet with Owner and hereunder, although in no event more frequently than as requested by Owner. At such meetings, Owner and Manager shall review (if appropriate) the operation of the Hotel, the compliance by Manager with the terms of this Agreement, the compliance by Manager with the Annual Budget (to understand any variances), the financial performance of the Hotel and the reports provided by Manager to Owner pursuant to Section 6.3. Each Party shall cooperate fully in all matters relating to the management and/or operation of the Hotel and the defense of any claim, action or proceeding relating thereto or to this Agreement, and Manager shall promptly respond to all requests for information by Owner.

**Section 3.9 Assistance on Sales, Financing and Refinancing**. Manager shall reasonably cooperate with and assist Owner from time to time in any and all attempts by Owner to sell, finance or refinance the Hotel. Such cooperation shall not entitle Manager to any additional compensation, and Manager shall not be deemed to be acting as a broker for Owner unless Owner and Manager enter into a separate written agreement engaging Manager as broker with respect to the Hotel Owner shall pay Manager's reasonable travel and other third party out-of-pocket expenses in connection with such assistance. Such cooperation shall include, without limitation, answering a prospective purchaser's or lender's questions about the operation of the Hotel, providing information regarding occupancy, room rates and bookings, and providing information regarding the expenses of operation of the Hotel. Owner hereby authorizes Manager to provide such information to any prospective purchaser or lender. Manager shall also provide, promptly upon request by Owner, an estoppel certificate as contemplated by Section 12.15 in conjunction with any such sale, financing or refinancing.

**Section 3.10 Liquor License**. Upon request of Owner, Manager shall obtain and maintain a liquor license for the Hotel. If Manager holds the liquor license for the Hotel on the date of termination of this Agreement, Manager hereby agrees that (a) it shall continue to hold such liquor license only until such time as the liquor license can be transferred to Owner or its designee; (b) Owner may use Manager's liquor license in order to continue to serve liquor and alcohol at the Hotel until such time as the liquor license can be transferred to Owner or its designee, not to exceed one hundred-twenty (120) days; and (c) it shall assist Owner (at Owner's sole cost) in transferring such liquor license to Owner or its designee.

**ARTICLE IV**

**PERSONNEL**

**Section 4.1 Employment of Personnel**. Manager shall be responsible for and shall have the sole and exclusive right to screen, test, cause background checks to be performed, interview, hire, promote, discharge, supervise, train, transfer and determine the terms of employment of the Executive Personnel and, through the Executive Personnel, all other administrative, service and operating employees of the Hotel. Manager shall take all prudent and commercially reasonable actions to cause the Hotel to comply with all Legal Requirements regarding the interviewing, hiring, promotion, discharge, supervision, training and transfer of all Hotel employees. Manager shall employ all commercially reasonable efforts and exercise care to select qualified, competent, and trustworthy employees. Manager shall not discriminate against any employee or applicant for employment because of race, color, religion, national origin, ancestry, age, sex or sexual orientation, and all employment advertising shall indicate that Manager is an Equal Opportunity Employer as that term is defined under Legal Requirements and/or employment laws. All such employees of the Hotel shall be employees of Manager. The hiring of the initial and any subsequent general manager, controller, and director of sales and marketing of the Hotel shall be subject to the prior approval of Owner in its Sole and Absolute Discretion. From the time that the applicable position is vacated until such time as either Owner has approved an acting general manager, controller or director of sales and marketing, Manager may appoint an acting general manager, controller or director of sales and marketing for each respective position until such time as a permanent individual is appointed to such position. Notwithstanding the provisions of this Section 4.1 and subject to Owner's right to approve the Annual Plan, all costs, expenses and liabilities relating to Hotel employees shall be expenses of operating the Hotel and shall be set forth in the Annual Plan. Notwithstanding the prior sentence, Owner shall not be liable for any expenses or costs related to any employee to the extent that an employee accrued salary or benefits prior to such employee's employment at the Hotel. Manager shall exclusively supervise the employees of the Hotel, including, without limitation, the Executive Personnel. Owner shall exclusively communicate with Manager through Manager's Corporate Employees and Executive Employees concerning the Hotel. As the employer of the Hotel employees, Manager shall prepare and be responsible for the execution and filing of all forms, reports, and returns required by all applicable Legal Requirements and employment laws including, without limitation, unemployment insurance, workers compensation, disability benefits, job safety, tax withholding, and other employee benefit plans (if any) and social security. If any additional forms are required to be filed by Owner pursuant to applicable Legal Requirements and/or employment laws, Manager, pursuant to Owner's direction, shall be responsible for the preparation of such documents for execution and filing by Owner. Pursuant to Owner's direction, Manager shall prepare for review, approval, and, upon request by Owner certification by Owner's Independent Auditor, all financial statements and other information relating to the operation of the Hotel as may be required for inclusion in Owner's federal and state income tax returns and other governmental filings, if any.

