

# Hotels Resorts & Tourism

## Newsletter

Global

BAKER & MCKENZIE

June 2008

### The 10 Major Issues in Contemporary Hotel Management Agreements



Park Hyatt, Sydney

Our lawyers spend a lot of time negotiating hotel management agreements in many jurisdictions and particularly in the Asia Pacific region. In fact, we have been doing this solidly in our Australian offices for about 20 years.

One senior industry executive has commented that over this period the only innovation impacting on the hotel industry is that somebody decided that it would be a good idea to fold the top sheet on toilet rolls in hotel rooms into an arrow shape.

It strikes us that even less innovation than this has occurred as regards hotel management agreements and the underlying dynamics which drive the commercial relationships governed by the agreement.

Now that we are well into the 21st century, and given the unprecedented volume of management agreements being negotiated currently, we felt it's about time to at least throw out a few ideas and observations to try to challenge conventional wisdom, and see if there is a way to build a better mouse trap.

So, at the recent JLLH Hotel Investment Conference in Singapore we analyzed what we consider to be the truly big issues. To keep things at a high level, we restricted ourselves to 10 topics. We are sure that there will be hot debate on what we have decided to focus upon (and perhaps even hotter debate on what we have decided to exclude).

This newsletter shares with you the substance of our analysis.

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[Back to top](#)

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## 1. Condo hotels – is this El Dorado or the worst idea ever?

In terms of headline issues facing hotel development, condo hotels is a real show stopper. We have previously written extensively on this topic in our [October 2005 HRT Newsletter](#). It was also the subject of a joint Sydney/Tokyo presentation we gave at the recent JLLH Hotel Investment Conference in Tokyo.

The hotel industry's move into condo hotels, which involves selling individual accommodation rooms to retail investors, has taken the hotel industry into uncharted waters.

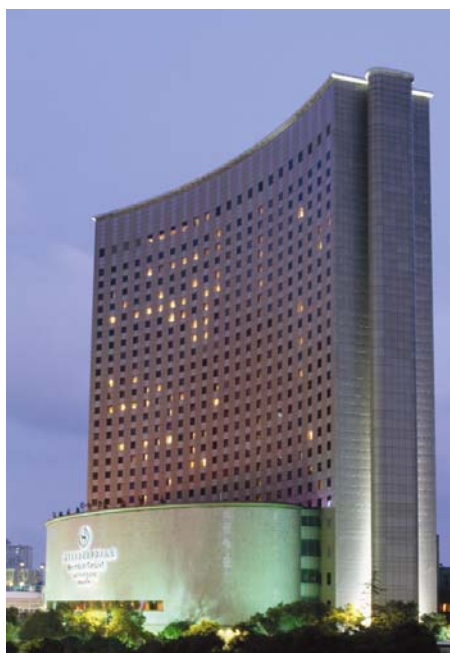
There are numerous reasons for this, but for the purposes of this newsletter, we will focus on what we consider to be the three most important:

- In many jurisdictions, sales to "mum and dad" investors attract laws that protect these investors and carry substantial civil and criminal consequences if these laws are breached. The sale of hotel rooms to these "retail" investors exposes both the developer and the operator to risk which has never been seen in the hotel industry previously. We have been involved in a number of instances where condo projects have descended into litigation. Not only is this expensive both in terms of cost and time distraction but it potentially can involve brand damage to all those involved, even the innocent.
- Condo hotel developments seem to proceed on the assumption that retail investors are prepared to accept a substantially lower rate of return on their investment than is generally acceptable to wholesale investors. The jury is still out on whether this assumption is valid and if invalid what the long term consequences will be.
- As each investor owns their hotel room or condo unit as a separate stand alone property investment, any major decisions on the hotel such as sale, major renovation, demolition and the like tend to require 100 percent investor agreement before such a decision can be implemented. 100 percent agreement by a disparate group of individuals is hardly ever achievable. So, without a guaranteed means of securing an exit strategy at some stage in the future, condo hotels are potentially time bombs.

