



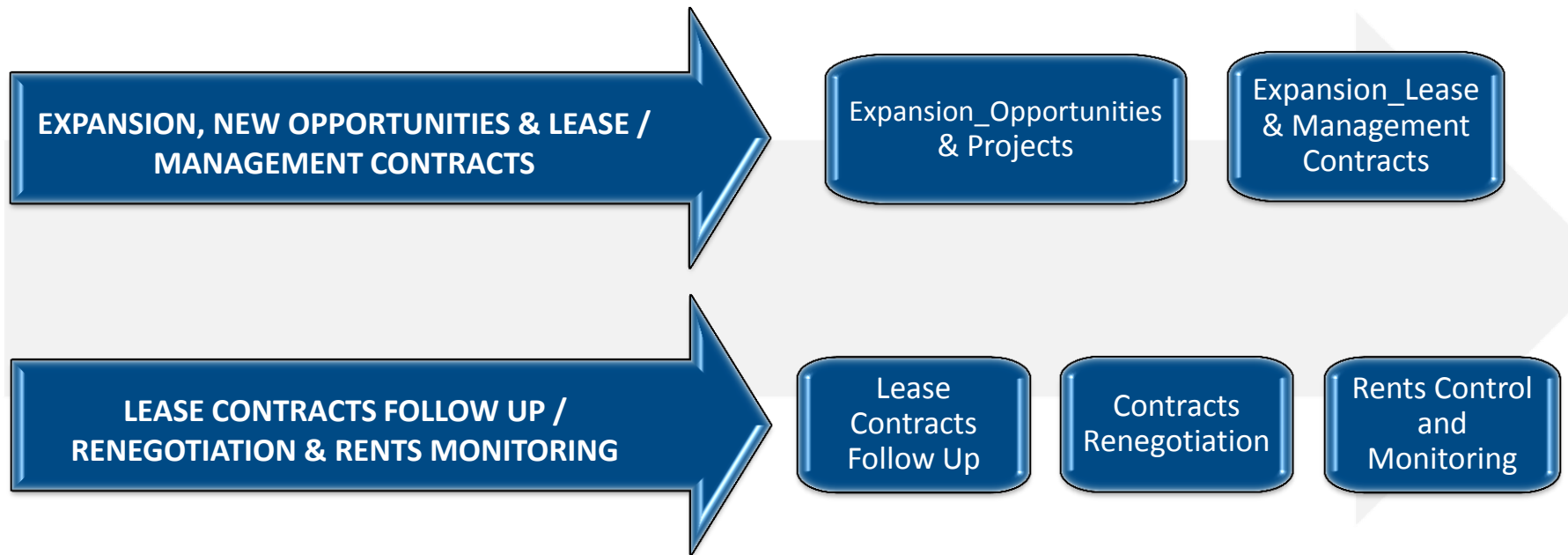
NH Corporate Lease & Management Contracts processes – Quick Reference Guide

NH Organization.

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This document is a quick reference to the main topics, actions and roles included in the NH Hotel Group Corporate Lease & Management Contracts processes.

**LEASE & MANAGEMENT CONTRACTS IN NH HOTEL GROUP:
EXPANSION & RENEGOTIATION PROCESSES**



Scope

The Lease & Management Contracts processes apply to Assets & Development, Legal, Operations and Finance Departments of all NH Hotel Group BU's and HQ.

Objective

These processes establish the steps and the best way to proceed in all tasks related with the Lease & Management Contracts process.

The compliance of these processes should ensure that:

- The Expansion Committee has a better information regarding the approval of new expansion projects: Financial Analysis for each business case / plan can be accomplished properly.
- Preparation, signing and communication of the new contracts are done in time and form.
- Main lease & management terms are loaded & uploaded in the new **NH Lease Contract Summary Database.xls**.
- Rents objectives for the coming year, identification and analyses of the lease & management contracts for renegotiation are defined.
- Main steps and tasks related with the renegotiation of these contracts can be achieved, as well as the preparation and signing of new addendums.
- Variable and fixed rent figures are invoiced according to the terms signed in lease & management contracts or new addendums.