**Section 4.2 Payment of Employees**. Manager shall be entitled, pursuant to the provision and limitation of this Agreement, to withdraw from the Operating Accounts all wages, salaries, employer-provided employee benefits and other compensation and benefits paid, payable, provided to, or with respect to Hotel employees; and Manager shall pay such compensation directly to such employees consistent with the approved Annual Plan.

**ARTICLE V**

**REPAIRS, MAINTENANCE AND CAPITAL IMPROVEMENTS**

**Section 5.1 Repairs and Maintenance**. During the Term, or if applicable, any Term Extension, Manager, at the expense of Owner (with the estimated expense to be provided for in the approved Annual Plan), shall maintain the Hotel (other than such portions thereof as are leased to Owner approved tenants who undertake a duty of repair and maintenance) in good order and condition and make all repairs thereto as may be necessary to maintain and operate the Hotel in accordance with this Agreement, Legal Requirements, the Annual Plan and the Operating Standards.

**Section 5.2 Capital Improvements**. Manager shall notify Owner of the need for all Capital Improvements provided for in the approved Annual Plan then in effect, whereupon work in respect of such Capital Improvements will be commenced and completed by Owner in accordance with plans, schedules and specifications therefor approved by Owner. Manager shall, at no additional cost to Owner, provide coordination, supervision and assistance in the making of Capital Improvements.

**Section 5.3 Ownership of Replacements**. All changes, repairs, alterations, improvements, renewals or replacements of FF&E and Capital Improvements to the Hotel shall be the property of Owner.

**ARTICLE VI**

**ANNUAL PLAN, BOOKS, RECORDS AND REPORTS**

**Section 6.1 Annual Plan**.

(a) At least seventy-five (75) days prior to the Management Commencement Date, and at least seventy-five (75) days prior before each subsequent Fiscal Year during the Term or any Term Extension hereof, Manager shall submit to Owner for Owner's written approval the Annual Plan for the following Fiscal Year.

(b) Owner shall give its written approval or disapproval of the Annual Plan not later than seventy-five (75) days after its submission to Owner by Manager.

(c) If Owner objects to all or any portion of such Annual Plan, then Owner shall notify Manager of the reasons for its objections, and Owner and Manager shall use commercially reasonable efforts to agree in respect of the items to which Owner objects.

(d) Owner and Manager agree that pending an agreement being reached between the Parties on any Annual Plan, the Hotel shall be operated at rates or levels of expenditures equal to those of the most recent Fiscal Year for which Owner has approved an Annual Plan, with adjustments of rates and expenses for each major budgetary category contained in the Operating Budget and FF&E Budget (but without such increase in the Capital Expenditures Budget) in such Annual Plan.

(e) In addition to any changes in the FF&E Budget and/or Capital Expenditure Budget, if during the course of any Fiscal Year, Owner exercises any of its rights pursuant to this Agreement which causes a material change in operations of the Hotel (e.g. the elimination of a food service operation under Section 3.3), Manager shall prepare proposed revisions to the Operating Budget reflecting appropriate adjustments in revenues and/or expenses (upward or downward) which relate to such change in operations, which shall be subject to Owner's reasonable approval as provided in this Section 6.1.

**Section 6.2 Books and Records: Operating Accounts**.

(a) Manager shall keep full and adequate books of account and such other records as are necessary to reflect the results of operation of the Hotel. Such books of account shall be kept in all material respects in accordance with generally accepted accounting principles (consistently applied) and, to the extent consistent therewith, the Uniform System of Accounts (and generally in accordance with customary hospitality industry standards and practices). The books of account and all other records relating to, or reflecting the operation of, the Hotel (including, without limitation, books and records of Manager relating to the Hotel) shall be kept at the Hotel and shall be available to Owner and its representatives at all reasonable times for audit, examination, inspection and copying. Upon any termination of this Agreement, all of such books and records (or copies thereof), including, without limitation, all Hotel sales files, Hotel reservations lists and Hotel customer lists, shall be immediately turned over to Owner to insure the orderly continuance of the operation of the Hotel.

(b) Manager shall cause all funds advanced to the Hotel by Owner as working capital and all funds derived from the operation of the Hotel to be deposited in the Operating Accounts. Subject to the provisions of this Agreement and the approved Annual Plan, Manager shall have sole control of the Operating Accounts and Manager shall be entitled to pay out of the Operating Accounts all costs and expenses incurred in connection with the operation of the Hotel in accordance with this Agreement, wages, salaries, fringe benefits and other compensation and expenses relating to Hotel employees, all costs and expenditures which Manager is permitted or required to make pursuant to this Agreement, all fees, charges, reimbursements and other amounts due Manager under this Agreement and all other amounts required to perform Manager's obligations hereunder. Checks or other documents of withdrawal drawn upon the Operating Accounts shall be signed by representatives of Manager or Hotel employees designated by Manager. In addition to the Operating Accounts, Manager shall be entitled to maintain such funds in an in-house bank or in petty cash funds at the Hotel in accordance with the approved Annual Plan or as otherwise approved in writing by Owner. The Operating Accounts shall not be commingled with any other accounts of Manager.