This is not to suggest that condo hotels are an inappropriate extension of the hotel ownership paradigm. It is merely to make it clear that there are traps for the unwary and care needs to be taken.

For hotel operators who are lending their brand to the offering, and are generally the relatively passive partner in the development and sales arrangements, the lure of big fees should not outweigh a rigorous due diligence of the developer and the offering to determine whether this is the "right" deal to do in all the circumstances.

In our experience, condo hotel projects are approximately twice as complicated, take twice as long, and cost twice as much, to document when compared to straight hotel management deals. This is not surprising given the increased commercial complexity of these deals and the different structural and regulatory requirements that are found across jurisdictions.



Sheraton Shanghai Hotel, China

Despite the amount of condo projects under development globally, they have been dealt with in management agreements as an afterthought. We have not yet seen a model structure or document to cater for these complex deals. There is an opportunity here for operators to invest some time and planning around condo projects, and to come up with structures and documents that give them a clear competitive advantage in the market place.

## 2. Chess Master v Novice

Consider if you will the understanding generally possessed within a major international hotel operating company (and particularly within its development team) of the contents of that operating company's standard hotel management agreement. An experienced developer will have worked on countless deals over many years and possess a highly sophisticated understanding of not only the provisions of the hotel management agreement itself but, more importantly, the consequences of these provisions at both the corporate and operational levels. Particular examples are provisions dealing with fee structure, including centralized services, saleability, insurance and, most importantly, termination.

Experienced hotel executives are in this respect, like Chess Masters. They understand all the key levers in hotel management agreements.

Let's compare this to the owner and particularly the first time hotel owner. Where does such an owner's knowledge level rate by comparison? To return to our analogy, we would liken the owner's knowledge of the agreement to that of somebody who has had explained to him or her for the first time the rules of the game of chess.

In other words there is often a HUGE knowledge gap between the operator team and the owner team about the industry conventions and specific terms that underpin management agreements.

So what's the point of all this?

Usually there is a protracted period of discussion between developers and prospective owners before the owner's lawyers get involved. In our view, there is nowhere near enough attention given by hotel operators to explaining to such prospective owners what it will mean to engage the services of a sophisticated global hotel management company for a protracted period, and how the myriad of provisions in a modern hotel management agreement work and how these provisions interrelate.

In the worst cases, after months of negotiations with prospective operating companies we have had instances where it has been necessary to explain to owners that engaging an operating company does not insulate the owner from the fact that the hotel will make a loss at some time and that responsibility to deal with this loss remains with the owner. Some owners incorrectly think that responsibility for operating losses is handed over to the operator. It seems a little incomprehensible that a prospective owner can still labor under this misunderstanding well into the negotiation process but we can assure you that it happens.

In our view, because insufficient attention is given to this information download during this period, problems, and sometimes serious problems, can arise. At its most benign, this can delay the finalization of contractual negotiations sometimes for a substantial period of time. More seriously, it can sow seeds of doubt in the prospective owner's mind as to the credibility and honesty of the operator negotiating team which we have witnessed can lead to the termination of negotiations.

The challenge here is for hotel operators, and particularly the development team, to recognize that they are in fact chess masters who more often than not are dealing with novices. During this initial period, detailed explanations should be provided setting out in clear and understandable detail the service arrangements which form the basis of the provisions of the hotel management agreement. We understand that because operators are sometimes still in sell mode during this period, there are some competing interests but we think in the long term, greater understanding by owners will improve the HMA negotiation process. Most readers would be familiar with the work done by insurance companies relatively recently in seeking to demystify the terms of insurance policies by introducing "plain English" explanations which can be readily understood by non lawyers. We're sure there are a number of other examples where complex contractual arrangements have gone through the plain English process.

### **3. Why can't I terminate the operator as things are not going well ?**

It is of great concern to us that we seem to have reached a point in the evolution of management agreement negotiations where it is virtually impossible to terminate an operator even in circumstances where on any measure that operator demonstrably lacks the ability to profitably operate the hotel.

Some of you will be saying this can't be right as management agreements are weighed down by termination provisions.

Let us explain.