Expansion Lease & Management Contracts Processes & Main Tasks

Expansion_Opportunities & Projects

1.- Check the new opportunity / project with BU Operations Department

2.- Prepare & review the Business Plan with main terms received from the 3rd party

3- Financial analysis review of the project / investment opportunity (profitability of the Project and sensibility analyses to variations in ADR/Occupancy)

4.- Review and analysis of the Business Case by the Expansion Committee

5.- Approval, final response and acceptance of the general terms and conditions

Expansion_Lease & Management Contracts

1 – Preparation, signing and submitting the "Letter of Intent"

2 – Draw up the lease or management contract and wording validation

3 – Technical Service Agreement (henceforth TSA) validation, if applicable

4 – Review internally the draft provided by the Landlord, update it with the new terms and submit it to the departments involved

5 – Sign the lease or management contract and communication to all BU / HQ Departments involved

6 – Update the NH Lease Contracts Summary Database and file the contract

7 – Record the financial effects of the lease or management contract

Lease & Management Contracts Renegotiation Processes & Main Tasks

Lease Contracts Follow Up

1 -Define the Rents objectives for the coming year (in line with the 5 Year Strategic Plan)

2 -Identify and put forward lease contracts for the hotels to renegotiate

3 -Analyze the current contract and draft of the new proposal to send to the owner

4 -Prepare the Business Case to submit to the Analysis Department for its analysis

5 –Rents Committee will discuss the negotiated proposals submitted by the Assets Management Department

Lease Contracts Renegotiation

1 -Present the new conditions to the owner of the establishment and analyze the lease owner's counter-proposal

2 -Draft the addendum, complete a final review and submit the addendum to the owner of the establishment

3 –Signing of the new conditions, update the NH Lease Contracts Summary Database file and file de addendum

4 –Communication of the new signed addendum and summary of the conditions

5 – Record the financial effects of the new rental conditions

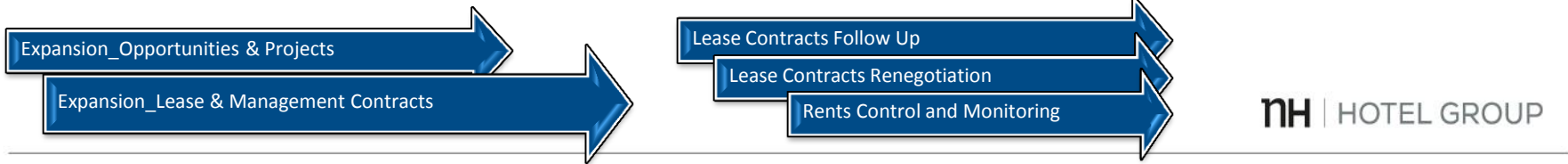
Rents Control and Monitoring

1 -Record hotel rental invoices, for both, fixed rent and corresponding variable rent

2 -Check that the amounts entered in the accounts (fixed and variable rent) & payments are correct

3 –Annual and final calculation of variable rent. Post adjustments entries required

4 –Yearly & half yearly revision of the rents entered in the accounts, paying special attention to hotels and contracts that have been renegotiated during the current year



Expansion Lease & Management Contracts Processes : Roles & Accountability (I)