**Section 6.3 Reports**. On or before the fifteenth (15th) day of each calendar month during the Term and any Term Extension, Manager shall deliver to Owner monthly unaudited financial statements prepared from the books of account maintained by Manager, consisting of a balance sheet, a profit and loss statement and statement of cash flow for the Hotel for the preceding calendar month and the Fiscal Year to date, in each case in a standard form reasonably acceptable to Owner.

**ARTICLE VII**

**MANAGEMENT FEE, EXPENSE REIMBURSEMENT AND REMITTANCES TO OWNER**

**Section 7.1 Management Fee**.

[To be determined]

**Section 7.2 Expense Reimbursement**. Owner shall be obligated to reimburse Manager for all Reimbursable Expenses incurred by it in connection with the performance of this Agreement. Manager shall be entitled to obtain payment of all such amounts out of the Operating Accounts or from Owner if no funds are available in the Operating Accounts.

**Section 7.3 Remittances to Owner**. On or before the twentieth (20th) day of each calendar month of each Fiscal Year, Manager shall remit to Owner all sums in the Operating Accounts in excess of the then working capital requirements of the Hotel, as approved by Owner.

**ARTICLE VIII**

**INSURANCE AND INDEMNITIES**

**Section 8.1 Insurance**. Manager shall procure and maintain with responsible and properly licensed companies reasonably acceptable to Owner insurance in such amounts, written on such forms and covering such risks as shall be required by any Mortgagee or as required by Owner, including but not limited to the insurance for the Hotel described in ***Exhibit B*** to this Agreement. Owner reserves the right for Owner to procure and/or maintain any such insurance with responsible and properly licensed companies. All policies shall name Owner and Manager as insureds and shall contain a provision that the policies may not be cancelled, allowed to expire or amended without thirty (30) days' prior written notice to Owner, except in the case of non­payment of premium. Manager shall pay all applicable deductibles and/or self-insured retentions of any and all insurance policies obtained under this Agreement. Any and all insurance policies obtained under this Agreement shall be endorsed to be primary to any and all separate insurance policies maintained by Manager and/or its Affiliates. Such endorsements shall provide that any and all separate insurance policies maintained by Manager and/or its Affiliates shall be excess to and shall not contribute with any and all insurance policies obtained under this Agreement. Subject to the foregoing, Manager agrees that it will maintain, at its own expense, insurance in respect of its general corporate operations, in amounts and coverages set forth on ***Exhibit C***.

In addition to the foregoing insurance requirements, Manager shall be obligated to procure and maintain so-called “**extended reporting period for claims**” coverages through special endorsements or otherwise for all insurance requirements set forth on ***Exhibit B*** to this Agreement (excluding any coverage for casualty) for a period of not less than twenty-four (24) months following the expiration of or of the termination of this Agreement.

**Section 8.2 Evidence of Insurance**. Prior to the Management Commencement Date, Manager agrees to deliver to Owner evidence reasonably satisfactory to Owner that all insurance required to be maintained under this Agreement is in full force and effect. In addition, prior to the date on which any such insurance premiums must be paid to prevent delinquency thereof, Manager will deliver to Owner a statement or statements showing the amount of the premiums required to be paid, the name and mailing address of the Party to whom the same is payable and receipts reflecting that all such amounts have been fully paid.

**Section 8.3 Investigation of Claims and Reports**. As to any incident involving a third party liability claim in excess of $5,000, Manager shall promptly investigate and, within Ten (10) days of such incident make a written report to Owner as to all accidents and claims for damage relating to the ownership, operation and maintenance of the Hotel. In the event of property damage to the Hotel in excess of $5,000, Manager shall obtain the estimated cost of repair thereof, and shall prepare for the approval of Owner, any and all reports required by any insurance company in connection therewith. All such reports shall be promptly filed with the applicable insurance company. Manager shall adjust all losses within the deductible or self-insured retention of any and all applicable policies of insurance.

**Section 8.4 Release of Claims/Subrogation**. MANAGER RELEASES OWNER FROM ALL CLAIMS OR LIABILITIES FOR DAMAGE TO THE PROPERTY, DAMAGE TO OR LOSS OF PERSONAL PROPERTY WITHIN THE PROPERTY, AND LOSS OF BUSINESS OR REVENUES THAT ARE COVERED BY THE RELEASING PARTY'S PROPERTY INSURANCE OR THAT WOULD HAVE BEEN COVERED BY THE MANAGER’S INSURANCE REQUIRED INSURANCE IF MANAGER FAILS TO MAINTAIN THE PROPERTY COVERAGES REQUIRED BY THIS AGREEMENT. MANAGER WILL NOTIFY THE ISSUING PROPERTY INSURANCE COMPANIES OF THE RELEASE SET FORTH IN THIS SECTION AND WILL HAVE THE PROPERTY INSURANCE POLICIES ENDORSED, IF NECESSARY, TO PREVENT INVALIDATION OF COVERAGE. THIS RELEASE WILL NOT APPLY IF IT INVALIDATES THE PROPERTY INSURANCE COVERAGE OF THE RELEASING PARTY. THE RELEASE IN THIS PARAGRAPH WILL APPLY EVEN IF THE DAMAGE OR LOSS IS CAUSED IN WHOLE OR IN PART BY THE ORDINARY NEGLIGENCE OR STRICT LIABILITY OF THE RELEASED PARTY.