These days it is rare to find a management agreement which contains a provision allowing the owner to terminate either at any time or on sale of the hotel without cause. On the rare occasions where operators agree to these provisions, termination is conditional on a payment to the operator.

Even when such a clause is present, the payment mechanism has gone through an evolution which itself makes it harder to effect termination. In the past, the payment would normally be some multiple of the yearly management fee (generally in the range of two to three times). These days, the payment will more usually be an approximation of the fees that the operator would have otherwise been entitled to receive during the unexpired term of the agreement. So, for example, if the agreement is for 20 years and the owner seeks to terminate the operator in year two, then the termination fee will approximate the fees that would otherwise have been payable to the operator for the unexpired term of the agreement (approximately 18 years). This can amount to a very substantial payment.



Vatulele Island Resort, Fiji

Even if a without cause termination provision is absent, agreements will frequently contain performance based termination clauses. We have discussed in previous newsletters our view that such clauses are difficult, if not impossible, to activate, and as a result are not worth trading away other key commercial terms in order to have them included in the management agreement. Please refer to our [July 2007 HRT Newsletter](#) for further details.

The challenge here for both owners and operators is to devise a means of allowing for the termination of a hotel management agreement in circumstances where the operator clearly and demonstrably lacks the expertise or the ability to operate the hotel at an acceptable level of profitability.

In our view, if this challenge is not adequately dealt with, we expect to see a significant increase in litigation relating to management agreements as the only realistic option that an owner can take if faced with the prospect of heading toward bankruptcy as hotel operating losses mount up.

Given the long term partnership and goodwill that is vital to a successful owner/operator relationship, we consider that it is not a good idea to leave a business partner with litigation as its only viable course to extricate itself from a bad business decision.

#### **4. Alignment of risk and reward – can we go further ?**

Hotel management agreements have come a long way in seeking to align risk and reward as between owners and operators. In the 1980s the common fee structure was colloquially known as "three plus 10" where the operator's take was three percent of revenue and 10 percent of profit.

With such a fee structure, owner and operator risk and reward was totally unaligned. This was because the internal rate of return that the operator could generate from its revenue based fee was normally sufficient to make the contract profitable for the operator. Even if the hotel did not generate a dollar of profit the contract was still profitable to the operator.

Since that time, we have witnessed a gradual reduction in the quantum of base fees. In most instances, a corresponding increase in incentive (profit based) fees with the result that if the hotel is not profitable then generally this causes pain to the operator as well as the owner – thus risk and reward are more closely aligned. Importantly, however, if profitability is maximized then there is generally no erosion in the overall amount of fees paid to the operator.

This is an important point. The aim of the exercise here is NOT to demotivate the operator by reducing overall fee entitlements to unacceptable levels. The aim of the exercise is to reach a position where the parties have their interests aligned.

We have recently observed a trend to return to the 1980s fee configuration (particularly at the super luxury five star end of the market). It is not clear at this stage whether this trend is temporary or long term or restricted to this segment of the market or whether it is an indication of a more general return to the 1980s model.

What we have not seen is any alignment of risk and reward in relation to the sale of a hotel. We have not seen any contracts which give the operator any incentive to maximize the sale value of a hotel by either rewarding the operator should the hotel be sold for an amount in excess of an anticipated figure or conversely punished should the sale value be less.

In our view, what needs to happen is a fundamental review of this critical part of the relationship between owners and operators. It is timely to do so. Most international hotel operating companies have in recent years disposed of almost all of their property and other non core assets and now generate almost all of their income from their management agreements.

The challenge for the industry is to come up with a remuneration mechanism which not only embraces the operating performance of the hotel during the course of the management agreement but also takes into account the sale value of the hotel. The aim would be to incentivize the operator to provide equal attention to maximizing sale value as well as operating performance.

If this challenge is met, we think it would have a potential side benefit of significantly reducing the desire most owners have to seek to terminate the management agreement on sale of the hotel.