Position	Accountability / Task
Expansion Department:	<ul style="list-style-type: none"> <input type="checkbox"/> Seek and receive new project proposals and first contact with the 3rd party (landlord, broker, fund, etc.). <input type="checkbox"/> Review with BU Operations Department if the new expansion opportunity can be interesting (product, location, potential earning, etc.). <input type="checkbox"/> Start the negotiation process with the 3rd party. <input type="checkbox"/> Prepare the initial Business Plan with main terms received from the 3rd party, including feedback from all departments involved. Modify the Business Plan as many times as necessary, according to the financial analysis and return to negotiation with the landlord if Operations Department agrees. <input type="checkbox"/> Dispatch the Business Plan to Controlling and Financial Planning Department in order to check that the figures calculated are correct. <input type="checkbox"/> Submission of the terms (also commercial and technical conditions) to the Legal Department in order to drafting the new contract. Projects, Construction & Engineering Department will be copied in the e-mail. <input type="checkbox"/> Preparation and submission to Legal Department of the signed "Letter of Intent". <input type="checkbox"/> Wording validation of the contract terms and validate that the proposal of the Landlord is according to the terms of the negotiation. <input type="checkbox"/> Submit the draft updated to the Landlord for review and final approval. <input type="checkbox"/> Sign the Legal Template in order to ensure that the contract has been properly reviewed for the NH Departments involved in the negotiation. <input type="checkbox"/> Sign the lease or management contract between the landlord and the Company. <input type="checkbox"/> Communication of the signed contract / project to the Management Committee and SVP positions.

Expansion Lease & Management Contracts Processes : Roles & Accountability (II)

Position	Accountability / Task
Expansion Committee:	<input type="checkbox"/> Review and approval of the Business Case and Business Plan: <ul style="list-style-type: none"> ➤ Accept or not to the Business Case and their main conditions. ➤ Approval with some limitations for further negotiations. ➤ Approval of extra budget if the new project requires it. ➤ Approval the project initial phase (if applicable).
BU Operations & Commercial Department:	<input type="checkbox"/> Review with Expansion Department if the new expansion opportunity can be interesting (product, location, potential earning, etc.). Review Business Plan received.
HQ / BU Legal Department:	<input type="checkbox"/> Draw up the lease or management contract and send it to the departments involved in the project in order to validate the wording. Update and send the draft with new terms as many times as necessary. <input type="checkbox"/> Submit updated draft to the Landlord for its review and final approval. <input type="checkbox"/> Sign the Legal Template in order to be sure that the contract has been properly reviewed for the NH Departments involved in the negotiation. <input type="checkbox"/> Sign the lease or management contract between the landlord and the Company. <input type="checkbox"/> Send an e-mail to all BU departments involved and the related HQ SVP, including: <ul style="list-style-type: none"> ➤ New contract and any other relevant documentation. ➤ Lease Contracts Summary Database link will be attached in e-mail to send. <input type="checkbox"/> Update the NH Lease Contracts Summary Database file with the new contractual rental conditions/hotel rent. <input type="checkbox"/> Physically and electronically file the new signed documents

Expansion Lease & Management Contracts Processes : Roles & Accountability (III)

Position	Accountability / Task
HQ Controlling and Financial Planning Department (and HQ / BU Operations Department if applicable):	<ul style="list-style-type: none"> <input type="checkbox"/> Review of the project / investment opportunity, business plan, profitability of the Project and sensibility analyses to variations in ADR/Occupancy. <input type="checkbox"/> Check that the first P&L budget approved and loaded in SAP_FI has, as a minimum, the same figures that the Business Case approved by the Expansion Committee, when the project / investment was approved for it. <input type="checkbox"/> Identify Real - Budget gaps filling the budget tracking template (including the expenditure committed).
BU Finance & Administration:	<ul style="list-style-type: none"> <input type="checkbox"/> Record the financial effects of the new lease or management contract. <input type="checkbox"/> Check that the payments comply with the rental conditions are signed.
HQ Finance & Administration:	<ul style="list-style-type: none"> <input type="checkbox"/> Check that the amounts entered in the accounts as a result of the new contract are correct and in accordance with the accounting regulations in force.
Projects, Construction & Engineering Department:	<ul style="list-style-type: none"> <input type="checkbox"/> Monitoring the progress of the works if the new contract has CAPEX or work terms. <input type="checkbox"/> Report any relevant work issue that could affect to the legal / economic terms signed in order to take the corresponding decisions or actions.