**Section 8.5 Indemnities**.

Manager agrees to indemnify and hold the Owner free and harmless from any loss, liability or cost (including legal fees and costs) not otherwise reimbursable from the proceeds of insurance which results from the negligence or willful misconduct of Manager or any of its agents or employees; provided, however, that Manager shall not be liable to indemnify and hold Owner harmless from any loss, liability or cost which results from the sole gross negligence, misconduct, action or inaction of the Owner or any partner, employee or agent thereof (except Manager).

**ARTICLE IX**

**DAMAGE AND CONDEMNATION**

**Section 9.1 Damage or Destruction**.

(a) If the Hotel shall be totally destroyed or substantially damaged by fire or other casualty, Owner or Manager may, within thirty (30) days after the occurrence of such event, give written notice to the other terminating this Agreement. For purposes of this Article IX, the Hotel shall be deemed to have been substantially damaged if the estimated cost of repairing such damage and restoring the Hotel shall exceed, in Owner's reasonable estimate, twenty five percent (25%) of the cost of replacing the Hotel by constructing, finishing and equipping a new Hotel substantially the same as the Hotel prior to such casualty.

(b) In the event of (i) any damage to the Hotel by fire or other casualty which does not amount to “substantial damage” as described in subsection (a) above, or (ii) the total destruction of or substantial damage to the Hotel and the failure of either Party to terminate this Agreement pursuant to subsection (a) above, then this Agreement shall not terminate, and Owner shall, at its own expense and in accordance with plans and specifications therefor developed by Manager and approved by Owner, promptly commence and expeditiously complete the Restoration.

**ARTICLE X**

**ASSIGNMENT AND TRANSFER**

**Section 10.1 Assignment**. Except as herein provided, Manager shall not assign, transfer or permit the assignment or transfer of its rights and obligations under this Agreement without the prior written consent of Owner. Owner shall have the unrestricted right to assign its rights under this Agreement or to sell the Hotel, whether through a conveyance of the Hotel or a conveyance of the direct or indirect equity interests in Owner, or otherwise. If, during the Term, the Hotel is sold by Owner and this Agreement is to be terminated upon the closing thereof, then Owner shall provide written notice of the termination of this Agreement to Manager not less than thirty (30) days prior to the anticipated date of closing of the sale of the Hotel. If, during the Term, the Hotel is sold by Owner, Owner may, at its option, assign all of its right, title and interest in this Agreement to the buyer and Manager shall have no right to terminate this Agreement as a result of such assignment.

**Section 10.2 Binding Effect**. Subject to the terms hereof, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

**ARTICLE XI**

**DEFAULT AND TERMINATION**

**Section 11.1 Events of Default**.

(a) The following shall constitute events of default (each such event of default an “**Event of Default**”):

(i) The filing of a voluntary petition in bankruptcy or insolvency or a petition for reorganization under any bankruptcy law by Manager;

(ii) The consent to an involuntary petition in bankruptcy or the failure to vacate within sixty (60) days from the date of entry thereof any order approving an involuntary petition by Manager;

(iii) The entering of an order, judgment or decree by any court of competent jurisdiction, on the application of a creditor, adjudicating Manager as bankrupt or insolvent or approving a petition seeking reorganization or appointing a receiver, trustee or liquidator of all or a substantial part of such Manager's assets, and such order, judgment or decree shall continue unstayed and in effect for thirty (30) days after its entry;

(iv) The appointment of a receiver or trustee for all or any substantial portion of the property of Manager and the order, judgment or decree appointing any such receiver or trustee shall continue unstayed and in effect for thirty (30) days after its entry;

(v) The liquidation, termination or dissolution of Manager;

(vi) Any representation or warranty made in this Agreement by either Manager shall be false or misleading in any material respect on the date as of which it is made or deemed made;

(vii) Failure of Manager to make any payment or provide funds to or on behalf of the other Party in accordance with the terms hereof and the continuation of such failure for twenty (20) days after the date written notice of such failure is given; or

(viii) The failure of Manager to perform, keep or fulfill any of the other covenants, undertakings, obligations or conditions set forth in this Agreement, and the continuance of such default for a period of thirty (30) days after written notice is given by another Party specifying said failure.