## **5. Is agency really relevant?**

Traditionally the legal relationship between an owner and operator was based on the law of agency: the operator has been the agent of the owner. The consequence of this in many jurisdictions is that the operator owed what are known as fiduciary obligations to the owner. These obligations impose a higher standard on the operator than mere contractual obligations. Of greatest importance, agency imposes an obligation on the operator not to make any profit whatsoever from its position as agent without the knowledge and consent of the owner. This is irrespective of whether such a prohibition was specifically set out in the hotel management agreement.

This obligation has caused considerable grief to a number of operators either because they have sought to make an undisclosed profit from their dealings with the owner or they lack the sophisticated systems needed to monitor profit in all aspects of their business operations and unwittingly have made a profit which has not been disclosed to a particular owner or to the pool of owners throughout the world that they have management agreements with. We suspect that the latter is the situation in the vast majority of cases.

In reaction to some significant litigation losses for operators on this issue, as a policy decision some operators have sought to change the legal basis of their relationship with an owner from one based on agency to that of an independent contractor. From an owner's perspective this represents a seismic shift in the legal relationship with an operator. Having lost the protection that agency provides, owners need to be far more scrupulous in ensuring that the hotel management agreement contains all the protections which the doctrine of agency bestows upon an owner that are relevant to the owner/operator relationship.



Swissotel, Sydney

Operators will always actively seek ways to generate a profit from their relationship with owners – this allows them to grow their brands, for the benefit of all stakeholders. However, in our view, this is an issue of disclosure: if operators take a commission, for example, on FF&E purchases, as a matter of good relationship management and accountability, this ought to be disclosed to owners, and such disclosure should be mandated under the management agreement. The discussion below on brand leverage may turn out to be the thin edge of the wedge in this respect.

## 6. Brand leverage – where is this heading?

Over recent years we have witnessed the emergence of what we call brand leverage. This is the desire on the part of an operator to get more value from their brand than was previously the case.

Some examples of brand leverage are:

- **Branded residences** – developments which consist of a hotel and adjoining residential accommodation. It could all be located in one building in a mid city location or as part of a single development in a resort setting. The residences are branded using the operators intellectual property sold to the public. The operator receives a proportion of the sale price in return for making its brand available for the residences.
- **Brand partners** – some management agreements provide that the operator may have one or more brand partners during the life of the agreement, and allow the operator to place marketing information relating to such brand partner in the hotel (and particularly the hotel rooms). Furthermore, the owner is generally prohibited from marketing in the hotel any products or services of a competitor to any of the operator's nominated brand partners. To date, the agreements we have seen do not provide for any payment to the owner in return for the operator's ability to access the hotel and its amenities in this fashion.
- **Cross operations** – some management agreements provide that if occupancy at the hotel during a particular period falls below a specified minimum then the operator is entitled to make rooms available to members of its affiliated time share club. In the instances we have seen there is either no fee payable to the owner for this other than for incidental costs.

It is clear that brand leverage will continue to expand as operators seek to devise additional ways to generate value for their stakeholders. The challenge for the hotel industry is to create an environment where both owner and operator receive a fair return for their respective contributions. If this does not occur then there is going to be increasing resistance to such leverage which is not in anybody's best interests.

## 7. Choice of law – the hidden consequences of a bad choice

At first blush this may not seem to be a topic which should find itself as one of our 10 major issues.

We would probably have agreed with this proposition until recent developments caused us to reconsider. The recent jury case involving Marriott and an Indonesian owner has highlighted the importance of choice of which legal system which will govern the interpretation and dispute settlement of matters relevant to the hotel management agreement. For a detailed commentary on the Marriott case please refer to our [April 2008 HRT Newsletter](#).

We would argue that the complex arrangements which are embodied in the modern management agreement should not be subject to dispute determination by a jury of inexperienced lay persons as occurred in the Marriott case.

In our view, the choice of law and the method of dispute resolution should have the following attributes:

- A sophisticated legal system and preferably a sophisticated and well recognised alternate dispute settlement mechanism such as arbitration at a recognised facilitator.
- For the Asia Pacific region it should be located in Asia.
- The procedure adopted should be as cost and time effective as possible.

