404190

Husch & Eppenberger, LLC

Attorneys and Counselors at Law

100 N. Broadway, Suite 1300
St. Louis, MO 63102-2789
314.421.4800
314.421.0239 fax
www.husch.com

314.622.0625 direct dial
moncia.fries@husch.com

January 11, 2002

JAN 2 2 '02

VIA FEDERAL EXPRESS

Brian Nishitani, Esq.
Office of Regional Counsel
USEPA Region 3
1650 Arch Street
Philadelphia, PA 19103-2029

Re: Hilton Hotels Corporation
USEPA Lower Darby Creek CERCLA § 104(e) Information Request

Dear Mr. Nishitani:

Enclosed please find Hilton Hotels Corporation's CERCLA § 104(e) response. Please contact me regarding any future correspondence regarding this matter.

Very truly yours,

Monica

Monica L. Fries

::ODMA\PCDOCS\ST_LOUIS\789620\1

HILTON HOTELS CORPORATION
CERCLA § 104(e) RESPONSE
LOWER DARBY CREEK AREA SUPERFUND SITE
DELAWARE AND PHILADELPHIA COUNTIES, PENNSYLVANIA
January 11, 2002

GENERAL OBJECTIONS:

For each and every question, Respondent Hilton Hotels Corporation ("Hilton" or "Respondent") objects to the definitions and instructions included in the request for information as exceeding the scope of the United States Environmental Protection Agency's (EPA) authority for purposes of a CERCLA § 104(e) information request.

For each and every question, Respondent also objects to providing information regarding legal consultations which are protected by the attorney-client privilege.

GENERAL RESPONSE:

For the time period in question (1958-1976) Hilton did not own any hotels in the Philadelphia, PA area. From 1958 – 1970 there is no record of Hilton having any presence in the Philadelphia, PA area. In the early to mid 1970s, Hilton entered into licenses or franchises with a few selected, first-class, independently owned or leased hotel and inn properties in the Philadelphia, PA area to operate a hotel or inn under the "Hilton" brand name.

1. State the name of your company, its mailing address, and telephone number. Further identify:

   a. The dates and states of incorporation of your company;

   b. The date and original state of incorporation of your company; and

   c. The parent corporation of your company, if any, and all subsidiaries or other affiliated entities.

RESPONSE:

Hilton Hotels Corporation
9336 Civic Center Drive
Beverly Hills, CA 90210
Telephone: 301.278.4321

Hilton Hotels Corporation is a Delaware corporation that was formed on May 29, 1946.

Upon information and belief, the only Hilton subsidiary which did business in Pennsylvania during the relevant time period was Hilton Inns, Inc., a wholly-owned subsidiary of Hilton Hotels Corporation, which was incorporated in

Delaware on July 23, 1962.

Both Hilton Hotels Corporation and Hilton Inns, Inc. are referred to as "Hilton" in this response. Please direct all communications to Hilton Hotels Corporation to the individuals listed in the response to question 15, below.

2. What is the current nature of the business or activity conducted at your establishment(s) in the Philadelphia, Pennsylvania area? What was the nature of your business or activity between 1958 and 1976? Please describe in detail. If the nature of your business or activity changed from the period of 1958 to 1976 to the present, please provide a detailed explanation of the changes to date.

RESPONSE: Hilton objects to the use of the phrase "your establishment(s)," as Hilton did not own or have an ownership interest in any hotels or inns in the Philadelphia, PA area from 1958-1976. Notwithstanding this objection, Hilton is a hospitality company which owns, manages, and licenses and franchises hotels and inns. In the early to mid 1970s, Hilton entered into license and franchise agreements with a few independently owned or leased hotels and inns in the Philadelphia, PA area. Currently, Hilton has license agreements with four hotels in the Philadelphia, PA area. See response to question 4, below. The nature of Hilton's business has not changed since its incorporation.

3. Identify all persons currently or formerly employed by your establishment(s) who have or may have personal knowledge of your operations and waste disposal practices between 1958 and 1976 at your facilities in the Philadelphia, Pennsylvania area. For each such person, state that person's employer, job title, dates of employment, current address, and telephone number. If the current telephone number or address is not available, provide the last known telephone number or last known address of such person.

RESPONSE: Hilton objects to the use of the phrase "your establishment(s)," as Hilton did not own or have an ownership interest in any hotels or inns in the Philadelphia area from 1958-76. Notwithstanding this objection, and after a diligent inquiry, we have not identified any current or former Hilton employees who may have personal knowledge of the operation and waste disposal practices of hotel or inns licensed or managed by Hilton during the relevant time period other than Mr. Arthur N. Gimson, the former General Manager of the 34th Street and Civic Center Boulevard hotel at its opening in February, 1975. See Tabs 1 and 2.

Mr. Gimson currently resides at [redacted], telephone number [redacted] Mr. Gimson worked for Hilton from January 14, 1963 to December 31, 1992.

4. Identify the owners and operators of your establishment(s) in the Philadelphia, Pennsylvania area from 1958 to the present. For each owner and operator further provide:

   a. The dates of their operation;

   b. The nature of their operation; and

   c. All information or documents relating to the handling and/or generation, storage, treatment, recycling, formulation, disposal, or transportation of any hazardous substance, hazardous waste, pollutant, contaminant, or other waste during the period in which they were operating the establishment(s).

RESPONSE: Hilton objects to the use of the phrase "your establishment(s)," as Hilton did not own or have an ownership interest in any hotels or inns in the Philadelphia area during the relevant time period.

Hilton Hotel of Philadelphia

Notwithstanding the above objection, and on information and belief, the hotel located at 34th Street and Civic Center Boulevard, was constructed, owned, and operated by the Parcel Eight Hotel, Inc., a Pennsylvania Corporation, with offices located at c/o Frankel Enterprises. The Trustees of the University of Pennsylvania is the landlord of the Ground Lease, and the tenant was originally Parcel Eight Associates, a Limited Liability Partnership. The term of the lease held by Parcel Eight Associates was for 50 years, commencing on April 1, 1973.

On information and belief, Parcel Eight Hotel, Inc. and Parcel Eight Associates entered into an Operating Agreement whereby Parcel Eight Hotel, Inc. was granted the sole and exclusive right to supervise, and direct the management and operation of the hotel, on behalf of Parcel Eight Associates.

Parcel Eight Hotel, Inc. assigned its rights to Hilton through a Management Agreement, dated March 26, 1973. This Management Agreement, and subsequent agreements to amend and to terminate this Management Agreement, included a restrictive covenant whereby Hilton was prohibited from owning, operating, managing, or leasing a hotel, motel, or inn within certain boundaries of the City of Philadelphia. Upon information and belief, the hotel fully commenced operations on or about February, 1975. See Tab 2. On or before October 7, 1975, PIC Realty Corporation became the owner of this hotel. In 1983, the hotel was sold to Universal Properties Management Company, a Pennsylvania limited partnership (Universal), and the Management Agreement was assumed by Universal. In 1984, the Management Agreement was terminated and Hilton Inns, Inc. entered into a license agreement with Universal. The license agreement terminated on December 31, 1986. See Tabs 1.

Valley Forge Hilton, King of Prussia, PA

Notwithstanding the above objection, on July 6, 1970 Hilton entered into a license agreement with King of Prussia Enterprises, Inc., 251 West DeKalb Pike, King of Prussia, PA 19406. The hotel was to be built not later than December 31, 1971. The license agreement was subsequently amended and restated with Prussia Associates, L.P., a Pennsylvania limited partnership. This agreement is currently in effect.

Hilton Inn Northeast – Trevose, a/k/a Northeast Philadelphia Hilton Inn (Trevose), a/k/a Trevose Hilton

Notwithstanding the above objection, this inn is located at 2400 Old Lincoln Highway, Trevose, PA 19047. The address has also been referred to as 24 Old Lincoln Highway, US 1, Trevose, PA 19047. On March 28, 1973, Hilton entered into a license agreement with Northeast Motor Inn Associates, 2207 Chestnut Street, Philadelphia, PA 19103 (Northeast) the operator of the hotel. The construction of the hotel was to be completed not later than July 1, 1975. On February 18, 1975 Northeast Motor Inn Associates, Inc. (Northeast Inc.) was incorporated. On or about June 1, 1983, Prime Trevose Enterprises, Inc. (Prime) purchased the hotel from Northeast Inc. The license agreement with Northeast was subsequently amended and assigned to Prime. At some point in time, the operations of the hotel were managed by Marbly Management Corporation. On or about June 21, 1984, the name of the inn was changed to the Trevose Hilton. On August 30, 1991, the license agreement was terminated with Prime.

Philadelphia Hilton Inn a/k/a Stadium Hilton Inn a/k/a Philadelphia Airport Inn 10th and Packer Avenues, 19147

Notwithstanding the above objection, on August 11, 1969 Hilton Inns, Inc. entered into a license and franchise to operate a Hilton hotel or inn with Packer Avenue Associates (Packer) for a hotel the construction of which was to be completed not later than November 1, 1971. On July 25, 1977, Packer filed a petition for bankruptcy. Trustee for the estate of Packer, Paul P. Giordano, entered into a management agreement with Support Management Services, Inc. to direct, manage and consult about all operations of the Philadelphia Hilton Inn. Hilton entered into a 20 year license and franchise with South Philadelphia Motel Enterprises, Inc. on December 29, 1978. Subsequently, Colonial Philadelphia Limited Partnership (Colonial) entered into a license agreement with Hilton to operate the hotel under the "Hilton" name. Through the filing of an involuntary petition for bankruptcy on January 4, 1991, Colonial became a debtor-in-possession under Chapter 11 of the Bankruptcy Code. Hilton terminated the license agreement with Colonial on April 2, 1992.

Currently

Notwithstanding the above objection, the hotels and inns currently using the Hilton name in the Philadelphia area are as follows:

Hilton Garden Inn Philadelphia Center City
1100 Arch Street, 19107
A franchised inn which opened in May, 2000.

Hilton Philadelphia Airport
4509 Island Avenue, 19153
A franchised hotel which opened in December, 1994.

Hilton Inn at Penn
3600 Sansom Street, 19104
A Hilton-managed inn which opened in August, 1999.

Hilton Valley Forge
251 West DeKalb Pike
King of Prussia, PA 19406-2421
A franchised hotel.

Hilton Philadelphia/Cherry Hill, NJ
2349 West Marlton Pike, 08002
A franchised hotel which opened in 1995.

5. Describe the types of documents generated or maintained by your establishment(s) in the Philadelphia, Pennsylvania area concerning the handling and/or generation, storage, treatment, transportation, recycling, formulation, or disposal of any hazardous substance, hazardous waste, pollutant, contaminant or other waste between 1958 and 1976.

   a. Provide a description of the information included in each type of document and identify the person who was/is the custodian of the documents;

   b. Describe any permits or permit applications and any correspondence between your company and/or establishment(s), and any regulatory agencies regarding the transportation and disposal of such wastes; and

   c. Describe any contracts or correspondence between your company and/or establishment(s) and any other company or entity regarding the transportation and disposal of such wastes.

RESPONSE: Hilton objects to the use of the phrase "your establishment(s)," as Hilton did not own or have an ownership interest in any hotels or inns in the Philadelphia, PA area from 1958-1976. Notwithstanding this objection, we have no evidence that

any type of document was generated or maintained by Hilton concerning the handling and/or generation, storage, treatment, transportation, recycling, formulation, or disposal of any hazardous substance, hazardous waste, pollutant, contaminant or other waste at the independently owned and leased hotels with which Hilton had licensing or management agreements between 1970 and 1976. Upon information and belief, such documents are typically negotiated, generated, and retained by the owners of the hotels or inns.

6. Identify every hazardous substance used, generated, purchased, stored, or otherwise handled at your establishment(s) in the Philadelphia. Pennsylvania area between 1958 and 1976. Provide chemical analyses and Material Safety Data Sheets ("MSDS"). With respect to each such hazardous substance, further identify:

   a. The process(es) in which each hazardous substance was used, generated, purchased, stored, or otherwise handled;

   b. The chemical composition, characteristics, and physical state (solid, liquid, or gas) of each such hazardous substance;

   c. The annual quantity of each such hazardous substance used, generated, purchased, stored, or otherwise handled;

   d. The beginning and ending dates of the period(s) during which such hazardous substance was used, generated, purchased, stored, or otherwise handled;

   e. The types and sizes of containers in which these substances were transported and stored; and

   f. The persons or companies that supplied each such hazardous substance to your company.

RESPONSE: Hilton objects to the use of the phrase "your establishment(s)," as Hilton did not own or have an ownership interest in any hotels or inns in the Philadelphia, PA area from 1958-1976. Notwithstanding this objection, we have no information.

7. Identify all by-products and wastes generated, stored, transported, treated, disposed of, released or otherwise handled by your establishment(s) in the Philadelphia, Pennsylvania area between 1958 and 1976. With respect to each such by-product and waste identified, further provide:

   a. The process(es) in which each such by-product and waste was generated, stored, transported, treated, disposed of, released, or otherwise handled;

b. The chemical composition, characteristics, and physical state (solid, liquid, or gas) of each such by-product or waste;

c. The annual quantities of each such by-product and waste generated, stored, transported, treated, disposed of, released, or otherwise handled;

d. The types, sizes, and numbers of containers used to treat, store, or dispose of each such by-product or waste;

e. The name of the individual(s) and/or company(ies) that disposed of or treated each such by-product or waste; and

f. The location arid method of treatment and/or disposal of each such by-product or waste.

RESPONSE: Hilton objects to the use of the phrase "your establishment(s)," as Hilton did not own or have an ownership interest in any hotels or inns in the Philadelphia, PA area. Notwithstanding this objection, we have no such information.

8. Did your company ever contract with, or make arrangements with Clearview, Folcroft, Folcroft Annex, Eastern Industrial, Tri-County Hauling, S. Buckley Trash Hauling, Barratt Rupurt, McCloskey Engineering, ABM Disposal Services, Marvin Jonas, Jonas Waste Removal, Paolino Company, Schiavo Bros., Inc., Inc. and/or any other company or municipality to remove or transport material from your establishment(s) in the Philadelphia, Pennsylvania area between 1958 and 1976 for disposal? If so, for each transportation identified above, please identify:

a. The person with whom you made such a contract or arrangement;

b. The date(s) on which or time period during which such material was removed or transported for disposal;

c. The nature of such material, including the chemical content, characteristics, and physical state (i.e., liquid, solid, or gas);

d. The annual quantity (number of loads, gallons, drums) of such material;

e. The manner in which such material was containerized for shipment or disposal;

f. The location to which such material was transported for disposal;

g. The person(s) who selected the location to which such material was transported for disposal;

h. The individuals employed with any transporter identified (including truck drivers, dispatchers, managers, etc.) with whom your establishment dealt concerning removal or transportation of such material; and

i. Any billing information and documents (invoices, trip tickets, manifests, etc.) in your possession regarding arrangements made to remove or transport such material.

RESPONSE: Hilton objects to the use of the phrase "your establishment(s)," as Hilton did not own or have an ownership interest in any hotels or inns in the Philadelphia area. Notwithstanding this objection, and upon information and belief, Hilton did not contract or make arrangements with the entities listed above.

9. Provide the names, titles, areas of responsibility, addresses, and telephone numbers of all persons who, between 1958 and 1976, may have:

a. Disposed of or treated materials at Clearview, Folcroft and Folcroft Annex or other areas of the Site;

b. Arranged for the disposal or treatment of materials at Clearview, Folcroft and Folcroft Annex or other areas of the Site; and/or

c. Arranged for the transportation of materials to Clearview, Folcroft and Folcroft Annex or other areas of the Site (either directly or through transshipment points) for disposal or treatment.

RESPONSE: Hilton objects to this question as it is overbroad to the extent it is asking for all persons who may have disposed, treated, arranged for the disposal or treatment, or arranged for the transportation to Clearview, Folcroft and Folcroft Annex or other areas of the Site. Notwithstanding this objection, and upon information and belief, Hilton has no information regarding who may have used the Sites listed above.

10. For every instance in which your establishment(s) disposed of or treated material at Clearview, Folcroft and Folcroft Annex or other areas of the Site, or arranged for the disposal or treatment of material at the Site, identify:

a. The date(s) on which such material was disposed of or treated at the Site;

b. The nature of such material, including the chemical content, characteristics, and physical state (i.e., liquid, solid, or gas);

c. The annual quantity (number of loads, gallons, drums) of such material;

d. The specific location on the Site where such material was disposed of or treated; and

e. Any billing information and documents (invoices, trip tickets, manifests, etc.) in your company's or establishment's(s') possession regarding arrangements made to dispose of or neat such material at the Site.

RESPONSE: Hilton objects to the use of the phrase "your establishment(s)," as Hilton did not own or have an ownership interest in any hotels or inns in the Philadelphia, PA area during the relevant time period. Notwithstanding this objection, and upon information and belief, Hilton has no information other than that provided by the United States Environmental Protection Agency.

11. Did your establishment(s), or any other company or individual ever spill or cause a release of any chemicals, hazardous substances, and/or hazardous waste, and/or non-hazardous solid Waste on any portion of Clearview, Folcroft and Folcroft Annex or any other portion of the Site? If so, identify the following:

a. The date(s) the spill(s)/release(s) occurred;

b. The composition (i.e., chemical analysis) of the materials which were spilled/released;

c. The response made by you or on your behalf with respect to the spill(s)/release(s); and

d. The packaging, transportation, and final disposition of the materials which were spilled/released.

RESPONSE: Objection: This question is overbroad to the extent it is asking for any information regarding any other company or individual. Notwithstanding this objection, to the extent that this question asks for information regarding Hilton, and upon information and belief, the answer is no.

12. Please identify individuals employed by your establishment(s) who were responsible for arranging for the removal and disposal of wastes, and individuals who were responsible for payments, payment approvals, and record keeping concerning such waste removal transactions as your Philadelphia, Pennsylvania area establishment(s) between 1958 and 1976. Provide current or last known addresses and telephone numbers where they may be reached. If these individuals are the same persons identified by your answer to question 3, so indicate.

RESPONSE: Hilton objects to the use of the phrase "your ...establishment(s)," as Hilton did not own or have an ownership interest in any hotels or inns in the Philadelphia, PA

area. Hilton also objects to the use of the phrase "arranging for disposal" to the extent it may call for a legal conclusion. Notwithstanding this objection, and upon information and belief, Hilton did not employ personnel who were responsible for the removal and disposal of wastes at the hotels and inns in the Philadelphia, PA area from 1958-1976. Typically, the General Manager of a hotel would be responsible for payments and payment approvals. Mr. Arthur N. Gimson, identified in the response to question 3, above, was the General Manager of the Hilton Hotel of Philadelphia at the opening of the Hilton Hotel of Philadelphia in February, 1975.

13. Did you or any person or entity on your behalf ever conduct any environmental assessments or investigations relating to contamination at Clearview, Folcroft and Folcroft Annex or any other areas of the site? If so, please provide all documents pertaining to such assessments or investigations.

RESPONSE: No.

14. If you have any information about other parties who may have information which may assist the EPA in its investigation of the Site, including Clearview, Folcroft and Folcroft Annex., or who may be responsible for the generation of, transportation to, or release of contamination at the Site, please provide such information. The information you provide in response to this request should include the party's name, address, telephone number, type of business, and the reasons why you believe the party may have contributed to the contamination at the Site or may have information regarding the Site.

RESPONSE: The owners, landlords, tenants, and managing companies of the hotels and inns referenced in the response to question 4, above, may have records or other information.

15. Representative of your establishment(s):

    a. Identity the person(s) answering these questions on behalf of your establishment(s), including full name, mailing address, business telephone number, and relationship to the company.

    b. Provide the name, title, current address, and telephone number of the individual representing your establishment(s) to whom future correspondence or telephone calls should be directed.

RESPONSE: Ted C. Raynor, Senior Counsel, Hilton Hotels Corporation, 755 Crossover Lane, Memphis, TN 38117; telephone: 901-374-6021; facsimile: 901-374-5050; e-mail: ted_raynor@hilton.com.

Please direct all future correspondence regarding this matter to:

Monica L. Fries, Esq.
Husch & Eppenberger, LLC
100 North Broadway
Suite 1300
St. Louis, MO 63102
monica.fries@husch.com
Telephone: 314.622.0625
Fax: 314.421.0239

Gregory M. Leitner, Esq.
Husch & Eppenberger, LLC
736 Cherry Street, Chattanooga, TN 37402-1909;
Telephone: 423-755-2652
Fax: 423-266-5499
e-mail: gregory.leitner@husch.com.

16. If any of the documents solicited in this information request are no longer available, please indicate the reason why they are no longer available. If the records were destroyed, provide us with the following:

    a. Your document retention policy;

    b. A description of how the records were/are destroyed (burned, archived, trashed, etc.) and the approximate date of destruction;

    c. A description of the type of information that would have been contained in the documents; and

    d. The name, job title, and most current address known to you of the person(s) who would have produced these documents; the person(s) who would have been responsible for the retention of these documents; and the person(s) who would have been responsible for the destruction of these documents.

RESPONSE: Hilton objects to the presumption that such documents existed and if they existed were in the possession and control of Hilton. Notwithstanding this objection, the question is not applicable.

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(HHC/MA 101-9/72)

MANAGEMENT AGREEMENT

LOCATION: PHILADELPHIA

DATED: MARCH 26, 1973

BY AND BETWEEN

OWNER: PARCEL EIGHT HOTEL, INC.

AND

MANAGER: HILTON HOTELS CORPORATION

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PARCEL EIGHT HOTEL, INC., OWNER
AND
HILTON HOTELS CORPORATION, MANAGER

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MANAGEMENT AGREEMENT

THIS AGREEMENT, made as of MARCH 26, 1973, by and between PARCEL EIGHT HOTEL, INC., A PENNSYLVANIA CORPORATION (the "Owner"), having its principal offices at c/o FRANKEL ENTERPRISES, 1845 WALNUT STREET, PHILADELPHIA, PA. 19103 and HILTON HOTELS CORPORATION, a Delaware corporation ("Hilton"), having its principal offices at 720 South Michigan Avenue, Chicago, Illinois 60605;

WITNESSETH:

WHEREAS, Owner intends to construct, furnish and equip a first-class hotel or inn on the site herein described, in accordance with the plans, specifications and designs hereinafter provided for; and

WHEREAS, Hilton, together with its affiliates, is engaged in the ownership and operation of hotels and inns throughout the United States and in the course of its business has designed, furnished and equipped numerous hotels and inns, and has experience in various phases of hotel and inn management and operation;

WHEREAS, Owner is desirous of utilizing the services and experience of Hilton in connection with the construction, furnishing, equipping and operation of the proposed hotel, and Hilton desires to render such services, all upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, Owner and Hilton agree as follows:

ARTICLE I

DEFINITIONS

1.01 **Definitions.** As used herein, the following terms shall have the respective meanings indicated below:

: PARAGRAPHS ND 2 OF ENDUM

(a) **Site (Ground Lease)** — the parcel or parcels of real estate described in Exhibit 1 hereto (and the Ground Lease, if any, described in Exhibit 1-A hereto, under which the Site is held).

(b) **Building** — all buildings, structures and improvements now or hereafter located on the Site.

(c) **Premises** — a collective term for the Site and Building, and Owner's interest therein, whether such interest be a fee or leasehold estate, together with all entrances, exits, rights of ingress and egress, easements and appurtenances thereunto belonging or appertaining thereto.

(d) **Furnishings and Equipment** — all furniture, furnishings and equipment required for the operation of a hotel, including, without limitation, office furniture and equipment, including safes, cash registers, and accounting, duplicating and communication equipment, and specialized hotel equipment, including equipment required for the operation of kitchens, laundries, dry-cleaning facilities, bars and cocktail lounges, and special lighting and other equipment, and all other fixtures, equipment, apparatus and personal property needed for such purpose, other than Operating Equipment (as defined below), and other than fixtures attached to and forming part of the Building.

(e) **Operating Equipment** — all chinaware, glassware, linens, silverware and uniforms required for the operation of a hotel.

(f) **Operating Supplies** — food and beverages and other immediately consumable items used in the operation of the Hotel, such as fuel, soap, cleaning material, matches, stationery and similar items.

(g) **Hotel** — a collective term for the Premises, the Furnishings and Equipment and Operating Equipment.

(h) **Capital Improvements** — any alteration or addition to, or rebuilding or renovation of the Building, the cost of which is not charged to repairs and maintenance.

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(i) **opening date** — the date, as jointly announced by Owner and Hilton, that the Hotel shall be formally opened to the public as an operating Hotel.

(j) **operating period** — the period beginning with the opening date and ending upon the expiration or termination of this Agreement.

(k) **operating years** — the operating years shall coincide with and be identical with the calendar years, except that the "first operating year" shall be the period beginning on the opening date and ending on the following December 31.

(l) **other Hilton hotels and inns** — all other hotels and inns within the United States owned, leased and/or operated, directly or indirectly, by Hilton and its affiliates.

(m) **wholly owned Hilton hotels and inns** — those hotels and inns within the United States which are wholly owned (in fee or through leasehold estates) by Hilton, and operated for its own account.

(n) **legal requirements** — all laws, statutes, ordinances, orders, rules, regulations, permits, licenses, authorizations, directions and requirements of all governments and governmental authorities, which now or hereafter, may be applicable to the Hotel and the operation thereof.

(o) **insurance requirements** — all terms of each insurance policy, and all orders, rules, regulations and other requirements of the National Board of Fire Underwriters (or any other body exercising similar functions) applicable to the Hotel or the operation thereof; such phrase shall not include recommendations of the insurance carriers.

(p) **impositions** — all taxes, assessments, water, sewer or other rents, rates and charges, levies, license fees, permit fees, inspection fees and any other authorization fees and charges, which at any time may be assessed, levied, confirmed, or imposed on the Hotel and the operation thereof.

(q) **permitted encumbrances** — (i) the terms of the Ground Lease (if any); (ii) the Mortgage (as defined below) and the terms thereof; (iii) liens for impositions not delinquent; (iv) undetermined or inchoate liens or charges for labor or materials supplied to the Hotel in connection with the construction or current operation thereof, which have not at the time been filed or recorded pursuant to law; and (v) easements, restrictions on use, zoning

laws and ordinances, rights of way and other encumbrances and minor irregularities in title, which do not individually or in the aggregate impair the use of the Premises for hotel purposes.

(r) **compensation** — the direct salaries and wages paid to any executive or other employee, together with all fringe benefits to which such employee is entitled, including employer's contribution of F.I.C.A., unemployment compensation, or other employment taxes, pension fund contributions, workmen's compensation, group life and accident and health insurance premiums, and profit sharing, retirement, disability and other similar benefits.

(s) **technical assistance services** — those advisory and consulting services which Hilton and its affiliates render to all Hilton operated hotels and inns in connection with the design, planning, construction, organization and operation thereof, through specialists regularly employed, or retained, by Hilton and its affiliates, through which Hilton's unique experience in the field is made available to various hotels and inns.

(t) **Annual Plan(s)** — as defined in Section 4.02.

(u) **Group Services** — as defined in Section 4.03.

(v) **Uniform System of Accounts for Hotels** — as defined in Section 6.04.

(w) **Mortgage and Mortgagee** — as defined in Section 8.05.

(x) **Owner** — the person or entity named in the preambles hereto, and the successor at the time of Owner's interest with respect to this Agreement.

(y) **Hilton** — Hilton Hotels Corporation, or its successor at the time with respect to this Agreement.

(z) **Hilton and its affiliates** — Hilton and all corporations, partnerships and other entities directly or indirectly controlled by, controlling, or subject to direct or indirect common control of Hilton.

1.02 **References.** Except as otherwise specifically indicated, all references to Section and Article numbers refer to Section and Article numbers of this Agreement, and the words "herein", "hereof", "hereunder", "hereinafter", and words of similar import refer to this Agreement as a whole and not to any particular section or subdivision thereof.

ARTICLE II

TERM—RENEWAL TERMS

~~2.01 The Term. The term of this Agreement shall commence on the~~ date hereof and shall expire at midnight on December 31 of the 20th full calendar year following the opening date, subject to Hilton's renewal options under Section 2.02 below, and to sooner termination as hereinafter provided. SEE PAR. 3 OF ADDENDUM

2.02 **Renewal Terms.** Hilton shall have the right to extend the term of this Agreement for two successive periods of 10 years each, upon the same terms and conditions as are herein contained. Hilton may exercise its rights of renewal by written notice to Owner given, with respect to the first renewal term, not later than April 1 of the 19th full operating year of the original term, and, with respect to the second renewal term, not later than April 1 of the 9th operating year of the first renewal term. The phrase "term of this Agreement", as used herein, shall mean the original term and any renewal ~~term then in effect under this Section 2.02.~~

ARTICLE III

CONSTRUCTION—PRE-OPENING PERIOD

3.01 **Construction, Furnishing and Equipping of the Hotel.** Attached hereto as Exhibit 3 is a description of the preliminary plans and specifications, including landscaping, for the Hotel, and the preliminary program for the interior design, decorating, furnishing and equipping thereof, and attached hereto as Exhibit 4 is an outline of the plan of financing pursuant to which the Hotel is to be constructed, furnished, equipped and put into operation, all of which have been previously approved by Hilton. With all reasonable diligence, and in accordance with such plans, specifications and other previously approved submissions, Owner agrees to build the Hotel, together with all such other facilities and appurtenances as are necessary for the operation of the Hotel under standards comparable to those prevailing in recently constructed other Hilton hotels and inns, including, without limitation: (i) restaurants, bars, and banquet and meeting and other public rooms; (ii) commercial space, including concessions and shops; (iii) executive operating offices; (iv) ~~garage and~~ parking space; (v) storage and

service areas; (vi) recreational facilities and areas, including a swimming pool; and (vii) public grounds and gardens. Owner shall also provide or install in the Hotel all Furnishings and Equipment and Operating Equipment necessary for the operation thereof in accordance with such standards. Any substantial changes or departures from the plans, specifications and other submissions identified in Exhibit 3, or from the plan of financing outlined in Exhibit 4, shall be subject to the mutual approval of Hilton and Owner.

3.02 **Technical Assistance Services — Pre-Opening Period.** Through its technical assistance services program, Hilton will render the following services to Owner during the pre-opening period:

(a) Hilton shall assist Owner in formulating preliminary architectural designs and plans for the Hotel, including landscaping, and preliminary layouts, drawings and designs for the interior of the Hotel and the furnishing and equipping thereof, and in connection with this preliminary design phase, will recommend to Owner room sizes and layouts and other criteria and specifications for the facilities to be included in the Hotel.

(b) Hilton will recommend to Owner firms of architects, contractors, engineers, designers, decorators, landscape architects and such other specialists and consultants as shall be necessary for completing the Hotel, all such firm or firms, and the agreements under which they are retained, to be mutually approved by Owner and Hilton.

(c) Hilton shall consult with, and render advice to, the Owner and such firms in connection with the preparation of full and adequate plans and specifications, layouts, drawings and designs, both interior and exterior, with respect to the Site, the Building and the Furnishings and Equipment, all of which must be approved by both Owner and Hilton.

(d) Hilton will provide overall coordination for the various phases of the project from preliminary planning through the construction, furnishing and equipping of the Hotel, and will maintain liaison between the various agents and specialists providing services to the project.

(e) Hilton will assist Owner in preparing budgets for the purchase of Furnishings and Equipment and Operating Equipment for the Hotel, will make available to Owner all of its facilities and contacts

for the purchasing of such items, and, subject to the provisions of Section 10.01 hereof, shall recommend a firm or firms from which such items may be purchased. Owner, or Hilton, as agent for Owner, will purchase the said Furnishings and Equipment and Operating Equipment. Duplicates of all purchase requisitions and orders, upon issuance, which are not prepared by Hilton, shall be sent to Hilton at an office designated by Hilton.

Although described in the future tense, it is understood that Hilton may have already commenced rendering technical assistance services and other services to the Hotel, and in this connection Owner has deposited with Hilton funds in the amount of $20,000 against the cost thereof, which deposit, upon the execution of this Agreement, shall become non-refundable. The balance of the said deposit shall be applied against reimbursements hereafter becoming due to Hilton under the provisions of Section 3.05 hereof.

3.03 **Organization; Training; Advertising and Promotion.** In order to prepare the Hotel for full operations, Hilton will render the following additional services to Owner during the pre-opening period:

(a) Hilton will prepare and submit for Owner's approval, and put into effect as soon as possible after receiving such approval, a plan for the organization, services and sales and promotion program for the Hotel.

(b) Hilton will also put into effect programs to secure business and bookings for the Hotel's facilities and, subject to the approval of Owner, will undertake to secure and consummate arrangements with concessionaires, licensees, tenants, and other intended users of the facilities of the Hotel.

(c) Hilton will recruit and train for and on behalf of the Owner the initial staff of the Hotel through such training programs and other training techniques as Hilton shall deem advisable, and will test the proposed operation of the Hotel by preparing and serving food and beverages and generally operating the Hotel for a test period of not in excess of 60 days, immediately prior to the opening date.

(d) Hilton will arrange appropriate opening festivities.

3.04 **Pre-Opening Budget.** Hilton will prepare and submit for Owner's approval a pre-opening budget covering (i) technical assistance services,

(ii) compensation of the employees of the Hotel during the pre-opening period, (iii) the training program, (iv) the sales and promotion program, (v) opening festivities; and (vi) all other pre-opening expenses. Subject to the provisions of Section 10.02, the pre-opening expenses shall not exceed the budget prepared therefor, provided that Hilton shall be entitled to reallocate the amount budgeted with respect to any item, to other items budgeted therein, so long as the total amount of expenditures authorized do not exceed the overall budget.

PAR. 4 ADDENDUM

3.05 **Reimbursements to Hilton—Pre-Opening Period.** Hilton shall not be entitled to a fee in connection with the technical assistance services and other services rendered during the pre-opening period, but it shall be entitled to be reimbursed for all costs and expenses incurred in connection therewith, subject to the budget limitations referred to in the preceding Section 3.04. Such costs and expenses will include, without limitation,

(a) the compensation payable to all officers and employees of Hilton and its affiliates (other than senior executive officers of Hilton, i.e., divisional vice presidents and above) while at the Hotel or traveling on an assignment for the specific benefit of the Hotel;

(b) reasonable travel and entertainment expenses of all officers and employees of Hilton and its affiliates incurred in connection with any phase of the development of the Hotel;

(c) the compensation and expenses paid or reimbursed to all specialists, not regularly employed by Hilton, rendering services to the Hotel, provided that the employment of such specialists shall have been approved by Owner;

(d). the compensation, if any, paid by Hilton to any member of the executive staff or other employees of the Hotel;

(e) the cost of any Furnishings and Equipment, Operating Equipment and Operating Supplies purchased and paid for by Hilton, as Owner's agent, for the Hotel;

(f) the cost of all other services and facilities made available to the Hotel (on an allocated basis with respect to the cost of services and facilities made available, but not on an exclusive basis to the Hotel).

During the pre-opening period, Hilton shall submit monthly statements for

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such costs and expenses and such statements will be paid by Owner to Hilton promptly upon receipt thereof.