(b) The following shall constitute events of default by Manager (each such event of default a “**Manager Event of Default**”:

1. Any felony conviction, willful misconduct, gross negligence, or fraud of Manager (specifically excluding the Hotel's non-managerial employees), or any one or more of Manager's Corporate Employees or Executive Employees,
2. Failure by Manager (specifically excluding the Hotel's non-managerial employees), or any one or more of Manager's Corporate Employees and/or Executive Employees to use commercially reasonable efforts to cause the Hotel to comply with a Legal Requirement (to the extent Manager has not received written instructions from Owner to either contest or not comply with such Legal Requirement as provided for in this Agreement); or

(iii) If Manager shall fail to maintain and operate the Hotel in accordance with the Operating Standards required under this Agreement and shall continue for a period of thirty (30) days after written notice by Owner to Manager specifying the matters or conditions which constitute the basis for such Event of Default, provided that if such failure is incapable of cure within such thirty (30) day period and if Manager shall promptly, diligently and continuously pursue the cure thereof, then Manager shall have a period of thirty (30) days after notice thereof by Owner to Manager within which to effectuate the cure.

**Section 11.2 Remedies**.

Upon the occurrence of any Event of Default, in addition to and cumulative of any and all rights and remedies available to the non-defaulting Party under this Agreement, at law or in equity, excluding exemplary and punitive damages, the non-defaulting Party may give to the defaulting Party notice of intention to terminate this Agreement, whereupon this Agreement shall terminate upon the expiration of thirty (30) days after the giving of such notice (except as expressly provided in this Agreement). In no event shall Manager be entitled to any punitive or exemplary damages in connection with, or pursuant to any claim under this Agreement.

Upon the occurrence of any Manager Event of Default, in addition to and cumulative to any and all rights and remedies available to Owner under this Agreement, at law or in equity, excluding exemplary and punitive damages, Owner may give the Manager notice of its intention to terminate this Agreement, whereupon the Agreement shall terminate no earlier than ten (10) days or later than thirty (30) days following Manager's receipt of such.

**Section 11.3 Default Interest**. If either Party hereto shall fail to pay to the other Party hereto any sum payable when due hereunder, then such defaulting Party, following a written demand for payment by the non-defaulting Party, shall be liable to the non-defaulting Party for the payment of all such sums together with interest thereon at the Default Rate. The terms and provisions of this Section shall survive any termination of this Agreement for any reason whatsoever, including the expiration of the Term, and shall continue until all such amounts, together with interest thereon, are paid in full.

**Section 11.4 Termination of Employees**.

(a) In connection with any termination of this Agreement, Manager shall, unless otherwise requested in writing by Owner, give notice of termination of employment to all Hotel employees containing such information as is required by any applicable Legal Requirements. The notice to employees shall be given within ten (10) days after notice of termination is given. Manager agrees to take such actions as may be reasonably necessary to mitigate any loss, cost, claim, liability or expense in connection with Hotel employees resulting from any termination of such employees. In addition to its obligation to pay all Hotel employee-related expenses during the Term hereof, Manager shall bear and be responsible for all costs of terminating such employees, including, without limitation, the costs of any related employee claims (such as wrongful termination claims) and of any applicable federal or state plant closing or similar laws (such as the WARN Act and any state law equivalent) and all amounts due to such employees in connection with the termination of this Agreement, including, without limitation, salaries, employee benefits, bonuses, accrued vacation pay and severance attributable to such employee's period of service at the Hotel.

(b) As soon as practicable after the execution of this Agreement, Manager shall prepare and submit to Owner for Owner's approval a severance policy for all Hotel employees (the “**Severance Policy**”). The Severance Policy may be modified from time to time upon Owner's approval in Owner's reasonable discretion; provided, however, that the Severance Policy shall at all times provide that no severance shall be payable to those individuals who accept employment with Owner, its Affiliate or a successor manager, at the time this Agreement is terminated, or who continue their employment with Manager or accept employment with Manager's Affiliates at the time this Agreement is terminated.

(c) With respect to responsibility for severance payments to any terminated Hotel employees (whether such employee is terminated as a result of the termination of this Agreement or otherwise in the ordinary course of the operations of the Hotel), Manager shall obtain Owner's prior written consent before agreeing to make or making severance payments to any terminated employee in an amount which exceeds the approved Severance Policy.

(d) In connection with any termination of this Agreement, Manager shall (i) permit Owner, and/or the successor manager, to meet with and conduct interviews, within thirty (30) days prior to the termination of this Agreement, of all Hotel employees (including, without limitation, the Executive Personnel); and (ii) subject to Manager's receipt of such authorizations from the employees in question as required by applicable laws, permit Owner (and/or the successor manager) to review and make copies of the personnel files of all Hotel employees (including, without limitation, the Executive Personnel).