Of all the jurisdictions in Asia, generally Singapore would be our preference, and, we would generally not object if disputes are to be finally determined by arbitration under the Arbitration Rules of the Singapore International Arbitration Centre. Like democracy, it is not perfect but, in our view, it presents fewer problems than other alternatives.

That said, any form of external binding dispute settlement mechanism, whether it be arbitration, the courts, expert determination or whatever, has challenges. In particular, they take the ability to resolve problems out of the hands of the parties and give that right to a third party who may come up with a decision that neither party considers to be right.

So, the challenge is to include in the hotel management agreement some sort of mechanism which seeks to resolve the dispute amicably between the parties before either party is able to resort to an external source.

Of course, getting two parties who have fallen out to co-operate to address the cause of their falling out is always going to be hard. However, in our view, the preferred mechanism is one which provides, after a period where owner and operator representatives at the hotel level get an opportunity to resolve the matter in dispute and are unable to do so, for the dispute to be escalated to senior executives of the owner and operator who are not involved in the day to day operation of the hotel. In the case of the owner, our preference would be for the chairman or president and in the case of the operator, the most senior executive in the region in which the hotel is located. In our experience, the fact that a matter in dispute may end up being escalated to such senior



West Sands Resort

people creates a very strong desire on the part of hotel level executives to resolve the matter.

Furthermore, if they are unable to do so, such senior executives should be able to resolve the matter as they should not be burdened by any of the decision making which resulted in the dispute.

## 8. Lender non disturbance agreements – is there room for compromise?

Most, if not all, hotel management agreements place an obligation on the owner to obtain a Non Disturbance Agreement (NDA) from a financier which is generally a tri-partite agreement between the operator, owner and the financier. As indicated above such agreements bind the financier, if things go bad and the financier takes over the hotel, to only act in a manner which is consistent with the terms of the management agreement. They also oblige the operator to provide relevant notices to the owners, and often allow the financier an opportunity to cure an owner's default (thus maintaining the management agreement). The obligations generally carry over to proposed purchasers of the hotel as well and in this respect can add to the restrictions on sale discussed under the previous heading.

So, what's the issue here ?

Negotiating NDAs, in our experience, can significantly increase the time and effort involved in negotiating and finalizing the suite of hotel management agreements. In a number of recent negotiations where NDAs were involved, the lion's share of our time was spent negotiating the NDA rather than the management agreement.

In one transaction, we counted 15 lawyers on the conference call comprising external lawyers acting for each of the three parties in addition to in-house counsel. Sadly, the only person not on the call was a representative of the financier's credit committee who turned out to be the only person who could make the decisions needed to finalize the document!

The interests of the operator and the financier are diametrically opposed. The operator is seeking to ensure that the financier does not act in a manner which is inconsistent with the terms of the management agreement – and in particular any provisions to the effect that the management agreement continues notwithstanding sale of the hotel. The financier is generally seeking to maximize the price paid for the hotel on sale and this may be depressed if the financier is forced to sell the hotel subject to the management agreement.

The inherent conflict here is generally exacerbated by the fact that the financier's lawyers are not generally familiar with the complexities of the hotel management arrangement and seek to put forward propositions which are contrary to accepted industry norms and not commercially realistic.

So is there room for compromise?

In our view, it is arguable that a NDA is not required where the operator is not providing any financial guarantees or making any other financial contribution which puts it in the position of a quasi financier. In this situation, the operator

merely has its fees at risk and in the scheme of things, so the argument goes, this is really not enough justification to have to go through the expense and effort of negotiating a NDA and to add to the restrictions on the sale of the hotel by imposing this requirement on a prospective purchaser's financier.

If the operator rejects this argument then the requirement for an NDA should not apply if the lender is one of a pre-selected group of financial institutions (e.g. an entity with a banking license) and the LVR is below a specified level or other prudential safe guards are in place to give the operator reasonable comfort that the risk that the financier will take control of the hotel is minimal.

## **9. Why is it getting harder to identify a buyer for the hotel?**

The ability to sell a hotel with the fewest impediments or restrictions should be a common goal for owners and operators. However, increasingly we are seeing a noticeable escalation in the restrictions on the ability to sell the hotel to the party which is prepared to pay the highest price.