3.06 **Services of Hilton Affiliates.** If during either the pre-opening or operating periods, Hotel Equipment Corporation, Statler-Hilton Studios, or other like affiliates of Hilton, renders services to the Hotel beyond the scope of technical assistance services, such as furnishing the actual interior design for the rooms or other facilities in the Hotel (as distinguished from advisory or consulting services in connection therewith), the charges made to the Hotel for such services shall be on the same basis as those made to wholly owned Hilton hotels and inns. The employment of any Hilton affiliate to render such services shall be subject to the prior approval of Owner. SEE PAR. 5 OF ADDENDUM

ARTICLE IV

OPERATING PERIOD

4.01 **Grant to Hilton.** Owner hereby grants to Hilton the sole and exclusive right to supervise and direct the management and operation of the Hotel pursuant to the terms of this Agreement, and Hilton agrees that it will supervise and direct the management and operation of the Hotel as a first-class hotel comparable to other Hilton hotels and inns. In accordance with the foregoing, Hilton shall have the right to determine operating policy, standards of operation, quality of service and any other matters affecting customer relations. All phases of promotion and publicity with respect to the Hotel and the Group Services shall be solely and exclusively the responsibility of Hilton. Owner agrees that it will cooperate with Hilton in every reasonable and proper way to permit and assist Hilton to carry out its duties hereunder. SEE PAR. 6 OF ADDENDUM

4.02 **Annual Plans.**

A. Hilton will submit the following budgets (herein called the "Annual Plans") to Owner at least 30 days in advance of the first operating year and each operating year thereafter:

(a) An estimated profit and loss statement, in reasonable detail, for the ensuing operating year, including a schedule of hotel room rentals (and cabana rentals, if applicable).

(b) Estimates for such ensuing year, covering expenditures for (i) repairs and maintenance, (ii) the purchase of Operating Equipment, (iii) the purchase of Furnishings and Equipment, (iv) Capital Improvements, and (v) separate advertising, business promotion and personnel programs of the Hotel (as distinct from the programs included in Group Services).

The Annual Plans will be subject to the approval of the Owner, and Owner hereby agrees to examine each Annual Plan submitted to it by Hilton in accordance with the foregoing, and if found reasonable and proper, it will then approve such Annual Plan, it being contemplated that the Annual Plan will be agreed upon by the parties hereto within 20 days after submission of the same by Hilton to Owner. In case of a dispute with regard to an Annual Plan, then, pending the settlement thereof, Hilton will be entitled to continue to operate the Hotel in accordance with the standards herein set forth at levels of expenditure comparable to those of the preceding year, and in connection therewith to make such expenditures from Owner's funds as it reasonably deems necessary for such continued operations.

B. As a minimum, the Annual Plans will provide for an expenditure of an amount equal to ~~4%~~ 3% of gross revenues of the Hotel (determined in accordance with the Uniform System of Accounts for Hotels) for repairs and maintenance, and for replacement of Furnishings and Equipment, in the first through the third operating years, ~~5½%~~ 4% of gross revenues in the fourth through the tenth operating years, and ~~7%~~ 5% of gross revenues in each operating year thereafter. With respect to the first operating year, the parties recognize that there may be unforeseen expenditures required to correct omissions or errors made in connection with the construction of the Hotel and in the level and quality of Furnishings and Equipment, Operating Equipment and Operating Supplies, and therefore agree that they will immediately consult with reference thereto and that such deficiencies shall be corrected with the approval of both Hilton and Owner, without regard to the budget estimates for such first operating year.

C. Subject to the provisions of Section 10.02 hereof, Hilton shall at all times comply with the applicable Annual Plan, and shall not deviate in any substantial respect therefrom, provided, however, that Hilton shall be entitled to reallocate the amount budgeted with respect to any item in such

Annual Plan, to another item budgeted therein, so long as the total amount of expenditures authorized thereunder shall not be exceeded. Notwithstanding the foregoing, Hilton shall be entitled to make additional expenditures not authorized under the then applicable Annual Plan, in case of emergencies arising out of fire or any other like or unlike casualty, or in order to comply with any applicable legal or insurance requirements. SEE PAR. 4 OF ADDENDUM

4.03 **Group Services.** Hilton and its affiliates will furnish to the Hotel the benefits of those group services and facilities furnished to other Hilton hotels and inns, such as (a) group advertising and business promotion services for both individual guests and conventions, (b) central purchasing and procuring services, (c) the Hilton Reservation Service, (d) credit services and (e) all other services and facilities now or hereafter furnished as a group to other Hilton hotels and inns; all such services and facilities being herein referred to as "Group Services". With respect to credit services, Owner agrees that the Hotel's policy regarding association with any credit card system shall be in conformity with Hilton's general policy at the time in effect, and with respect to the Hilton Reservation Service, Owner shall provide, on a rent free basis, sufficient space in the vicinity of the front desk or other mutually agreeable area in the Hotel for the maintenance of a Hilton Reservation Service Office.

4.04 **Technical Assistance Services—Operating Period.** During the operating period Hilton, through its technical assistance services program, will provide, as needed, supervisory and control services to the Hotel's front office, food and beverage, personnel and other operating departments.

4.05 **Personnel.** A. Hilton will hire, promote, discharge and supervise the work of the executive staff of the Hotel (i.e., the general manager, the assistant managers, department heads and other key personnel), and will supervise through said executive staff the hiring, promotion, discharge and work of all other operating and service employees of the Hotel. Except as provided in paragraph C of this Section 4.05, all such employees shall be on Owner's payroll and Hilton shall not be liable to such employees for their compensation. Hilton will not enter into any agreement with any person

as Owner's employee for a period in excess of one year, or for a direct compensation in excess of $15,000 per year, without the consent of Owner.

PAR. 9 ADDENDUM

B. Hilton will negotiate, on the Owner's behalf, with any labor union lawfully entitled to represent such employees, but any collective bargaining agreement or labor contract resulting therefrom must be approved and executed by Owner.

C. Hilton may assign employees of Hilton and its affiliates as members of the executive staff of the Hotel. During the period of such assignment, such employees will be paid their regular compensation (without regard to the limitations of the last sentence of paragraph A of this Section 4.05 in cases of temporary assignments for specific purposes, i.e., the reorganization of the front office), such compensation to be paid directly by Owner, or Hilton, at its option, may pay all or a part of such compensation, in which case it will be reimbursed by Owner therefore, as provided in Section 4.07.

D. If OWNER AND Hilton deems it advisable, the general manager and the housekeeper will reside at the Hotel, in which case, in addition to their salaries, they will receive the normal maintenance customarily provided to such employees of a Hilton hotel or inn, i.e., room, board, laundry and valet. The general manager shall also be reimbursed for all reasonable business expenses, including business entertainment and travel expenses. The rooms in the Hotel to be occupied by the general manager and housekeeper shall be subject to the approval of both Hilton and Owner.

E. If, in the reasonable opinion of OWNER AND Hilton, it is desirable at any time during the term of this Agreement to provide for the benefit of the employees of the Hotel pension, profit sharing or other employee retirement, disability, health and welfare or other benefit plans similar to those now or hereafter applicable to employees of other Hilton hotels and inns, Owner shall either (i) elect to adopt, and pay its allocable share for, such Hilton plan or plans as an employer, provided the provisions of such plan or plans permit such action, or (ii) establish a similar independent plan or plans providing comparable benefits for the employees of the Hotel.

4.06 **Additional Responsibilities of Hilton.** Hilton will, either in its own name or in the name of Owner, perform the following additional services, or cause the same to be performed for the Hotel:

(a) subject to the approval of Owner, consummate arrangements with concessionaires, licensees, tenants, or other intended users of the facilities of the Hotel; SEE PAR. 8 OF ADDENDUM

(b) enter into such contracts for the furnishing of utilities and maintenance and other services to the Hotel, as Hilton deems necessary for the proper operation and maintenance thereof;

(c) subject to the applicable Annual Plans, make all repairs, decorations, revisions, alterations and improvements to the Hotel as are necessary for the proper maintenance thereof in good order, condition and repair;

(d) purchase such Operating Supplies as Hilton deems necessary or advisable for the operation of the Hotel;

(e) apply for, obtain and OR PARCEL EIGHT ASSOCIATES maintain all licenses and permits required of the Owner or Hilton in connection with the operation and management of the Hotel; Owner agrees to execute and deliver any and all applications and other documents and to otherwise cooperate to the fullest extent with Hilton in applying for, obtaining and maintaining such licenses and permits;

(f) do or cause to be done, all such acts and things in and about the Hotel as shall be necessary to comply with all legal and insurance requirements, and to discharge any lien, encumbrance or charge on or with respect to the Hotel and the operation thereof, other than permitted encumbrances; SEE PAR. 9 OF ADDENDU

~~(g) pay all impositions~~; SEE PAR. 10 OF ADDENDU

(h) use its best efforts to cause the Hotel to comply with all applicable covenants and provisions of the Ground Lease (if any) and of the Mortgage, other than the payment of rental under the Ground Lease and the payment of the installments of principal and interest on the Mortgage, which payments shall be the obligation of Owner;

(i) institute any and all legal actions or proceedings to collect charges, rent or other income from the Hotel or to dispossess guests, tenants

or other persons in possession therefrom, or to cancel or terminate any lease, license or concession agreement for default thereunder by the tenant, licensee, or concessionaire; provided, however, that without the consent of Owner, Hilton shall not institute any proceedings to terminate any lease, license or concession agreement having a then unexpired term of one year or more.

4.07 **Reimbursements to Hilton—Operating Period.** In addition to the Management Fee provided for in Section 4.09, during the operating period Hilton and its affiliates shall be entitled to be reimbursed for the following costs and expenses incurred in rendering services to the Hotel:

(a) the Hotel's pro rata share of all costs and expenses incurred in connection with the rendition of Group Services, allocated on the same basis as allocations to wholly owned Hilton hotels and inns;

(b) all costs and expenses of any separate advertising and business promotion programs of the Hotel alone, separate and distinct from other Hilton hotels and inns;

(c) the compensation payable to all officers and employees of Hilton and its affiliates (other than senior executive officers of Hilton, i.e., divisional vice presidents and above) while at the Hotel or traveling on an assignment for the specific benefit of the Hotel;

(d) reasonable travel and entertainment expenses of all officers and employees of Hilton and its affiliates incurred in connection with any phase of the operation of the Hotel;

(e) compensation paid by Hilton or its affiliates to employees assigned to the Hotel under the provisions of paragraph C of Section 4.05.

Statements covering the aforesaid reimbursements shall be submitted by Hilton to Owner and paid to Hilton promptly upon receipt thereof.

4.08 **Standard of Performance.** Hilton agrees that during the term of this Agreement it shall use its best efforts to supervise and direct the management and operation of the Hotel in accordance with the standards herein set forth and consult with the Owner, and keep the Owner advised, as to all major policy matters relating to the Hotel. It is understood that many of the

undertakings of Hilton contained in this Agreement will under ordinary circumstances be performed by the executive staff and other employees of the Hotel, all of whom will be employees of Owner, except in those instances where Hilton has assigned its own employees to the staff of the Hotel pursuant to the provisions of paragraph C of Section 4.05. It is therefore agreed that Hilton shall not be liable to Owner or others for the failure to perform any duty hereunder to the extent that such failure is due to the act or omission of Owner's employees, provided that Hilton has used reasonable diligence in the hiring, discharge and supervision of the executive staff, and the supervision through such executive staff of the hiring, discharge and supervision of the other operating and service employees of the Hotel.

4.09 **Management Fee.** In addition to the reimbursements required under Section 4.07, for its services hereunder during the operating period, Owner shall pay to Hilton the management fee computed and made payable as provided in the Management Fee Rider attached hereto.

ARTICLE V

INSURANCE

5.01 **Coverage.** Owner agrees to procure and maintain, or, at the request, and at the expense of Owner, Hilton will procure and maintain, at all times during the term of this Agreement, a minimum of the following insurance:

(a) Insurance on the Hotel (including contents) against loss or damage by fire and lightning and any other perils insurable under the form of extended coverage then available (including specifically vandalism and malicious mischief, if available), all in amounts sufficient to prevent any co-insurance provisions from becoming effective, but in any event in an amount equal to not less than 90% of the full replacement value thereof.

(b) Insurance on the Hotel (including contents) against loss or damage from explosion of boilers, heating apparatus, pressure vessels and pressure pipes installed in the Hotel, without co-insurance clauses so

long as available, in an amount not less than $500,000 with respect to any one accident.

(c) Insurance on the Hotel (including contents) against loss or damage from leakage from any sprinkler systems installed in the Hotel in amounts sufficient to prevent the insured from being a co-insurer within the terms of the applicable policies, but in any event in an amount not less than $200,000 with respect to any one accident.

EE PAR. 11 ADDENDUM

(d) Comprehensive general liability insurance, including automobile, products, liquor, personal, contractual and innkeeper's liability, and if exposure exists, covering watercraft and aircraft liability, either (i) with minimum liability limits of $300,000 for personal injury or death of one person, $1,000,000 for personal injury or death of two or more persons in any one occurrence, and $300,000 for property damage in any one occurrence, or (ii) in an amount not less than $3,000,000 single limit for personal injury and property damage.

(e) Statutory workmen's compensation benefits, and employer's liability insurance in an amount not less than $100,000.

(f) Comprehensive crime insurance, in an amount not less than $100,000.

(g) Business interruption insurance against losses due to fire, lightning and other perils insurable under the form of extended coverage then available, in an amount not less than 80% of the annual business interruption values.

(h) Insurance against such other insurable risks as Hilton may reasonably require.

At least sixty days prior to the beginning of each operating year, the party procuring such insurance will submit to the other party for its approval a schedule setting forth the kinds and amounts of insurance to be maintained during the ensuing operating year in connection with the operation of the Hotel.

5.02 **Policies and Endorsements.** A. All insurance provided for under the above Section 5.01 shall be effected by policies issued by insurance companies of good reputation and of sound and adequate financial responsibility.

The party procuring any of the aforesaid kinds of insurance shall deliver certificates of insurance with respect to all of the policies of insurance so procured, including existing, additional and renewal policies, to the other, and in the case of insurance about to expire, shall deliver certificates of insurance with respect to the renewal policies to the other party not less than ten days prior to the respective dates of expiration.

B. All policies of insurance provided for under this Article V shall, to the extent obtainable, have attached thereto (a) an endorsement that such policy shall not be cancelled or materially changed without at least thirty days' prior written notice to Owner and Hilton, and (b) an endorsement to the effect that no act or omission of Owner or Hilton shall affect the obligation of the insurer to pay the full amount of any loss sustained.

C. All policies of insurance required under clauses (a), (b) and (c) of Section 5.01 shall be carried in the name of the Owner, ~~Hilton~~, the landlord under the Ground Lease (if any) and the Mortgagee, and losses thereunder shall be payable to the parties as their respective interests may appear. Notwithstanding the foregoing, if the Mortgagee is an institutional lender, and so requires, losses may be made payable to the Mortgagee, or to a bank or trust company qualified to do business in the state where the Hotel is located, in either instance as trustee for the custody and disposition of the proceeds therefrom. Owner agrees that any Mortgage shall contain provisions to the effect that the proceeds from any casualty insurance policies shall be available for restoration and shall not be applied against the mortgage indebtedness. All liability policies of a character described in clause (d) of Section 5.01 shall name the Owner and Hilton and their respective officers, agents and employees as insureds. Any policy of insurance of the character described in clause (g) of Section 5.01 shall name Owner and Hilton ~~as insureds.~~

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5.03 **Waiver of Liability.** Neither Hilton nor Owner shall assert against the other, and do hereby waive with respect to each other, any claims for any losses, damages, liability or expenses (including attorneys' fees) incurred or sustained by either of them on account of damage or injury to persons or property arising out of the ownership, operation and maintenance

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of the Hotel, to the extent that the same are covered by the insurance required under this Article V.

5.04 **Insurance by Hilton.** Any insurance provided by Hilton under this Article V will be effected under policies of blanket insurance which may cover other properties of Hilton and its affiliates, and an allocable portion of such premiums will be charged to Owner. Any policies of insurance maintained by Hilton pursuant to the provisions of this Article V may contain deductible and franchise payment provisions in such amounts as are maintained with respect to other Hilton hotels and inns.

ARTICLE VI

ACCOUNTS; WORKING FUNDS; RECORDS AND REPORTS

E PAR. 12 ADDENDUM

6.01 **Hotel Accounts.** Bank accounts for the Hotel will be established at a banking institution or institutions mutually approved by Owner and Hilton, such accounts to be in Hilton's name, as agent for Owner (herein called the "Hotel Accounts"). Hilton will deposit in such Accounts all monies furnished by Owner as working funds under Section 6.03 and all monies received from the operation of the Hotel and will disburse the same for the purposes set forth in the following Section 6.02. Notwithstanding the foregoing, Hilton shall be entitled to maintain such funds as it reasonably deems proper in house banks or in petty cash funds at the Hotel. Subject to the requirements set forth in Section 6.03, Hilton, upon Owner's written request shall transfer such funds as Owner shall request from the Hotel Accounts to a bank account opened and maintained solely by Owner.

E PAR. 13 ADDENDUM

6.02 **Expenditures.** From the Hotel Accounts (or, if appropriate, from house banks or petty cash funds available at the Hotel), Hilton is hereby authorized to pay on behalf of, and in the name of the Owner, such amounts and at such times as are required in connection with the Ownership, mainten-

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ance and operation of the Hotel and related facilities, including without limitation the following:

(a) salaries and expenses of Hotel employees, including the executive staff;

(b) all costs and expenditures incurred or made in connection with the authorized items under Section 4.06 and all other expenditures which Hilton is permitted or required to make under any other provision of this Agreement;

(c) reimbursements and other amounts due to Hilton or its subsidiaries and affiliates, computed as provided in Section 4.07;

(d) premiums for any insurance provided by Hilton in accordance with the provisions of Article V;

(e) the management fee, computed in accordance with the provisions of the Management Fee Rider;

(f) all other reimbursements, indemnifications and other amounts due to Hilton or its subsidiaries and affiliates under any of the provisions of this Agreement.

Subject to the working capital requirements of the following Section 6.03 and the requirements of the then applicable Annual Plan, Hilton, upon request of Owner, shall transfer excess funds from the Hotel Accounts to an account maintained solely by Owner.

6.03 **Working Fund Requirements.** Owner, upon request of Hilton, shall provide funds, to be deposited in Hotel Accounts, as provided in Section 6.01, sufficient at all times to assure the uninterrupted and efficient operation of the Hotel, including without limitation, sufficient funds to pay all of the items described or specified in the preceding Section 6.02. SEE PAR. 11 OF ADDENDU

6.04 **Books and Records.** Under Hilton's supervision, the Hotel shall keep full and adequate books of account and such other records as are necessary to reflect the results of the operation of the Hotel. Such books and records shall be kept in all material aspects in accordance with the Uniform System of Accounts for Hotels (Sixth Revised Edition, 1961) (the "Uniform System of Accounts for Hotels"). It is understood and agreed, however,

that to assure better control of costs and expenses, the Hilton Classification of Accounts shall be used in keeping the books and records of the Hotel.

= PAR. 15 ADDENDUM

6.05 **Reports to Owner.** Hilton will deliver, or cause to be delivered, to Owner the following statements:

(a) on or before the end of each calendar month, a detailed profit and loss statement showing the results of operation of the Hotel for the next preceding calendar month and the year to date, and having annexed thereto a computation in reasonable detail of the management fee for such preceding month and the year to date, calculated as provided in the Management Fee Rider. Such statement and computation shall be prepared by the auditor for the Hotel from the books of accounts of the Hotel;

(b) within ninety (90) days after the end of each operating year, a balance sheet and related statement of profit and loss (including all supporting departmental schedules of revenues and expenses), certified to by an independent public accountant or firm of independent public accountants of recognized standing in the hotel industry retained by the Owner, and approved by Hilton, showing the assets employed in the operation of the Hotel and the liabilities incurred in connection therewith, as at December 31 of the preceding year, and the results of the operation of the Hotel during the preceding year, and having annexed thereto a computation of the management fee for such year, calculated as provided in the Management Fee Rider.

All costs and expenses incurred in connection with the preparation of any statements, schedules, computations and other reports required under this Section 6.05 shall be borne by the Owner.

= PAR. 16 ADDENDUM

6.06 **Owner's Right of Inspection and Review.** Hilton shall accord to Owner, its accountants, attorneys and agents, the right to enter upon any part of the Hotel at all reasonable times during the term of this Agreement for the purpose of examining or inspecting the same or examining and making extracts of books and records of the Hotel or for any other purpose which the Owner, in its discretion, shall deem necessary or advisable, but same shall be done with as little disruption to the business of the Hotel as possible. Books and records of the Hotel shall be kept at the Hotel or at such other place as the parties may hereafter agree.

ARTICLE VII

TERMINATION RIGHTS

7.01 *Defaults by Hilton.* *If any one of the following events shall* happen:

(a) if Hilton shall fail to keep, observe or perform any material covenant, agreement, term or provision of this Agreement to be kept, observed or performed by Hilton, and such default shall continue for a period of 60 days after notice thereof by Owner to Hilton;

(b) if Hilton shall apply for or consent to the appointment of a receiver, trustee or liquidator of Hilton or of all or a substantial part of its assets, file a voluntary petition in bankruptcy, or admit in writing its inability to pay its debts as they come due, make a general assignment for the benefit of creditors, file a petition or an answer seeking reorganization or arrangement with creditors or to take advantage of any insolvency law, or file an answer admitting the material allegations of a petition filed against Hilton in any bankruptcy, reorganization or insolvency proceeding, or if an order, judgment or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating Hilton a bankrupt or insolvent or approving a petition seeking reorganization of Hilton or appointing a receiver, trustee or liquidator of Hilton or of all or a substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of 60 consecutive days;

then Owner shall have the right to terminate this Agreement upon ten-days written notice to Hilton given at any time after the period of grace applicable thereto, and thereupon this Agreement shall terminate upon the expiration of such five-day period.

7.02 **Defaults by Owner.** If any one of the following events shall happen: SEE PARA. 1 OF ADDENDU

(a) The Owner shall fail to provide funds to be deposited in the Hotel Accounts in accordance with the provisions of Section 6.03, and such failure shall continue for a period of 10 days after written notice by Hilton requesting that such funds be so provided; or

(b) the Owner shall fail to keep, observe or perform any material covenant, agreement, term or provision of this Agreement to be kept, observed or performed by Owner, and such default shall continue for a period of 60 days after notice thereof by Hilton to the Owner; or

(c) if, without the fault of Hilton, (i) any required licenses for the sale of alcoholic beverages in the Hotel are not issued prior to the opening date of the Hotel, (ii) any required licenses are at any time suspended, terminated or revoked and such suspension, termination or revocation shall continue unstayed and in effect for a period of 60 consecutive days, or (iii) if the right to serve alcoholic beverages in the Hotel shall otherwise be suspended for a period of 60 consecutive days; or

(d) if the Owner shall apply for or consent to the appointment of a receiver, trustee or liquidator of the Owner or of all or a substantial part of its assets, file a voluntary petition in bankruptcy or admit in writing its inability to pay its debts as they come due, make a general assignment for the benefit of creditors, file a petition or an answer seeking reorganization or arrangement with creditors or to take advantage of any insolvency law, or file an answer admitting the material allegations of a petition filed against the Owner in any bankruptcy, reorganization or insolvency proceeding, or if an order, judgment or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating the Owner a bankrupt or insolvent or approving a petition seeking reorganization of the Owner or appointing a receiver, trustee or liquidator of the Owner or of all or a substantial part of the assets of the Owner, and such order, judgment or decree shall continue unstayed and in effect for any period of 60 consecutive days; or

E PAR. 17 ADDENDUM

~~(e) if because of a default by Owner under the Ground Lease (if any)~~ or the Mortgage, the landlord or Mortgagee~~, as the case~~ may be, shall declare a default~~, or take~~ any other action in pursuance of ~~the remedies arising as a result of such default;~~

then Hilton shall have the right to terminate this Agreement upon ten-days written notice to Owner given at any time after the period of grace applicable to any such default, and thereupon this Agreement shall terminate upon the expiration of such ~~five~~ TEN-day period.

7.03 **Effect of Termination.** The termination of this Agreement under the provisions of this Article VII, shall not affect the rights of the terminating party with respect to any damages it has suffered as a result of any breach of this Agreement, nor shall it affect the rights of either party with respect to liability or claims accrued, or arising out of events occurring, prior to the date of termination.

7.04 **Remedies Cumulative.** Neither the right of termination nor the right to sue for damages nor any other remedy available to either party hereunder shall be exclusive of any other remedy given hereunder or now or hereafter existing at law or in equity.

7.05 **Indemnification re Future Business.** Owner shall indemnify and hold Hilton harmless from all costs, expenses, claims and liabilities arising or resulting from the failure of Owner following the expiration or earlier termination (for whatever cause) of this agreement to provide all of the services contracted for in connection with the business booked for the Hotel to and including the date of such expiration or termination. The provisions of this Section 7.05 shall survive any such expiration or termination and shall be binding upon Owner, and its successors and assigns, including any successor or assign who becomes the "Owner" after the effective date of any such expiration or termination.

ARTICLE VIII

TITLE MATTERS

8.01 **Title to Hotel.** Owner covenants that, as of the date hereof, it has good and marketable fee title to the Site or a valid and subsisting leasehold estate in the Site, and that upon completion of the Hotel it will have good and marketable fee title thereto or a valid and subsisting leasehold estate therein, subject to no liens or encumbrances, other than the terms of this Agreement and permitted encumbrances. Owner further covenants and agrees that throughout the term of this Agreement, subject to the terms and conditions of this Article VIII, it will maintain full ownership in such fee interest

SEE PAR. 18 OF ADDENDU

or leasehold estate, free of all liens and encumbrances, other than the terms of this Agreement and permitted encumbrances.

8.02 **Covenants to Run with the Land.** Owner agrees that the terms and provisions of this Agreement shall run with the land and Owner's interest therein, and shall be binding upon all successors to such interest, in accordance with the terms and conditions hereof. At the request of either party, the parties hereto will execute an appropriate memorandum constituting a notice of the existence of this Agreement, in recordable form, and cause the same to be put of record in the jurisdiction in which the Hotel is located.

PAR. 19 ADDENDUM

8.03 **Assignment by Hilton.** A. Hilton, without the consent of the Owner, shall have the right to assign this Agreement to any affiliate of Hilton or to any successor or assignee of Hilton which may result from any merger, consolidation or reorganization, or to another corporation which shall acquire all or substantially all of the business and assets of Hilton. ~~Upon~~ execution of any assignment as aforesaid, notice thereof ~~in the form~~ of a duplicate original of such assignment shall be ~~delivered~~ to the Owner forthwith, and thereupon, except in the ~~case of~~ an assignment to an affiliate of Hilton, Hilton shall be ~~released~~ of all of its covenants and liabilities hereunder, other than ~~liabilities~~ accruing, or based upon events occurring, prior to the ~~date of the delivery of such duplicate original to the Owner.~~

B. Except as hereinabove provided, Hilton shall not assign this Agreement without the prior written consent of the Owner. The disposition by Hilton of its controlling interest in any affiliate to which it has previously assigned this Agreement, shall be deemed to be a prohibited assignment hereunder requiring the prior written consent of the Owner. It is understood and agreed that any consent granted by the Owner to any such assignment shall not be deemed a waiver of the covenant herein contained against assignment in any subsequent case.

8.04 **Assignment, Lease or Sale by Owner.** A. Subject to the exceptions set forth in this Section 8.04 and the following Section 8.05 below, Owner agrees that it will not sell, lease, mortgage or otherwise transfer or convey the Hotel or any part thereof, or assign this Agreement, or any interest therein, without the prior written consent of Hilton.

B. If Owner shall have received a bona fide written offer to purchase or lease the Hotel and Owner desires to accept the same, Owner shall give written notice thereof to Hilton, stating the name of the prospective purchaser or tenant, as the case may be, the price or rental and the terms and conditions of such proposed sale or lease, together with all other information with respect thereto which is requested by Hilton and reasonably available to Owner. Within 60 days after the date of receipt by Hilton of such written notice from Owner, Hilton shall elect, by written notice to Owner, one of the following alternatives:

(a) To purchase or lease the Hotel at the same price or rental and upon the same terms and conditions as those set forth in the written notice from the Owner to Hilton, in which event Owner and Hilton shall promptly enter into an agreement for such sale or lease and shall consummate the same. SEE PAR. 2C OF ADDENDU

(b) To consent to such sale or lease and to the assignment of this Agreement to such purchaser or tenant, provided that concurrently with the consummation thereof, the purchaser or tenant, as the case may be, shall, by appropriate instrument, in form reasonably satisfactory to Hilton, assume all of Owner's covenants hereunder, and an executed copy of such assumption agreement shall be delivered to Hilton; thereupon the previous Owner shall be released from all covenants and agreements hereunder and from all liabilities thereafter accruing hereunder, but shall not be released from any liability accruing, or based upon events occurring, prior to the delivery of such assumption agreement. SEE PAR. 21 OF ADDENDU

(c) To terminate this Agreement by written notice to Owner, which notice will set an effective date for such termination not earlier than 30 days, nor more than 120 days, following the date of the giving of such notice, provided that Hilton shall have the right to change such effective date of termination to coincide with the date of the consummation of the proposed sale or lease; the said notice of termination shall not be effective if such sale or lease is not consummated.

If Hilton shall fail to elect any of said alternatives within said 60-day period, the same shall be conclusively deemed to constitute an election and consent under clause (b) above, and the provisions thereof shall prevail as if Hilton had in writing consented thereto. Any proposed sale or lease of which notice

has been given by Owner to Hilton hereunder, must be consummated within 120 days following the giving of such notice, unless Hilton has exercised its option under clause (a) above to purchase or lease the Hotel. Failing such consummation, such notice, and any response thereto given by Hilton, shall be null and void and all of the provisions of this paragraph B must again be complied with before Owner shall have the right to consummate a sale or lease of the Hotel upon the terms contained in the said notice, or otherwise. Similarly, a consummation of any sale or lease to which Hilton has consented (either actually or constructively) shall not be deemed a waiver of these provisions and any future sale or lease will be subject to all of the provisions of this paragraph B.

E PAR. 22 ADDENDUM

C. Any sale, assignment, transfer, or other disposition, for value or otherwise, voluntary or involuntary, of the controlling interest in the Owner (i.e., the possession directly or indirectly of the power to direct or cause the direction of the management and policies of Owner, whether through the ownership of voting securities, or by contract, or otherwise) shall be deemed a sale or lease of the Hotel under the above paragraph B and shall be subject to the provisions thereof, to the extent applicable. Owner, from time to time, upon written request of Hilton shall furnish Hilton with a list of the names and addresses of the owners of capital stock, partnership interest, or other proprietary interest in the Owner. The provisions of this paragraph C shall not apply to a transfer by will or the laws of interstate succession, nor shall it prohibit any person having an equity interest in Owner from transferring such interest to a trust or trusts for his benefit or the benefit of members of his immediate family, nor shall it prohibit the sale of any capital shares or other equity interest of Owner through a public distribution, as contemplated by the Securities Act of 1933, as amended. In this latter connection, to the extent that any written material prepared in connection with any public distribution (including registration statements, prospectuses and the like) make reference to the existence of this Agreement, such materials shall be subject to the prior written approval of Hilton, which approval shall not be unreasonably withheld.

E PAR. 23 ADDENDUM

8.05 **Mortgages.** Without the consent of Hilton, Owner shall have the right to encumber by mortgage, deed of trust or trust deed in the

nature of a mortgage, its fee or leasehold interest in the Premises subject to the following conditions:

(a) the mortgage, deed of trust or trust deed, shall constitute a first mortgage lien on the Premises;

(b) the lender shall be a bank, insurance company, a mortgage bank, pension fund, an educational institution, a welfare or retirement or endowment fund, a real estate investment trust, or other like institution, regularly engaged in the business of making loans secured by mortgages on real property;

(c) within thirty days after making such a mortgage, deed of trust or trust deed, Owner shall furnish Hilton with a duplicate original copy thereof and shall designate a post office address where notices may be served upon the mortgagee or trustee;

(d) by an appropriate instrument, satisfactory to Hilton, the said mortgagee or trustee shall covenant to mail to Hilton a copy of any notice of default on the part of the Owner, concurrently with the mailing or serving of such notice upon the Owner.

For purposes of convenience any such mortgage, deed of trust or trust deed, and any instruments secured thereby or collateral thereto, executed by Owner pursuant to the above provisions, or consented to by Hilton (including any mortgage, deed of trust or trust deed described in Exhibit 3 hereto), are herein referred to as the "Mortgage", and the holders of any such mortgage, or the trustee under any such deed of trust or trust deed, and the holder of any indebtedness secured thereby, are herein collectively referred to as the "Mortgagee". If Owner shall execute any Mortgage in accordance with the provisions and conditions of this Section 8.05, then Hilton agrees that so long as the Premises are subject to such Mortgage:

(i) that simultaneously with the giving of any notice of default or termination to Owner, it will concurrently send a copy of such notice by registered mail to the Mortgagee, and no notice to Owner of any default or termination hereunder shall be effective unless a copy of such notice shall have been sent as herein provided;

(ii) that Hilton will not exercise its right of termination hereunder with respect to a default under clauses (a) or (b) of Section

7.02, if, within the period of grace provided for therein, the Mortgagee shall give Hilton notice of its intention to cure such default and shall proceed diligently to do so;

(iii) that upon the request of any Mortgagee, Hilton will furnish to such Mortgagee, copies of the Annual Plans described in Section 4.02, and the unaudited monthly and audited annual financial reports described in Section 6.05, concurrently with the furnishing of the same to the Owner;

(iv) upon reasonable advance written notice from the Mortgagee, Hilton shall accord to the Mortgagee and its agents, the right to enter upon any part of the Hotel at any reasonable times during the term of this Agreement for the purpose of examining or inspecting the books and records, or examining or making extracts of the books and records of the Hotel, but the same shall be done with as little disruption to the Hotel as possible; and

(v) this Agreement, insofar as it creates any interest in the Premises, shall be subject and subordinate to the Mortgage.

8.06 **Successors and Assigns.** *Subject to the foregoing, this* Agreement shall inure to the benefit of and be binding upon the parties hereto, their respective heirs, legal representatives, successors and assigns, and with respect to Owner, the phrase "successors and assigns" shall include purchasers and lessees, or sublessees, of Owner's interest in the Premises.

8.07 **Remedies.** Any assignment by either party of this Agreement, or any sale, lease, mortgage, or other transfer of the Hotel by the Owner in *violation of the provisions of this Article VIII shall be null and void. In* addition to any other remedies available to the parties the provisions of this Article VIII shall be enforceable by injunctive proceeding or by a suit for specific performance.

ARTICLE IX

DAMAGE OR DESTRUCTION; EMINENT DOMAIN

9.01 **Damage or Destruction.** If the Hotel shall be substantially damaged by fire or other casualty, then Owner, by written notice to Hilton

given within 60 days after the occurrence of such event, shall have the right to terminate this Agreement, and neither party shall have any further obligation to the other party hereunder, except with respect to liability accruing, or based upon events occurring, prior to the effective date of such termination. For the purposes hereof, the Hotel shall be deemed to have been substantially damaged if the estimated length of time required to restore the Hotel substantially to its condition and character just prior to the occurrence of such casualty shall be in excess of six months, as indicated by an architect's certificate or other evidence reasonably satisfactory to Hilton. In the event of any damage to the Hotel by fire or other casualty which does not amount to substantial damage as described above, then this Agreement shall not terminate, and Owner shall proceed with all due diligence to commence and complete the restoration of the Hotel to its condition and character just prior to the occurrence of such casualty.