**Section 11.5 Termination Assistance**. Upon the termination or expiration of this Agreement, Manager shall (a) assist Owner and the successor management company in a smooth and orderly transition in the management and operation of the Hotel in a manner consistent with past practice for day to day operations (Owner shall reimburse Manager for any costs and expenses incurred by Manager in connection therewith); (b) provide the successor management company with all Hotel information, including, without limitation, employee records (to the extent permitted by applicable law), Guest Data, Hotel sales records and tentative Hotel group and individual bookings whether maintained at the Hotel or at Manager's corporate office or elsewhere; provided, however that Manager shall not be required to provide the successor management company any proprietary or confidential information that is not related to the Hotel; (c) continue to operate the Hotel in a manner consistent with prior operations through the termination date, including, without limitation, marketing of the Hotel, soliciting advanced bookings and rendering individual and group marketing services through the termination date regarding all confirmed and tentative advanced bookings for room sales and food and beverage sales in accordance with past practices, all of which shall be done in coordination with Owner or the successor management company; (d) surrender, assign, and transfer to Owner or its successors, without recourse, to the extent assignable and transferable, all of Manager's rights, titles and interest, if any, in or to all Governmental Permits including, without limitation, alcoholic beverage licenses and permits, relating specifically to the Hotel (or, if not assignable, terminate the same at Owner's request), and bank accounts, bank agreements and other similar instruments used in daily operation of the Hotel; (e) transfer to Owner the Operating Accounts and the Reserve; and (f) specifically identify all property Manager intends to remove from the Hotel.

**Section 11.6 Survival**. Article I and Article XII, Sections 3.9, 6.2(a), 8.5, 9, 11.1, 11.2, 11.3, 11.5 and any other Section that expressly provides for survival following termination of this Agreement shall survive the termination of this Agreement.

**ARTICLE XII**

**MISCELLANEOUS**

**Section 12.1 Use of Names**. During the Term of this Agreement, the Hotel shall at all times be known and designated under such name as Owner and Manager may agree. Initially, the Hotel shall be known as “*The Inn at the Convention Center*”.

**Section 12.2 Representations**. Each Party warrants and represents, with respect to itself, that the execution, delivery and performance of this Agreement has been duly authorized by all necessary corporate, partnership or limited liability company action (as the case may be) and are legal, valid and binding obligations of such Party, enforceable in accordance with the terms hereof, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights in general and subject to general principals of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and that neither the execution of this Agreement nor performance of the obligations contemplated hereby shall violate any Legal Requirement, result in or constitute a breach or default under any indenture, contract or other commitment or restriction to which it is a Party or by which it is bound, or require any consent, vote or approval which has not been obtained, or at the appropriate time shall not have been given or obtained. Each Party covenants that it has and will continue to have throughout the Term, and, if applicable, any Term Extension, full right and authority to enter into this Agreement and to perform its obligations hereunder and each Party agrees to supply to the other Party upon request evidence of such right and authority.

**Section 12.3 Further Assurances**. Manager will execute and acknowledge any and all agreements, contracts, leases, licenses, applications, verifications and such other additional instruments and documents in recordable form as may be reasonably requested by the Owner in order to carry out the intent of this Agreement and to perfect or give further assurances of any of the rights granted or provided for herein.

**Section 12.4 Third Party Beneficiaries**. This Agreement has been made and entered into for the sole protection and benefit of the Manager and Owner and their respective Agreement authorized successors and assigns and no other person or entity shall have any right or action under this Agreement, except to the extent that certain persons are beneficiaries of the indemnities set forth in Section 8.5.

**Section 12.5 Notices**. All notices, approvals or consents provided for or permitted to be given pursuant to this Agreement must be in writing and shall be given or served by (a) depositing the same with a national overnight delivery service company which tracks deliveries, addressed to the Party to be notified, with all charges paid and proof of receipt requested; or (b) by delivering such notice, approval or consent in person to such Party. All notices, approvals and consents given in accordance with this Agreement shall be effective upon delivery at the address of the addressee. Each Party shall have the right from time to time to change its address by written notice to the other Party. All notices, approvals and consents to be given to the parties hereto shall be sent to or delivered to the following (unless otherwise notified in writing by Owner and Manager):

If to Manager: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

If to Owner: Prosper Portland

Attn. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

222 NW 5th Avenue

Portland, OR 97209

**Section 12.6 Waiver**. No consent or waiver, express or implied, by a Party to this Agreement to or of any breach or default by another Party in the performance of any obligations hereunder shall be deemed or construed to be consent or waiver to or of any other breach or default by such Party hereunder. Except as otherwise provided herein, failure on the part of any Party hereto to complain of any act or failure to act by another Party or to declare another Party in default hereunder, irrespective of how long such failure continues, shall not constitute a waiver of the rights of such Party hereunder.

**Section 12.7 Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, taken together, shall be construed as a single instrument.

**Section 12.8 Construction**. This Agreement shall be deemed drafted equally by each of the parties. Its language shall be construed as a whole and according to its fair meaning. Any presumption or principle that the language is to be construed against any Party shall not apply. The headings in this Agreement are only for convenience and are not intended to affect construction or interpretation. Any references to articles, paragraphs, subparagraphs, sections or subsections are to those parts of this Agreement, unless the context clearly indicates to the contrary. Unless the context clearly indicates to the contrary, (a) the plural includes the singular and the singular includes the plural; (b) “**and**” and “**or**” are each used both conjunctively and disjunctively; (c) “**any**”, “**all**”, “**each**”, or “**every**” means “**any and all**” and “**each and every**”; (d) “**herein**”, “**hereof**”, “**hereunder**”, and other similar compounds of the word “**here”** refer to the entire Agreement and not to any particular article, paragraph, subparagraph, section or subsection; and (e) all pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the persons referred to may require.