What are we talking about ?

As we have discussed above, it has generally become very difficult to get any operator to agree on any without cause termination provision either on sale or otherwise. At the same time, operators are becoming more resolute in their conviction that termination on sale is not available. So more often than not these days the hotel can only be sold subject to the existing hotel management agreement.

Because the management agreement remains in place, the operator, somewhat understandably, imposes stringent requirements in relation to sale.

In every instance the proposed purchaser must not be a competitor of the operator and must have a reputation and a financial standing which is acceptable to the operator. Furthermore, particularly in circumstances where the operator holds a gaming license, if any shareholder in the proposed owner is, in the operator's opinion, not of good fame and character, then this can allow the operator to prevent the sale to that party. Lastly, it is becoming increasingly common for the operator to insist upon a NDA which requires the proposed owner's financier to not act in a manner which is inconsistent with the owner's rights pursuant to the management agreement. We will discuss this in detail under the next heading.

As a further restriction on sale we are seeing the re-emergence of provisions which give the operator a first or last right of refusal to buy the hotel.

Whilst none of these factors in themselves can be criticized as a needless or unnecessary intrusion into the sale process, the combination of all these restrictions can lead to a real cost in the sale process (and in this regard we include as a cost the reduction in the price that the hotel would sell for but for such restrictions).

The trend seems to be to increase rather than reduce the extent to which restrictions are placed upon the sale process.



Grand Chancellor Hotel, Perth

If this is having an adverse impact on the price that hotels would otherwise sell for, then this represents a further challenge to the whole industry. Hotel investment competes with all other forms of investment, and particularly all other forms of property investment, for its fair share of investment dollars. If factors relevant to the relationship between owners and operators are having an adverse impact upon hotel sale value, then this will have an adverse impact on hotel investment generally which will be detrimental to all of us involved – the hotel industry.

For our part, we approach the negotiation process on the basis that we understand that certain restrictions are appropriate. However, we seek to find a balance between the operator's need for such restrictions and the owner's desire to maximize sale price. Therefore we seek to understand the need for each restriction the operator seeks to expose and attempt to ensure that any restriction is no more onerous than necessary in each particular situation. We seek to explore issues like the following:

- Can we secure without cause termination on sale irrespective of the cost to the owner of achieving this outcome. This is on the basis that it is an option only and will only be exercised if it produces a better overall sale outcome for the owner than selling subject to the management agreement. If termination on sale cannot be secured from the outset then can it be triggered at some later point during the life of the agreement (say after three years).
- If restrictions need to be imposed on the identity of the buyer then what is the absolute minimum number and extent of these restrictions that the operator can live with. For example, is it all "competitors" in its broadest sense or is it a most restricted category? This question is interesting in the context of the sell down by hotel operators in the last 10 years (only in rare circumstances are operators buyers) and the emergence of major sovereign funds and global investment banks acquiring a significant financial interest in hotel operating companies and hotel property portfolios. We could refer to many more examples but we suspect that you get the drift – it's all about "restriction reduction".
- If the operator insists upon some preferential purchase ability then once again this needs to be pared down to a form which does not have any adverse impact, or has only a minimal adverse impact on, the saleability of the hotel.

## 10. Brand standards – does one size fit all?

In recent times there has been a significant shift in the way that the minimum level of an owner's capital expenditure commitment is determined.

In the past, such an obligation was calibrated by reference to the external environment and generic standards. Agreements usually used words to the effect that the owner's capex obligations were to be to maintain the hotel to the level usually expected of a hotel of the same star rating as the hotel in question. It was generally accepted that this was a very imprecise standard and did not really achieve the requisite goal of ensuring that all hotels operated by a particular operator with respect to a particular brand had the same standard.