9.02 **Eminent Domain.** A. If all of the Premises, or such substantial portion thereof as to make it unfeasible, in the reasonable opinion of Hilton, to restore and continue to operate the remaining portion for the purposes contemplated hereby, shall be taken through the exercise, or by agreement in lieu of the exercise, of the power of eminent domain, then upon the date that the Owner shall be required to surrender possession of the Premises, this Agreement shall terminate and neither party shall have any further obligations to the other party hereunder, except with respect to liabilities accruing, or based upon events occurring, prior to the effective date of such termination. To the extent that damages are awarded solely for the value of the property taken, the proceeds thereof shall belong solely to the Owner. In the event, however, that the award includes damages for loss of income and profits, such sum shall be equitably apportioned between Owner and Hilton.

SEE PAR. 24 OF ADDENDUM

B. If such taking of a portion of the Hotel shall not make it unfeasible, in the reasonable opinion of Hilton, to restore and continue to operate the remaining portion thereof for the purpose herein contemplated, then this Agreement shall not terminate. In such event, the entire award shall belong to Owner, and Owner shall proceed with all due diligence to repair any damage to the Hotel, or to alter or modify the Hotel so as to render it a complete architectural unit which can be operated as a hotel of substantially

the same type and class as before. Notwithstanding other factors, it shall be deemed to be unfeasible to restore and continue to operate the remaining portion of the Hotel if the estimated cost of such repairs, alterations or modifications shall make it economically imprudent to do so.

ARTICLE X

GENERAL PROVISIONS

10.01 **Purchases.** As part of its technical assistance services program, Hilton will, both during the pre-opening and operating periods, recommend to Owner firms or sources for the purchase of Furnishings and Equipment, Operating Equipment, and Operating Supplies for the Hotel, it being specifically understood, however, that Owner shall not be obligated to purchase such items from the firms or sources recommended by Hilton, provided that prior to purchasing from other sources, Owner shall submit to Hilton such samples and other information with respect to the proposed purchases as shall be necessary to assure Hilton that the quality of such items is at least equal to that available from the sources recommended by Hilton and that the design conforms to the type and class of hotel contemplated hereby.

In connection with any purchases made by Hilton or an affiliate of Hilton for the account of Owner, it is understood that Hilton or such affiliate may perform services as a representative of the manufacturer to secure the benefits of lower costs, and that any savings resulting therefrom shall be passed on to Owner, including representatives' fees. In addition, all trade discounts, rebates and refunds, and all returns from the sale of supplies, materials and equipment shall accrue to the benefit of Owner. Nothing in this Section 10.01 shall affect the provisions of Section 3.06 with regard to the charges which affiliates of Hilton may make for services rendered to the Hotel.

10.02 **Budgets.** In preparing all budgets to be submitted to Owner hereunder, including, without limitation, the pre-opening budget under Section 4.02, Hilton will base its estimates upon the most recent and reliable

HHC 00035

information then available, taking into account the location of the Hotel and its experience in other comparable hotels and inns. Hilton reserves the right, and shall have the obligation, to update and revise any such budgets from time to time during the periods covered thereby to reflect variables and events not reasonably within the control of Hilton. All such updatings and revisions will be submitted to Owner for its approval, which will not be unreasonably withheld. At the request of Owner, Hilton shall make available to it the basis and information utilized in preparing such budgets.

~~10.03 **Indemnity to Hilton.** Owner will indemnify and save Hilton~~ harmless from and against all liabilities, damages, expenses ~~and costs~~ which may be suffered by Hilton as a result of any ~~occurrence~~ or event happening in or about the Hotel, or any ~~claim~~ arising as a result of the operations thereof, unless such ~~liability,~~ damage, cost or expense is the result of any default on the ~~part of Hilton in performing its agreements and obligations hereunder~~.

10.04 **Trade Name.** During the term of this Agreement, the Hotel (excepting commercial space) shall be known by such trade name and accompanying phraseology, if any, as may from time to time be mutually approved by Hilton and the Owner. It is recognized, however, that (i) the name "Hilton", when used alone or in conjunction with some other word or words, (ii) the Hilton crest, when used alone or in conjunction with the banner "Around the World" or a globe design or other design, and (iii) the stylized "H", are the exclusive property of Hilton Hotels Corporation. Accordingly, Owner agrees that no right or remedy of Owner for any default of Hilton, or delivery of possession of the Hotel to Owner upon the expiration or sooner termination of this Agreement, shall confer, nor shall any provision of this Agreement confer, upon the Owner, or its successors or assigns, the right to use such words and symbols in the use and operation of the Hotel, or otherwise. In the event of any breach of this covenant by the Owner, Hilton in addition to any other remedies available to it hereunder, or at law or in equity, shall have the right to injunctive relief. Anything contained in this Section 10.05 to the contrary notwithstanding, upon the expiration or earlier termination of this Agreement, the Owner shall have the right to use any and all items of Operating Equipment and Operating Supplies then on hand bearing the name "Hilton", or the Hilton Crest or symbol, or the stylized "H", in

connection with the operation of the Hotel, but shall not reorder any such items.

≡ PAR. 25 ADDENDUM

10.05 **Notices.** Any notice by either party to the other shall be in writing and shall be given, and be deemed to have been duly given, if either delivered personally or mailed in a registered or certified postpaid envelope to the address of such party set forth in the preambles hereto. A copy of any notice to Hilton will also be concurrently mailed to the general manager of the Hotel. Either party may at any time change the address for notices to such party by delivery or mailing, as aforesaid, of a notice stating the change and setting forth the changed address.

10.06 **No Partnership or Joint Venture.** Nothing contained in this Agreement shall constitute or be construed to be or create a partnership or joint venture between the Owner, its successors or assigns, on the one part, and Hilton, its successors or assigns, on the other part.

10.07 **Modification and Changes.** This Agreement cannot be changed or modified except by another agreement in writing signed by the party sought to be charged therewith, or by its duly authorized agent.

10.08 **Understandings and Agreements.** This Agreement constitutes all of the understandings and agreements of whatsoever nature or kind existing between the parties with respect to Hilton's managership of the Hotel herein created.

10.09 **Headings.** The Article and Section headings contained herein are for convenience of reference only and are not intended to define, limit or describe the scope or intent of any provision of this Agreement.

10.10 **Third Parties.** Except for the provisions of Section 8.05 which are for the benefit of the Mortgagee, none of the obligations hereunder of either party shall run to or be enforceable by any party other than the other

party to this Agreement or by a party deriving rights hereunder as a result of an assignment permitted pursuant to the terms hereof.

SEE PARS. 26-28 OF ADDENDUM

IN WITNESS WHEREOF, the parties hereto have executed or caused this Agreement to be executed, all as of the day and year first above written.

OWNER:

PARCEL EIGHT HOTEL, INC.

By Benjamin Frankel
PRESIDENT

HILTON HOTELS CORPORATION

By Dennis Henderson
SENIOR Vice President

The Addendum attached hereto, consisting of thirteen (13) pages, is hereby incorporated herein by reference.

Parcel Eight Associates, a Pennsylvania limited partnership is executing this Agreement for the purposes stated in Paragraph 28 of the Addendum attached hereto.

PARCEL EIGHT ASSOCIATES

By: Benjamin Frankel
GENERAL PARTNER

MANAGEMENT FEE RIDER

As compensation for Hilton's services during the operating period, Owner shall pay to Hilton a management fee equal to the sum of (1) 3% of the gross revenues (determined as hereinafter provided) from the operation of the Hotel in each operating year (herein called the "Minimum Management Fee"), and (2) 10% of an amount equal to the gross operating profit of the Hotel in each operating year (determined as hereinafter provided), after deducting from said gross operating profit the sum of

(a) the amount of the Minimum Management Fee for such operating year;

(b) 78.5%* of the ad valorem taxes for such operating year imposed on the Total Premises;

(c) $1,197,329 (representing an agreed amount to be deducted throughout the term of the Management Agreement in lieu of rent payable under the Ground Lease and principal and interest payable with respect to the financing on the Premises);

the amount payable under clause (2) being herein called the "Incentive Management Fee".

For the purpose of determining the Minimum Management Fee, the term "gross revenues" shall mean and include all revenues and income of any kind derived directly or indirectly from the Hotel (including store and building rentals from the Hotel building, and rentals or other payments from sublessees and concessionaires, but not the gross receipts of such sublessees or concessionaires), whether on a cash basis or on credit, paid or unpaid, collected or uncollected, determined in accordance with the Uniform System of Accounts

*Represents the agreed upon percentage of the items indicated which is attributable to the Premises as compared to the Total Premises.

for Hotel, excluding, however,

(i) federal, state and municipal excise, sales and use taxes collected directly from patrons or guests or as a part of the sales price of any goods, services or displays, such as gross receipts, rooms, admission, cabaret or equivalent taxes;

(ii) any charges made for telephone service;

(iii) gains arising from the sale or other disposition of capital assets;

(iv) any reversal of any contingency or tax reserve;

(v) the excess over $10,000 of accounts receivable which are determined to be uncollectible in any operating year by the independent public accountants who are certifying the reports of Owner under Section 6.05 of the Management Agreement;

(vi) rentals or other income received from the leasing or operation of the Garage and Bank.

For the purpose of determining the Incentive Management Fee, the gross operating profit of the Hotel shall be determined in accordance with the Uniform System of Accounts for Hotels, provided that there shall be excluded from the expenses deducted in determining such gross operating profit that portion of the cost of any utility, service or repair and maintenance charges which are properly allocable to the Garage facility.

Proceeds from business interruption insurance shall be included both for the purpose of determining gross revenues and gross operating profit.

The Minimum Management Fee shall be payable monthly concurrently with delivery to Owner of the monthly report

under clause (a) of Section 6.05 in installments equal to 3% of the gross revenues from the operation of the Hotel for the preceding month. If the annual report to be delivered by Hilton to Owner under clause (b) of Section 6.05 shall show that the aggregate of the monthly installments of the Minimum Management Fee paid with respect to the preceding operating year shall exceed or be less than the Minimum Management Fee, as shown on such annual report for such operating year, then Hilton or Owner, as the case may be, shall pay to the other the amount of such overpayment or underpayment within 30 days after the submission of such report.

The Incentive Management Fee shall be payable annually within 30 days after the submission to Owner by Hilton of the report required under clause (b) of Section 6.05.

DESCRIPTION OF SITE

BLOCK 41 S LOT 15 C-343131-M

ALL THAT CERTAIN lot or piece of ground SITUATE in the 27th Ward of the City of Philadelphia, described in accordance with a Survey Plan made November 5, 1971 by John Reilly, Surveyor and Regulator of the 7th Survey District, as follows, to wit:

BEGINNING at a point in the Northwesterly side of Civic Center Boulevard (70 feet wide) at the distance of 387.698 feet Southwestwardly from the Southwesterly side of South Street (80 feet wide), said beginning point being in the Southwesterly side of a proposed 30 feet wide driveway easement, which extends Northwestwardly of that width and communicates with a certain proposed 24 feet wide driveway easement, which second easement extends Northeastwardly into said South Street and which first mentioned easement continues Northwestward of various widths to a dead end; thence extending from said beginning point South 42 degrees 38 minutes 55 seconds West along the Northwesterly side of Civic Center Boulevard, the distance of 161.285 feet to a point of curve; thence extending along the said Civic Center Boulevard along the arc of a circle having a radius of 65 feet, curving to the right, the arc distance of 123.462 feet to a point of tangent in the Northeasterly side of Civic Center Boulevard; thence extending along the Northeasterly side of Civic Center Boulevard North 28 degrees 31 minutes 24 seconds West, the distance of 327.450 feet to a point of curve; thence extending along the said side of Civic Center Boulevard along the arc of a circle having a radius of 155 feet curving to the left, the arc distance of 136.507 feet to a point of tangent; thence still extending along the said side of Civic Center Boulevard North 78 degrees 59 minutes West, the distance of 32.634 feet to a point of curve, which curve connects the Northeasterly side of Civic Center Boulevard and the Southeasterly side of 34th Street (96 feet wide); thence extending along the arc of a circle having a radius of 34.915 feet, curving to the right, the arc distance of 54.844 feet to a point of tangent in the said side of 34th Street; thence extending

EXHIBIT 1

along the same North 11 degrees 01 minute East, the distance of 116.240 feet to a point of curve, which curve connects the Southeasterly side of 34th Street and the Southeasterly side of 33rd Street (62 feet wide); thence extending along the said curve, along the arc of a circle, having a radius of 334.450 feet, curing to the right, the arc distance of 76.206 feet to a point; thence extending South 45 degrees 31 minutes 12 seconds East, the distance of 256.883 feet to a point at the Northwesterly end of a proposed 24 feet wide driveway easement, said easement being a portion of the first-mentioned driveway easement; thence extending along said end South 44 degrees 28 minutes 48 seconds West, the distance of 3 feet to a point in the Southwesterly side of said 24 feet wide easement; thence extending along said side of the driveway easement South 45 degrees 31 minutes 12 seconds East the distance of 124 feet to a point; thence extending South 44 degrees 28 minutes 48 seconds West, the distance of 5 feet to a point in the Southwesterly side of the proposed driveway easement, at this point being 29 feet wide; thence extending along the said side of the driveway easement, partially of the width of 29 feet and partially of the width of 30 feet, South 45 degrees 31 minutes 12 seconds East, the distance of 316 feet to a point in the Northwesterly side of Civic Center Boulevard, being the first mentioned point and place of beginning.

Exhibit 1

DESCRIPTION OF GROUND LEASE (if any)

Name and Address of Landlord: THE TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA

Tenant: PARCEL EIGHT ASSOCIATES, a Pennsylvania Limited Partnership *

Date of original Lease and any Amendments: January 21, 1972, as amended by Modification Agreement, dated February 2, 1973

Term: 50 years, commencing April 1, 1973

Description of Renewal Options, if any: One 25-year renewal term

Annual Rental and description of special rental provisions, including participation provisions, if any: An Annual Rent equal to $115,000 per annum for the first 32 years of the term of the Lease, and then at a rate equal to the greater of (i) $115,000 per annum or (ii) the fair market value of the land, but not in excess of $172,500 per annum. In addition, Tenant pays a supplemental rent equal to 10% of Tenant's "Net Cash Receipts", as defined.

Special Provisions: (attach extra page if necessary)

*Subject to Operating Agreement from Parcel Eight Associates to Parcel Eight Hotel, Inc.

Exhibit 1-A

COST OF HOTEL
(408 Rooms)

		12/7/72	
1.	Land		
A.	Acquisition		
	1. Purchase	157000	
	2. Lease - 21 months	151000	
B.	Legal Fees	55000	
C.	Taxes	100000	
D.	Owner's Preliminary Costs	35000	
	Total		498 000
2.	Building		
A.	Air Conditioning - Duct Work & Units	650000	
B.	Air Conditioning - Room Units	125000	
C.	Brick Work	250000	
D.	Builders Fee		
E.	Caissons	140000	
F.	Carpentry & Drywall	725000	
G.	Acoustical Tile	50000	
H.	Caulking	30000	
I.	Ceramic Tile	95000	
J.	Clearing, Wrecking, Excavation & Site Drainage	130000	
K.	Concrete Work & Stone in Basement	750000	
L.	Door Bucks, Doors, Shelving, Etc.	60000	
M.	Electrical Work	725000	
N.	Elevators	675000	
O.	Flooring - Resilient	20000	
P.	Flooring - Wood		
Q.	Glazing, Sash & Storefront	375000	
R.	Hardware - Finish	50000	
S.	Hardware - Rough		
T.	Heating & Ventilation		
U.	Precast Exterior & Garage	1870000	
V.	Iron (Misc) & Stairs	125000	
W.	Insulation		
X.	Kitchen Appliances		
Y.	Kitchen Cab. & Tops		
Z.	Labor & Watchman	150000	
AA.	Landscaping	25000	
BB.	Light Fixtures	85000	
CC.	Lumber - Rough		
DD.	Marble Work		

EXHIBIT 2

EE.	Medicine Cabinets	30000	
FF.	Millwork		
GG.	Painting & Vinyl	150000	
HH.	Paving	10000	
II.	Permits & Surveys	20000	
JJ.	Plastering & Fireproofing	100000	
KK.	Plumbing	625000	
LL.	Roofing	80000	
MM.	Shades or Blinds		
NN.	Shower Doors		
OO.	Precast Garage		
PP.	Structural Steel, Bar Joist, Decking & Erection	1100000	
QQ.	Supervision	75000	
RR.	Swimming Pool	50000	
SS.	Terrazzo		
TT.	Test Borings		
UU.	Trash Chute & Compactor	25000	
VV.	Waterproofing		
WW.	Vanities	20000	
XX.	General Conditions & Misc.	420000	
YY.	Fees		
	1. Architect	450000	
	2. Plans	10000	
	3. Models		
	4. Rendering	2000	
	5. Soil Test	10000	
	6. Inspection	20000	
	7. Special Fees	20000	
	Total		10322000
3.	Bridge		175000
	Total		
4.	Furniture, Fixtures & Equipment		
A.	Guest Rooms	612000	
B.	Public Spaces		
	1) Millwork	325000	
	2) Carpet, Furnishings, & Chandeliers	325000	

C.	Interior Design Fee		
	1. Kitchen	15000	
	2. Public Spaces	45000	
D.	Kitchen Equipment	275000	
E.	Cocktail Lounges	20000	
F.	Office Equipment		
	1. Furniture	5000	
	2. Office Machines & Equipment	45000	
	3. Front Office Equip.	15000	
G.	Television	97000	
H.	Communication	40000	
	Message Light	40000	
I.	Guest Ice Machines	10000	
J.	Shelving & Lockers	6000	
K.	Kitchen Service Equip.	75000	
L.	Bar Service Equip.	3000	
M.	Housekeeping	12000	
N.	Engineers	10000	
O.	Material Handling Trucks	6000	
P.	Ballroom Equipment	15000	
Q.	Freight & Sales Tax	225000	
R.	HEC Fee	120000	
	Total		2341000

5.	Operating Equipment & Uniforms		
A.	China	40000	
B.	Glass	13000	
C.	Silver	45000	
D.	Linens	85000	
E.	Uniforms	35000	
F.	Freight & Sales Taxes	29000	
G.	HEC Fee	17000	
	Total		264000
6.	Pre-Opening Expenses		265000
	Total		
7.	Interest During Construction 21 months		970000
	Total		
8.	Inventories		25000
9.	Miscellaneous (Signs & Laundry)		90000
10.	Working Capital		400000*

11.	Contingency	200 000
	GRAND TOTAL	15550 000

PLANS AND SPECIFICATIONS

Plans and Specifications:

(Insert description of all preliminary plans, specifications and programs, for both the exterior and interior of the Hotel, approved by Owner and Hilton as of the date of execution of the Management Agreement; include name of architect or designer and date of designation of plans or other details sufficient for identification purposes.)

ARCHITECTS: GESSES, BRECHER, QUALLS, CUNNINGHAM

Approved:

Architectural Drawings:	A-1 through A-28, A-31
Structural Drawings:	G-S1 through G-S11 (G-S12 and 13 deleted) S-1 through S-13
Mechanical Drawings (Heating, Ventilating & Air Conditioning - HVAC and Plumbing):	MP-1, MP-2, MP-4, MP-5, MP-6 M-7 through M-14 P-7 through P-16 (MP-3 deleted)
Electrical Drawings:	E-1, E-2, E-3, E-5 through E-25 (E-4 deleted)
Specifications - Part II Specifications:	Divisions 2 through 10 (Majority of Sections issued to all parties, but not 100% complete), 15 and 16
Addenda:	Addendum No. 1, 11/3/72 Addendum No. 2, 12/8/72 and Drawings issued in conjunction with Addendum No. 2 (A-2, A-3, A-4, A-7, A-8, A-11, A-12 through A-16, A-19, A-20, A-21, A-27, A-28, A-31, G-S1, G-S2, S-1, S-2 & S-2A).

Exhibit 3

Plans and Specifications (con't)

Subject to Approval:

Architectural Drawings:	A-2A (Bridge over 34th Street) A-29, A-30, A-32, A-33 (Stairs #3 & 4, Column Finish Schedule, Door, Partition and Miscellaneous Details)
Specifications - Part II Technical Specifications:	Balance of Sections in Divisions 2 thru 10 Divisions 13 and 14
Part I	General Conditions Supplementary General Conditions Special Requirements

PLAN OF FINANCING

Plan of Financing:

Equity Capitalization:

Frankel Group (including E.J., Benjamin, Leonard and William Frankel, and Allen Steinberg)	$350,000*
PIC Realty Corporation	1,050,000

Construction Mortgage:

Lender: Girard Trust Bank

Principal Amount: $14,550,000

Interest Rate: 7-1/2%

Term: 30 months

Special Conditions:

*In addition the Frankel Group and PIC Realty Corporation will each contribute an additional $75,000 (or a total of $150,000) upon opening of the Hotel to cover mortgage service payments during the first year. The Frankel Group have guaranteed to Prudential the completion of the construction of the Hotel, and will be required to make any additional contributions necessary for this purpose.

EXHIBIT 4

Permanent Mortgage:

Lender: THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

Principal Amount: $13,000,000*

Interest Rate, including any participation provisions: 9%

Constant Payments: 9.88%

Term:

Special Conditions:

*In addition, Prudential is making a Chattel Mortgage Loan on the Hotel equal to $1,000,000.

Recapitulation	
Equity Investment	$1,400,000
Additional Contributions	150,000
Permanent Mortgage	13,000,000
Chattel Mortgage	1,000,000
Total	$15,550,000

Exhibit 4

ADDENDUM TO MANAGEMENT AGREEMENT

1. Supplemental Definitions. The following supplements the definitions contained in Section 1.01:

(a) Garage - a garage facility to be constructed on the Site in accordance with the requirements of the Ground Lease, containing approximately 850 car spaces; the term "Building", "Premises" and "Hotel" shall not be deemed to include the Garage;

(b) Total Premises - a collective term for the Premises and the Garage.

2. Garage. It is understood that Hilton shall not be involved in or have the responsibility for, the design or management of the Garage. Owner shall arrange for parking privileges in the Garage to be extended to guests and patrons of the Hotel at a special per diem rate that shall be subject to the agreement of Owner and Hilton, provided that the initial per diem rate shall be a maximum of $1.50 per car.

3. Term of Agreement. Article II is hereby amended in its entirety to read as follows:

"2.01 The term of this Agreement shall commence as of the date hereof and shall expire at midnight on December 31 of the seventh full calendar year following the opening date, subject to Hilton's renewal option under Section 2.02 below, and to sooner termination as hereinafter provided.

2.02 Renewal Terms. Hilton shall have the right, to be exercised as hereinafter provided, to extend the term of this Agreement for four periods of five years each upon the following terms and conditions:

(a) Each renewal term shall be upon the same terms, covenants and conditions as in this Agreement

provided except that (i) Article III shall have no force and effect, and (ii) there shall be no further privilege of renewal of the term of this Agreement beyond the fourth renewal period referred to above; and

(b) The term of this Agreement shall have been renewed for the prior renewal term.

Hilton shall exercise its rights of renewal by notifying the Owner in writing of its election on or before April 1 of the seventh full calendar year following the opening date as to the first renewal period, and on or before April 1 of the last year of the then current renewal term as to all subsequent renewal periods.

The phrase "term of the Agreement" or "term hereof" as used herein shall mean the original term and any renewal or renewals thereof then in effect in accordance with the provisions of this Article II.

2.03 A. Notwithstanding the exercise by Hilton of any right to renew the term for any additional five year period as hereinabove provided, Owner, at Owner's option to be exercised as hereinafter provided, shall have the right to nullify the extension of the term and to terminate this Agreement as of the end of the then current term, or as hereinafter provided, unless during the four calendar years immediately preceding the year in which Hilton shall exercise its right to renew for the first renewal term, or during the four calendar years immediately preceding the year in which Hilton shall exercise its right to renew for any ensuing renewal term, as the case may be, the total revenues from the operation of the Hotel shall have equalled or exceeded an amount equal to the sum of (i) all expenses which are deducted from total revenues in determining the gross operating profit of the Hotel for such period of time, determined as provided in the Management Fee Rider, (ii) 78.5% of the ad valorem taxes imposed on the Total Premises for such period of time,

and (iii) $4,789,316 (representing $1,197,329 for each of the four years in the period; see clause (c) of the first paragraph of the Management Fee Rider). The amount by which the sum of items (i) through (iii) above shall exceed such total revenues is hereinafter referred to as the "revenue deficit" for the particular period of time.

B. Owner shall exercise such right to nullify the extension of the term by notifying Hilton in writing of its election to do so within 120 days of receiving Hilton's notice of exercise of its right to extend, and upon the sending of such notice the term and this Agreement, except as hereinafter provided, shall terminate and end and become null and void on the date specified in such notice but in no event later than the end of the then current term. The rights granted Owner hereunder shall be available to Owner upon Hilton's exercise of its right to extend for each renewal term regardless of whether Owner shall have had the right to nullify any prior renewal but failed or elected not to exercise the same.

C. Notwithstanding the foregoing, Hilton shall have the right to postpone the exercise of such right of nullification from the end of the seventh full calendar year to the end of the tenth full calendar year of the term hereof by paying to Owner at the time of Hilton's exercise of the first renewal right an amount equal to the revenue deficit for the third through the sixth full calendar years, inclusive, of the term hereof, such right of nullification to be further postponed to the end of the first five year renewal term in the event there shall be no cumulative revenue deficit for the seventh through the tenth full calendar years, inclusive, of the term hereof. Any amount so paid by Hilton shall be repaid, to the extent available, out of 50% of any excess of such total revenues over the sum of items (i) through (iii) of paragraph A above for each of the

seventh through the fifteenth full calendar years, inclusive, of the term hereof, payable in each case on April 1 of the ensuing year."

~~4. Reallocations. Without the consent of Owner, Hilton shall not have the right to reallocate the amount budgeted with respect to any item contained in the pre-opening budget under the proviso contained in Section 3.04, or reallocate the amount of any item contained in an Annual Plan under the proviso contained in Subsection 4.02C if, at the time such reallocation is made, it can reasonably be determined that such reallocation will result in a substantial increase in the amount of any reimbursement becoming due to Hilton or its affiliates.~~

5. Purchases from Hotel Equipment Corporation. Notwithstanding the provisions of Section 3.06, if Owner requests Hotel Equipment Corporation to design the interior for the Hotel, including Furnishings and Equipment, and if Owner does not purchase such items from Hotel Equipment Corporation, then Owner shall pay Hotel Equipment Corporation a fee for such design services equal to the greater of (i) 2-1/2% of the cost of any items purchased which were designed by Hotel Equipment Corporation, or (ii) $10,000. On the other hand, if the Furnishings and Equipment are purchased through Hotel Equipment Corporation, the charges made to the Hotel shall be on the same basis as those made to wholly-owned Hilton hotels and inns, as provided in Section 3.06 of the Management Agreement.

6. Information to Owner. Notwithstanding the authority granted to Hilton by Owner under Section 4.01, with respect to Hilton's exclusive function as Manager, Hilton shall at all times keep Owner fully apprised and aware of all operating policies and make every reasonable effort to provide to Owner copies of all directives and communications dealing with substantive matters of policy made to the general manager or to any other members of the executive staff, and in the event operating profits are such that they are below budget, Hilton agrees to consult with Owner and to make reasonable changes in operating procedures with a view to a more economical operation in an effort to gain additional operating profits, which changes shall only be required of Hilton if the same fall within or comply with the standards of operation for hotels of similar type and character within the City of Philadelphia.

7. Labor Contracts. With respect to the provisions of Subsection 4.05B, it is understood that Hilton will consult with Owner in advance of negotiations with any labor union as to terms acceptable to Owner, and will permit Owner to participate in such negotiations, if so desired by Owner. This is in addition to the requirement that any collective bargaining agreement or labor contract must be approved and executed by Owner.

8. Approval of Certain Contracts. Without the prior written approval of Owner, Hilton will not (i) enter into any contracts contemplated by clause (b) of Section 4.06 of the Agreement involving an estimated obligation of $1,000 or more, or (ii) enter into any agreement or contract for the furnishing of any service, labor, furnishings, equipment or supplies to the Hotel if such agreement or contract shall have a term in excess of one year.

9. Contests. Hilton and Owner shall forthwith send to each other a copy of any notice or claim received with respect to a material violation of any legal or insurance requirement or a material delinquency in the payment of any imposition, or any claim or notice of a lien, encumbrance or charge against, or with respect to, the Hotel or the operation thereof, other than the permitted encumbrances. Upon notice to Hilton, Owner shall have the right to contest by appropriate proceedings, diligently conducted and in good faith, any of the following:

(a) any alleged violation of, or the applicability of or the propriety of, any legal or insurance requirement;

(b) the amount or validity of any imposition;

(c) the amount or validity of any other lien, encumbrance or charge against, or with respect to the Hotel, not constituting a permitted encumbrance;

provided, however, that as a condition precedent to Owner's right of contest hereunder, Owner shall first make such arrangements as Hilton shall reasonably request to protect the Hotel from being forfeited or lost, to avoid any danger

of a suspension in the operation of the Hotel, and to secure Hilton against loss, damage or expense. Subject to the foregoing, at Owner's request, Hilton will postpone compliance with such provisions of Section 4.06 as is necessary to permit Owner to contest the above matters as provided herein.

10. Payment of Impositions. Owner shall pay all impositions on or before the date that they shall become an enforceable lien against the Hotel, subject to contest as provided in the preceding Paragraph 9.

11. Insurance. The amount of insurance required under clause (d) of Section 5.01 is hereby changed to (i) $2,000,000 for personal injury or death to one person; (ii) $5,000,000 with respect to personal injury or death of two or more persons for any one occurrence; and (iii) $300,000 for property damage in any one occurrence.

12. Hotel Accounts. Notwithstanding the last sentence of Section 6.01, Hilton shall not be required to transfer any funds from the Hotel Accounts to an account maintained by Owner unless the remaining funds are sufficient to assure the uninterrupted and efficient operation of the Hotel, and at a minimum this shall mean that after making such distribution, the amount of "cash available" (as hereinafter defined) shall be not less than an amount equal to the average amount of the current liabilities shown on the balance sheets of the Hotel at the end of each of the 12 months preceding any such contemplated or requested distribution, provided that at no time shall the cash available be required to be in excess of $300,000. For the above purposes, "cash available" shall include (i) all funds on deposit in the Hotel Accounts, (ii) house funds, and (iii) all receivables represented by charges to Master Charge or Bank Americard. For the above purposes, there shall be excluded from current liabilities, the current portion of all mortgage indebtedness and all impositions.

13. Expenditures. It is understood that the expenditures which Hilton is authorized to make under Section 6.02 are subject to the other terms and provisions contained in the Agreement.

14. Working Funds. With respect to working fund requirements under Section 6.03, Hilton agrees that if on the basis of the estimated profit and loss statements to be included in each Annual Plan, it is reasonably anticipated that a request for working funds will be made during the year, such Annual

Plan will contain, or be accompanied by, an estimate of such requirements.

15. Reports to Owner. Hilton agrees to furnish to the University of Pennsylvania, as Landlord under the Ground Lease, at such address and to the attention of such officer as the University from time to time shall designate copies of all statements delivered to Owner pursuant to Section 6.05.

Not less frequently than monthly, Hilton will furnish to Owner copies of the daily reports prepared with respect to the operation of the Hotel.

It is agreed that the firm of Laventhol, Krekstein, Horwath & Horwath shall be the independent public accountants for the Hotel, until such time as Owner shall designate any other firm of independent public accountants of recognized standing in the hotel industry, subject to the approval of Hilton, as provided in Section 6.05 of the Agreement.

16. Right of Inspection. Hilton hereby agrees that it will accord to Parcel Eight Associates (referred to in Paragraph 28 of this Addendum) and to any partner of Parcel Eight Associates, the same right of examination and inspection accorded to Owner under Section 6.06 of the Agreement.

17. Defaults. Any default by Owner under the provisions of Section 7.02 which is susceptible of being cured shall not constitute a basis of termination if the nature of such default will not permit it to be cured within the grace period allotted, provided that within such grace period Owner shall have commenced to cure such default and shall proceed to complete the same with reasonable diligence.

Clause (e) of Section 7.02 is hereby amended to read as follows:

"(e) If because of a default by Owner under the Ground Lease, or the Mortgage, the Landlord or the Mortgagee, as the case may be, shall declare a default and take any action pursuant to the remedies

received as a result of such default, looking towards the termination of the Ground Lease, or the foreclosure of the Mortgage;"

18. Lease of Furnishings and Equipment. Notwithstanding the provisions of Section 8.01, Owner shall have the right, subject to the reasonable approval of Hilton, to lease certain articles of Furnishings and Equipment such as, but not limited to, TV sets, ice makers, and other items which may be more economical, due to service problems, to lease than to purchase, provided that the amount of any such lease rentals shall not be deducted in computing gross operating profit under the Management Fee Rider.

19. The second sentence of Section 8.03 is hereby amended to read as follows:

"Upon execution of any assignment as aforesaid, notice thereof, in the form of a duplicate original of such assignment, shall be delivered to the Owner forthwith, and thereupon, except in the case of an assignment to an affiliate of Hilton, by means of a reorganization or otherwise, Hilton shall be released of all of its covenants and liability hereunder, other than liabilities accruing, or based upon events occurring, prior to the date of the delivery of such duplicate original to Owner, provided, however, that such release will be contingent upon the concurrent delivery to Owner of an appropriate instrument whereby the assignee shall assume all of the obligations of Hilton hereunder."

20. Right of First Refusal. It is specifically agreed that Hilton's right of first refusal with respect to a purchase or lease of the Hotel, as set forth in subparagraph B(a) of Section 8.04 shall be subject and subordinate to the right of first refusal in favor of Landlord under the Ground Lease as set forth in Section 23.01(b) thereof. In this connection, Owner agrees that it will give notice of any bona fide offer to purchase or lease the Hotel to Hilton concurrently with the giving of such notice to the said Landlord,

and that it will advise Hilton immediately (i) of the receipt by the Owner from the Landlord of any notice pursuant to which said Landlord shall have exercised, or declined to exercise, its right of first refusal, or (ii) of the expiration of the Landlord's rights by reason of the failure of Landlord to respond to such notice. Accordingly, Hilton shall not respond to the notice of a bona fide offer until it has been notified of the Landlord's response, or failure to respond, as aforesaid. If Landlord shall not have exercised its right to purchase or lease the Hotel, then Hilton shall have the right to elect any of the alternatives set forth in Subparagraphs B(a), B(b) or B(c) of Section 8.04, but if Landlord shall have exercised such right, then Hilton's election shall be limited to the alternatives set forth in Subparagraphs B(b) and B(c) of said Section 8.04. Hilton's right of election under the preceding sentence may be exercised at any time up to the later to occur of (i) the expiration of the 60 day period specified in said Section 8.04, or (ii) 30 days following receipt of Owner's notice advising Hilton of Landlord's response, or failure to respond. Owner agrees that the provisions of Section 23.01(b) of the Ground Lease will not be amended without the consent of Hilton.

Under Section 8.04 of the Agreement, as amended hereby, Hilton's rights shall extend to a sale or disposition of the Hotel alone, or of the Hotel as part of the Total Premises, and shall further apply to any sale or other disposition of any greater estate which the Owner may hereafter acquire in the Total Premises.