**Section 12.9 Person**. The term “**person**” shall be deemed to include an individual, corporation, partnership, trust, unincorporated organization, government and governmental agency or subdivision, as the context shall require for purposes of this Agreement.

**Section 12.10 Unenforceable Provisions**. In the event any provision of this Agreement is declared or adjudged to be unenforceable or unlawful by any Governmental Authority, then such unenforceable or unlawful provision shall be excised herefrom, and the remainder of this Agreement, together with all rights and remedies granted thereby, shall continue and remain in full force and effect, so long as the change does not alter the economic benefits granted to the parties hereto.

**Section 12.11 Cumulative Remedies**. All rights, powers, remedies, benefits and privileges available under any provision of this Agreement to any Party hereunder are in addition to and cumulative of any and all rights, powers, remedies, benefits and privileges available to such Party under all other provisions of this Agreement, at law or in equity.

**Section 12.12 Entire Agreement**. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters covered hereby. All prior negotiations, representations and agreements with respect thereto not incorporated in this Agreement are hereby canceled. This Agreement can be modified or amended only by a written document duly executed by the parties hereto or their duly appointed representatives.

**Section 12.13 Governing Law**. This Agreement shall be governed by and construed under the laws of the State of Oregon.

**Section 12.14 Exhibits**. Exhibits referred to in this Agreement and attached hereto are incorporated herein in full by this reference as if each of such exhibits were set forth in the body of this Agreement and duly executed by the parties hereto.

**Section 12.15 Estoppel Certificates**. Manager agrees, at any time and from time to time, upon not less than fifteen (15) days' prior notice by Owner, to execute, acknowledge and deliver to Owner a statement in writing certifying (a) that this Agreement has not been modified and is in full force and effect or, if there have been modifications, (b) that the same is in full force and effect as modified and specifying the modifications, (c) whether or not to the best knowledge of the Party providing such certificate there exists any default of which such Party may have knowledge and (d) any additional information reasonably requested by Owner.

**Section 12.16 Mortgage**.

(a) Owner shall have the right to encumber its interest in the Hotel and/or the Hotel, including, without limitation, the personal property located therein or used in the operation of the Hotel on such other terms determined by Owner in its Sole and Absolute Discretion without the approval of Manager, and to amend, modify and refinance any such encumbrance in its Sole and Absolute Discretion and without Manager's approval. Manager acknowledges that this Agreement is a contract for services which does not create any interest of Manager in the Hotel or a lien or encumbrance on the Hotel of any kind and does not run with the land.

(b) Manager will not unreasonably refuse to consent to any requested modifications or amendments to this Agreement if required by a proposed Mortgagee or ground lessor as a condition to making a mortgage loan to Owner on its interests in Hotel or entering into a ground lease, as the case may be, so long as such modification or amendment does not diminish the fees or reimbursements becoming due to Manager hereunder, and does not otherwise materially and adversely affect Manager's rights and interests under this Agreement.

(c) Manager acknowledges and agrees that Owner and Manager's rights and obligations hereunder shall be subject to the requirements of any Mortgagee or other unaffiliated third party lender regarding the Hotel and the Hotel, provided such requirements do not diminish the fees or reimbursements becoming due to Manager hereunder, and does not otherwise materially and adversely affect Manager's rights and interests under this Agreement. Subject to the foregoing, to the extent that any Mortgagee or other unaffiliated third party lender imposes restrictions on the Hotel and/or the Hotel or obligations upon Owner which are greater than those set forth in this Agreement, the terms and conditions of the loan documents with such Mortgagee or other lender (the “**Loan Documents**”) shall control (provided that Owner shall have delivered reasonably detailed information and direction to Manager as to such restrictions, obligations or requirements) and, upon written notice from Owner as to the requirements thereof, Manager agrees to comply with those obligations under the Loan Documents which are within the scope of Manager's duties under this Agreement and to execute an amendment to this Agreement reflecting any such additional obligations or duties required by the Loan Documents.

**Section 12.17 Dispute Resolution**.

The Parties shall participate in mediation to resolve disputes before conducting litigation. The mediation shall occur at a reasonable time after the conclusion of the Agreement with a mediator jointly selected by the Parties. Notwithstanding any dispute under this Agreement, the Manager shall continue to perform its obligations under this Agreement pending resolution of a dispute, and Prosper Portland shall make payments as required by the Agreement for any undisputed portions of the work performed by Manager under this Agreement. In the event of litigation, no attorney fees are recoverable. No other dispute resolution paragraph(s) in this Agreement, or any attachment hereto, shall supersede or take precedence over this provision.