Now, most management agreements tie the owner's capex requirement to the operator's brand standards for the brand the hotel is flagged with. Whilst this seems like a sensible approach, it runs into difficulties in practice. For a significant number of brands the relevant brand standards are imprecise. In a number of instances, there is no ready book or brochure which sets out the brand standards in enough detail to support the contractual obligations that a number of management agreements impose or allow an owner to understand what impact the brand standard benchmark will have for item. In particular, it is generally stated that the owner will comply with the brand standards at all times and, in some instances, there is a specific termination provision available to the operator if the brand standards are not complied with.

Provisions of this nature are unduly draconian and if strictly enforced would impose harsh consequences on owners.

Once again the challenge is to find the balance between the operator's desire to achieve uniformity across all hotels branded the same and prudent management of FF&E and capex programs. Also, all markets are not the same and a requirement that makes perfect sense on one market may not be appropriate in another.

In our view, there should be a wholesale reconsideration of this topic to come up with a more sophisticated benchmark.

Until there is a wholesale change in the test, there are a few concessions which we consider are absolutely necessary to make the contractual obligations more realistic. We would explore issues such as the following:

- Protection against situations where the hotel has only just installed new TVs in each room, only for the operator to inform the owner that the Brand Standards now requires each room to have x" plasma screen TVs. The management contract should provide that the timing for replacement should take into account the remaining depreciable life of the TVs.
- If the Brand Standards requires WiFi systems to be installed in all public areas in the hotel, but evidence shows that would not make a positive impact on the profitability of the hotel, the owner should be entitled to defer this obligation until such time as the operator is able to show that compliance with this Brand Standard will in fact positively impact on the profitability of the hotel.

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## Summary and conclusion

With this newsletter our primary intention has been to try and come up with a few thought provoking ideas. Time will tell whether we have hit the mark or not.

Whether or not you agree that the ideas and thoughts set out in this newsletter are worthy of further consideration is in one sense a secondary consideration. The real point we are seeking to get across is that the hotel industry, like any other industry, needs to constantly be asking itself whether things should be done differently and if so what that difference should be.

Hotel management agreements are such a key component of deal execution, that nimble operators who can deliver plain English, shorter form, and commercially reasonable agreements, and do so quickly, have significant competitive advantage over operators with an 80 page agreement and a "we have to go to HQ to get this approved" approach.

The hotel industry needs to honestly ask itself whether sufficient attention is being given to research and development to explore whether what improvement can be made to hotel management agreements. This is certainly a challenge for the operating companies with the enhanced importance that hotel management agreements now have on their intrinsic value. But it is not just the operating companies. At no stage in the evolution of the hotel industry has hotel ownership been so concentrated. Many owners hold substantial portfolios of hotels spiraling in value into the billions of dollars represented by many hotels in often diverse locations. Research and development by these organizations is equally as justified as it is for the operating companies.

We are all participants in a great industry but like any industry there is a constant challenge to improve and innovate. We believe that we are all up to that challenge.

## Awards and Accolades

**Real Estate Deal of the Year for the InterContinental Hotels Group / All Nippon Airways operating joint venture partnership**

*ALB Japan Law Awards in 2007*

### Ranked No. 1 Firm

*PLC Which Lawyer? Top 20 Firms (4<sup>th</sup> Consecutive Year) in 2007*

### Asia Pacific Law Firm of the Year

*PLC Which Lawyer? Awards (3<sup>rd</sup> Consecutive Year) in 2007*

### Top 10 Law Firm

*American Lawyer Global 100 in 2007*

**Highly Recommended Global Real Estate practices in 9 countries: Argentina, Belgium, China, Hong Kong, Hungary, Poland, Russia, Singapore and Ukraine**

*PLC Which Lawyer? Yearbook in 2007*

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*PLC Which Lawyer? Yearbook in 2007*

**Leading Law Firm for Real Estate in Hong Kong and China**

*Chambers Global in 2007*

**Tax & Trusts Law Firm of the Year, 4<sup>th</sup> Consecutive Year**

*ALB Southeast Asia Law Awards in 2007*

**Singapore M&A Deal of the Year**

*ALB Southeast Asia Law Awards in 2007*

**Deal of the Year for the structured sale by Harilela Hotels of W Hotel in Sydney**

*17th Asia Pacific Annual Hotel Investment Conference in 2006*

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