21. Estoppel Certificate. If Hilton shall consent to any sale, lease or assignment pursuant to the provisions of clause (b) of Subsection 8.04B, then upon request of Owner, Hilton will certify promptly to the proposed assignee as follows: (i) that the Management Agreement is in full force and effect, (ii) whether the Management Agreement has been modified(and if there are modifications, stating them), and (iii) whether the party executing the certificate on behalf of Hilton knows of any default or breach by the Owner under any of the terms of the Management Agreement (and if any exists, stating them).

22. Transfers to Affiliates. No assignment or transfer of an interest in Owner to an affiliate of the transferor shall be deemed to be a sale, assignment, transfer or other disposition of a controlling interest in the Owner under Subsection 8.04C. The term "affiliate" shall have the meaning with respect to such transferor as such term has with respect to Hilton under Subsection 1.01(z).

23. Mortgages. It is specifically agreed that the mortgage and the chattel mortgage described in Exhibit 4 shall be deemed a "Mortgage" within the meaning of Section 8.05, and the holder or holders thereof will be entitled to the benefits of the covenants in favor of the "Mortgagee", set forth in clauses (i) through (v) of said Section 8.05.

Notwithstanding the provisions of Sections 8.01, 8.04 and 8.05, Owner shall have the right, without the consent of Hilton, to encumber the Premises, or any part thereof, with one or more mortgages, deeds of trust, trust deeds, chattel mortgages, or any like security instruments, subject only to the condition that the lender shall be an institution regularly engaged in the business of making loans; provided, however, that unless such instruments meet the requirements of clauses (a) through (d) of said Section 8.05, the provisions of clauses (i) through (v) shall not be applicable thereto, and the holder thereof shall not be entitled to the benefits of such covenants, provided that the Agreement, insofar as it creates any interest in the Premises, shall be subject and subordinate to any such security instrument which constitutes a first lien on the Premises. Even though any such instrument may fail to come within the definition of a "Mortgage" under Section 8.05, it will be treated as such for the purpose of clause (e) of Section 7.02, and a declaration of a default thereunder followed by action looking toward the foreclosure thereof, shall be treated as an event of default for the purposes of said Section 7.02.

24. Eminent Domain. Notwithstanding the provisions of Section 9.02, all of the proceeds from any taking shall belong solely to Owner and Hilton shall not be entitled to any portion thereof.

The period at the end of the last sentence of Subsection 9.02B is hereby changed to a comma and the following added thereto:

"..., or if such estimated cost exceeds the net proceeds of the condemnation award."

25. Notices. Copies of all notices to Owner shall concurrently be mailed to the following:

PIC Realty Corporation
P. O. Box 1539
20th Floor Plaza Building
Newark, New Jersey 07101

and

The Prudential Insurance Company
of America
Attention: Real Estate Investment Dept.
1407 The Fidelity Building
Philadelphia, Pennsylvania 19109

26. Restrictive Covenant. Hilton agrees that it will not operate a hotel, motel or inn, either as owner or lessee, or under a management agreement, or permit its name to be used in connection with any such operation, other than the Hotel, within that section of the City of Philadelphia outlined on the map attached to this Addendum as Appendix A, until the expiration or earlier termination of this Agreement.

27. Exculpation of Owner. Notwithstanding any other provisions of the Agreement and of this Addendum, it is specifically agreed that the partners of Parcel Eight Associates shall not be personally liable for any liability accruing under the provisions of the Management Agreement, or for any damages resulting as a result of any default on the part of the Owner under any of the terms of the Management Agreement, and that neither Hilton, nor its successors and assigns, shall have any claim, remedy or right to proceed, at law or in equity, against any general partner

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of Parcel Eight Associates for any deficiencies or any other sums owing on account of indebtedness accrued under the terms of the Management Agreement, or for the payment of any liability resulting from the breach of any representation, agreement or warranty thereunder, or the failure on the part of the Owner to perform any covenant under the Management Agreement, it being understood that Hilton's remedies as against Parcel Eight Associates shall be limited to Hilton's right to proceed against Parcel Eight Associates, as such, and against the assets of Parcel Eight Associates.

Hilton further agrees that the above limitations on liability shall be applicable with respect to any partners of any partnership which may succeed to Owner's interest under the Management Agreement, and shall further be applicable to any individual who may succeed to such interest, it being understood, however, that such limitation shall not apply to any corporation which succeeds to such interest.

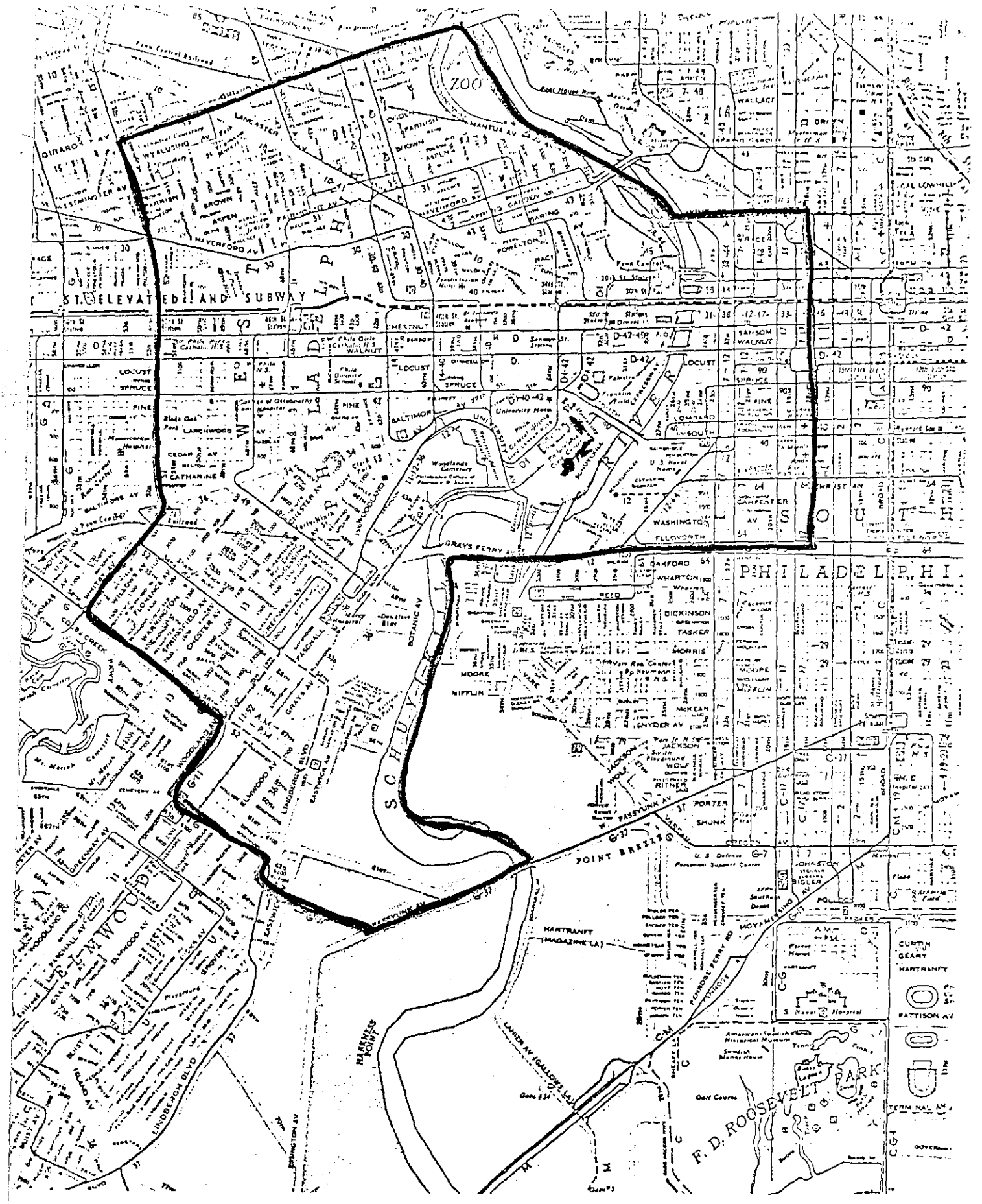
28. Parcel Eight Associates. As indicated in Exhibit 1-A to the Agreement, Parcel Eight Associates holds the Total Premises under a Ground Lease and has delegated the operation thereof to the Owner pursuant to an Operating Agreement of even date herewith which provides, inter alia, that the Owner shall have the right to delegate the operations of the Hotel to Hilton, pursuant to the terms of this Agreement. Parcel Eight Associates is executing this Agreement for the following specific purposes:

(a) To bind the Total Premises to all covenants and agreements contained in the Management Agreement.

(b) To bind itself, the Total Premises, and its interest therein, to all covenants and agreements contained in the Management Agreement involving title to the Total Premises, including, without limitation, all of the provisions of Article VIII, which covenants and agreements will be deemed to be binding upon Parcel Eight Associates as fully as if such partnership had been named as the Owner therein.

(c) If the Operating Agreement shall be terminated for any reason whatsoever during the term of this

Agreement, then Parcel Eight Associates shall thereupon become the successor to the Owner under the Agreement and shall be deemed to have assumed all of the liabilities and obligations of Owner under the Agreement, whether existing as of the date of such termination, or accruing thereafter, subject, however, to the exculpatory provisions of the preceding Paragraph 27. Notwithstanding the foregoing, in lieu of Parcel Eight Associates becoming the successor to Owner in the event of a termination of the Operating Agreement, Parcel Eight Associates shall have the right to designate a corporation or other entity to become such successor, provided that Parcel Eight Associates shall have entered into an operating agreement with such other corporation or entity having substantially the same terms as the existing Operating Agreement.


ZOO
ELEVATED AND SUBWAY
WEST PHILADELPHIA
SOUTH PHILADELPHIA
SCHUYLKILL RIVER
POINT BREEZE
HARTRANFT
F. D. ROOSEVELT PARK
BARNES POINT
GRAYS FERRY
BOTANIC AV
LANCASTER
MANTUA AV
HAVERFORD AV
CHESTNUT
WALNUT
LOCUST
SPRUCE
PINE
LOMBARD
SOUTH
BALTIMORE
CATHARINE
CARPENTER
WASHINGTON
ELLSWORTH
OAKFORD
WHARTON
REED
DICKINSON
TASKER
MORRIS
MOORE
NIFFLIN
MCKEAN
SNYDER AV
JACKSON
WOLF
RITNER
PORTER
SHUNK
PASSYUNK AV
MOYAMENSING
BIGLER
POLLOCK
CURTIN
GEARY
PATTISON AV
TERMINAL AV
FERRIS
LINDBERGH BLVD
ELMWOOD
GREENWAY AV
WOODLAND AV
GRAYS AV
PASCHALL
EASTWICK
UNION AV (GALLOWS LA)
FERRIS
Golf Course
Swedish Mariner House
Swedish Historical Museum
U. S. Naval Hospital
U. S. Defense Personnel Support Center
Pennsylvania Station
Penn Central Railroad
Boat House Row
Fairmount Park
Woodlands Cemetery
University Hospital
Mt. Moriah Cemetery
Mt. Moriah Cemetery
Cobbs Creek
Cobbs Creek Park
Schuylkill River
Philadelphia Zoological Garden
Philadelphia Museum of Art
Philadelphia Naval Shipyard
Philadelphia Zoological Garden
Philadelphia Museum of Art
Philadelphia Naval Shipyard
Philadelphia Zoological Garden
Philadelphia Museum of Art
Philadelphia Naval Shipyard

APPENDIX A

AGREEMENT TO AMEND MANAGEMENT AGREEMENT

This Agreement is made as of this 7th day of October, 1975, by and between PIC Realty Corporation, a Delaware corporation, (hereinafter referred to as "Owner") and Hilton Hotels Corporation, a Delaware corporation, (hereinafter referred to as "Hilton");

W I T N E S S E T H:

WHEREAS Parcel Eight Associates, a Pennsylvania Limited Partnership, is the holder of the leasehold estate of property briefly described as all that certain tract or parcel of land situate at the Northeasterly corner of the intersection of 34th Street and Civic Center Boulevard, together with the Hotel, the Garage and other improvements located thereon, known as The Hilton Hotel of Philadelphia, in the City and County of Philadelphia, Pennsylvania (hereinafter referred to as the "Complex"); and

WHEREAS by Operating Agreement between Parcel Eight Associates and Parcel Eight Hotel, Inc., a Pennsylvania corporation, dated March 26, 1973, (hereinafter referred to as "Operating Agreement") Parcel Eight Hotel, Inc., was granted the sole and exclusive right to supervise and direct on behalf of Parcel Eight

Associates the management and operation of the Hotel and Garage under certain terms and conditions; and

WHEREAS by Management Agreement between Parcel Eight Hotel, Inc., and Hilton dated March 26, 1973, (hereinafter referred to as "Management Agreement") the services of Hilton were utilized in the construction, furnishing and equipping of the Hotel, and Hilton was granted the sole and exclusive right to supervise and direct the management and operation of the Hotel under certain terms and conditions; and

WHEREAS by Sublease Agreement dated October 1, 1975 Parcel Eight Associates subleased the Hotel portion of the Complex to Owner; and

WHEREAS by Assignment of Management Agreement dated October 1, 1975 , Parcel Eight Hotel, Inc., assigned all of its right, title and interest in and to the Management Agreement to Owner; and

WHEREAS, by Termination of Operating Agreement between Parcel Eight Associates and Parcel Eight Hotel, Inc., dated October 1, 1975, the Operating Agreement was terminated; and

WHEREAS Owner and Hilton desire herein to make certain amendments, modifications and additions to the Management Agreement and to continue same in effect as so amended;

NOW, THEREFORE, the parties hereto, in consideration of the premises and the mutual covenants contained herein and intending

to be legally bound hereby, agree as follows:

1. The terms and conditions of the Management Agreement are hereby amended in their entirety to be as set forth in Exhibit A attached hereto and made part hereof. This amendment shall be effective as of and from the date of this Agreement and shall not affect any rights, duties or obligations of any party with respect to any time prior to said date, except as may be expressly set forth in Exhibit A hereof.

2. Parcel Eight Associates is executing this Agreement to acknowledge and confirm its agreement to the provisions of Section 10.16 of Exhibit A and the continuing applicability of the provisions of said Section 10.16.

3. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

4. Owner has asserted, and hereby warrants, to Hilton that a valid liquor license, duly issued for the Hotel in accordance with the Pennsylvania Liquor Code, 47 P.S. §1-101 et seq., will be obtained in the name of Owner without any interruption whatsoever in the right to dispense and sell alcoholic beverages. Hilton regards the successful undertaking by Owner for uninterrupted continuation of the right to dispense and sell alcoholic beverages at the Hotel as an essential factor in inducing Hilton to execute this Agreement.

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5. In consideration of the execution hereof by Hilton, Owner agrees (i) to indemnify Hilton for all fines, penalties or other levies, whether administrative, civil or criminal, imposed by any governmental agency, federal, state or municipal, arising from the application, implementation, suspension, discontinuance, abatement or termination of the liquor license for the Hotel and (ii) to reimburse Hilton for counsel fees, costs or other expenses incurred at any time during the term of the Management Agreement, including renewals, arising from the institution of proceedings, whether administrative, judicial or otherwise, arising from the application, issuance and continuance of a liquor license for the Hotel; **provided however, that ***

6. This Agreement and the rights and obligations of the respective parties hereunder shall be construed in accordance with the laws of the Commonwealth of Pennsylvania.

In Witness Whereof, the parties hereto have caused these presents to be duly executed as of the day and year first above written.

***Owner shall have no obligation (a) to indemnify Hilton under (i) above in the event that the imposition of the fines, penalties or other levies mentioned therein result from wilful, wrongful or negligent conduct, acts or omissions of Hilton not otherwise indemnified under 10.04 hereof, and (b) to reimburse Hilton under (ii) above in the event that the institution of the proceedings mentioned therein result from wilful, wrongful or negligent conduct, acts or omissions of Hilton not otherwise indemnified under 10.04 hereof.**

PIC REALTY CORPORATION

By: _____
Vice President

Attest: _____

(CORPORATE SEAL)

HILTON HOTELS CORPORATION

By: Timothy Cypligate
Sr. Vice President

Attest: [signature]
Asst. Secretary

(Corporate Seal)

Acknowledged and Approved:
PARCEL EIGHT ASSOCIATES
By: PIC Realty Corporation (General Parnter)

By: [signature] DDS
Vice President

Attest: [signature]

(Corporate Seal)

EXHIBIT A

ARTICLE I

DEFINITIONS

1.01 Definitions. As used herein, the following terms shall have the respective meanings indicated below:

(a) Site (Ground Lease) - the parcel or parcels of real estate described in Exhibit 1 hereto (and the Ground Lease, described in Exhibit 1-A hereto, together with the Sublease described in Exhibit 1-B hereto, under which the Site is held).

(b) Building - all buildings, structures and improvements now or hereafter located on the Site.

(c) Premises - a collective term for the Site and Building, and Owner's interest therein, whether such interest be a fee or leasehold estate, together with all entrances, exits, rights of ingress and egress, easements and appurtenances thereunto belonging or appertaining thereto.

(d) Garage - the garage facility on the Site, containing approximately 850 car spaces; the terms "Building", "Premises" and "Hotel" shall not be deemed to include the Garage;

(e) Total Premises - a collective term for the Premises and the Garage.

(f) Furnishings and Equipment - all furniture, furnishings and equipment required for the operation of the Hotel, including, without limitation, office furniture and equipment, including safes, cash registers, and accounting, duplicating and communications equipment, and specialized hotel equipment, including equipment required for the operation of kitchens, laundries, dry-cleaning facilities, bars and cocktail lounges, and special lighting and other equipment, and all other fixtures, equipment, apparatus and personal property needed for such purpose, other than Operating Equipment (as defined below), and other than fixtures attached to and forming part of the Building.

(g) Operating Equipment - all chinaware, glassware, linens, silverware and uniforms required for the operation of a hotel.

(h) Operating Supplies - food and beverages and other immediately consumable items used in the operation of the Hotel, such as fuel, soap, cleaning material, matches, stationery and similar items.

(i) Hotel - a collective term for the Premises, the Furnishings and Equipment and Operating Equipment.

(j) Capital Improvements - any alteration or addition to, or rebuilding or renovation of the Building, the cost of which is not charged to repairs and maintenance.

(k) Operating period - the period originally beginning with December 26, 1974 and ending upon the expiration or termination of this Agreement.

(l) Operating years - the operating years shall coincide with and be identical with the calendar years.

(m) Other Hilton hotels and inns - all other hotels and inns within the United States owned, leased and/or operated, directly or indirectly, by Hilton and its affiliates.

(n) Wholly owned Hilton hotels and inns - those hotels and inns within the United States which are wholly owned (in fee or through leasehold estates) by Hilton, and operated for its own account.

(o) Legal requirements - all laws, statutes, ordinances, orders, rules, regulations, permits, licenses, authorizations, directions and requirements of all governments and governmental authorities, which now or hereafter, may be applicable to the Hotel and the operation thereof.

(p) Insurance requirements - all terms of each insurance policy, and all orders, rules, regulations and other requirements of the National Board of Fire Underwriters (or any other body exercising similar functions) applicable to the Hotel or the operation thereof; such phrase shall not include recommendations of the insurance carriers.

(q) Impositions - all taxes, assessments, water, sewer or rents, rates and charges, levies, license fees, permit fees, inspection fees and any other authorization fees and charges, which at any time may be assessed, levied, confirmed, or imposed on the Hotel and the operation thereof.

(r) Permitted encumbrances - (i) the terms of the Ground Lease and the Sublease; (ii) the Mortgage (as defined below) and the terms thereof; (iii) liens for impositions not delinquent; (iv) undetermined or inchoate liens or charges for labor or materials supplied to the Hotel in con-

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nection with the construction or current operation thereof, which have not at the time been filed or recorded pursuant to law; and (v) easements, restrictions on use, zoning laws and ordinances, rights of way and other encumbrances and minor irregularities in title, which do not individually or in the aggregate impair the use of the Premises for hotel purposes.

(s) compensation - the direct salaries and wages paid to any executive or other employee, together with all fringe benefits to which such employee is entitled, including employer's contribution of F.I.C.A., unemployment compensation, or other employment taxes, pension fund contributions, workmen's compensation, group life and accident and health insurance premiums, and profit sharing, retirement, disability and other similar benefits.

(t) Technical assistance services - those advisory and consulting services which Hilton and its affiliates render to all Hilton operated hotels and inns in connection with the design, planning, construction, organization and operation thereof, through specialists regularly employed, or retained, by Hilton and its affiliates, through which Hilton's unique experience in the field is made available to various hotels and inns.

(u) Annual Plan(s) - as defined in Section 3.02.

(v) Group Services - as defined in Section 3.03.

(w) Uniform System of Accounts for Hotels - as defined in Section 6.04.

(x) Mortgage and Mortgagee - as defined in Section 8.03.

(y) Hilton - Hilton Hotels Corporation, or its successor at the time with respect to this Agreement.

(z) Hilton and its affiliates - Hilton and all corporations, partnerships and other entities directly or indirectly controlled by, controlling, or subject to direct or indirect common control of Hilton.

(aa) Sublease - that certain sublease described in Exhibit 1-B hereto.

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1.02 References. Except as otherwise specifically indicated, all references to Section and Article numbers refer to Section and Article numbers of this Agreement, and the words "herein", "hereof", "hereunder", "hereinafter", and words of similar import refer to this Agreement as a whole and not to any particular section or subdivision thereof.

ARTICLE II

TERM - RENEWAL TERMS

2.01 The Term. The term of this Agreement originally commenced as of March 26, 1973 and shall expire at midnight on December 31, 1981, subject to Hilton's renewal option under Section 2.02 below, and to sooner termination as hereinafter provided.

2.02 Renewal Terms. Hilton shall have the right, to be exercised as hereinafter provided, to extend the term of this Agreement for four periods of five years each upon the following terms and conditions:

(a) Each renewal term shall be upon the same terms, covenants and conditions as in this Agreement provided except that there shall be no further privilege of renewal of the term of this Agreement beyond the fourth renewal period referred to above; and

(b) The term of this Agreement shall have been renewed for the prior renewal term.

Hilton shall exercise its rights of renewal by notifying the Owner in writing of its election on or before April 1, 1981 as to the first renewal period, and on or before April 1 of the last year of the then current renewal term as to all subsequent renewal periods.

The phrase "term of the Agreement" or "term hereon" as used herein shall mean the original term and any renewal or renewals thereon then in effect in accordance with the provisions of this Article II.

2.03 A. Notwithstanding the exercise by Hilton of any right to renew the term for any additional five year period as hereinabove provided, Owner, at Owner's option to be exercised

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as hereinafter provided, shall have the right to nullify the extension of the term and to terminate this Agreement as of the end of the then current term, or as hereinafter provided, unless during the four calendar years immediately preceding the year in which Hilton shall exercise its right to renew for the first renewal term, or during the four calendar years immediately preceding the year in which Hilton shall exercise its right to renew for any ensuing renewal term, as the case may be, the total revenues from the operation of the Hotel shall have equalled or exceeded an amount equal to the sum of (i) all expenses which are deducted from total revenues in determining the gross operating profit of the Hotel for such period of time, determined as provided in Article V, (ii) 78.5% of the ad valorem taxes imposed on the Total Premises for such period of time, and (iii) $4,789,316 (representing $1,197,329 for each of the four years in the period; see Section 5.01(c) hereof). The amount by which the sum of items (i) through (iii) above shall exceed such total revenues is hereinafter referred to as the "revenue deficit" for the particular period of time.

B. Owner shall exercise such right to nullify the extension of the term by notifying Hilton in writing of its election to do so within 120 days of receiving Hilton's notice of exercise of its right to extend, and upon the sending of such notice the term and this Agreement, except as hereinafter provided, shall terminate and end and become null and void on the date specified in such notice but in no event later than the end of the then current term. The rights granted Owner hereunder shall be available to Owner upon Hilton's exercise of its right to extend for each renewal term regardless of whether Owner shall have had the right to nullify any prior renewal but failed or elected not to exercise the same.

C. Notwithstanding the foregoing, Hilton shall have the right to postpone the exercise of such right of nullification from the end of the seventh full calendar year to the end of the tenth full calendar year of the term hereof by paying to Owner at the time of Hilton's exercise of the first renewal right an amount equal to the revenue deficit for the third through the sixth full calendar years, inclusive, of the term hereof, such right of nullification to be further postponed to the end of the first five year renewal term in the event there shall be no cumulative revenue deficit for the seventh through the tenth full calendar years, inclusive, of the term hereof. Any amount so paid by Hilton shall be repaid, to the extent available, out of 50% of any excess of such total revenues over the sum of items (i) through (iii) of paragraph A above for each of the seventh through the fifteenth full calendar years, inclusive, of the term hereof, payable in each case on April 1 of the ensuing year.

ARTICLE III

OPERATING PERIOD

3.01 Grant to Hilton.

A. Owner hereby grants to Hilton the sole and exclusive right to supervise and direct the management and operation of the Hotel pursuant to the terms of this Agreement, and Hilton agrees that it will supervise and direct the management and operation of the Hotel as a first-class hotel comparable to other Hilton hotels and inns. In accordance with the foregoing, Hilton shall have the right to determine operating policy, standards of operation, quality of service and any other matters affecting customer relations. All phases of promotion and publicity with respect to the Hotel and the Group Services shall be solely and exclusively the responsibility of Hilton. Owner agrees that it will cooperate with Hilton in every reasonable and proper way to permit and assist Hilton to carry out its duties hereunder.

B. Notwithstanding the foregoing, Hilton shall at all times keep Owner reasonably apprised and aware of all operating policies. In the event operating profits are such that they are materially below forecasts, Hilton agrees to consult with Owner and to make reasonable changes in operating procedures with a view to a more economical operation in an effort to gain additional operating profits, which changes shall only be required of Hilton if the same fall within or comply with the standards of operation for hotels of similar type and character within the area in which the Hotel is located.

C. It is understood that Hilton shall not be involved in or have the responsibility for management of the Garage. Owner shall arrange for parking privileges in the Garage to be extended to guests and patrons of the Hotel at a special per diem rate that shall be subject to the agreement of Owner and Hilton.

3.02 Annual Plans.

A. Hilton will submit to Owner at least 30 days in advance of each operating year a budget (herein called the "Annual Plan"), which shall include estimates for such ensuing year, covering expenditures for (i) repairs and maintenance, (ii) the purchase of Operating Equipment, (iii) the purchase of Furnishings and Equipment, (iv) Capital Improvements, (v) separate advertising, business promotion and personnel programs of the Hotel (as distinct from the programs included in Group Services) and (vi) specialists referred to in Subsection 3.08(e). Hilton has heretofore submitted and Owner has approved the Annual Plan for the current operating year. The Annual Plans will be subject to the approval of the Owner, and Owner hereby agrees to examine each Annual Plan submitted to it by Hilton in accordance with the foregoing, and if found reasonable and proper, Owner will then approve such Annual Plan, it being contemplated that the Annual Plan will be agreed upon by the parties hereto within 30 days after submission of the same by Hilton to Owner. In case of a dispute with regard to an Annual Plan, then, pending the settlement thereof, Hilton will be entitled to continue to operate the Hotel in accordance with the standards herein set forth at levels of expenditure comparable to those of the preceding year, and in connection therewith to make such expenditures from Owner's funds as it reasonably deems necessary for such continued operations, it being understood, however, that in such cases Hilton shall be entitled to make expenditures for repairs and maintenance, and for replacement of Furnishings and Equipment, for the current operating year on the basis of annual expenditures in an amount not exceeding 7% of the estimated gross revenues of the Hotel for the then current operating year (determined in accordance with the Uniform System of Accounts for Hotels).

B. Subject to the provisions of Section 10.03 hereof, Hilton shall at all times comply with the applicable Annual Plan, and shall not deviate in any substantial respect therefrom, provided, however, that Hilton shall be entitled to reallocate the amount budgeted with respect to any item in such Annual Plan, to another item budgeted therein, provided the total amount of expenditures authorized thereunder shall not be exceeded, and that the reallocations do not total in excess of 20% of the total amount of expenditures authorized under such Annual Plan. Notwithstanding the foregoing, Hilton shall be entitled to make additional expenditures not authorized under the th applicable Annual Plan, in case of emergencies arising

out of fire or any other like or unlike casualty, or in order to comply with any applicable legal or insurance requirements, provided that such additional expenditures shall not exceed $150,000 in connection with any one occurrence or condition of the type contemplated by the provisions of this sentence.

3.03 Group Services. Hilton and its affiliates will furnish to the Hotel the benefits of those group services and facilities furnished to other Hilton hotels and inns, such as (a) group advertising and business promotion services for both individual guests and conventions, (b) central purchasing and procuring services and the services of any regional purchasing office, (c) the Hilton Reservation Service, (d) credit services and (e) all other services and facilities now or hereafter furnished as a group to other Hilton hotels and inns; all such services and facilities being herein referred to as "Group Services". With respect to credit services, Owner agrees that the Hotel shall honor all credit cards issued by Hilton and its affiliates, and that the Hotel's policy regarding association with any other credit card system shall be in conformity with Hilton's general policy at the time in effect. With respect to the Hilton Reservation Service, Owner shall provide sufficient space at a reasonable rent and in an appropriate area in the Hotel for the maintenance of a Hilton Reservation Service Office.

3.04 Technical Assistance Services - Operating Period. During the operating period, Hilton, through its technical assistance services program, will provide, as needed, supervisory and control services to the Hotel's front office, food and beverage, personnel and other operating departments. The technical assistance services will be provided without charge to Owner, other than for reimbursable items stipulated in Section 3.08.

3.05 Personnel.

A. Hilton shall hire, promote, discharge and supervise the work of the executive staff of the Hotel (i.e., the general manager, the assistant managers, department heads and other key personnel), and will supervise through said executive staff the hiring, promotion, discharge, and work of all other operating and service employees of the Hotel. All members of the executive staff of the Hotel shall be properly qualified for their positions, and the direct compensation payable to such persons shall be comparable to the compensation paid to the members of the executive staff of other comparable first-class

hotels, taking into account the location and size of the Hotel, it being understood that the Hotel will at no time be placed at a competitive disadvantage with respect to the hiring and maintaining of its executive staff.

B. (i) All employees of the Hotel shall be employees of Hilton, and the amount of payments shall immediately be reimbursed to Hilton by Owner. Accordingly, Hilton shall establish appropriate payroll accounts covering all such employees of the Hotel. Arrangements will be made so that Hilton can draw on the Hotel Accounts to transfer funds to such payroll accounts immediately upon its payment of such compensation.

(ii) Notwithstanding anything contained in this Agreement to the contrary, it is agreed that, as respects only all matters pertaining to the hotel liquor license issued to Owner by the Pennsylvania Liquor Control Board, all employees of the Hotel shall be regarded as the employees of Owner as the holder of said hotel liquor license

C. Hilton shall negotiate, for the best interests of Owner, with any labor unions lawfully entitled to represent such employees, and any collective bargaining agreement or labor contract resulting therefrom will be executed by Hilton as the employer. In addition, it is understood that Hilton shall consult with Owner in advance of, and, to the extent practicable, during the course of, negotiating with any labor union as to terms acceptable to Owner. In addition, subject to the requirements of the local hotel association and applicable provisions of federal and state law, Hilton shall permit Owner to participate in such negotiations, if so desired by Owner.

D. If Hilton shall reasonably deem it to be in the best interests of Owner, Hilton may assign employees of Hilton and its affiliates, not employed at the Hotel prior to such assignment, as members of the staff of the Hotel. During the period of such assignment, such employees will be paid their regular compensation, such compensation to be paid by Hilton, in which case, it will be reimbursed by Owner therefore as provided in Section 3.08.

E. If Hilton shall reasonably deem it to be advisable and in the best interests of Owner, the general manager (or the resident manager) and the housekeeper will reside at the Hotel, in which case, in addition to their salaries, they will receive the normal maintenance customarily provided to such employees of a Hilton hotel or inn, i.e., room, board, laundry and valet.

The general manager and resident manager shall also be reimbursed for all reasonable business expenses, including business entertainment and travel expenses. The rooms in the Hotel to be occupied by the general manager (or the resident manager) and housekeeper shall be subject to the approval of both Hilton and Owner.

F. In order to provide for the benefit of the employees of the Hotel to the extent eligible, Hilton, as employer, shall continue its participation in, or adopt, if necessary, the Hilton pension, disability, health and welfare, and other benefit plans heretofore applicable to employees of the Hotel, provided such Hilton plans permit such action, and Hilton shall pay the allocable share of the Hotel for such participation and Owner shall immediately reimburse Hilton therefor. If, in the reasonable opinion of Hilton, it is desirable at any time during the term of this Agreement to provide for different or additional benefits under the existing plans, or to otherwise amend the existing plans, or to provide for the benefit of the employees of the Hotel additional or other pension, profit sharing or any other employee retirement, disability, health and welfare or other benefit plans similar to any such plans which may hereafter be adopted for the benefit of the other Hilton hotels and inns, Hilton shall either (i) elect to adopt, and pay its allocable share for, such plan or plans as an employer, provided the provisions of such plan or plans permit such action, or (ii) establish a similar independent plan or plans providing comparable benefits for the employees of the Hotel, and in either instance all amounts paid by Hilton in respect thereto shall immediately be reimbursed by Owner. Hilton's rights under this paragraph F shall be subject to the condition that Hilton shall not put into effect any amendment to any existing plan, or adopt any additional plan, which would impose upon the Hotel any relatively greater financial burden than is imposed on wholly owned Hilton hotels and inns whose employees are subject to such plans, other than any differential resulting from the number of employees in the Hotel, or the level of compensation in such Hotel, as compared to such other Hilton hotels and inns.

3.06 Additional Responsibilities of Hilton. Hilton shall, either in its own name or in the name of Owner, perform the following additional services, or cause the same to be performed by the Hotel:

(a) consummate arrangements with concessionaires, licensees, tenants, or other intended users of the facilities of the Hotel, provided, however, that Hilton shall not, without

the consent of Owner, enter into any such arrangement having a term of more than five years, or in the case of leases, covering an area in excess of 5,000 net rentable square feet of space.

(b) enter into such contracts for the furnishing of utilities and maintenance and other services to the Hotel, as shall be reasonably necessary for the proper operation and maintenance thereof;provided, however, that Hilton shall not, without the consent of Owner, enter into any such contract having a term of more than one year and involving an obligation for the payment of more than $10,000 in any one year (any contract which is cancellable by Owner at any time prior to one year shall not be deemed to be a contract for more than one year); and further provided that Owner shall have the right to direct Hilton not to renew any specific contract, and to cancel any specific contract which by its terms is cancellable.

(c) subject to the applicable Annual Plans, make all repairs, decorations, revisions, alterations and improvements to the Hotel as shall be reasonably necessary for the proper maintenance thereof in good order, condition and repair;

(d) purchase such Operating Supplies as shall be reasonably necessary for the proper operation of the Hotel;

(e) apply for, obtain and maintain all licenses and permits, except for liquor licenses, required of the Owner or Hilton in connection with the operation and management of the Hotel; Owner agrees to execute and deliver any and all applications and other documents as shall be reasonably required and to otherwise cooperate, in all reasonable respects, with Hilton in applying for, obtaining and maintaining such licenses and permits;

(f) do or cause to be done, all such acts and things in and about the Hotel as shall be reasonably necessary to comply with all legal and insurance requirements, and to discharge any lien, encumbrance or charge on or with respect to the Hotel and the operation thereof, other than permitted exceptions;

(g) pay, when due, all impositions;

(h) use its best efforts to cause the Hotel to comply with all applicable covenants and provisions of the Ground Lease, the Sublease and the Mortgage, except for payment of the installments of principal and interest on the Mortgage, and of rental under the Ground Lease and the Sublease.