**Section 12.18 Annual Appropriations**. All amounts Owner is required to pay pursuant to this Agreement may be subject to annual appropriation by the City.

**Section 12.19 Capital Expenditures**. The parties acknowledge and agree that Capital Improvements on the Hotel are necessary for the Hotel to meet the Operating Standards. The Manager agrees to, in good faith, submit commercially reasonable Capital Expenditures Budgets. The Owner agrees to, in good-faith, attempt to approve commercially reasonable Capital Expenditures Budgets submitted by Manager.

IN WITNESS WHEREOF, the Owner and Manager have executed this Agreement as of the date first set forth above.

**\*\*Signature blocks\*\***

**EXHIBIT A**

**EXHIBIT B**

**INSURANCE REQUIREMENTS**

Owner, or Manager, solely as agent for Owner and with Owner's cooperation, will obtain from an issuing company reasonably acceptable to Owner the following insurance coverage's which name, as their interests may appear, Owner, Manager and all such other persons or entities as may be required by any contract or agreement by which the Owner or the Hotel is bound, as named insured:

1. An "all risk" policy insuring all real and personal property (on a replacement cost basis) and business interruption, including, without limitation, boiler and machinery coverage;

2. A comprehensive general liability policy and comprehensive automobile liability policy and blanket contractual coverage, insuring each insured, including Owner and Manager (as an additional named insured) against loss, cost, damage or liability for personal injury, bodily injury, death and property damage arising or resulting from the management and operation of the Hotel, including operations of independent contractors, with minimum limits of $2,000,000 per person and per occurrence for personal injury, bodily injury or property damage, or all combined;

3. Fidelity and dishonesty coverage in such amounts not to exceed $25,000 with a minimum coverage amount for theft of $100,000;

4. Excess/umbrella insurance for excess liability coverage totaling not less than $1,000,000; and,

5. Such other policies as may be required by a contract or agreement by which the Owner or the Hotel is bound or as Owner and Manager may agree.

In addition, Manager shall maintain, solely as agent for Owner and all at Owner's expense, the following additional coverages:

6. Workers' compensation, employer's liability insurance and similar policies in compliance with ORS 656.017;

7. Medical, dental and life insurance in accordance with Manager's existing policies for eligible employees;

8. Excess/umbrella insurance for excess liability coverage totaling not less than $25,000,000, with Owner named as additional insured with respect to Manager's management of the Hotel; and,

9. If the professional liability coverage is provided on a “**claims made**” basis, Manager shall maintain either tail coverage or continuous “**claims made**” liability coverage for a minimum of twenty-four (24) months following Manager’s completion of this Agreement. Upon Owner’s request, Manager shall provide certification of the tail coverage required herein.

The deductible or retention amounts for each such policy of insurance shall be reasonably acceptable to Owner. In all events, such coverages shall be maintained throughout the term of this Agreement and Owner or Manager, as appropriate, shall, upon a request by the other party, deliver certificates of such insurance, which certificates shall provide evidence of insurance in the amounts listed above and shall name the Owner, and Manager, as appropriate, as additional named insured as to the liability coverages. All certificates shall provide for thirty (30) days advance written notice to Owner of cancellation, termination, expiration or alteration of any policy.

**EXHIBITC**

**MANAGER INSURANCE**

I. Commercial General Liability Policy with the following specifications and coverage included:

A. $2,000,000 per occurrence limit;

B. Policy territory (limited worldwide);

C. Bodily Injury and Hotel Damage coverage;

D. Products Liability and Completed Operations coverage;

E. Personal Injury coverage;

F. Liquor Liability and Host Liquor Liability coverages;

G. Blanket Contractual Liability coverage;

H. Employee Benefits Liability coverage;

I. Fire Legal Liability coverage;

J. Innkeepers Liability coverage; and

K. 60 day cancellation notice clause.

II. Commercial Auto Liability Policy

A. $1,000,000 per occurrence limit;

B. Coverage on all vehicles owned, hired, and non-owned;

C. Uninsured motorist; and

D. All physical damage self-insured.

III. Umbrella/Excess Coverage

A. $25,000,000 limits; and

B. Policy territory (limited worldwide).

IV. Workers' Compensation (statutory limit) subject to $500,000. Specific retention each occurrence - Employee Liability with $1,000,000 limit.

V. Crime Policy

A. Fidelity/employee dishonesty with $1,000,000 limit;

B. Money and Securities on and off premises with $1,000,000 limit;

C. Depositors Forgery with $1,000,000 limit; and

D. Computer Theft and Funds Transfer fraud with $1,000,000 limit.

VI. Hotel Insurance Policy to include the following specifications and coverages:

A. Buildings, Contents, and Business Interruption on al all risk; replacement cost basis, including earthquake and flood

B. 90 day Cancellation notice clause

C. No coinsurance clause

D. Boiler and Machinery coverage included

VII. Employment practices coverage in an amount not less than $1,000,000 per claim/aggregate.