Lease & Management Contracts Renegotiation Processes : Roles & Accountability (I)

Position	Accountability / Task
Portfolio Management Department:	<ul style="list-style-type: none"> <input type="checkbox"/> Lead and coordinate lease renegotiation process: <ul style="list-style-type: none"> ➤ Identify and prioritize, together with the Country Managers, contracts to be renegotiated. ➤ Prepare the Business Case to put forward to Rents Committee. ➤ Communication with landlord to establish the new terms. ➤ Review that addendum signed is in accordance with terms agreed with the landlord. <input type="checkbox"/> Half yearly revision for the rents entered in the accounts, paying special attention to hotels and contracts that have been renegotiated during the current year.
Rents Committee:	<ul style="list-style-type: none"> <input type="checkbox"/> Define the Rents objectives for the coming year (in line with the 5 Year Strategic Plan). <input type="checkbox"/> Discuss the negotiated proposals submitted by the Asset Management Department: <ul style="list-style-type: none"> ➤ Monitoring negotiations with Landlords. ➤ Tracking annual economic objectives (established in October/November of each year). ➤ Recording the minutes of decisions made and points addressed. ➤ File in SharePoint the presentation completed by the Asset Management Department. ➤ Inform the departments involved of the content of these minutes (including also, the Finance and Administration Department) and indicate that the presentations are available in the Assets Management Department SharePoint.

Lease & Management Contracts Renegotiation Processes : Roles & Accountability (II)

Position	Accountability / Task
Legal Department:	<ul style="list-style-type: none"> <input type="checkbox"/> Draft addendum according to terms agreed by the parties. <input type="checkbox"/> Coordinate signature process for new terms agreed. <input type="checkbox"/> Sign the “Legal Document Template” in order to be sure that the addendum has been properly reviewed by the NH Departments involved in the renegotiation. <input type="checkbox"/> Update the NH Lease Contracts Summary database with the new contractual rental conditions/hotel rent. <input type="checkbox"/> Filing new addendums (physically and electronically file) and submitting the information and documentation to all departments involved.
Financial Analysis Depart:	<ul style="list-style-type: none"> <input type="checkbox"/> Analyze the Assets Management Area's proposal together with the analysis and all the documentation.
BU Finance & Administration Depart:	<ul style="list-style-type: none"> <input type="checkbox"/> Calculate the accounting impact due to the contract renegotiation. <input type="checkbox"/> Record the financial effects of the new rental conditions resulting from the rental contract renegotiation. <input type="checkbox"/> Check that the payments comply with the new rental conditions signed.
HQ Finance & Administration Depart:	<ul style="list-style-type: none"> <input type="checkbox"/> Check that the amounts entered in the accounts as a result of the contract renegotiations are correct and in accordance with the accounting regulations in force.
Landlord:	<ul style="list-style-type: none"> <input type="checkbox"/> Submit rent invoices to Share Services Center / Administration Department.

Lease & Management Contracts Renegotiation Processes : Roles & Accountability (III)

Position	Accountability / Task
BU Controller:	<ul style="list-style-type: none"> <input type="checkbox"/> Calculate variable rent and submit the calculation to the lessor (for the issuance of the monthly invoice) or to the SSC for the monthly expenditure provision (annual invoicing). <input type="checkbox"/> Check that the amounts entered in the accounts (fixed and variable rent) are correct. <input type="checkbox"/> Calculate the final variable rent and inform the owner so that the corresponding invoice can be issued. Include an internal audit report or similar, as per the signed contract.
SSC / Administration:	<ul style="list-style-type: none"> <input type="checkbox"/> Record hotel rental invoices, for both fixed rent and corresponding variable rent. <input type="checkbox"/> Check that the monthly payments are made correctly, with special attention paid to the revision of contracts that have been renegotiated during recent weeks/months.
Hotel Manager & Regional Operations Manager	<ul style="list-style-type: none"> <input type="checkbox"/> Check that the recorded amounts are correct and release the invoice for the variable rent recorded in SAP according to SAP workflows.

THANKS!

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