(i) institute any and all legal actions or proceedings as shall be reasonably necessary to collect charges, rent or other income from the Hotel or to dispossess guests, tenants or other persons in possession therefrom, or to cancel or terminate any lease, license or concession agreement for default thereunder by the tenant, licensee, or concessionaire; provided, however, that without the consent of Owner, Hilton shall not institute any proceedings to terminate any lease, license or concession agreement having a then unexpired term of one year or more.

3.07 Contests. Hilton and Owner shall forthwith send to each other a copy of any notice or claim received with respect to a material violation of any legal or insurance requirement or a material delinquency in the payment of any imposition, or any claim or notice of a lien, encumbrance or charge against, or with respect to, the Hotel or the operation thereof, other than the permitted exceptions. Upon notice to Hilton, Owner shall have the right to contest by appropriate proceedings, diligently conducted and in good faith, any of the following:

(a) any alleged violation of, or the applicability of or the propriety of, any legal or insurance requirement;

(b) the amount or validity of any imposition;

(c) the amount or validity of any other lien, encumbrance or charge against, or with respect to the Hotel, not constituting a permitted exception;

provided, however, that as a condition precedent to Owner's right of contest hereunder, Owner shall first make such arrangements as Hilton shall reasonably request to protect the Hotel from being forfeited or lost, to avoid any danger of a suspension in the operation of the Hotel, and to secure Hilton against loss, damage or expense. Subject to the foregoing, at Owner's request Hilton will postpone compliance with such provisions of the preceding Section 3.06 as is necessary to permit Owner to contest the above matters as provided herein.

3.08 Reimbursements to Hilton - Operating Period. In addition to the Management Fee provided for in Article V, during the operating period Hilton and its affiliates shall be entitled to be reimbursed for the following costs and expenses incurred in rendering services to the Hotel:

(a) the Hotel's pro rata share of all costs and expenses incurred in connection with the rendition of Group Services, allocated on the same basis as allocations to wholly owned Hilton hotels and inns, it being specifically understood that Hilton shall not change its present method of allocating such costs and expenses in any manner which would impose any relatively greater financial burden on the Hotel than is imposed on the wholly owned Hilton hotels and inns;

(b) all costs and expenses of any separate advertising and business promotion programs of the Hotel alone, separate and distinct from other Hilton hotels and inns;

(c) the compensation payable to all officers and employees of Hilton and its affiliates (other than senior executive officers of Hilton, i. e. divisional operational Senior Vice Presidents and above) while at the Hotel or traveling on an assignment for the specific benefit of the Hotel;

(d) reasonable travel and entertainment expenses of all officers and employees of Hilton and its affiliates incurred in performing its duties hereunder in connection with any phase of the operation of the Hotel;

(e) the compensation and expenses paid or reimbursed to all specialists, not regularly employed by Hilton, rendering services to the Hotel, provided that if in any operating year the amount of such compensation and expenses shall exceed the amount budgeted therefor under the then applicable Annual Plan, the employment of any additional specialists during such operating year shall be subject to the prior approval of Owner;

(f) compensation paid by Hilton or its affiliates to employees assigned to the Hotel under the provisions of paragraph D of Section 3.05.

Statements covering the aforesaid reimbursements shall be submitted by Hilton to Owner and paid to Hilton promptly upon receipt thereof. It is agreed that to the extent the entire amount of compensation or other expense reimbursable to Hilton under the provisions of this Section 3.08, or under any other provisions of this Agreement, are not incurred solely for the benefit of the Hotel, then such expense shall be appropriately allocated.

3.09 Standard of Performance. Hilton agrees that during the term of this Agreement it shall supervise and direct the management and operation of the Hotel in accordance with the standards herein set forth and consult with the Owner, and keep the Owner advised, as to all major policy matters relating to the Hotel. It is understood that many of the undertakings of Hilton contained in this Agreement will under ordinary circumstances be performed by the executive staff and other employees of the Hotel, all of whom will be employees of Hilton, but whose compensation though paid by Hilton is reimbursed to it by Owner. It is therefore agreed that Hilton shall not be liable to Owner or others for the failure to perform any duty hereunder to the extent that such failure is due to the act or omission of the employees of the Hotel (other than the general manager, resident manager, comptroller, or the heads of the food and beverage, rooms division and sales department of the Hotel) provided that Hilton has used reasonable diligence in the hiring, discharge and supervision of the executive staff, and the supervision through such executive staff of the hiring, discharge and supervision of the employees of the Hotel.

ARTICLE IV

INSURANCE

4.01 Coverage. Owner agrees to procure and maintain, or, at the request and at the expense of Owner, Hilton will procure and maintain, at all times during the term of this Agreement, a minimum of the following insurance:

(a) Insurance on the Hotel (including contents) against loss or damage by fire and lightning and other perils insurable under the form of extended coverage then available (including specifically sprinkler leakage damage, vandalism and malicious mischief, if available), all in the amounts sufficient to prevent any co-insurance provisions from becoming effective, but in any event in an amount equal to not less than 90% of the full replacement value of the Building and 90% of the actual cash value of the contents.

(b) Insurance on the Hotel (including contents) against loss or damage from explosion of boilers, heating apparatus, pressure vessels and pressure pipes installed in the Hotel, without co-insurance clauses so long as available, in the amount not less than $1,000,000 with respect to any one accident.

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(c) Comprehensive public liability insurance, including bodily injury, personal injury, property damage, automobile liability, garage liability, garagekeeper's liability, products liability, innkeeper's liability, contractual liability, and liquor liability, and if exposure exists, covering watercraft and aircraft liability, in an amount not less than $10,000,000 single limit per occurrence.

(d) Statutory workmen's compensation benefits, and employer's liability insurance in an amount not less than $500,000.

(e) Comprehensive crime insurance, in an amount not less than $500,000.

(f) Business interruption insurance against losses due to fire, lightning and other perils insurable under the form of extended coverage then available (including specifically sprinkler leakage damage, vandalism and malicious mischief, if available) in an amount not less than 80% of the annual business interruption values

(g) Insurance against such other insurable risks as Hilton may reasonably require.

The insurance coverage shall, in any event, comply with the requirements of the Mortgage. At least 60 days prior to the beginning of each operating year, the party procuring such insurance will submit to the other party for its approval a schedule setting forth the kinds and amounts of insurance to be maintained during the ensuing operating year in connection with the operation of the Hotel.

4.02 Policies and Endorsements.

A. All insurances provided for under the above Section 4.01 shall be effected by policies issued by insurance companies of good reputation and of sound and adequate financial responsibility. The party procuring any of the aforesaid kinds of insurance shall deliver certificates of insurance with respect to all of the policies of insurance so procured, including existing, additional and renewal policies, to the other, and in the case of insurance about to expire, shall deliver certificates of insurance with respect to the renewal policies to the other party not less than 10 days prior to the respective dates of expiration.

B. All policies of insurance provided for under this Article IV shall, to the extent obtainable, have attached thereto (a) an endorsement that such policy shall not be cancelled or

materially changed without at least 30 days' prior written notice to Owner and Hilton, and (b) an endorsement to the effect that no act or omission of Owner or Hilton shall affect the obligation of the insurer to pay the full amount of any loss sustained.

C. All policies of insurance required under clauses (a) and (b) of Section 4.01 shall be carried in the name of the Owner, Hilton, Parcel Eight Associates, the landlord under the Ground Lease and the Mortgagee, and losses thereunder shall be payable to the parties as their respective interests may appear. Notwithstanding the foregoing, if the Mortgagee is an institutional lender, and so requires, losses may be made payable to the Mortgagee, or to a bank or trust company qualified to do business in the state where the Hotel is located, in either instance as trustee for the custody and disposition of the proceeds therefrom. All liability policies of a character described in clause (c) of Section 4.01 shall name the Owner, Hilton and Parcel Eight Associates, their respective officers, agents and employees as insureds. Any policy of insurance of the character described in clause (f) of Section 4.01 shall name Owner and Hilton as insureds.

4.03 Waiver of Liability. Neither Hilton, on the one hand, nor Owner or Parcel Eight Associates on the other, shall assert against the other, and do hereby waive with respect to each other, any claims for any losses, damages, liability, or expenses (including attorneys' fees) incurred or sustained by either of them on account of damage or injury to persons or property arising out of the ownership, operation and maintenance of the Hotel, to the extent that the same are covered by the insurance required under this Article IV.

4.04 Insurance by Hilton. Any insurance provided by Hilton under this Article IV will be effected under policies of blanket insurance which may cover other properties of Hilton and its affiliates, and an allocable portion of such premiums will be changed to Owner. Any policies of insurance maintained by Hilton pursuant to the provisions of this Article IV may contain deductible and franchise payment provisions in such amounts as are maintained with respect to other Hilton hotels and inns.

ARTICLE V

MANAGEMENT FEE

5.01 Computation of Fee. In consideration of Hilton's services during the operating period, Owner shall pay to Hilton a management fee equal to the sum of (1) 3% of the gross revenues (determined as hereinafter provided) from the operation of the Hotel in each operating year (herein called the "Minimum Management Fee"), and (2) 10% of an amount equal to the gross operating profit of the Hotel in each operating year (determined as hereinafter provided), after deducting from said gross operating profit the sum of

(a) the amount of the Minimum Management Fee for such operating year;

(b) 78.5% of the ad valorem taxes for such operating year imposed on the Total Premises (representing the agreed upon percentage of the items indicated which is attributable to the Premises as compared to the Total Premises);

(c) $1,197,329 (representing an agreed amount to be deducted throughout the term of the Management Agreement in lieu of rent payable under the Ground Lease and principal and interest payable with respect to the financing on the Premises);

the amount payable under clause (2) being herein called the "Incentive Management Fee".

For the purpose of determining the Minimum Management Fee the term "gross revenues" shall mean and include all revenues and income of any kind derived directly or indirectly from the Hotel (including store and building rentals from the Hotel building, and rentals or other payments from sublessees and concessionaires, but not the gross receipts of such sublessees or concessionaires), whether on a cash basis or on credit, paid or unpaid, collected or collected, determined in accordance with the Uniform System of Accounts for Hotel, excluding, however,

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(i) federal, state and municipal excise, sales and use taxes collected directly from patrons or guests or as a part of the sales price of any goods, services or displays, such as gross receipts, rooms, admission, cabaret or equivalent taxes;

(ii) any charges made for telephone service;

(iii) gains arising from the sale or other disposition of capital assets;

(iv) any reversal of any contingency or tax reserve;

(v) the excess over $10,000 of accounts receivable which are determined to be uncollectible in any operating year by the independent public accountants who are certifying the reports of Owner under Section 6.05;

(vi) rentals or other income received from the leasing or operation of the Garage.

For the purpose of determining the Incentive Management Fee, the gross operating profit of the Hotel shall be determined in accordance with the Uniform System of Accounts for Hotels, provided that there shall be excluded from the expenses deducted in determining such gross operating profit that portion of the cost of any utility, service or repair and maintenance charges which are properly allocable to the Garage facility, and provided, further, that the lease rentals referred to in Section 8.01 shall also be so excluded.

Proceeds from business interruption insurance shall be included both for the purpose of determining gross revenues and gross operating profit.

5.02 Payment of Fee. The Minimum Management Fee shall be payable monthly concurrently with delivery to Owner of the monthly report under clause (b) of Section 6.05 in installments equal to 3% of the gross revenues from the operation of

the Hotel for the preceding month. If the annual report to be delivered by Hilton to Owner under clause (c) of Section 6.05 shall show that the aggregate of the monthly installments of the Minimum Management Fee paid with respect to the preceding operating year shall exceed or be less than the Minimum Management Fee, as shown on such annual report for such operating year, then Hilton or Owner, as the case may be, shall pay to the other the amount of such overpayment or underpayment within 30 days after the submission of such report.

The Incentive Management Fee shall be payable annually within 30 days after the submission to Owner by Hilton of the report required under clause (c) of Section 6.05.

ARTICLE VI

ACCOUNTS; WORKING FUNDS; RECORDS AND REPORTS

6.01 Hotel Accounts. Bank accounts for the Hotel will be established at a banking institution or institutions mutually approved by Owner and Hilton, such accounts to be in Hilton's name, as agent for Owner (herein called the "Hotel Accounts"). Hilton will deposit in such Accounts all monies furnished by Owner as working funds under Section 6.03 and all monies received from the operation of the Hotel and will disburse the same for the purposes set forth in the following Section 6.02. Notwithstanding the foregoing, Hilton shall be entitled to maintain such funds as it reasonably deems proper in house banks or in petty cash funds at the Hotel.

6.02 Expenditures. From the Hotel Accounts (or, if appropriate, from house banks or petty cash funds available at the Hotel), Hilton is hereby authorized to pay such amounts and at such times as are required in connection with the ownership, maintenance and operation of the Hotel and related facilities, including without limitation the following:

(a) all costs and expenditures incurred or made in connection with the authorized items under Section 3.06 and all other expenditures which Hilton is permitted or required to make under any other provision of this Agreement;

(b) reimbursements and other amounts due to Hilton and its affiliates, computed as provided in Section 3.08;

(c) premiums for any insurance maintained by Hilton in accordance with the provisions of Article IV;

(d) the Management Fee, computed in accordance with the provisions of Article V:

(e) reimbursement of all amounts paid by Hilton as a result of employment by Hilton of the Hotel employees, as provided in paragraph B of section 3.05, and Hilton is authorized to transfer funds sufficient for such purpose from Hotel accounts directly to its payroll accounts.

(f) all other reimbursements, indemnifications and other amounts due to Hilton and its affiliates under any of the provisions of this Agreement;

but in any event subject and pursuant to all the terms and provisions of this Agreement. Subject to the working capital requirements of the following Section 6.03 and the requirements of the then applicable Annual Plan, Hilton, upon request of Owner, shall distribute excess funds from the Hotel Accounts to Owner.

6.03 Working Fund Requirements. Owner, upon request of Hilton, shall provide funds, to be deposited in Hotel Accounts, as provided in Section 6.01, sufficient at all times to assure the uninterrupted and efficient operation of the Hotel, including without limitation, sufficient funds to pay all of the items described or specified in the preceding Section 6.02. Hilton agrees that if upon the basis of the estimated profit and loss statement to be furnished pursuant to clause (a) of Section 6.05, it is reasonably anticipated that a request for working funds will be made during the year, such statement will contain or be accompanied by an estimate of such requirements. If Owner shall fail to provide the funds required hereunder, it shall be deemed a default under the provisions of Section 7.02(a) giving rise to a right of termination on the part of Hilton, but such default, notwithstanding the provisions of Section 7.04, shall not be the basis of a claim for damages by Hilton against Owner. In any event, if Hilton is unable to perform any of its

agreements or covenants under this Agreement because of such failure on the part of Owner to provide the required funds, such failure of performance on the part of Hilton shall not be deemed a default and shall not give rise to any right of termination, damages or any other remedy on the part of the Owner against Hilton.

6.04 Books and Records. Under Hilton's supervision, the Hotel shall keep full and adequate books of account and such other records as are necessary to reflect the results of the operation of the Hotel. Such books and records shall be kept in all material aspects in accordance with the Uniform System of Accounts for Hotels (Sixth Revised Edition, 1961) (the "Uniform System of Accounts for Hotels"). It is understood and agreed, however, that to assure better control of costs and expenses, the Hilton Classification of Accounts shall be used in keeping the books and records of the Hotel.

6.05 Reports to Owner. Hilton will deliver, or cause to be delivered, to Owner the following forecasts and statements:

(a) at least 30 days in advance of each operating year an estimated profit and loss statement, in reasonable detail, for the ensuing operating year, including a schedule of hotel room revenues;

(b) within 20 days after the end of each calendar month; a detailed profit and loss statement showing the results of operation of the Hotel for such month and the year to date, and having annexed thereto a computation in reasonable detail of the gross revenues and the Management Fee for such preceding month and the year to date, calculated as provided in Article V hereof. Such statement and computation shall be prepared by the comptroller for the Hotel from the books of accounts of the Hotel;

(c) within 90 days after the end of each operating year, a balance sheet and related statement of profit and loss (including all supporting departmental schedules of revenues and expenses), certified to by an independent public accountant or firm of independent public accountants of recognized standing in the hotel industry retained by Owner, and approved by Hilton, showing the assets employed in the operation of the Hotel and the liabilities incurred

in connection therewith, as at December 31 of such year, and the results of the operation of the Hotel during such year, and having annexed hereto a computation of the gross revenues and the Management Fee for such year, calculated as provided in Article V hereof.

Hilton will also deliver, or cause to be delivered, to the University of Pennsylvania, as Landlord under the Ground Lease, at such address and to the attention of such person as the University from time to time shall designate, copies of all statements delivered to Owner pursuant to this Section 6.05. All costs and expenses incurred in connection with the preparation of any statements, schedules, computations and other reports required under this Section 6.05 shall be borne by the Owner.

6.06 Owner's Right of Inspection and Review. Upon reasonable advance written notice to the General Manager of the Hotel, Hilton shall accord to Owner, its accountants, attorneys and agents, the right to enter upon any part of the Hotel at all reasonable times during the term of this Agreement for the purpose of examining or inspecting the same or examining and making extracts of books and records of the Hotel or for any other purpose which the Owner, in its discretion, shall deem necessary or advisable, but same shall be done with as little disruption to the business of the Hotel as possible. Books and records of the Hotel shall be kept at the Hotel or at such other place as the parties may hereafter agree. Hilton hereby agrees that it will accord to Parcel Eight Associates and to any partner of Parcel Eight Associates the same right of examination and inspection accorded Owner under this Section 6.06.

ARTICLE VII

TERMINATION RIGHTS

7.01 Defaults by Hilton. If any one of the following events shall happen:

(a) if Hilton shall fail to keep, observe or perform any material covenant, agreement, term or provision of this Agreement to be kept, observed or performed by Hilton, and such default shall continue for a period of 45 days after notice thereof by Owner to Hilton;

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(b) if Hilton shall apply for or consent to the appointment of a receiver, trustee or liquidator of Hilton or of all or a substantial part of its assets, file a voluntary petition in bankruptcy, or admit in writing its inability to pay its debts as they come due, make a general assignment for the benefit of creditors, file a petition or an answer seeking reorganization or arrangement with creditors or to take advantage of any insolvency law, or file an answer admitting the material allegations of a petition filed against Hilton in any bankruptcy, reorganization or insolvency proceeding, or if an order, judgment or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating Hilton a bankrupt or insolvent or approving a petition seeking reorganization of Hilton or appointing a receiver, trustee or liquidator of Hilton or of all or a substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of 60 consecutive days;

then Owner shall have the right to terminate this Agreement upon five days written notice to Hilton given at any time after the period of grace applicable thereto, and thereupon this Agreement shall terminate upon the expiration of such five-day period.

7.02 Defaults by Owner. If any one of the following events shall happen:

(a) The Owner shall fail to provide funds to be deposited in the Hotel Accounts in accordance with the provisions of Section 6.03, and such failure shall continue for a period of 30 days after written notice by Hilton requesting that such funds be so provided; or

(b) the Owner shall fail to keep, observe or perform any material covenant, agreement, term or provision of this Agreement to be kept, observed or performed by Owner, and such default shall continue for a period of 60 days after notice thereof by Hilton to the Owner; or

(c) if because of any act or omission on the part of Owner and without the fault of Hilton, (i) any required licenses are not issued or transferred or are at any time suspended, terminated or revoked and such suspension, termination,

or revocation shall continue unstayed and in effect for a period of 60 consecutive days, or (ii) if the right to serve alcoholic beverages in the Hotel shall otherwise be suspended for a period of 60 consecutive days; or

(d) if the Owner shall apply for or consent to the appointment of a receiver, trustee or liquidator of the Owner or of all or a substantial part of its assets, file a voluntary petition in bankruptcy or admit in writing its inability to pay its debts as they come due, make a general assignment for the benefit of creditors, file a petition or an answer seeking reorganization or arrangement with creditors or to take advantage of any insolvency law, or file an answer admitting the material allegations of a petition filed against the Owner in any bankruptcy, reorganization or insolvency proceeding, or if an order, judgment or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating the Owner a bankrupt or insolvent or approving a petition seeking reorganization of the Owner or appointing a receiver, trustee or liquidator of the Owner or of all or a substantial part of the assets of the Owner, and such order, judgment or decree shall continue unstayed and in effect for any period of 60 consecutive days; or

(e) If because of a default by Owner under the Ground Lease, or the Mortgage, the Landlord or the Mortgagee, as the case may be, shall declare a default and take any action in pursuance of the remedies arising as a result of such default, looking towards the termination of the Ground Lease, or the foreclosure of the Mortgage;

then Hilton shall have the right to terminate this Agreement upon five days written notice to Owner given at any time after the period of grace applicable to any such default, and thereupon this Agreement shall terminate upon the expiration of such five-day period.

7.03 Curing Defaults. Any default by Hilton or Owner under the provisions of Section 7.01 or 7.02, as the case may be, which is susceptible of being cured shall not constitute a basis of termination if the nature of such default will not permit to be cured within the grace period allotted, provided that within such grace period either Hilton or Owner shall have

commenced to cure such default and shall proceed to complete the same with reasonable diligence.

7.04 Effect of Termination. The termination of this Agreement under the provisions of this Article VII, shall not affect the rights of the terminating party with respect to any damages it has suffered as a result of any breach of this Agreement, nor shall it affect the rights of either party with respect to liability or claims accrued, or arising out of events occurring, prior to the date of termination.

7.05 Remedies Cumulative. Neither the right of termination nor the right to sue for damages nor any other remedy available to either party hereunder shall be exclusive of any other remedy given hereunder or now or hereafter existing at law or in equity.

7.06 Indemnification re Future Business. Owner shall indemnify and hold Hilton harmless from all costs, expenses, claims and liabilities arising or resulting from the failure of Owner following the expiration or earlier termination (for whatever cause) of this agreement to provide all of the services contracted for in connection with the business booked for the Hotel to and including the date of such expiration or termination. The provisions of this Section 7.06 shall survive any such expiration or termination and shall be binding upon Owner, and its successors and assigns, including any successor or assign who becomes the "Owner" after the effective date of any such expiration or termination.

ARTICLE VIII

TITLE MATTERS

8.01 Title to Hotel. Owner covenants that, as of the date hereof, it has good and marketable fee title to the Site or a valid and subsisting leasehold estate in the Hotel, subject to no liens or encumbrances, other than the terms of this Agreement and permitted encumbrances. Owner further covenants and agrees that throughout the term of this Agreement, subject to the terms and conditions of this Article VIII, it will maintain full ownership in such fee interest or leasehold estate, free

of all liens and encumbrances, other than the terms of this Agreement and permitted encumbrances. Notwithstanding the foregoing, Owner shall have the right, subject to the reasonable approval of Hilton, to lease certain articles of Furnishings and Equipment such as, but not limited to, television sets, ice makers and other items which may be more economical, due to service problems, to lease than to purchase.

8.02 Covenants to Run with the Land. Owner agrees that the terms and provisions of this Agreement shall run with the land and Owner's interest therein, and shall be binding upon all successors to such interest, in accordance with the terms and conditions hereof. At the request of either party, the parties hereto will execute an appropriate memorandum constituting a notice of the existence of this Agreement, in recordable form, and cause the same to be put of record in the jurisdiction in which the Hotel is located.

8.03 Mortgages. Without the written consent of Hilton, Owner shall not have the right to encumber by mortgage, deed of trust or trust deed in the nature of a mortgage, its fee or leasehold estate in the Premises, provided that no such consent shall be necessary if the following conditions shall be fulfilled:

(a) the mortgage, deed of trust or trust deed, shall constitute a first mortgage lien on the Premises;

(b) the lender shall be a bank, insurance company, a mortgage bank, pension fund, an educational institution, a welfare or retirement or endowment fund, a real estate investment trust, or other like institution, regularly engaged in the business of making loans secured by mortgages on real property;

(c) within 30 days after making such a mortgage, deed of trust or trust deed, Owner shall furnish Hilton with a duplicate original copy thereof and shall designate a post office address where notices may be served upon the mortgagee or trustee;

(d) by an appropriate instrument, satisfactory to Hilton, the said mortgagee or trustee shall covenant to mail to Hilton a copy of any notice of default on the part of the Owner, concurrently with the mailing or serving of such notice upon the Owner.

For purposes of convenience any such mortgage, deed of trust or trust deed, and any instruments secured thereby or collateral thereto, executed by Owner pursuant to the above provisions, or consented to by Hilton, are herein referred to as the "Mortgage", and the holders of any such mortgage, or the trustee under any such deed of trust or trust deed, and the holder of any indebtedness secured thereby are herein collectively referred to as the "Mortgagee". If Owner shall execute any Mortgage in accordance with the provisions and conditions of this Section 8.03, then Hilton agrees that so long as the Premises are subject to such Mortgage:

(i) that simultaneously with the giving of any notice of default or termination to Owner, it will concurrently send a copy of such notice by registered mail to the Mortgagee, and no notice to Owner of any default or termination hereunder shall be effective unless a copy of such notice shall have been sent as herein provided;

(ii) that Hilton will not exercise its right of termination hereunder with respect to a default under clauses (a) or (b) of Section 7.02, if, within the period of grace provided for therein, the Mortgagee shall give Hilton notice of its intention to cure such default and shall proceed diligently to do so;

(iii) that upon the request of any Mortgagee, Hilton will furnish to such Mortgagee copies of the Annual Plans described in Section 3.02, and the forecasts and the unaudited monthly and unaudited annual financial reports described in Section 6.05, concurrently with the furnishing of the same to the Owner.

(iv) upon reasonable advance written notice from the Mortgagee, Hilton shall accord to the Mortgagee and its agents the right to enter upon any part of the Hotel at any reasonable times during the term of this Agreement for the purpose of examining or inspecting the books and records, or examining or making extracts of the books and records of the Hotel, but the same shall be done with as little disruption to the Hotel as possible; and

(v) this Agreement, insofar as it creates any interest in the Premises, shall be subject and subordinate to the Mortgage.

It is specifically agreed that the mortgage and the chattel mortgage described in Exhibit 4 shall be deemed a "Mortgage" within the meaning of this Section 8.03, and the holder or holders thereof will be entitled to the benefits of the covenants in favor of the "Mortgagee", set forth in clauses (i) through (v) above.

Notwithstanding the provisions of Sections 8.01, 8.03 and 8.04 hereof, Owner shall have the right, without the consent of Hilton, to encumber the Premises, or any part thereof, with one or more mortgages, deeds of trust, trust deeds, chattel mortgages, or any like security instruments, subject only to the condition that the lender shall be an institution regularly engaged in the business of making loans; provided, however, that unless such instruments meet the requirements of clauses (a) through (d) of this Section 8.03, the provisions of clauses (i) through (v) shall not be applicable thereto, and the holder thereof shall not be entitled to the benefits of such covenants, provided that this Agreement, insofar as it creates any interest in the Premises, shall be subject and subordinate to any such security instrument which constitutes a first lien on the Premises. Even though any such instrument may fail to come within the definition of a "Mortgage" under this Section 8.03, it will be treated as such for the purpose of clause (e) of Section 7.02, and a declaration of a default thereunder followed by action looking toward the foreclosure thereof, shall be treated as an event of default for the purposes of said Section 7.02.

8.04 Assignment, Lease or Sale by Owner.

A. Owner shall, subject to the provisions of this Section 8.04, have the right to assign this Agreement.

B. If Owner shall have received a bona fide written offer to purchase or lease the Hotel and Owner desires to accept the same, Owner shall give written notice thereof to Hilton, stating the name of the prospective purchaser or tenant, as the case may be, the price or rental and the terms and conditions of such proposed sale or lease, together with all other information with respect thereto which is requested by Hilton and reasonably available to Owner. Within 60 days after the date of receipt by Hilton of such written notice from Owner, Hilton shall elect, by written notice to Owner, one of the following alternatives:

(a) To purchase or lease the Hotel at the same price or rental and upon the same terms and conditions as those set forth in the written notice from the Owner to Hilton, in which event Owner and Hilton shall promptly enter into an agreement for such sale or lease and shall consummate the same. It is specifically agreed that Hilton's right of first refusal with respect to a purchase or lease of the Hotel shall be subject and subordinate to the right of first refusal in favor of Landlord under the Ground Lease as set forth in Section 23.01(b) thereof. In this connection, Owner agrees that it will give notice of any bona fide offer to purchase or lease the Hotel to Hilton concurrently with the giving of such notice to the said Landlord, and that it will advise Hilton immediately (i) of the receipt by the Owner from the Landlord of any notice pursuant to which said Landlord shall have exercised, or declined to exercise, its right of first refusal, or (ii) of the expiration of the Landlord's rights by reason of the failure of Landlord to respond to such notice. Accordingly, Hilton shall not respond to the notice of a bona fide offer until it has been notified of the Landlord's response, or failure to respond, as aforesaid. If Landlord shall not have exercised its right to purchase or lease the Hotel, then Hilton shall have the right to elect any of the alternatives set forth in this Subparagraph B, but if Landlord shall have exercised such right, then Hilton's election shall be limited to the alternatives set forth in clauses (b) and (c) of this Subparagraph B. Hilton's right of election under the preceding sentence may be exercised at any time up to the later to occur of (i) the expiration of the 60 day period specified in this Section 8.04, or (ii) 30 days following receipt of Owner's notice advising Hilton of Landlord's response, or failure to respond. Owner agrees that the provisions of Section 23.01(b) of the Ground Lease will not be amended without the consent of Hilton.

(b) To consent to such sale or lease and to the assignment of this Agreement to such purchaser or tenant, provided that concurrently with the consummation thereof, the purchaser or tenant, as the case may be, shall, by appropriate instrument, in form reasonably satisfactory to Hilton, assume all of Owner's covenants hereunder, and an executed copy of such assumption agreement shall be delivered to Hilton; thereupon the previous Owner shall be released from all covenants and agreements hereunder and from all liabilities thereafter accruing hereunder, but shall not be released from any liability accruing, or based upon events occurring, prior to the delivery of such assumption agreement. If Hilton shall consent to any sale, lease or assignment pursuant to the

provisions of this clause (b), then upon request of Owner, Hilton will certify promptly to the proposed assignee as follows: (i) that the Management Agreement is in full force and effect, (ii) whether the Management Agreement has been modified (and if there are modifications, stating them), and (iii) whether the party executing the certificate on behalf of Hilton knows of any default or breach by the Owner under any of the terms of the Management Agreement (and if any exists, stating them).

(c) To terminate this Agreement by written notice to Owner, which notice will set an effective date for such termination not earlier than 30 days, nor more than 120 days, following the date of the giving of such notice, provided that Hilton shall have the right to change such effective date of termination to coincide with the date of the consummation of the proposed sale or lease; the said notice of termination shall not be effective if such sale or lease is not consummated.

If Hilton shall fail to elect any of said alternatives within said 60-day period, the same shall be conclusively deemed to constitute an election and consent under clause (b) above, and the provisions thereof shall prevail as if Hilton had in writing consented thereto. Any proposed sale or lease of which notice has been given by Owner to Hilton hereunder, must be consummated within 120 days following the giving of such notice, unless Hilton has exercised its option under clause (a) above to purchase or lease the Hotel. Failing such consummation, such notice, and any response thereto given by Hilton, shall be null and void and all of the provisions of this paragraph B must again be complied with before Owner shall have the right to consummate a sale or lease of the Hotel upon the terms contained in the said notice, or otherwise. Similarly, a consummation of any sale or lease to which Hilton has consented (either actually or constructively) shall not be deemed a waiver of these provisions and any future sale or lease will be subject to all of the provisions of this paragraph B.

C. Any sale, assignment, transfer, or other disposition, for value or otherwise, voluntary or involuntary, of the controlling interest in the Owner (i.e., the possession directly or indirectly of the power to direct or cause the direction of the management and policies of Owner, whether through the ownership of voting securities, or by contract, or otherwise) shall be deemed a sale or lease of the Hotel under the above paragraph B and shall be subject to the provisions thereof, to the extent applicable. The provisions of this paragraph C shall not prohibit the sale of any capital shares or other equity interest of Owner through a public distribution, as contemplated by the Securities Act of 1933, as amended. In this latter connection, to the extent that any written material prepared in connection

with any public distribution (including registration statements, prospectuses and the like) make reference to the existence of this Agreement, such materials shall be subject to the prior written approval of Hilton, which approval shall not be unreasonably withheld. No assignment or transfer of an interest in Owner to an affiliate of the transferor shall be deemed to be a sale, assignment, transfer or other disposition of a controlling interest in the Owner under this Subsection C. The term "affiliate" shall have the meaning with respect to such transferor as such term has with respect to Hilton hereunder.

Hilton's rights under this Section 8.04 shall extend to a sale or disposition of the Hotel alone, or of the Hotel as part of the Total Premises, and shall further apply to any sale or other disposition of any greater estate which the Owner may hereafter acquire in the Total Premises.

8.05 Assignment by Hilton.

A. Hilton, without the consent of the Owner, shall have the right to assign this Agreement to any affiliate of Hilton, or to any entity which may become an affiliate as a result of a related and substantially concurrent transaction, or to any successor or assignee of Hilton which may result from any merger, consolidation or reorganization, or to another corporation which shall acquire all or substantially all of the business and assets of Hilton. Upon execution of any assignment as aforesaid, notice thereof in the form of a duplicate original of such assignment shall be delivered to the Owner forthwith, and thereupon, except in the case of an assignment to an affiliate of Hilton, Hilton shall be released of all its covenants and liabilities hereunder, other than liabilities accruing, or based upon events occurring, prior to the date of the delivery of such duplicate original to the Owner; provided, however, that such release will be contingent upon the concurrent delivery to Owner of an appropriate instrument whereby the assignee shall assume all the obligations of Hilton hereunder.

B. Except as hereinabove provided, Hilton shall not assign this Agreement without the prior written consent of the Owner. The disposition by Hilton of its controlling interest in any affiliate to which it has previously assigned this Agreement, shall be deemed to be a prohibited assignment hereunder requiring the prior written consent of the Owner. It is under-

stood and agreed that any consent granted by the Owner to any such assignment shall not be deemed a waiver of the consent herein contained against assignment in any subsequent case.

8.06 Successors and Assigns. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding upon the parties hereto, their respective heirs, legal representatives, successors and assigns, and with respect to Owner, the phrase "successors and assigns" shall include purchasers and lessees, or sublessees, of Owner's interest in the Premises.

8.07 Remedies. Any assignment by either party of this Agreement, or any sale, lease, mortgage, or other transfer of the Hotel by the Owner in violation of the provisions of this Article VIII shall be enforceable by injunctive proceeding or by a suit for specific performance.

ARTICLE IX

DAMAGE OR DESTRUCTION;

EMINENT DOMAIN

9.01 Damage or Destruction. If the Hotel shall be substantially damaged by fire or other casualty, then Owner, by written notice to Hilton given within 60 days after the occurrence of such event, shall have the right to terminate this Agreement, and neither party shall have any further obligation to the other party hereunder except with respect to liability accruing, or based upon events occurring, prior to the effective date of such termination. For the purposes hereof, the Hotel shall be deemed to have been substantially damaged, if (i) the estimated length of time required to restore the Hotel substantially to its condition and character just prior to the occurrence of such casualty shall be in excess of 12 months, as indicated by an architect's certificate or other evidence reasonably satisfactory to Hilton, or (ii) if the estimated costs of restoring the Hotel shall exceed 40% of the then current full insurable replacement value of the Building and contents thereof and the available insurance proceeds shall be less than 80% of the total estimated cost of such restoration. If this Agreement shall not terminate in the event of damage to the Hotel, either because (i) the damage does not amount to sub-

stantial damage as described above, or (ii) notwithstanding substantial damage to the Hotel, the Owner shall elect **not to terminate this agreement and to** restore the Hotel, then Owner shall proceed with all due diligence to commence and complete the restoration of the Hotel to its condition and character just prior to the occurrence of such casualty provided that in the latter event, the initial term of this Agreement, or any then renewal term, shall automatically be extended so that it expires on the date which is 7 years following December 31 of the year in which such restoration is completed. Any of Hilton's remaining rights of renewal pursuant to Section 2.02 hereof, ***subject to Section 2.03 hereof,** shall remain in effect, and the dates thereof will be extended accordingly.

9.02 Eminent Domain. If all of the Premises, or such substantial portion thereof as to make it unfeasible, in the reasonable opinion of Owner, to restore and continue to operate the remaining portion for the purposes contemplated hereby, shall be taken through the exercise, or by agreement in lieu of the exercise, of the power of eminent domain, then upon the date that the Owner shall be required to surrender possession of the Premises, this Agreement shall terminate and neither party shall have any further obligations to the other party hereunder, except with respect to liabilities accruing, or based upon events occurring, prior to the effective date of such termination. For purposes hereof, it shall be deemed to be unfeasible to restore and continue to operate the remaining portion of the Hotel if (i) the estimated length of time required to so repair, alter or modify the Hotel shall be in excess of 12 months, as indicated by an architect's certificate or other evidence reasonably satisfactory to Hilton, or (ii) if the estimated costs of so repairing, altering or modifying the Hotel shall exceed 40% of the then current replacement value of the Building and contents thereof and the net proceeds to Owner from such taking shall be less than 80% of the estimated cost of such repairs, alterations or modifications. If such taking of a portion of the Hotel shall not make it unfeasible, in the reasonable opinion of Owner, to restore and continue to operate the remaining portion thereof for the purpose herein contemplated, then this Agreement shall not terminate, and Owner shall proceed with all due diligence to repair any damage to the Hotel, or to alter or modify the Hotel so as to render it a complete architectural unit which can be operated as a hotel of substantially the same type and class as before, and in such event the initial term of this Agreement, or any renewal term, shall automatically be extended so that it expires on the date which is 7 years following December 31 of the year in which such

repair, alteration or modification is completed; any of Hilton's remaining rights of renewal pursuant to Section 2.02 hereof shall remain in effect, and the dates thereof will be extended accordingly. In any event, all proceeds from any taking shall belong solely to Owner, and Hilton shall not be entitled to any portion thereof.

ARTICLE X

GENERAL PROVISIONS

10.01 Purchases. As part of its technical assistance services program, in connection with any major Capital improvement program for the Hotel, Hilton will recommend to Owner firms or sources for the purchase of Furnishings and Equipment for the Hotel, it being specifically understood, however, that Owner shall not be obligated to purchase such items from the firms or sources recommended by Hilton, provided that prior to purchasing from other sources, Owner shall submit to Hilton such samples and/or other information with respect to the proposed purchases as shall be necessary to assure Hilton that the quality of such items is at least equal to that available from the sources recommended by Hilton and that the design conforms to the type and class of the hotel contemplated hereby.

In connection with any purchases made by Hilton or an affiliate of Hilton for the account of Owner, it is understood that Hilton or such affiliate may perform services as a representative of the manufacturer to secure the benefits of lower costs, and that any savings resulting therefrom shall be passed on to Owner, including representatives' fees. In addition, all trade discounts (other than cash and volume discounts), rebates and refunds, and all returns from the sale of supplies, materials and equipment shall accrue to the benefit of Owner. Nothing in this Section 10.01 shall affect the provisions of the following Section 10.02 with regard to the charges which affiliates of Hilton may make for services rendered to the Hotel.

10.02 Services of Hilton Affiliates. If Hotel Equipment Corporation, Statler-Hilton Studios, or other like affiliates of Hilton render services to the Hotel beyond the scope of technical assistance services, such as furnishing the actual interior design for the rooms or other facilities in the Hotel (as distinguished from advisory or consulting services in connection

therewith), the charges made to the Hotel for such services shall be on the same basis as those made to wholly owned Hilton hotels and inns. The employment of any Hilton affiliate to render such services shall be subject to the prior approval of Owner, if a fee is to be charged for such services.

10.03 Budgets. In preparing all budgets and forecasts to be submitted to Owner hereunder, including, without limitation, the Annual Plans under Section 3.02 and the estimated profit and loss statements under Subsection 6.05(a), Hilton will base its estimates upon the most recent and reliable information then available, taking into account the location of the Hotel and its experience in other comparable hotels and inns. Hilton reserves the right, and shall have the obligation, to update and revise any such budgets from time to time during the periods covered thereby to reflect variables and events not reasonably within the control of Hilton. All such updatings and revisions will be submitted to Owner for its approval. Owner agrees that it will promptly reply to any such submissions, giving its approval or stating the grounds on which it is withholding its approval. At the request of Owner, Hilton shall make available to it the basis and information utilized in preparing such budgets.

10.04 Indemnity to Hilton. Owner will indemnify and save Hilton harmless from against all liabilities, damages, expenses and costs which may be suffered by Hilton as a result of any occurrence or event happening in or about the Hotel, or any claim arising as a result of the operations thereof insofar as any such liabilities, damages, expenses and costs are based upon, or arise out of, Hilton's status as the employer of the executive staff and other employees of the Hotel, other than liabilities, damages, expenses and costs which are the result of any **wilful, wrongful or negligent*** on the part of the general manager, resident manager, comptroller, or the head of the food and beverage, rooms division or sales department of the Hotel, and provided that Hilton has used reasonable diligence in the hiring, discharge and supervision of the employees of the Hotel. ***conduct, acts or omissions**

10.05 Hotel Names. The Hotel shall be known as the Hilton Hotel of Philadelphia or by such other name as may from time to time be mutually approved by Hilton and

and Owner. It is recognized that the name "Hilton" when used alone or in conjunction with some other word or words, and that the stylized "H", together with any other names, or logos or designs owned by Hilton or any of its affiliates and used in the ownership or operation of the Hotel (including without limitation any such names, logos, or designs now used in connection with the restaurants, cocktail lounges, night clubs, banquet rooms and meeting rooms in and about the Hotel), together with the goodwill appurtenant thereto, are the exclusive property of Hilton, or its affiliates (herein collectively called "Hilton-Owned Hotel Names"). Accordingly, Owner agrees that no right or remedy of Owner for any default of Hilton, or delivery of possession of the Hotel to Owner upon the expiration or earlier termination of this Agreement, shall confer, nor shall any provision of this Agreement confer, upon Owner or its successors or assigns, the right to use Hilton-Owned Hotel Names in the operation of the Hotel, or otherwise. In the event of any breach of this covenant by Owner, Hilton, in addition to any other remedies available to it hereunder, or at law, or in equity, shall have the right to injunctive relief. Anything contained in this Section 10.05 to the contrary notwithstanding, upon the expiration or earlier termination of this Agreement, the Owner shall have the right to use any and all items of Operating Equipment and Operating Supplies then on hand bearing any Hilton-Owned Hotel Names, but shall not have the right to re-order any such items.

10.06 Notices. Except, as otherwise provided in this Agreement, all notices, demands, requests, consents, approvals, and other communications (herein collectively called "Notices") required or permitted to be given hereunder, or which are to be given with respect to this Agreement, shall be in writing sent by registered or certified mail, postage prepaid, return receipt requested, addressed to the party to be so notified as follows:

If to Owner:

PIC Realty Corporation
P.O. Box 1539
21st Floor, Plaza Building
Newark, New Jersey 07101

Senior Vice President
Real Estate Investment Department
The Prudential Insurance
Company of America
Prudential Plaza
Newark, New Jersey 07101

and

The Prudential Insurance Company
of America
Mid-Atlantic Real Estate Investment
Office
1407 The Fidelity Building
Philadelphia, Pennsylvania 19109
Attn: General Manager

If to Hilton:

Hilton Hotels Corporation
9880 Wilshire Boulevard
Beverly Hills, California 90210
Att.: General Counsel

and

Hilton Hotel of Philadelphia
Civic Center Blvd. at 34th Street
Philadelphia, Pennsylvania 19104
Att.: General Manager

Either party may at any time change the addresses for Notices to such party by mailing a Notice as aforesaid.

10.07 No Partnership or Joint Venture. Nothing contained in this Agreement shall constitute or be construed to be or create a partnership or joint venture between the Owner, its successors or assigns, on the one part, and Hilton, its successors and assigns, on the other part.

10.08 Modification and Changes. This Agreement cannot be changed or modified except by another agreement in writing signed by the party sought to be charged therewith, or by its duly authorized agent.

10.09 Understandings and Agreements. This Agreement constitutes all of the understandings and agreements of whatsoever nature or kind existing between the parties with respect to Hilton's management of the Hotel herein created.

10.10 Headings. The Article and Section headings contained herein are for convenience of reference only and are not intended to define, limit or describe the scope or intent of any provision of this Agreement.

10.11 Prescriptive Rights. Hilton will take all action necessary under the laws of the jurisdiction in which the Hotel

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is located to prevent the creation or vesting of any public or private prescriptive rights in or to any portion of the Premises.

10.12 Consents. Except as may be otherwise expressly provided, each party agrees that it will not unreasonably withhold any consent or approval requested by the other party pursuant to the terms of the agreement, and that any such consent or approval shall not be unreasonably delayed or qualified. Similarly, each party agrees that any provision of this Agreement which permits such party to make requests of the other party, shall not be construed to permit the making of unreasonable requests.

10.13 Third Parties. Except for the provisions of Section 8.03, which are for the benefit of the Mortgagee, none of the obligations hereunder of either party shall run to or be enforceable by any party other than the other party to this Agreement or by a party deriving rights hereunder as a result of an assignment permitted pursuant to the terms hereof.

10.14 Restrictive Covenant. Hilton agrees that it will not operate a hotel, motel or inn, either as owner or lessee, or under a management agreement, or permit its name to be used in connection with any such operation, other than the Hotel, within that section of the City of Philadelphia outlined on the map attached to this Agreement as Appendix A, until the expiration or earlier termination of this Agreement

10.15 Exculpation of Owner. Notwithstanding any other provisions of the Agreement, it is specifically agreed that the partners of Parcel Eight Associates shall not, in such capacity, be personally liable for any liability accruing under the provisions of the Management Agreement, or for any damages resulting as a result of any default on the part of the Owner under any of the terms of the Management Agreement, and that neither Hilton, nor its successors and assigns, shall have any claim, remedy or right to proceed, at law or in equity, against any general or limited partner of Parcel Eight Associates, in such capacity, for any deficiencies or any other sums owing on account of indebtedness accrued under the terms of the Management Agreement, or for the payment of any liability resulting from the breach of any representation, agreement or warranty thereunder, or the failure on the part of the Owner to perform any covenant under the Management Agreement, it being understood that Hilton's remedies as against Parcel Eight Associates shall be limited to Hilton's right to proceed against

Parcel Eight Associates, as such, and against the assets of Parcel Eight Associates.

Hilton further agrees that the above limitations on liability shall be applicable with respect to any partners of any partnership which may succeed to Owner's interest under the Management Agreement, and shall further be applicable to any individual who may succeed to such interest, it being understood, however, that such limitation shall not apply to any corporation which succeeds to such interest.

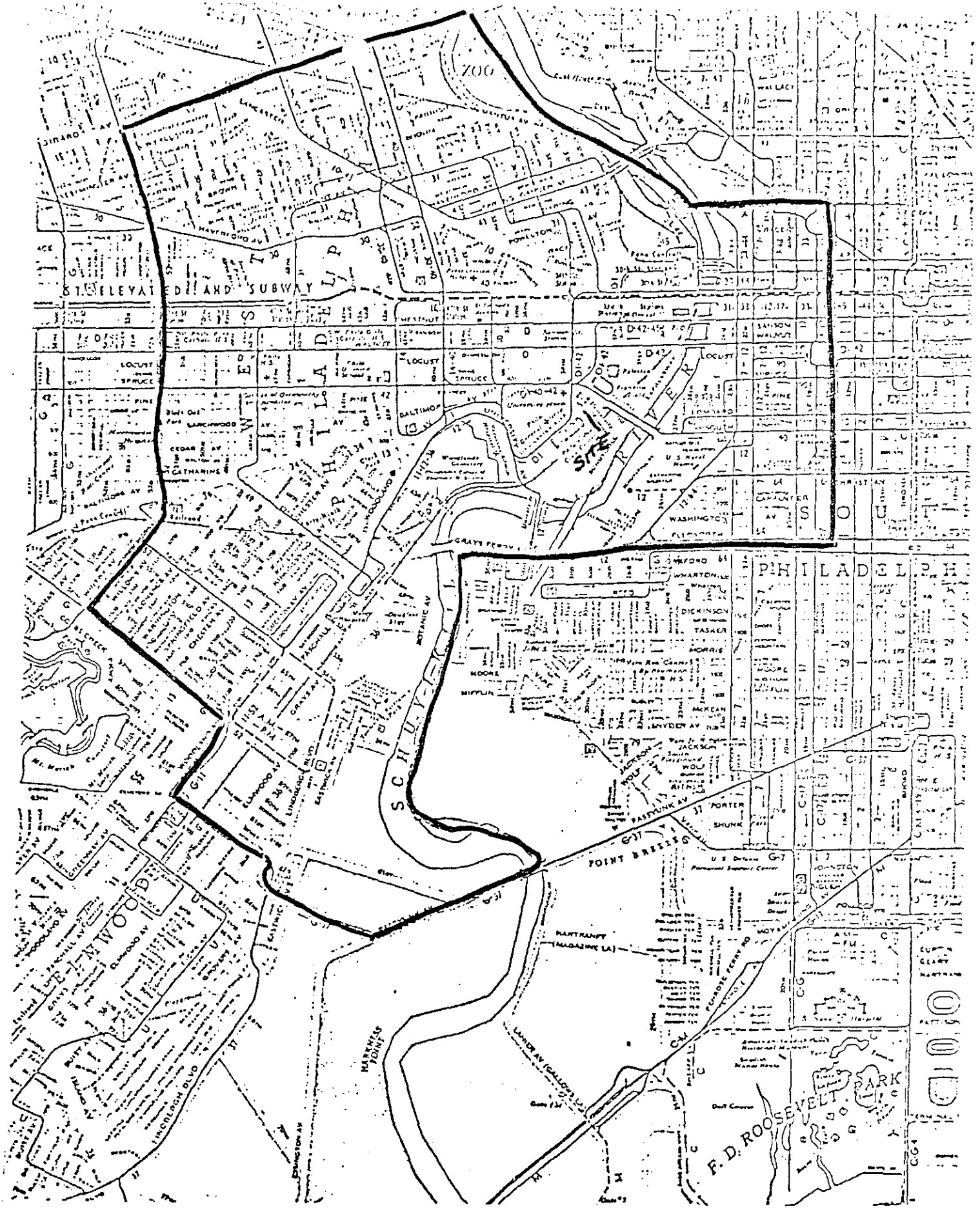
10.16 Parcel Eight Associates. As indicated in Exhibit 1-A to the Agreement, Parcel Eight Associates holds the Total Premises under a Ground Lease and has sublet the Premises to the Owner pursuant to the Sublease which provides, inter alia, that the Owner shall have the right to delegate the operations of the Hotel to Hilton, pursuant to the terms of this Agreement. Parcel Eight Associates is executing this Agreement for the following specific purposes:

(a) To bind the Total Premises to all covenents and agreements contained in the Management Agreement.

(b) To bind itself, the Total Premises, and its interest therein, to all covenants and agreements contained in the Management Agreement involving title to the Total Premises, including, without limitation, all of the provisions of Article VIII, which covenants and agreements will be deemed to be binding upon Parcel Eight Associates as fully as if such partnership had been named as the Owner therein.

(c) If the Sublease shall be terminated for any reason whatsoever during the term of this Agreement, then Parcel Eight Associates shall thereupon become the successor to the Owner under the Agreement and shall be deemed to have assumed all of the liabilities and obligations of Owner under the Agreement, whether existing as of the date of such termination, or accruing

thereafter, subject, however, to the exculpatory provisions of the preceding Section 10.15. Notwithstanding the foregoing, in lieu of Parcel Eight Associates becoming the successor to Owner in the event of a termination of the Sublease, Parcel Eight Associates shall have the right to designate a corporation or other entity to become such successor, provided that Parcel Eight Associates shall have entered into an agreement with such other corporation or entity having substantially the same terms as the Sublease.


ELEVATED AND SUBWAY
ZOO
SITE
SCHUYLKILL
PHILADELPHIA
POINT BREEZE
F. D. ROOSEVELT PARK
MARKHAM'S POINT
LINCOLN BLVD
WOODLAND AV
WASHINGTON AV
LOCUST
SPRUCE
PINE
LANCASTER AV
BALTIMORE AV
CATHARINE
GRAYS FERRY
BOTANIC AV
PASSYUNK AV
DICKINSON
TASKER
MORRIS
MOORE
MIFFLIN
MCKEAN
JACKSON
WOLF
PORTER
SHUNK
MARTRANFT
LANDON AV (GALLOWS LA)
PAXSON FERRY RD

APPENDIX A

DESCRIPTION OF SITE

BLOCK 41 S LOT 15 C-343131-M

ALL THAT CERTAIN lot or piece of ground SITUATE in the 27th Ward of the City of Philadelphia, described in accordance with a Survey Plan made November 5, 1971 by John Reilly, Surveyor and Regulator of the 7th Survey District, as follows, to wit:

BEGINNING at a point in the Northwesterly side of Civic Center Boulevard (70 feet wide) at the distance of 387.698 feet Southwestwardly from the Southwesterly side of South Street (80 feet wide), said beginning point being in the Southwesterly side of a proposed 30 feet wide driveway easement, which extends Northwestwardly of that width and communicates with a certain proposed 24 feet wide driveway easement, which second easement extends Northeastwardly into said South Street and which first mentioned easement continues Northwestward of various widths to a dead end; thence extending from said beginning point South 42 degrees 38 minutes 55 seconds West along the Northwesterly side of Civic Center Boulevard, the distance of 161.285 feet to a point of curve; thence extending along the said Civic Center Boulevard along the arc of a circle having a radius of 65 feet, curving to the right, the arc distance of 123.462 feet to a point of tangent in the Northeasterly side of Civic Center Boulevard; thence extending along the Northeasterly side of Civic Center Boulevard North 28 degrees 31 minutes 24 seconds West, the distance of 327.450 feet to a point of curve; thence extending along the said side of Civic Center Boulevard along the arc of a circle having a radius of 155 feet curving to the left, the arc distance of 136.507 feet to a point of tangent; thence still extending along the said side of Civic Center Boulevard North 78 degrees 59 minutes West, the distance of 32.634 feet to a point of curve, which curve connects the Northeasterly side of Civic Center Boulevard and the Southeasterly side of 34th Street (96 feet wide); thence extending along the arc of a circle having a radius of 34.915 feet, curving to the right, the arc distance of 54.844 feet to a point of tangent in the said side of 34th Street; thence extending

EXHIBIT 1

along the same North 11 degrees 01 minute East, the distance of 116.240 feet to a point of curve, which curve connects the Southeasterly side of 34th Street and the Southeasterly side of 33rd Street (62 feet wide); thence extending along the said curve, along the arc of a circle, having a radius of 334.450 feet, curing to the right, the arc distance of 76.206 feet to a point; thence extending South 45 degrees 31 minutes 12 seconds East, the distance of 256.883 feet to a point at the Northwesterly end of a proposed 24 feet wide driveway easement, said easement being a portion of the first-mentioned driveway easement; thence extending along said end South 44 degrees 28 minutes 48 seconds West, the distance of 3 feet to a point in the Southwesterly side of said 24 feet wide easement; thence extending along said side of the driveway easement South 45 degrees 31 minutes 12 seconds East the distance of 124 feet to a point; thence extending South 44 degrees 28 minutes 48 seconds West, the distance of 5 feet to a point in the Southwesterly side of the proposed driveway easement, at this point being 29 feet wide; thence extending along the said side of the driveway easement, partially of the width of 29 feet and partially of the width of 30 feet, South 45 degrees 31 minutes 12 seconds East, the distance of 316 feet to a point in the Northwesterly side of Civic Center Boulevard, being the first mentioned point and place of beginning.

Exhibit 1

DESCRIPTION OF GROUND LEASE

Name and Address of Landlord: THE TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA

Tenant: PARCEL EIGHT ASSOCIATES, a Pennsylvania Limited Partnership *

Date of original Lease and any Amendments: January 21, 1972, as amended by Modification Agreement, dated February 2, 1973

Term: 50 years, commencing April 1, 1973

Description of Renewal Options, if any: One 25-year renewal term

Annual Rental and description of special rental provisions, including participation provisions, if any: An Annual Rent equal to $115,000 per annum for the first 32 years of the term of the Lease, and then at a rate equal to the greater of

(i) $115,000 per annum or (ii) the fair market value of the land, but not in excess of $172,500 per annum. In addition, Tenant pays a supplemental rent equal to 10% of Tenant's "Net Cash Receipts", as defined.

*Subject to the sublease of the Premises from Parcel Eight Associates to PIC Realty Corporation.

Exhibit 1-A

Description of Sublease

Landlord:	Parcel Eight Associates, a Pennsylvania Limited Partnership
Tenant:	PIC Realty Corporation, a Delaware corporation
Date:	October 1, 1975
Term:	October 7, 1975 to December 31, 1980
Demised Premises:	The Hotel (excluding the Garage), and All Furniture, Furnishings, Fixtures and Equipment Therein Owned by Landlord, Situate at the Northeasterly Corner of the Intersection of Thirty-Fourth Street and Civic Center Boulevard, Philadelphia, Pennsylvania, and Known as The Hilton Hotel of Philadelphia.

EXHIBIT 1 - B

PLAN OF FINANCING

I. Equity Capitalization:

*(a)	PIC Realty Corporation	$ 1,275,000.00
*(b)	The Prudential Insurance Company of America	1,915,000.00
		$ 3,190,000.00

*Expended or Committed

II. Permanent Mortgage Loans:

(a) Leasehold Loan: $14,500,000.00; Interest rate 9.21% (constant payments - 10.06%); Term: 28 years (after assignment from construction lender).

(b) Chattel Loan: $1,000,000.00; Interest rate 10% (monthly interest and principal payments of $11,479.00); Term: 13 years (after assignment from construction lender).

Recapitulation:

(a)	Equity Investment	$ 3,190,000.00
(b)	Leasehold Mortgage Loan	14,500,000.00
(c)	Chattel Mortgage Loan	1,000,000.00
	Total	$18,690,000.00

Exhibit 4

The Prudential Insurance Company of America
Philadelphia Real Estate Investment Office
Suite 3200, IVB Building
1700 Market Street
Philadelphia, PA 19103
Telephone: 215-564-1215

F. Wayne Jarvis, Jr.
Regional Counsel
Dennis D. Siry
Associate Regional Counsel

July 28, 1983

RECEIVED AUG - 3 1983

Hilton Hotel Corporation
9880 Wilshire Boulevard
Beverly Hills, California

Re: Management Agreement with Hilton Hotels Corporation dated March 26, 1973, as amended October 7, 1975 and January 27, 1982

Gentlemen:

This is to advise you that Parcel Eight Associates and PIC Realty Corporation have completed the transfer of the Hilton Hotel of Philadelphia to Universal Properties Management Co. and that PIC Realty Corporation has assigned the above referenced Management Agreement to Universal Properties and Universal Properties has assumed the same.

I have enclosed for your records a copy of the fully executed Assignment and Assumption Agreements.

Very truly yours,

F. Wayne Jarvis, Jr.
Regional Counsel, REO

FWJ/fg
Encl.

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ASSIGNMENT OF CONTRACTS

KNOW ALL MEN BY THESE PRESENTS, that PARCEL EIGHT ASSOCIATES, a Pennsylvania limited partnership and PIC REALTY CORPORATION, a Delaware corporation (hereinafter collectively referred to as "Assignor") for and in consideration of the sum of One ($1.00) Dollar and other good and valuable consideration, receipt of which is hereby acknowledged, does hereby assign and transfer unto UNIVERSAL PROPERTIES MANAGEMENT CO., a Pennsylvania limited partnership (hereinafter called "Assignee"), its successors and assigns, all of the Assignor's right, title and interest in and to the contracts (hereinafter called "Contracts") set forth in Exhibit A attached hereto and made a part hereof and the Existing Approvals set forth in Exhibit B attached hereto and made a part hereof to the extent the same are assignable. Assignor warrants to Assignee that, to the knowledge of Assignor, all of Assignor's obligations under the Contracts and Existing Approvals accruing through the date hereof have been performed and satisfied by Assignor.

To As

Approval

th

1. Management Agreement with Hilton Hotels Corporation dated March 26, 1973, as amended October 7, 1975 and January 27, 1982.

2. ~~Labor Contract dated November 1, 1981 between Hilton Civic Center and Hotel Employees and Restaurant Employees' Union, Local 274.~~ HWO

EXHIBIT A
(1)

	NAME	TYPE OF EQUIPMENT/MAINTENANCE	(TERM)	TO	AMOUNT	CANCELLATION CLAUSE
1)	IBM	(14) TYPEWRITERS	1/1/83	12/31/83	$ 1,845.38	AT ANY TIME BY GIVING 30 DAYS PRIOR WRITTEN NOTICE.
2)	NCR	(10) CASH REGISTERS, ACCOUNTS PAYABLE & ACCOUNTS RECEIVABLE MACHINES	1/1/83 1/1/83	12/31/83 12/31/83	4,473.03 2,575.80	30 DAYS ADVANCE WRITTEN NOTICE.
3)	MONROE	(14) CALCULATORS CALCULATOR - DIRECTOR OF CATERING	1/1/83	12/31/83	734.58	ANY TIME IN WRITING
4)	INTERBORO	TIME CLOCK	1/1/83	12/31/83	583.00	WRITTEN NOTICE AT LEAST 30 DAYS PRIOR TO EXPIRATION DATE.
5)	OYX	TYPEWRITER (LEVEL 1)	1/1/83	12/31/83	292.56	EFFECTIVE AT THE END OF A CALENDAR MONTH, UPON NOT LESS THAN 30 DAYS PRIOR WRITTEN NOTICE.
6)	MOTOROLA	BEEPERS (SECURITY & CHARGES AT FRONT OFFICE)	1/1/83	12/31/83	944.46	30 DAYS WRITTEN NOTICE SENT BY CERTIFIED MAIL.
7)	TELAUTOGRAPH	LEASE & MAINTENANCE FOR FRONT OFFICE COMMUNICATION MACHINE WITH HOUSEKEEPING	3/19/83	3/19/84	254.40	WRITTEN NOTICE AT LEAST 30 DAYS PRIOR TO THE END OF A TERM.
8)	BURROUGHS	CHECK SIGNER Check Imprinter	9/1/82 ~~9/82~~ 2/1/83	8/31/83 ~~9/83~~ 1/31/84	125.08 125.08	WRITTEN NOTICE AT LEAST 90 DAYS PRIOR TO THE TERMINATION OF THE SERVICE YEAR.
9)	CINCINNATI TIME Pitney Bowes	(3) TIME STAMPS Cost Sept	1/83 4/1/83 2/1/83	12/83 3/31/84 1/31/84	100.70 ~~301.65~~ 201.90 72.08	WRITTEN NOTICE AT LEAST 30 DAYS AT END O OF ANY PAY PERIOD.
10)	PITNEY BOWES	MAILING MACHINE RENTAL POSTAGE METER RENTAL	MONTHLY MONTHLY		41.34 33.92	90 DAYS WRITTEN NOTICE 90 DAYS WRITTEN NOTICE
11)	PHILADELPHIA LOCAL TELEGRAPH COMPANY (ADT)	MAINTENANCE AGREEMENT (ALARM SYSTEM)	4/11/83	4/11/84	1,604.00/yr.	30 DAYS WRITTEN NOTICE PRIOR TO EXPIRATION OF THE AGREEMENT.
		MAINTENANCE AGREEMENT (DOOR ANNUNCIATORS)	3/1/83	3/1/84	441.20/yr.	30 DAYS WRITTEN NOTICE PRIOR TO EXPIRATION OF THE AGREEMENT.

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Ex A.(2)

EQUIPMENT LEASES

NAME	TYPE OF EQUIPMENT	TERM FROM	TERM TO	AMOUNT	CANCELLATION OF CLAUSE
RCA	TELEPHONE SYSTEM Amended as of 7/11/83	5/1/76	5/1/86	$2,495.90/mo. 1,424.59/Ms	This lease is in effect for 120 months after the date of completion of installation of equipment. Written notice of at least 60 days prior to the expiration of the initial term.
RADIO BROADCASTING	(11) BEEPERS	4/1/83	4/1/84	$285.67/mo.	Written notice of at least 90 days prior to expiration of the current term.
GENERAL MOTORS ACCEPTANCE CORP.	VAN LEASE	3/10/81	3/10/84	$391.14/mo.	30 days written notice after the first 12 months of its term.
LEASE IT	STATION WAGON LEASE	11/14/80	11/14/83	$277.19/mo.	See paragraph #9 of the contract.
I.V.B.	TRASH COMPACTOR	8/8/79	8/8/84	$201.40/mo.	This lease is in effect 5 years.
AMERICAN DISTRICT TELEGRAPH COMPANY	SEE ITEM 1 on EXHIBIT R2				
TELAUTOGRAPH	SEE ITEM 8 under EXHIBIT R2				

VENDING MACHINES

STAN HARRIS	CIGARETTE VENDING MACHINES CANDY VENDING MACHINES	12/1974			Not specified, but we are certain that the agreement cancelled within 30 days written notice.
HAVE-A-VEND	SODA MACHINES	6/27/82	6/27/83		Written notice of at least 30 days before the expiration of the agreement.

EXHIBIT A
(3)

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NAME	TYPE OF MAINTENANCE/SERVICE	FROM	(TERM)	TO	AMOUNT	CANCELLATION CLAUSE
ARCADIA CLEANERS	DRY CLEANING & LAUNDRY	6/1/82		5/31/83		30 DAYS WRITTEN NOTICE
GRANT LEIGHTON	PLANT MAINTENANCE	11/1/82		10/31/83	$260.00/mo.	30 DAYS WRITTEN NOTICE
BRINKS	ARMORED CAR SERVICE		MONTHLY		$394.48/mo.	30 DAYS WRITTEN NOTICE
THERMO-TEMP	AIR CONDITIONING	4/16/83		4/15/84	$1,096.67/mo.	30 DAYS WRITTEN NOTICE
TELECREDIT	CHECK APPROVAL SERVICE	MONTH TO MONTH			$170.53/mo.	WRITTEN NOTICE
TERMINEX	EXTERMINATING	RENEWED MONTHLY			$300.00/mo.	30 DAYS WRITTEN NOTICE
PR[illegible]IDENT NAT'L BANK	CREDIT CARD & CHECK APPROVAL	MONTH TO MONTH			$188.94/mo.	30 DAYS WRITTEN NOTICE
MULTI-FLOW	SODA DISPENSER RENTAL	6/9/82		6/9/83	$15.90/week	30 DAYS WRITTEN NO[illegible]E PRIOR TO THE EXPIR[illegible] DATE BY REGISTERED M
GLOBE DISPOSAL	WASTE REMOVAL		MONTHLY		$735.00/mo.	NO CONTRACT - 30 DAYS WRITTEN NOTICE
INDEPENDENCE COMMUNICATIONS	P.A. SYSTEM MUSIC		MONTHLY		$43.20/mo.	90 DAYS WRITTEN NOTICE PRIOR TO EXPIRATION OF THE TERM BY REGISTERE MAIL.
CONTROL DATA CORP.	PREPARATION OF PAYROLL		MONTHLY		$1,200.00/mo.	CONTRACT IS SIGNED WI OUR CORPORATE OFFICE NO COPY OF FILE.
PHILA. ELECTRIC CO.	ELECTRIC SERVICE	11/24/80		11/24/83		60 DAYS NOTICE
PHILA. ELECTRIC CO.	STEAM SERVICE	10/21/82		10/21/83		30 DAYS NOTICE

EXHIBIT A
(4)

HHC 00124

LICENSES & PERMITS

ISSUED BY	TYPE	EXPIRATION	AMOUNT
COMMONWEALTH OF PA	AUTO REGISTRATION #A33070612	10/83	$ 24.00
COMMONWEALTH OF PA	AUTO REGISTRATION #B28144219	4/84	24.00
COMMONWEALTH OF PA	AUTO REGISTRATION #A33262973	1/84	24.00
COMMONWEALTH OF PA	BOILER INSPECTION	6/84	120.00
COMMONWEALTH OF PA	ELEVATOR	12/83	165.00
ASCAP	COPY RIGHT MUSIC LICENSE	12/83	340.00
CITY OF PHILADELPHIA	FREEZER DESSERT MIX	**4/83	125.00
CITY OF PHILADELPHIA	DANCE HALL	**5/83	40.00
[illegible] PHILADELPHIA	STAGE SHOW & THEATER	12/83	25.00
[illegible] OF PHILADELPHIA	AMUSEMENT PERMIT/ANNUAL	12/83	20.00
CITY OF PHILADELPHIA	ROOMING HOUSE	12/83	3,000.00
CITY OF PHILADELPHIA	MERCANTILE	12/83	10.00
CITY OF PHILADELPHIA	FOOD PREPARING & SERVING	**4/83	100.00
CITY OF PHILADELPHIA	CATERER	**4/83	70.00
COMMONWEALTH OF PA	SALES USE & HOTEL OCCUPANCY LICENSE #51-107165	-----	-----
FEDERAL COMMUNICATIONS COMMISSION	TWO WAY RADIO LICENSE	9/17/85	
CITY OF PHILADELPHIA	STATEMENT OF OCCUPANCY DATED 10/1/75		

~~Appeal filed with Department of Licenses & Inspections~~

Permits are forthcoming from the City of Philadelphia, they are late due to backlog in City Hall and we are not in any violations. See attached letter for reference.

EXHIBIT B

5

ASSUMPTION OF CONTRACTS AND INDEMNIFICATION AGREEMENT

KNOW ALL MEN BY THESE PRESENTS, that UNIVERSAL PROPERTIES MANAGEMENT CO., a Pennsylvania limited partnership ("Assignee"), for and in consideration of the foregoing Assignment of Contracts by PARCEL EIGHT ASSOCIATES, a Pennsylvania limited partnership and PIC REALTY CORPORATION, a Delaware corporation, does hereby assume all of the obligations of Assignor under the Contracts set forth on Exhibit A attached hereto and made a part hereof accruing or arising subsequent to the date hereof (and not those accruing or arising earlier) and agrees to defend, indemnify and hold Assignor harmless from any and all claims, demands, causes of action, losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees) arising from any such obligations.

IN WITNESS WHEREOF, Assignee has duly executed this Assumption this 28th day of July, 1983.

UNIVERSAL PROPERTIES MANAGEMENT CO.

1. Management Agreement with Hilton Hotels Corporation dated March 26, 1973, as amended October 7, 1975 and January 27, 1982.

2. ~~Labor Contract dated November 1, 1981 between Hilton Civic Center and Hotel Employees and Restaurant Employees' Union, Local 274.~~

EXHIBIT A
(1)

	NAME	TYPE OF EQUIPMENT/MAINTENANCE	FROM	(TERM)	TO	AMOUNT	CANCELLATION CLAUSE
1)	IBM	(14) TYPEWRITERS	1/1/83		12/31/83	$ 1,845.38	AT ANY TIME BY GIVING 30 DAYS PRIOR WRITTEN NOTICE.
2)	NCR	(10) CASH REGISTERS, ACCOUNTS PAYABLE & ACCOUNTS RECEIVABLE MACHINES	1/1/83 1/1/83		12/31/83 12/31/83	4,473.03 2,575.80	30 DAYS ADVANCE WRITTEN NOTICE.
3)	MONROE	(14) CALCULATORS CALCULATOR - DIRECTOR OF CATERING	1/1/83		12/31/83	734.58	ANY TIME IN WRITING
4)	INTERBORO	TIME CLOCK	1/1/83		12/31/83	583.00	WRITTEN NOTICE AT LEAST 30 DAYS PRIOR TO EXPIRATION DATE.
5)	OYX	TYPEWRITER (LEVEL 1)	1/1/83		12/31/83	292.56	EFFECTIVE AT THE END OF A CALENDAR MONTH, UPON NOT LESS THAN 30 DAYS PRIOR WRITTEN NOTICE.
6)	MOTOROLA	BEEPERS (SECURITY & CHARGES AT FRONT OFFICE)	1/1/83		12/31/83	944.46	30 DAYS WRITTEN NOTICE SENT BY CERTIFIED MAIL.
7)	TELAUTOGRAPH	LEASE & MAINTENANCE FOR FRONT OFFICE COMMUNICATION MACHINE WITH HOUSEKEEPING	3/19/83		3/19/84	254.40	WRITTEN NOTICE AT LEAST 30 DAYS PRIOR TO THE END OF A TERM.
8)	BURROUGHS	CHECK SIGNER Check Imprinter	9/1/82 ~~9/82~~ 2/1/83		8/31/83 ~~9/83~~ 1/31/84	125.08 125.08	WRITTEN NOTICE AT LEAST 90 DAYS PRIOR TO THE TERMINATION OF THE SERVICE YEAR.
9)	CINCINNATI TIME Pitney Bowes	(3) TIME STAMPS Postage Scale	1/83 4/1/83 2/1/83		12/83 3/31/84 1/31/84	100.70 ~~301.65~~ 201.40 73.08	WRITTEN NOTICE AT LEAST 30 DAYS AT END O OF ANY PAY PERIOD.
10)	PITNEY BOWES	MAILING MACHINE RENTAL POSTAGE METER RENTAL		MONTHLY MONTHLY		41.34 33.92	90 DAYS WRITTEN NOTICE 90 DAYS WRITTEN NOTICE
11)	PHILADELPHIA LOCAL TELEGRAPH COMPANY (ADT)	MAINTENANCE AGREEMENT (ALARM SYSTEM)	4/11/83		4/11/84	1,604.00/yr.	30 DAYS WRITTEN NOTICE PRIOR TO EXPIRATION OF THE AGREEMENT.
		MAINTENANCE AGREEMENT (DOOR ANNUNCIATORS)	3/1/83		3/1/84	441.20/yr.	30 DAYS WRITTEN NOTICE PRIOR TO EXPIRATION OF THE AGREEMENT.

Ex A (2)

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E[illegible]ENT LEASES

AME	TYPE OF EQUIPMENT	TERM FROM	TO	AMOUNT	CANCELLATION OF CLAUSE
RCA	TELEPHONE SYSTEM Amended as of 7/11/83	5/1/76	5/1/86	$2,495.90/mo. 1,424.59/mo	This lease is in effect for 120 months after the date of completion of installation of equipment. Written notice of at least 60 days prior to the expiration of the initial term.
RADIO BROADCASTING	(11) BEEPERS	4/1/83	4/1/84	$285.67/mo.	Written notice of at least 90 days prior to expiration of the current term.
[illegible]NERAL MOTORS [illegible]CEPTANCE CORP.	VAN LEASE	3/10/81	3/10/84	$391.14/mo.	30 days written notice after the first 12 months of its term.
LEASE IT	STATION WAGON LEASE	11/14/80	11/14/83	$277.19/mo.	See paragraph #9 of the contract.
I.V.B.	TRASH COMPACTOR	8/8/79	8/8/84	$201.40/mo.	This lease is in effect 5 years.
AMERICAN DISTRICT TELEGRAPH COMPANY	SEE ITEM 1 on EXHIBIT R2				
TELAUTOGRAPH	SEE ITEM 8 under EXHIBIT R2				

VENDING MACHINES

STAN HARRIS	CIGARETTE VENDING MACHINES CANDY VENDING MACHINES	12/1974			Not specified, but we are certain that the agreement cancelled within 30 days written notice.
HAVE-A-VEND	SODA MACHINES	6/27/82	6/27/83		Written notice of at least 30 days before the expiration of the agreement.

EXHIBIT A
(3)

HHC 00129

NAME	TYPE OF MAINTENANCE/SERVICE	FROM	(TERM)	TO	AMOUNT	CANCELLATION CLAUSE
ARCADIA CLEANERS	DRY CLEANING & LAUNDRY	6/1/82		5/31/83		30 DAYS WRITTEN NOTICE
GRANT LEIGHTON	PLANT MAINTENANCE	11/1/82		10/31/83	$260.00/mo.	30 DAYS WRITTEN NOTICE
BRINKS	ARMORED CAR SERVICE		MONTHLY		$394.48/mo.	30 DAYS WRITTEN NOTICE
THERMO-TEMP	AIR CONDITIONING	4/16/83		4/15/84	$1,096.67/mo.	30 DAYS WRITTEN NOTICE
TELECREDIT	CHECK APPROVAL SERVICE	MONTH TO MONTH			$170.53/mo.	WRITTEN NOTICE
TERMINEX	EXTERMINATING	RENEWED MONTHLY			$300.00/mo.	30 DAYS WRITTEN NOTICE
PRESIDENT NAT'L BANK	CREDIT CARD & CHECK APPROVAL	MONTH TO MONTH			$188.94/mo.	30 DAYS WRITTEN NOTICE
MULTI-FLOW	SODA DISPENSER RENTAL	6/9/82		6/9/83	$15.90/week	30 DAYS WRITTEN NOTICE PRIOR TO THE EXPIRATION DATE BY REGISTERED M
GLOBE DISPOSAL	WASTE REMOVAL		MONTHLY		$735.00/mo.	NO CONTRACT - 30 DAYS WRITTEN NOTICE
INDEPENDENCE COMMUNICATIONS	P.A. SYSTEM MUSIC		MONTHLY		$43.20/mo.	90 DAYS WRITTEN NOTICE PRIOR TO EXPIRATION OF THE TERM BY REGISTERED MAIL.
CONTROL DATA CORP.	PREPARATION OF PAYROLL		MONTHLY		$1,200.00/mo.	CONTRACT IS SIGNED WIT OUR CORPORATE OFFICE NO COPY OF FILE.
PHILA. ELECTRIC CO.	ELECTRIC SERVICE	11/24/80		11/24/83		60 DAYS NOTICE
PHILA. ELECTRIC CO.	STEAM SERVICE	10/21/82		10/21/83		30 DAYS NOTICE

EXHIBIT A
(4)

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AGREEMENT

THIS AGREEMENT dated as of December 18, 1984, between HILTON HOTELS CORPORATION ("Hilton"), a Delaware corporation, and UNIVERSAL PROPERTIES MANAGEMENT CO., a Pennsylvania limited partnership.

W I T N E S S E T H:

WHEREAS, Owner owns that certain hotel of approximately 322 guest rooms known as The Hilton Hotel of Philadelphia (the "Hotel") located at Civic Center Boulevard at 34th Street, Philadelphia, Pennsylvania 19104.

WHEREAS, Hilton and Owner, are parties to a Management Contract made as of March 26, 1973 as amended and restated October 7, 1975, and subsequently amended January 25, 1982, providing for the operation of the Hotel by Hilton for and on behalf of Owner upon the terms and conditions set forth therein, the rights and obligations of Owner having been assigned to and assumed by it under instruments dated July 28, 1983;

WHEREAS, Owner and Hilton are desirous of terminating the Management Contract and causing Hilton Inns, Inc., a wholly-owned subsidiary of Hilton, to enter into a License Agreement with Owner granting such party the right to operate the Hotel under the Hilton name in accordance with the terms and conditions of such License Agreement;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual terms and conditions hereinafter contained, the parties agree as follows:

1. Termination of Management Contract. The Management Contract, and the various rights, remedies, powers, privileges, liabilities and obligations of the respective parties thereto (other than such rights, remedies, powers, privileges, liabilities and obligations of the respective parties thereto which, under the terms of the Management Contract, survive any termination thereof) is hereby cancelled and terminated without any further action being required effective as of the close of business, December ~~22, 1985~~ 17, 1984. All accrued but unpaid charges owed Hilton and its affiliates thereunder, including without limiting the generality of the foregoing, charges for management fees, group expenses, reservation fees, and the purchase of any furnishings, equipment or supplies shall be paid to Hilton or such affiliate upon or prior to the effective date of termination of the Management Contract.

2. Accounts Receivable. Any amounts received by Hilton after said termination, with respect to any accounts receivable of the Hotel shall promptly be endorsed by Hilton to the order of Owner and delivered by Hilton to Owner.

3. Credit Cards, Etc. It is understood and agreed that, effective upon termination of the Management Contract, or as soon thereafter as is practical, Hilton shall terminate with respect to the Hotel, any agreements it may have with the issuers of credit cards, and any other agreements entered into by Hilton

with respect to the Hotel, which relate to other Hilton owned or operated hotels or inns in addition to the Hotel, and Owner shall be solely responsible for obtaining credit card and other arrangements for its operation of the Hotel after the effective date of the termination of the Management Contract. Any credit card agreements entered into by Hilton on behalf of Owner covering only the Hotel will not be cancelled.

4. Licenses and Permits. Owner acknowledges that it is Hilton's intention, promptly after the effective date of termination of the Management Contract, to cancel and terminate all licenses and permits relating to the Hotel which are maintained in Hilton's name. Hilton agrees, however, to assign to Owner all such licenses and permits, to the extent the same are assignable, at the request of Owner, and to cooperate in all reasonable respects with Owner in securing such new or additional licenses or permits, in Owner's name, or in the name of such other agents or managers as Owner shall designate, as may be necessary for the operation of the Hotel.

5. Bank Accounts. Owner shall promptly remove Hilton as an authorized signer on any bank accounts owned by any such party on which Hilton has authority to sign. Owner shall not use any checks on such accounts showing Hilton as agent on behalf of Owner.

6. Banquet, Convention and Room Reservations. After the effective date of cancellation of the Management Contract, Owner shall assume and honor all room reservations, banquet reserva-

tions, convention bookings and other arrangements and obligations entered into prior to said date for the use of the Hotel.

7. Concurrent Execution of Mutual Release and License Agreement. In consideration of the execution by the parties of this Agreement, the parties have agreed and concurrently herewith (i) Owner and Hilton have executed and delivered a general and mutual release to be effective December ~~22, 1984~~ 17, 1984 JAP GRB, and (ii) Owner and Hilton Inns, Inc., a wholly-owned subsidiary of Hilton, have entered into a License Agreement under which Hilton Inns, Inc. has licensed Owner effective as of December ~~22, 1984~~ 18, 1984 JAP GRB, to operate the Hotel under the Hilton name and "H" logo upon the terms and conditions therein set forth.

8. Miscellaneous. Each party represents to the other that neither the execution nor consummation of this Agreement does or will constitute a breach or default (or an occurrence which, by the lapse of time and/or the giving of notice would constitute a breach or default) under any agreement or commitment to which either Owner or Hilton is a party or by which any of the properties or assets of either are bound.

This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on their behalf the day and year

first above written.

HILTON HOTELS CORPORATION

By: James L Phillips
Senior Vice President

UNIVERSAL PROPERTIES MANAGEMENT CO.

By: James R Biles
General Partner

MUTUAL AND GENERAL RELEASE

KNOW ALL MEN BY THESE PRESENTS THAT:

UNIVERSAL PROPERTIES MANAGEMENT CO., a Pennsylvania limited partnership, and HILTON HOTELS CORPORATION, a Delaware corporation ("Hilton"), for and in consideration of the sum of Ten Dollars ($10.00) in lawful money of the United States paid by each to the other, receipt and adequacy of which is hereby acknowledged by each such party, and other good and valuable consideration, and in consideration of promises and terms herein contained, and further in consideration of the execution concurrently herewith by the parties of an agreement (the "Termination Agreement") providing, among other items, for the termination of a certain Management Contract dated March 26, ~~1983~~ 1973, as amended and restated October 7, 1975, and subsequently amended January 25, 1982, Owner and Hilton have remised, released and forever discharged, each other, and their affiliates and the respective successors, legatees, devisees, executors, administrators, heirs and assigns of each other, of and from any and all manner of actions, causes and causes of action, suits, debts, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands, whatsoever, known or unknown, in law or in equity, which Owner or any partners therein, or Hilton, now have against the other or ever had, or which any of the respective affiliates, legatees, devisees, executors, administrators, heirs, successors or assigns,

officers and employees, of each other, hereafter can, shall or may have, for, upon, or by reason of any matter, cause or thing, whatsoever, on or at any time prior to the close of business, December 17, 1984, EXPRESSLY EXCEPTING AND EXCLUDING, THEREFROM the following:

(a) the respective rights, remedies, powers, privileges, duties, liabilities and obligations of Owner and Hilton under and pursuant to the Termination Agreement, to the extent the covenants, terms and conditions therein contained survive the closing; and

(b) all unpaid charges, fees or amounts now or hereafter owed Hilton and its subsidiaries and affiliates relating to the period prior to the close of business, December 17, 1984; and

(c) the rights of Hilton to be indemnified under Section 10.04 of Exhibit A and Section 5 of the Management Contract amendment and restatement of October 7, 1975.*

The herein release and discharge of Hilton shall include all the subsidiaries and affiliates of Hilton, and the herein release, discharge of Owner shall include all partners thereof.

Owner and Hilton each hereby further state that their respective authorized officers or agents have read this instrument and understand that it is a General Release, and that, in full under-

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standing thereof, Owner and Hilton each respectively intend to be legally bound by the same.

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed on their behalf as of this ~~10th~~ 17th day of December, 1984.

HILTON HOTELS CORPORATION

By: James L Phelan
Senior Vice President

UNIVERSAL PROPERTIES MANAGEMENT CO.

By: James R Biels
General Partner

d* The right of Licensee to pursue any action against Hilton, its agents, employees for any acts of fraud, dishonesty or theft which may have occurred from July 28, 1983 to December 18, 1984, the period in which Hilton managed the hotel under the management agreement referred to herein.

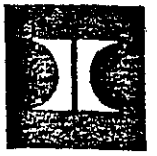
HILTON HOTELS CORPORATION

By: James L Phelan
SENIOR Vice President

UNIVERSAL PROPERTIES MANAGEMENT CO.

By: James R Biels
General Partner

HILTON INNS, INC.
LICENSE AGREEMENT



HILTON INNS, INC., a Delaware corporation, having its principal office at 9880 Wilshire Boulevard, Beverly Hills, California (hereinafter called "Licensor") hereby grants and UNIVERSAL PROPERTIES MANAGEMENT CO., a Pennsylvania limited partnership (hereinafter called "Licensee") hereby accepts a non-assignable license and franchise to operate a hotel or inn under the name "Hilton" as herein provided on the premises located at Civic Center Boulevard and 34th Street, Philadelphia, Pennsylvania (hereinafter called "Hotel"), on the following terms and conditions:

1. Hilton System. Licensor is a subsidiary of Hilton Hotels Corporation, a Delaware corporation. Hilton Hotels Corporation and its subsidiaries and affiliates (hereinafter collectively called "Hilton") own, lease, operate and manage a system of Hilton hotels and inns (hereinafter called "Hilton hotels"). Under an agreement with Hilton Hotels Corporation, the Licensor has developed a system for the operation of hotels and inns (hereinafter called "System"). The System and its distinguishing characteristics are described in this Agreement and in the Operating Manual (as hereinafter defined) as the same may be revised from time to time. Hilton Hotels Corporation has authorized the Licensor to grant licenses to selected, first-class, independently owned or leased hotel and inn properties for operation under the System, and to use the name "Hilton" as herein provided.

Licensee hereby acknowledges Licensor's and Hilton's exclusive rights to and interest in the System and its present and future distinguishing characteristics, and Licensor's and Hilton's exclusive rights to such characteristics. These characteristics include the names "Hilton Hotels", "Hilton", and "Hilton Inn", the stylized "H" used in any form and in any design, alone or in any combination, and all other present and future names, service marks, trademarks, trade names, insignia, slogans, emblems, symbols, designs or other characteristics used in connection with the System. Licensee hereby acknowledges that these distinguishing characteristics have acquired a secondary meaning which indicates that the hotel, inn, restaurant, or similar business is operated by or with the approval of Hilton.

2. Grant of License. Licensor grants Licensee, and Licensee hereby accepts, a non-assignable license commencing the date of this Agreement and terminating December 31, 1986, to operate the Hotel at the above described location under the System, to use the name "Hilton" in the name of the Hotel, to use the name "Hilton" and Hilton's stylized "H" service mark as service marks to identify the services rendered by Licensee at the Hotel, and to promote and advertise the Hotel under the name "Hilton", but in each case only in the form and manner as contained and set forth in the Operating Manual and in combination with such other color scheme, design, characteristics, and words as may from time to time be approved by Licensor.

3. Licensor's Duties. Licensor shall:

a. Review the Hotel's operations periodically during each operating year and consult with Licensee from time to time on operating problems concerning the Hotel.

b. Inspect and have the right, from time to time, to inspect the Hotel so as to maintain the high standards and reputation of the System, the good will of the public, and compliance with the provisions of this Agreement and the Operating Manual, but Licensor may permit variation from the general practice of the System of the provisions of the Operating Manual where in its opinion variation is justified by local or special conditions and will not lower the System's standards.

c. Cause Hilton Service Corporation or its successor, if any, to furnish the Hilton Reservation Service to Licensee on the same basis as from time to time is furnished to other System licensees.

d. Cause Hilton Service Corporation or its successor, if any, to include the Hotel in its directory and in its other promotional material in accordance with the standard policy of Hilton Service Corporation or its successor, if any, with respect to System hotels.

e. Include the Hotel, without charge, in any national or regional directory of Hilton hotels hereafter published by Licensor or Hilton, and in national or regional group advertising and promotion of Hilton hotels, and inns, in accordance with general practices with respect to System hotels.

f. Issue and revise from time to time an operating manual (the manual and its revisions are herein referred to as the "Operating Manual"), which will set out Licensor's services and the policies, practices, and standards of the System for the hotel and motel operation, identification, advertising and accounting. Licensee hereby acknowledges receipt of the Operating Manual.

g. Defend the name "Hilton" against imitations or infringements by unauthorized hotels or inns.

h. Make available to Licensee, on the same basis as to other System licensees for use in the Hotel, any purchase, lease or other arrangements which Licensor or Hilton may have with respect to exterior signs, operating equipment, operating supplies, and furniture and furnishings. Licensee acknowledges that Hilton or one of its subsidiaries may perform services as a representative or distributor of the manufacturer of any such items in order to secure the benefits of lower costs in connection with purchasing arrangements for Licensee.

i. At Licensee's request, use its best efforts to obtain insurance for the Hotel on a favorable basis.

j. At Licensee's request, furnish, or cause Hilton to furnish, on the same basis and at the same rate as to other System licensees, any one or more of the following group benefits, services and facilities:

1. technical assistance on a consulting basis in regard to: (i) front office, food and beverage, housekeeping, personnel, and other operational department supervisory and control services; (ii) maintenance and engineering services;

(iii) accounting and claim services; (iv) personnel and labor relation services;

2. central purchasing services, including without limitation, the location, testing and selection of items of equipment in common use by hotels, and securing to Licensee the advantages of volume purchasing and wider markets in the procurement of items of common use, such as linens, chinaware, soaps and furniture;

3. interior design and decoration services and architectural services on a consulting basis;

4. convention and group sales, advertising and business promotion and public relation services.

Any policies, procedures or practices established at the Hotel by or through the furnishing of any such group benefits, facilities or services shall be subject to Owner's approval, and Hilton in furnishing the same shall not have the right, nor shall be deemed, to exercise control or supervision over Licensee.

4. License Fees. LICENSE FEE RIDER ATTACHED HERETO IS HEREBY INCORPORATED BY REFERENCE AS A PART OF THIS AGREEMENT.

5. Licensee's Duties. Licensee shall, throughout the term hereof, in addition to the other provisions hereof:

a. Operate the Hotel as a System hotel, and in that connection, use, in a manner prescribed by Licensor, the name and service mark "Hilton" and the "H" service mark and no other name or service mark without Licensor's approval in connection with the operation of the Hotel and related facilities as authorized in this Agreement and in the Operating Manual.

b. Operate, furnish, maintain and equip the Hotel and related facilities in a first-class manner in accordance with the provisions of this Agreement and of the Operating Manual, in conformity to the high service, moral and ethical standards of the System, and in compliance with all local, State, and Federal laws, customs and regulations, including, without limiting the generality of the foregoing, maintaining and conducting its business in accordance with sound business and financial practice.

c. Refer guests and customers, wherever possible, only to other System hotels, or Hilton or Hilton International hotels (generally Hilton hotels operated outside the United States) and inns, and, in general, use every reasonable means to encourage their use by the traveling public; display all material, including, but not limited to, brochures and promotional material provided with respect to Hilton, Hilton International and System hotels, motels and inns; allow advertising and promotion only of Hilton, Hilton International and System hotels, motels and inns on the Hotel premises; use the Hilton Reservation Service on the terms set out in the Operating Manual; provide sufficient space at a reasonable rental in the vicinity of the front desk for a Reservation Service office; reimburse Hilton Service Corporation, or its successor, if any, within ten (10) days after billing, for the Hotel's pro rata share of that Corporation's costs and expenses for the Reservation Service allocated on the same basis or formula as allocations to other System hotels; and honor and give first priority on available rooms to all confirmed reservations referred to the Hotel through the Hilton Reservation Service. Licensee agrees that the only reservation service or system to be used in regard to outgoing reservations referred by and from the Hotel to other hotels shall be the Hilton Reservation Service.

d. Honor all nationally recognized credit cards issued for general credit purposes which are generally honored at other System hotels and Hilton hotels and inns, and enter into all necessary credit card agreements with the issuers of such cards, as may be necessary in connection therewith.

e. Feature in the Hotel operation, in the guest rooms, public rooms, and other public areas of the Hotel, and on the various articles therein as specified in the Operating Manual, and in advertising and promotional material, the name "Hilton", together with other distinguishing service marks, signs, and words of the System, in the same size, color, combination, arrangement, and manner as determined periodically by Licensor for use generally by System hotels and motels so that the Hotel will be readily recognized by the public as part of the System, and comply with the provisions of the Operating Manual with respect to the foregoing.

f. In accordance with the provisions of the Operating Manual and to the extent permitted by law, erect, install and maintain in complete working order on the exterior of the Hotel, in accordance with plans and specifications prescribed by Licensor for System hotels and motels generally, large illuminated signs using the name "Hilton" and other distinguishing characteristics as prescribed in said plans and specifications, and, subject to any applicable law, rule, regulation or order, keep the exterior signs illuminated from sundown to at least 12:00 A.M.

g. Advertise the Hotel and related facilities and services in a first-class manner and, upon the written request of Licensor, cease and desist from using or continuing to use any advertising or publicity which Licensor believes is not in the best interests of the Hotel or System.

h. Identify itself as the owner and operator of the Hotel under license from Licensor in the use of the name and service mark "Hilton" and the stylized "H" service mark, and in Licensee's signs and advertising and promotional material; disclose in all dealings with suppliers and persons, other than guests, that it is an independent entity and that Licensor has no liability for its debts and refrain from using the name "Hilton" or any name similar thereto in or as part of its corporate or firm name.

i. At its option and to the extent lawful, purchase from Licensor or whomever Licensor designates, furniture and furnishings, operating equipment, operating supplies, consumable inventories and merchandise for resale to be used in or sold from the Hotel, on the same basis as System hotels generally, and to pay for any such items purchased within ten (10) days after billing. All such items purchased from a source other than Licensor or Licensor's designee shall conform to the designs and standards prevailing in System hotels generally and, at Licensor's request, a sample thereof shall be submitted to Licensor for its approval prior to use thereof in the Hotel.

j. Operate the Hotel directly by Licensee.

k. Obtain the prior written approval of the Licensor (which shall not be unreasonably withheld) as to the appointment of the manager of the Hotel. In addition, the manager and such other key employees of the Hotel as deemed necessary by Licensor shall complete a training program with respect to operation of the Hotel under the System at such place designated by Licensor, except that in the sole opinion of Licensor, if it is not necessary or desirable for either the manager or such other key personnel to complete said training program, then this requirement may be waived in whole or in part by instrument in writing duly executed by Licensor as to either the manager or such other personnel. Such training program shall be provided by Licensor at no expense to Licensee, except that Licensee shall be responsible for the wages, room, board and travel expenses of such trainees during the training period.

l. Make no major structural change or changes in design or decor without the prior written approval of Licensor, which approval shall not be unreasonably withheld.

m. Indemnify, defend, and s)Licensor, Hilton, including without limita), Hilton Service Corporation, Hotel Equipment Corporation and their respective successors and assigns, harmless from all losses, costs, liabilities, damages, claims, and expenses, including reasonable attorney's fees, arising out of or resulting from the construction or operation of the Hotel or any other business conducted in or by the Hotel or on its grounds, and at its sole expense obtain and maintain insurance of the kind, in the amounts, and with the insureds (including Licensor, Licensee, and Hilton) specified in the Operating Manual.

n. Deliver to Licensor monthly, quarterly and annual operating statements, profit and loss statements, balance sheets, and other reports prescribed in the Operating Manual, and prepared by the persons and in accordance with the forms and methods specified therein, and permit the Licensor to inspect the Licensee's books and records at all reasonable times.

o. Within ten (10) days after billing, pay or reimburse Licensor or any of its parents, subsidiaries or affiliates for all costs and expenses actually incurred at Licensee's request with respect to the designing, furnishing, supplying, servicing, and/or equipping of the Hotel and its facilities, and for all service and/or design fees in connection therewith.

p. Promptly deliver to Licensor a copy of any notice of default received from any mortgagee, trustee under any deed of trust, or ground lessor with respect to the Hotel and upon the request of Licensor provide such additional information as may be requested in respect to any such alleged default or any subsequent action or proceeding in connection therewith.

q. Upon commencement of the term of this Agreement, purchase, and thereafter replace, at its cost, computer terminal equipment as specified in the Operating Manual or otherwise specified or approved by Licensor for utilization by Licensee of the Hilton Reservation Service. Ordinary maintenance and telephone line usage during the term of this Agreement for such equipment shall be provided by Licensor at its cost (except as hereinafter provided) on the same basis as provided to other System Licensees. All or a portion of the cost of such ordinary maintenance and telephone line usage may be reimbursed by Hilton Service Corporation to Licensor or otherwise paid by Hilton Service Corporation and be included as a part of the cost and expense for the Hilton Reservation Service, of which, under paragraph 5c of this Agreement, the Licensee is responsible for the Hotel's prorata share.

r. Refrain from directly or indirectly conducting, or permitting by lease, concession arrangement or otherwise, gaming or casino operations in the Hotel or on the premises thereof.

s. Exclusively appoint Hilton Hotels Corporation to provide to Licensee without charge therefore the interior design for the guest room areas of the Hotels, and Licensor shall cause Hilton Hotels Corporation to so provide.

6. Termination by Licensor. If Licensee violates any provision of the Agreement or of the Operating Manual and such violation continues for a period of twenty (20) days after written notice from Licensor, or if an order, judgment or decree shall be entered by a court of competent jurisdiction adjudicating Licensee a bankrupt or insolvent or approving a petition seeking reorganization of Licensee or an arrangement of creditors, or if Licensee makes an assignment for the benefit of creditors, or if a receiver, trustee or liquidator is appointed to take charge of the Hotel or Licensee's affairs generally or in respect to the Hotel, and adequate assurances of continued performance of this Agreement are not received within thirty (30) days of such order, judgment, decree, assignment or appointment, then the Licensor, without further demand or notice, may declare this License Agreement and all of Licensee's rights hereunder terminated, but such termination shall not affect Licensee's obligations to take or refrain from taking action after termination of the Agreement as provided elsewhere herein. Licensee agrees, within ten (10) days after any such order, judgment or decree, or assignment, or appointment, to give notice thereof to Licensor.

7. Obligations of Licensee on Termination. Upon the termination of this Agreement for any cause, Licensee will immediately discontinue holding itself out to the public as a licensed Hilton hotel, will discontinue all use of tradenames, trademarks, service marks, signs and forms of advertising and other indicia of operation as a System or Hilton hotel, and will discontinue use of all distinguishing indicia of Hilton hotels, including but not by way of limitation, such indicia on exterior and interior signs, stationery, operating equipment and supplies, brochures and other promotional material. If Licensee fails to make such changes within thirty (30) days of termination, Licensor may enter upon the Hotel premises without being deemed guilty of trespass or any other tort and make or cause to be made such changes at the expense of Licensee, to be paid by Licensee on demand; and Licensor and Hilton shall be entitled to damages or relief by injunction, or to any other right or remedy at law or in equity.

8. Restrictions on Licensee. Licensee agrees that as long as this Agreement shall remain in full force and effect it will not engage, directly or indirectly, in the hotel, motel or related business at any place except the Hotel without the prior written consent of Licensor, which consent Licensor agrees not to unreasonably withhold.

9. Successors and Assigns; Sale of Securities.

a. *Assignment by Licensor.* Licensor shall have the right to assign this Agreement without the consent of Licensee, provided that no such assignment shall release Licensor from its obligation hereunder.

b. *Sale, Lease or Assignment by Licensee.* Licensee shall not sell or lease the Hotel or any part thereof (except for commercial space in the Hotel customarily subject to sublease or concession arrangements), or assign this Agreement, or any interest therein, without the prior written consent of Licensor. If Licensee shall have received a bona fide written offer to purchase or lease the Hotel and Licensee, pursuant to the terms of such offer, desires to sell or lease the Hotel to any person, firm or corporation, Licensee shall give written notice thereof to Licensor, stating the name and full identity of the prospective purchaser or tenant, as the case may be, including the names and addresses of the owners of the capital stock, partnership interests or other proprietary interests of such purchaser or tenant, the price or rental, and all terms and conditions of such proposed sale or lease, together with all other information with respect thereto which is requested by Licensor and reasonably available to Licensee. Within ~~thirty (30)~~ (30) days after the date of receipt by Licensor of such written notice from Licensee, Licensor shall elect, by written notice to Licensee, one of the following alternatives:

~~1. To purchase or lease the Hotel or to have its designee or designees purchase or lease the Hotel at the same price~~ or rental and upon the same terms and conditions as those set forth in the written notice from ~~the Licensee~~ to Licensor. In the event that Licensor shall have elected to so purchase or lease ~~or have its designee(s)~~ so purchase or lease the Hotel in accordance with the provisions of the ~~preceding sentence~~, Licensee and Licensor (or its designee(s) as the case may be) shall promptly ~~thereafter enter~~ into an agreement for sale or lease at the price or rental and on the terms aforesaid and shall ~~consummate such transaction in accordance with the terms thereof.~~

2. Subject to provisions of subparagraph (d) below, to consent to such sale or lease and to the assignment of this Agreement to such purchaser or tenant, if such sale or lease is in fact consummated. Licensor may, at its sole option, subject its consent to satisfaction of certain conditions, including without limitation, the following: 1) the cure of any existing defaults or events which would become defaults with the giving of notice and passage of time, including without limitation, the payment in full by certified or cashier's check at the Closing of all unpaid obligations owed Licensor and its affiliates by Licensee; 2) receipt of evidence from the purchaser that insurance coverage, as required by the Operating Manual, is in full force and effect on the date of Closing; 3) payment by certified or cashier's check of the amount of any estimated fees and charges which will accrue to Licensor and its affiliates through the date of Closing, which amounts cannot be calculated in full prior to or at the Closing. To the fullest practical extent, Licensee shall give to Licensor sufficient written notice of the date on and place at which such sale or lease is to be consummated in order to give Licensor an opportunity to prepare appropriate transfer documents and to be present at such time.

3. To terminate this Agreement (if, and only if, Licensor shall not have exercised its rights under clause (1) or (2) above), which notice of termination shall fix a date of termination ninety (90) days after the date of receipt by Licensor of the Licensee's original sixty (60) day notice. If, within ninety (90) days after the date of receipt by Licensor of the Licensee's original sixty (60) day notice, the Licensee shall not consummate said sale or lease of the Hotel to the prospective purchaser or lessee named in said original notice to Licensor, at the price or rental and on terms no less favorable to the Licensee than those at which such property was offered for sale or lease to Licensor, then the termination notice theretofore served by Licensor upon the Licensee shall be null and void, and this Agreement shall continue in full force and effect, and the Hotel shall again be subject to the restrictions of this subparagraph (b) of this paragraph 9.

c. Licensor agrees that upon the terms and conditions set forth in subparagraph (b) of this paragraph 9, it shall elect one of the alternatives set forth in clauses (1), (2) and (3) of said subparagraph (b). If Licensor shall fail, neglect or refuse to so exercise any of said alternatives within said sixty (60) day period, the same shall be conclusively deemed to constitute an election and consent under subparagraph (b) (2) above and the provisions thereof shall prevail as if Licensor had in writing consented thereto.

d. It is the intent of the parties hereto that the Hotel shall at all times during the term of this Agreement be operated as a System hotel pursuant to the terms hereof. Accordingly, notwithstanding the provisions of subparagraphs (b) and (c) above, the Hotel shall not be sold or leased (except for leases permitted under subparagraph (b) above) unless (i) the purchaser or tenant, as the case may be, shall have first delivered to Licensor an executed written instrument, reasonably satisfactory in form and substance to Licensor and its counsel, expressly assuming and agreeing to perform all of the terms and provisions of this Agreement, and (ii) such purchaser or tenant shall in all respects be acceptable to, and approved by, Licensor,which approval shall not be unreasonably withheld. Upon any such sale or lease of the Hotel in accordance with the provisions of this paragraph 9, all of the rights and obligations of Licensee hereunder shall vest solely in the purchaser or tenant, as the case may be, and all rights of the seller or lessor shall thereupon terminate (with the exception of any liabilities or obligations incurred prior to the date of such sale or lease, as to which the seller or lessor shall remain fully liable).

e. *Transfer of Controlling Interest in Licensee.* The voluntary or involuntary sale, assignment, transfer or other disposition, or transfer by operation of law (other than by will or the laws of intestate succession) of a controlling interest in the Licensee (i.e., the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of Licensee, whether through the ownership of voting securities or by contract or otherwise) shall be deemed a sale or lease of the Hotel within the foregoing provisions of subparagraph (b), and shall be subject to the same rights of Licensor as set forth in said subparagraphs (b) and (d) with respect to the sale or lease of the Hotel. Licensee from time to time, upon the written request of Licensor, shall furnish Licensor with a list of the names and addresses of the owners of the capital stock, partnership interests or other proprietary interests in the Licensee; and in the event of a contemplated sale or other disposition of a controlling interest in the Licensee, Licensee shall forthwith notify Licensor in writing of such sale or other disposition and of the names and addresses of the transferee or transferees of such controlling interest.

f. *Sale of Securities.* In the event Licensee shall, at any time or from time to time, "sell" or "offer to sell" any "securities" issued by it through the medium of any "prospectus" or otherwise, it shall do so only in compliance with all applicable federal or state securities laws, and shall clearly disclose to all purchasers and offerees that (i) neither Licensor nor Hilton nor any of their respective officers, directors, agents or employees shall in any way be deemed an "issuer" or "underwriter" of said "securities", and that (ii) Licensor, Hilton and said officers, directors, agents and employees have not assumed and shall not have any liability or responsibility for any financial statements, prospectuses or other financial information contained in any "prospectus" or similar written or oral communication. Licensor shall have the right to approve any description of this License Agreement or of Licensee's relationship with Licensor hereunder, contained in any "prospectus" or similar communication delivered in connection with the sale or offer by Licensee of any "securities", and Licensee hereby agrees to furnish copies of all such materials to Licensor for such purpose not less than 20 days prior to the filing thereof with any government authority or the delivery thereof to any prospective purchaser. Licensee agrees to indemnify, defend and hold Licensor, Hilton and their officers, directors, agents and employees free and harmless of and from any and all liabilities, costs, damages, claims or expenses arising out of or related to the "sale" or "offer" of any "securities" of Licensee. All terms used in this subparagraph (f) shall have the same meaning as in the Securities Act of 1933, as amended.

g. *Binding Effect, Etc.* Subject to the foregoing subparagraphs of this paragraph 9, this Agreement shall inure to the benefit of and be binding upon the parties hereto, their respective heirs, legal representatives, successors and assigns.

10. Direct Covenant with Hilton. Licensee agrees, as a direct covenant with Hilton Hotels Corporation, that it will comply with all of the provisions of this Agreement with respect to the manner, terms and conditions of the use of any trademarks, tradenames, service marks or similar matters, and with respect to the termination of any right on the part of Licensee to use any of the foregoing. This covenant may be enforced by any appropriate legal proceedings at law or in equity by Hilton Hotels Corporation, its successors and assigns, separately or in conjunction with Licensor, and Licensee agrees to pay all costs and expenses, including, without limitation, reasonable attorney's fees, thereby incurred by Hilton Hotels Corporation, Licensor, or their successors or assigns.

11. Notices. Any notice by either party to the other shall be in writing and shall be deemed to have been duly given if delivered personally or mailed in a registered or certified postpaid envelope, return receipt requested, addressed as follows:

To Licensor:

Hilton Inns, Inc.
c/o Hilton Hotels Corporation
Executive Offices
9880 Wilshire Boulevard
Beverly Hills, California 90210
Attention: General Counsel

To Licensee:

Universal Properties Management Co.
Hilton Hotel - 20th Floor
Civic Center Blvd. at 34th Street
Philadelphia, Pennsylvania 19104-4385
Attention: Mr. James R. Biales

or to such other address for notice of which the parties have advised each other in accordance with the provisions of this paragraph.

12. Relationship between Parties. Licensor and Hilton, on the one part, and Licensee, on the other, are not and shall not be considered as joint venturers, partners, or agents of each other, and neither shall have the power to bind or obligate the other. There shall be no liability on the part of Licensor or Hilton to any person for any debts incurred on behalf of the Hotel and the business conducted therein or for any losses, costs, liabilities, damages, claims or expenses, including reasonable attorney's fees, arising out of or resulting from the construction or operation, or the policies, procedures, practices or alleged practices of the Licensee in the operation, of the Hotel or any other business conducted therein or thereabout.

13. Entire Agreement. In the event for any reason any of the requirements set forth in the Licensor's commitment letter for a Hilton license have not as of the date of execution of this Agreement been met and have not otherwise been waived in writing duly signed by Licensor, then all such requirements shall survive the execution of this Agreement and shall be the obligation of Licensee hereunder. This instrument together with both Licensee's application for a Hilton license and Licensor's commitment letter contain the entire agreement of the parties and cannot be changed or modified except in writing signed by the party against whom the change or modification is asserted. Licensee represents to Licensor that there has been no material change in the state of facts represented to Licensor in the above-referred to application. To the extent reference is made herein to the Operating Manual, the provisions of the Operating Manual are hereby incorporated herein by reference. In the event any provision of this Agreement is inconsistent with the Operating Manual, the provisions of this Agreement shall prevail. No failure of Licensor or Hilton to exercise any power given it hereunder, or to insist upon strict compliance by Licensee with any obligation hereunder, and no custom or practice at variance with the terms hereof, shall constitute a waiver of Licensor's or Hilton's right to demand exact compliance with the terms hereof.

14. Third Parties. None of the obligations hereunder of either party shall run to, or be enforceable by, any party other than the other party to this Agreement except for covenants in favor of Hilton, including without limitation, Hilton Service Corporation and Hotel Equipment Corporation, which covenants shall run to and be enforceable by any such corporation, its successors and assigns.

15. Remedies Cumulative. The remedies granted to Licensor or Hilton hereunder are cumulative and are not intended to be exclusive of any other remedies to which each may be lawfully entitled in case of any breach or threatened breach of the terms and provisions hereof.

16. Continuing Covenants. All continuing covenants, duties and obligations and all indemnities herein contained shall survive the expiration or earlier termination of this Agreement.

17. Partial Invalidity. Any provision of this Agreement prohibited by law or by court decree in any locality or state shall be ineffective to the extent of such prohibition without in any way invalidating or affecting the remaining provisions of this Agreement, or without invalidating or affecting the provisions of this Agreement within the states or localities where not prohibited or otherwise invalidated by law or by court decree.

18. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

THE FOLLOWING PARAGRAPH 19 IS APPLICABLE ONLY TO A LICENSE AGREEMENT FOR A SITE AT WHICH NEW CONSTRUCTION IS CONTEMPLATED. DELETE IF INAPPLICABLE.

~~**19. Licensee agrees that the plans, layouts, specifications, drawings and designs for the Hotel, together with any substantial changes therein or departures therefrom, shall be submitted to Licensor for its prior written approval and that the Hotel shall be constructed, outfitted and completed in accordance with such approved plans, layouts, specifications, drawings and designs.**~~

~~The decor, design and physical appearance of the Hotel shall be compatible with Licensor's standards and shall also be~~ subject to Licensor's prior approval. Licensor's standards referred to in this paragraph shall mean those ~~standards~~ established for System hotels generally. However, it is understood that it is not the policy of ~~Licensor to~~ require uniformity in the decor, design or physical appearance of all System hotels, ~~and variations from~~ general practices or any of such standards may be permitted by Licensor in individual ~~cases where,~~ in its opinion, the same are justified or required by local or other special conditions, without ~~the lowering of required standards~~.

~~On or before _____ _____, 19___, Licensee agrees, a sole expense, to erect, install and maintain in complete working order at the Site, in accordance with plans and specifications prescribed by Licensor for System hotels and motels generally, a large construction sign using the name "Hilton" and other distinguishing characteristics as prescribed in said plans and specifications.~~

~~The construction of the Hotel shall be commenced not later than _____~~

and shall be completed not later than _____ unless such completion shall be delayed by circumstances not within Licensee's reasonable control. The grant of this license and the right of Licensee to operate the Hotel under the name "Hilton" shall be and hereby is expressly conditioned upon Licensee constructing, completing and outfitting the Hotel in accordance with the foregoing provisions in compliance with Licensor's standards as aforesaid, and, in addition, is expressly conditioned upon Licensee meeting the requirements of Licensor's commitment letter. If Licensee shall fail to complete the Hotel in accordance with the foregoing or meet the requirements of such commitment letter or fail to commence operation of the Hotel on or before the date set forth above, Licensor may, at its option, terminate this Agreement upon notice in writing thereof to Licensee. Upon such termination all rights of Licensee hereunder shall cease and Licensor shall retain all sums ~~paid by Licensee hereunder as liquidated damages and not as a penalty.~~

~~Licensor agrees that it shall not unreasonably withhold its approval where required under this paragraph 19.~~

20. Miscellaneous. *

IN WITNESS WHEREOF, the parties hereto have executed or caused this Agreement to be executed, all as of the ~~23rd~~ 18th day of December, 19 84.

*Neither Hilton nor Licensor will operate a hotel, motel or inn, either as owner or lessee, or under a management agreement, or permit its name to be used in connection with any such operation, other than the Hotel, within that section of the City of Philadelphia outlined on the map attached to this Agreement as Appendix A, until the expiration or earlier termination of this Agreement.

HILTON

ATTEST:

W. E. Hess

Secretary

HILTON INNS, INC.

By Lloyd S. Farwell

Senior Vice President

Licensor

ATTEST:

Quell Beagora Esq.

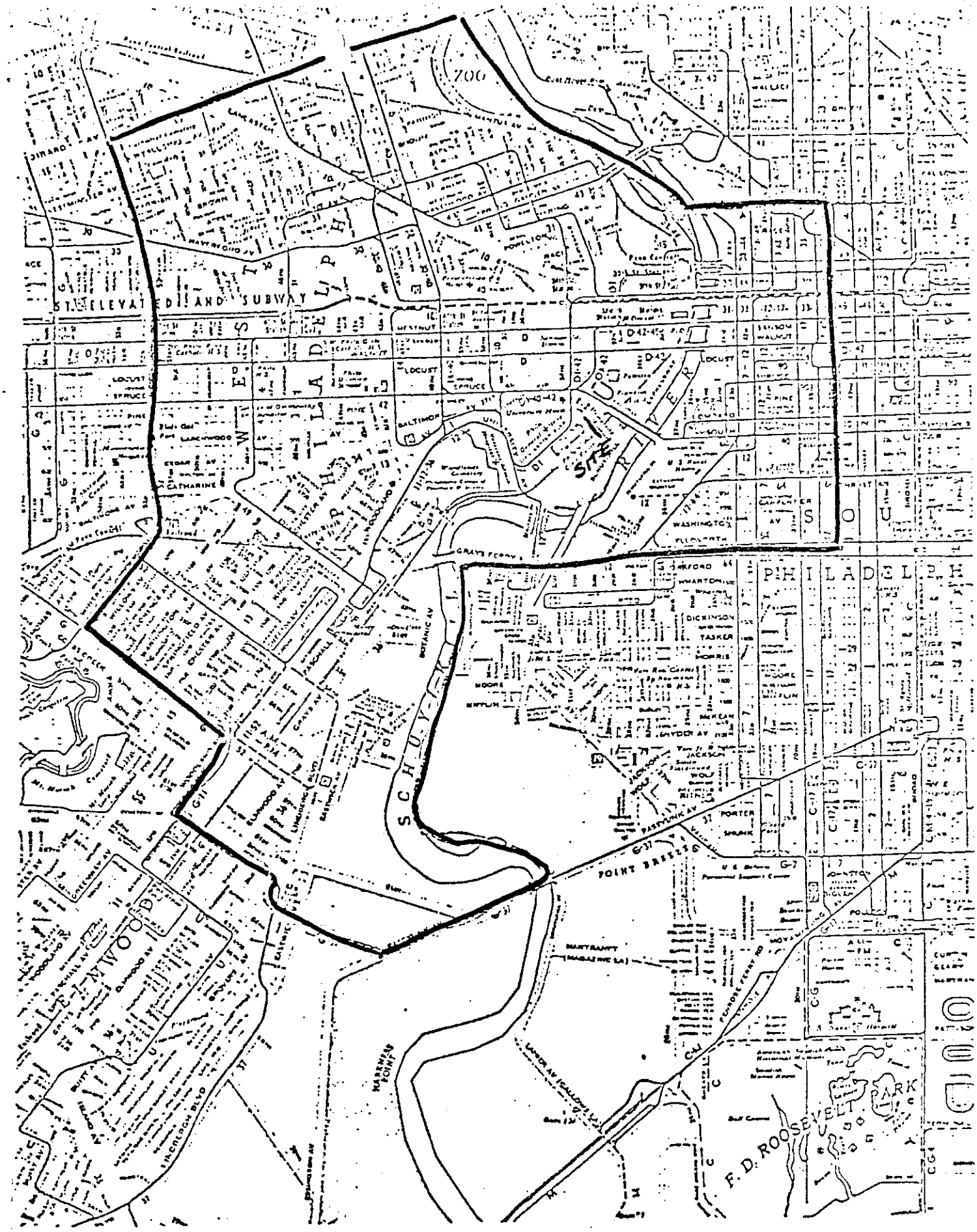
UNIVERSAL PROPERTIES MANAGEMENT CO.

By James R. Bulm

General Partner

Licensee

SWAFF 1M 3/82



APPENDIX A

HHC 00145

HILTON

HILTON INNS, INC. LICENSE FEE RIDER

(Standard)

To

LICENSE AGREEMENT

Between

UNIVERSAL PROPERTIES MANAGEMENT CO.

LICENSEE

And

HILTON INNS, INC.
LICENSOR

Dated December ~~25~~ 18th, 19 84

Re: Hilton Hotel of Philadelphia
Philadelphia, Pennsylvania

LICENSE FEE RIDER
(Standard)

~~(a). *Initial Fee.* Upon execution of this Agreement, Licensee shall pay to Licensor a non-refundable fee of $ _____ (Said initial fee shall be computed on the basis of $250.00 per guest room for the first 100 guest rooms and $150.00 per guest room for all guest rooms in excess of 100, or $25,000.00, whichever is larger).~~

(b). *Monthly Percentage Fee.* Licensee shall also pay a monthly percentage fee for each fractional or full calendar month of five percent (5%) of the gross room sales of the Hotel, as determined on an accrual basis under the accounting system set forth in the Operating Manual. Gross room sales shall not include Federal, State and local taxes collected directly from patrons or guests. The percentage fees shall be paid to Licensor at the place designated by it on or before the tenth (10th) day of the following month and shall be accompanied by Licensor's standard schedule setting forth in reasonable detail the computation of the percentage fee for such month. There shall be an annual adjustment within ninety (90) days after the end of each operating year so that the total percentage fees paid annually shall be the same as the amount determined by audit.

(c). *Late Charges.* A one and one-half percent (1½%) late charge per month or the highest percentage late charge permissible by law, whichever is less, shall be assessed by Licensor and paid by Licensee on all balances due on all percentage fees under Paragraph (b) of this Rider remaining due and unpaid for a period of 30 days or more.

The Prudential Insurance Comp of America
Philadelphia Real Estate Investment Office
Suite 3200, IVB Building
1700 Market Street
Philadelphia, PA 19103
Telephone: 215-564-1215

F. Wayne Jarvis, Jr.
Regional Counsel
Dennis D. Siry
Associate Regional Counsel

July 21, 1983

Hilton Hotels Corporation
9880 Wilshire Boulevard
Beverly Hills, California 90210

Re: Management Agreement between PIC Realty Corporation and Hilton Hotel dated October 7, 1975, as amended for management of the Hilton Hotel of Philadelphia

Gentlemen:

This is to advise you that on July 28, 1983 Parcel Eight Associates, a limited partnership, consisting of PIC Realty Corporation and The Prudential Insurance Company of America is assigning its interest in the Hilton Hotel of Philadelphia to Universal Properties Management Co., a Pennsylvania limited partnership, and in conjunction with that transaction, PIC Realty Corporation is assigning to Universal Properties Management Co. its interest in the Management Agreement.

Very truly yours,

F. Wayne Jarvis, Jr., Esq.
On behalf of PIC Realty Corporation

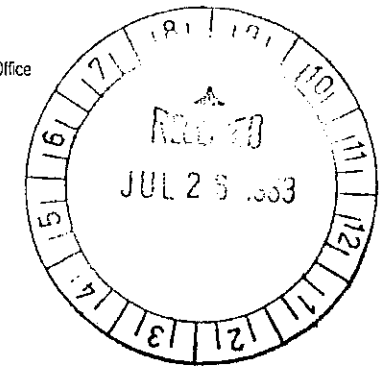
FWJ/fg
CC: William B. Rees
Gregory R. Dillon
George Schumaker
Alphonse W. Salomone
W.J. Beck

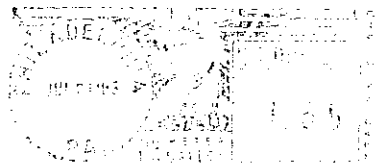
CERTIFIED MAIL
RETURN RECEIPT REQUESTED

The Prudential
Insurance Company
of America

Philadelphia Real Estate Investment Office
Suite 3200, IVB Building
1700 Market Street
Philadelphia, PA 19103

Prudential





Hilton Hotels Corporation
9880 Wilshire Boulevard
Beverly Hills, California 90210

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

CERTIFIED
P 257 527 189
MAIL

HHC 00149

HILTON HOTELS CORPORATION

January 25, 1982

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

PIC Realty Corporation
P.O. Box 1539
21st Floor, Plaza Building
Newark, New Jersey 07101

Senior Vice President
Real Estate Investment Department
The Prudential Insurance Company
of America
Prudential Plaza
Newark, New Jersey 07101

The Prudential Insurance Company
of America
Mid-Atlantic Real Estate Investment
Office
1407 The Fidelity Building
Philadelphia, Pennsylvania 19109
ATTN: General Manager

Gentlemen:

Reference is made to that certain Management Agreement dated March 26, 1973, as amended and restated by that certain Agreement to Amend Management Agreement, dated October 7, 1975 (collectively referred to as the "Management Agreement"), by and between PIC Realty Corporation ("Owner") and Hilton Hotels Corporation ("Hilton").

This Letter of Agreement ("Letter of Agreement") shall set forth and confirm the Agreement between Owner and Hilton with respect to the renewal of the Management Agreement.

Pursuant to Paragraph 2.02 of the Management Agreement, Hilton hereby elects to renew said Management Agreement for a period of five years upon the same terms, covenants and conditions as set forth in the Management Agreement, and Owner hereby agrees thereto, the renewal term to commence on January 1, 1982 and terminate on December 31, 1986.
Owner hereby waives the requirement set forth in Paragraph 2.02 of the Management Agreement that Hilton notify Owner in writing

PLEASE INITIAL

9880 Wilshire Boulevard Beverly Hills, California 90210 213/278-4321

of its election to renew the Management Agreement on or before April 1, 1981,* Furthermore, Owner waives its right, pursuant to Paragraph 2.03 of the Management Agreement, to nullify ~~an~~ this extension of the term and to terminate the Management Agreement as of the end of the initial term in the event of a revenue deficit (as defined in the Management Agreement).

PLEASE INITIAL

Please acknowledge your acceptance of the terms of this Letter of Agreement by indicating the same on the original and all four (4) duplicate original copies of this letter where indicated and returning two (2) fully executed duplicate originals to Hilton.

PLEASE INITIAL

*but not as to any subsequent renewal period.

Very truly yours,

HILTON HOTELS CORPORATION

By: James L. Philon
Senior Vice President

ACKNOWLEDGED AND ACCEPTED THIS 12 DAY OF FEBRUARY, 1982.

PIC REALTY CORPORATION

By: [illegible]
Title: Vice President

FRIEDMAN & KOVEN
208 SOUTH LA SALLE STREET
CHICAGO, ILLINOIS 60604
FINANCIAL 6-8500
CABLE ADDRESS "FREEZOR"
TELEX 254083

GEORGE I. COWELL

ABE FORTAS
1054 THIRTY-FIRST STREET, N.W.
WASHINGTON, D.C. 20007
WASHINGTON, D.C. COUNSEL

April 16, 1973

Mr. Vernon Herndon
Senior Vice President
Hilton Hotels Corporation
720 South Michigan Avenue
Chicago, Illinois 60605

Re: Philadelphia Management Agreement

Dear Vernon:

I am enclosing a check in the amount of $20,000 representing the deposit required under Section 3.02 of the Management Agreement, together with five copies of the side letter addressed to Girard Trust Bank and Prudential.

Please sign four copies of the side letter and return them to me by my messenger, who is instructed to wait.

Sincerely,

George I. Cowell

gic:ma

enclosures

by messenger

HILTON HOTELS CORPORATION

EXECUTIVE OFFICES
720 SOUTH MICHIGAN, CHICAGO, ILLINOIS 60605
AREA CODE 312 341-1770

March 26, 1973

The Girard Trust Bank
One Girard Plaza
Philadelphia, Pennsylvania

and

The Prudential Insurance Company
of America
Suite 1407, The Fidelity Building
123 South Broad Street
Philadelphia, Pennsylvania 19109

Gentlemen:

Reference is made to the Management Agreement of even date herewith (the "Management Agreement"), between the undersigned, Hilton Hotels Corporation ("Hilton"), and Parcel Eight Hotel, Inc. (the "Owner"), whereunder Hilton will manage the Hotel to be developed in the City of Philadelphia, Pennsylvania. As indicated in Exhibit 4 of the Agreement, it is anticipated that the Girard Bank, during construction, and the Prudential, thereafter, will be the holder of the leasehold mortgage on the "Total Premises" (as defined in the Management Agreement), of which the Hotel forms a part; for purposes of convenience each of you, for the period you are the holder of the leasehold mortgage, is herein referred to as "Mortgagee" and the leasehold mortgage to be received by each of you as the "Mortgage".

In order to induce you to make the Mortgage loan, Hilton agrees that it will not exercise any right of termination under the Management Agreement unless it shall have first given 30 days prior written notice to Mortgagee of any such default. If within such 30-day period Mortgagee shall give

Hilton written notice of its intention to cure any such default which is susceptible to being cured and shall proceed with all reasonable diligence to do so, and if necessary for such purpose shall acquire Owner's interest in the Total Premises by foreclosure or otherwise, then such right of termination shall not be effective. Such notice shall also contain a request that the Management Agreement remain in effect and an assumption by Mortgagee of all of Owner's covenants and obligations.

If Mortgagee shall exercise its rights under this letter agreement, then the Management Agreement shall remain in effect for the balance of the term thereof, subject to all of the terms, conditions and provisions thereof, including the provisions for any remaining renewal terms, but with the exception that the provisions of Subparagraph B(a) of Section 8.04 shall not apply to any sale of the Hotel by Mortgagee, it being the intention that upon receipt by Hilton of the notice provided for in Paragraph B of Section 8.04 in connection with any proposed sale by Mortgagee, Hilton's election shall be limited to the alternatives set forth in Subparagraphs B(b) and B(c) thereof.

It is understood that Mortgagee will not be subject to any personal liability if after giving Hilton the written notice as aforesaid, it shall fail to proceed with the commencement of proceedings to secure possession of the Hotel, or shall fail to fulfill its undertakings to cure, with all reasonable diligence, any such defaults which are susceptible of being cured; Hilton's remedy in such instance, as against Mortgagee, will be limited to its right to proceed with the termination of the Management Agreement.

Similarly, it is understood that Mortgagee's assumption of the Owner's covenants and obligations under the Management Agreement will be made solely for the purpose of binding the Total Premises (as defined in the Management Agreement) to such

HILTON HOTELS

covenants and obligations, in the event that Mortgagee by foreclosure or otherwise becomes the owner of the Total Premises, and that such covenants and obligations will not be deemed to create any personal liability on the part of Mortgagee for any breach thereof, any liability or damage for such breach being collectible only out of the Total Premises.

Please indicate your acceptance of the terms of this letter by signing a copy of this letter in the place below provided.

Very truly yours,

HILTON HOTELS CORPORATION

By _____
Senior Vice President

APPROVED AND ACCEPTED THIS
_____day of April, 1973

THE GIRARD TRUST BANK

By_____

THE PRUDENTIAL INSURANCE COMPANY
OF AMERICA

By_____

HILTON HOTELS CORPORATION

INTER-OFFICE CORRESPONDENCE

F H M

Item Corp file

To: Gregory R. Dillon

From: Salvatore F. Guarino

Unit: Assistant to the Senior Vice President

Date: 12/18/74

Subject:

Attached is a copy of the certification to the Prudential Insurance Company concerning the Philadelphia Hilton on the campus of the University of Pennsylvania for your files.

cc: Mr. Frank Wangeman
Mr. John Giovenco
Mr. Arthur Gimson

C E R T I F I C A T I O N

The Hilton Hotels Corporation, a Delaware corporation ("Hilton"), Manager under a certain Management Agreement ("Agreement"), between Hilton and Parcel Eight Associates, Inc., a Pennsylvania corporation ("Operator"), dated March 26, 1973, hereby certifies to The Prudential Insurance Company of America, a New Jersey corporation ("Prudential"), as of the date hereof, the following:

A. That the Agreement is in full force and effect and unmodified, that to the best of Hilton's knowledge, there are no existing defaults, nor have any events occured which, with the lapse of time, would constitute a default under the Agreement;

B. That all construction, furnishing and equipping of the Hotel, to the extent completed, is in substantial conformity with the preliminary plans and specifications attached to the Agreement as Exhibit 3, or have otherwise been approved by Hilton;

C. That in accordance with Section 4.02 of the Agreement, Hilton has submitted to Operator the initial Annual Plan;

This Certification is given with the understanding that Prudential will rely thereon in becoming a partner in Parcel Eight Associates, a Pennsylvania limited partnership,

the Tenant under a Ground Lease from the Trustees of the University of Pennsylvania, of the land upon which the property covered by the Agreement is constructed.

IN WITNESS WHEREOF, the undersigned has executed this Certification this December 18, 1974.

HILTON HOTELS CORPORATION

By _____
Senior Vice President

ATTEST:

_____
Assistant Secretary

(Corporate Seal)

HILTON HOTELS CORPORATION

EXECUTIVE OFFICES
720 SOUTH MICHIGAN, CHICAGO, ILLINOIS 60605
AREA CODE 312 341-1770

March 26, 1973

The Girard Trust Bank
One Girard Plaza
Philadelphia, Pennsylvania

and

The Prudential Insurance Company
of America
Suite 1407, The Fidelity Building
123 South Broad Street
Philadelphia, Pennsylvania 19109

Gentlemen:

Reference is made to the Management Agreement of even date herewith (the "Management Agreement"), between the undersigned, Hilton Hotels Corporation ("Hilton"), and Parcel Eight Hotel, Inc. (the "Owner"), whereunder Hilton will manage the Hotel to be developed in the City of Philadelphia, Pennsylvania. As indicated in Exhibit 4 of the Agreement, it is anticipated that the Girard Bank, during construction, and the Prudential, thereafter, will be the holder of the leasehold mortgage on the "Total Premises" (as defined in the Management Agreement), of which the Hotel forms a part; for purposes of convenience each of you, for the period you are the holder of the leasehold mortgage, is herein referred to as "Mortgagee" and the leasehold mortgage to be received by each of you as the "Mortgage".

In order to induce you to make the Mortgage loan, Hilton agrees that it will not exercise any right of termination under the Management Agreement unless it shall have first given 30 days prior written notice to Mortgagee of any such default. If within such 30-day period Mortgagee shall give

Hilton written notice of its intention to cure any such default which is susceptible to being cured and shall proceed with all reasonable diligence to do so, and if necessary for such purpose shall acquire Owner's interest in the Total Premises by foreclosure or otherwise, then such right of termination shall not be effective. Such notice shall also contain a request that the Management Agreement remain in effect and an assumption by Mortgagee of all of Owner's covenants and obligations.

If Mortgagee shall exercise its rights under this letter agreement, then the Management Agreement shall remain in effect for the balance of the term thereof, subject to all of the terms, conditions and provisions thereof, including the provisions for any remaining renewal terms, but with the exception that the provisions of Subparagraph B(a) of Section 8.04 shall not apply to any sale of the Hotel by Mortgagee, it being the intention that upon receipt by Hilton of the notice provided for in Paragraph B of Section 8.04 in connection with any proposed sale by Mortgagee, Hilton's election shall be limited to the alternatives set forth in Subparagraphs B(b) and B(c) thereof.

It is understood that Mortgagee will not be subject to any personal liability if after giving Hilton the written notice as aforesaid, it shall fail to proceed with the commencement of proceedings to secure possession of the Hotel, or shall fail to fulfill its undertakings to cure, with all reasonable diligence, any such defaults which are susceptible of being cured; Hilton's remedy in such instance, as against Mortgagee, will be limited to its right to proceed with the termination of the Management Agreement.

Similarly, it is understood that Mortgagee's assumption of the Owner's covenants and obligations under the Management Agreement will be made solely for the purpose of binding the Total Premises (as defined in the Management Agreement) to such

HILTON HOTELS

covenants and obligations, in the event that Mortgagee by foreclosure or otherwise becomes the owner of the Total Premises, and that such covenants and obligations will not be deemed to create any personal liability on the part of Mortgagee for any breach thereof, any liability or damage for such breach being collectible only out of the Total Premises.

Please indicate your acceptance of the terms of this letter by signing a copy of this letter in the place below provided.

Very truly yours,

HILTON HOTELS CORPORATION

By _____
Senior Vice President

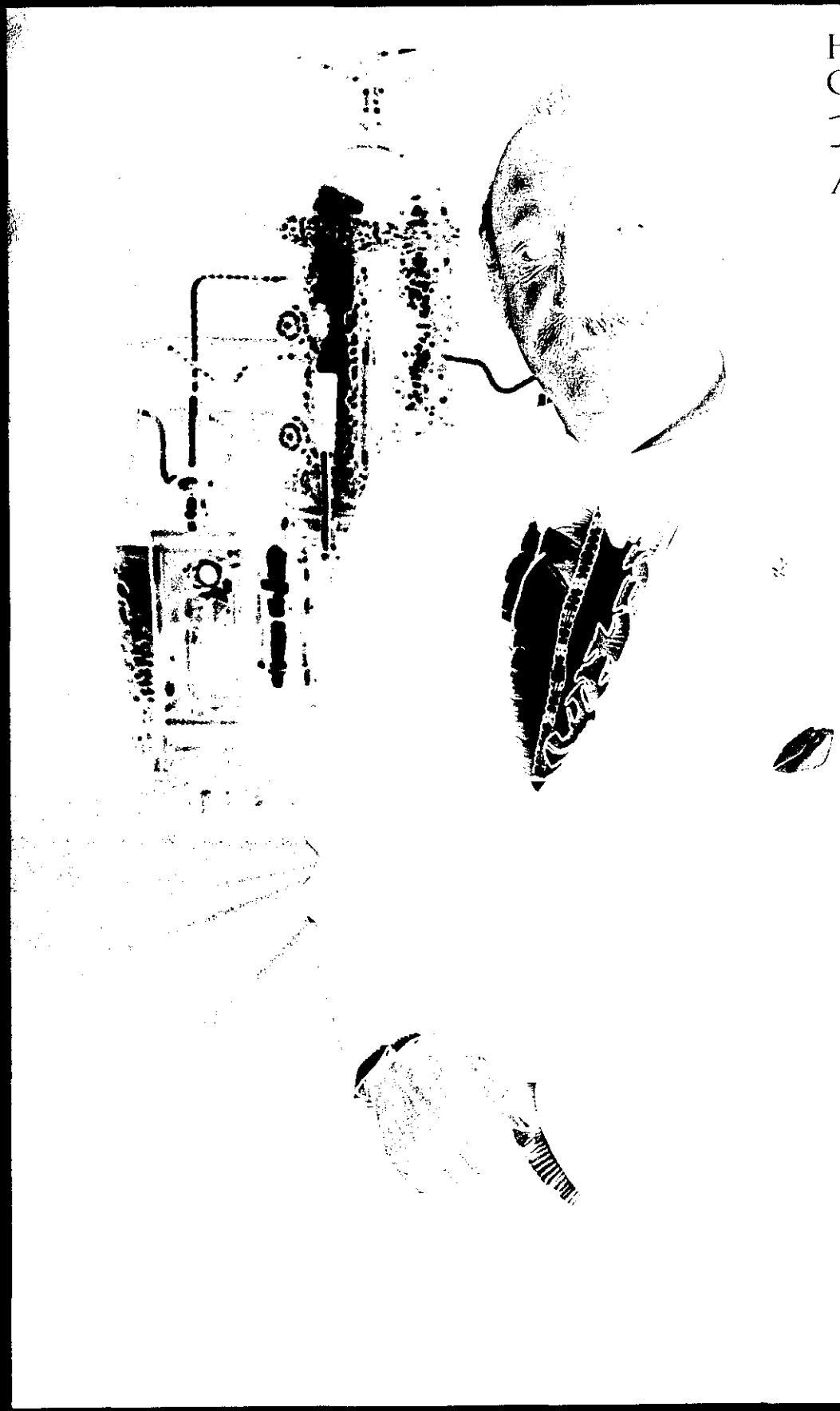
APPROVED AND ACCEPTED THIS
13 day of April, 1973

THE GIRARD TRUST BANK

By _____
VICE PRESIDENT

THE PRUDENTIAL INSURANCE COMPANY
OF AMERICA

By _____



Hilton Hotels Corporation 1975 Annual Report

HHC 00162

Management's Discussion and Analysis of Operations

EXPANSION 1975

A summary of facility changes in 1975 in the Hilton system is given below:

Owned Hotels:

Las Vegas Hilton — A new wing with 600 rooms was added to this luxury resort/convention hotel, giving it a total of approximately 2,100 rooms.

San Diego Hilton Inn — Hilton increased its ownership in this 318-room managed property from 50% to 100% in August, 1975.

San Francisco Hilton, Los Angeles Hilton, Beverly Hilton, Dallas Statler Hilton, Washington Statler Hilton, Tarrytown Hilton Inn — A 50% interest in these six hotels was sold to The Prudential Insurance Company of America on February 28, 1975.

Hartford Hilton — Sold in December, 1975, this 430-room hotel is now a franchised property.

Managed Hotels:

These are hotels managed under contract for a fee. In some instances, Hilton has an ownership position of up to 50%.

Hilton Inn at Logan Airport (Boston) — This 559-room facility was formerly operated under a Hilton franchise. It was purchased by Hilton (35% interest) and The Equitable Life Assurance Society of the United States (65% interest), and became a managed hotel in August, 1975.

University Hilton (Los Angeles) — Hilton has a 17% interest in this 257-room facility located near the University of Southern California. This hotel opened in June, 1975.

Hilton Hotel of Philadelphia — This 402-room facility is located near the University of Pennsylvania, and opened fully in February, 1975.

Jacksonville Hilton — This former Hilton franchised property was changed to a managed hotel in September, 1975. The Jacksonville Hilton has 294 rooms.

Madison Hilton (Wisconsin) — This 280-room managed facility was sold by its owner in 1975 and is no longer operated under the Hilton name.

San Francisco Hilton, Los Angeles Hilton, Beverly Hilton, Dallas Statler Hilton, Washington Statler Hilton, and Tarrytown Hilton Inn — As a result of the Prudential transaction on February 28, 1975, these six hotels became managed properties.

Franchised Properties:

These are hotels which are not owned or managed by Hilton, but which pay a franchise fee for the use of the Hilton name and have the benefit of the Hilton reservation system, access to professional expertise and other management services, and regular inspections and review by Hilton's field personnel. Franchised hotels and inns are required to maintain a quality of accommodations and service comparable to that of owned and managed Hilton hotels.