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MARGARETTE CLEVELAND  
RECORDER

This instrument was prepared by, and after recording, return to:

Brian K. Doyle  
KECK, MAHIN & CATE  
77 West Wacker Drive  
49th Floor  
Chicago, IL 60601-1693

Address:

3830 179th Street,  
Hammond, Indiana

Document is

**NOT OFFICIAL!**

SUBORDINATION OF MANAGEMENT AGREEMENT

This Document is the property of

Re: 3830 179th Street, Hammond, Indiana

THIS SUBORDINATION OF MANAGEMENT AGREEMENT ("Agreement") is made and delivered by IDM Properties, Inc. ("Manager") to and for the benefit of Bank One, Chicago, NA, a national bank ("Bank One"), as collateral agent (Bank One, in such capacity, being "Secured Party") for the Lenders (as defined below).

R E C I T A L S

WHEREAS, MB Inn, Inc., a Maryland corporation ("Debtor"), is the beneficiary of Mercantile National Bank of Indiana ("Trustee") Trust No. 603500 ("Trust"), under Agreement dated January 17, 1995, which holds title to certain real estate legally described in Exhibit 1 attached hereto (the "Property"), commonly known as 3830 179th Street, Hammond, Indiana.

WHEREAS, Manager and Debtor have entered into a certain Management Agreement dated January 18, 1995 (the "Management Agreement"), a copy of which is attached hereto as Exhibit 2, whereby Manager has agreed to furnish services for the rental, operation and management of the Property in exchange for certain payments to Manager for its services.

WHEREAS, pursuant to certain provisions of Indiana law, property managers have lien rights for expenses incurred for the management of any structure.

WHEREAS, Debtor and its wholly owned subsidiary, MB Hotel Properties, Inc. ("MB"; MB and Debtor are referred to collectively herein as the "Borrower"), have entered into a Loan Agreement of even date herewith ("Loan Agreement") with Secured Party, the other lenders named therein (the "Lenders") and Bank One as administrative agent (Bank One, in such capacity, being "Agent"), pursuant to which the Lenders are providing certain loans in the maximum aggregate principal amount of Forty Seven Million and no/100 Dollars (\$47,000,000.00) (collectively the "Loan"). The Loan shall be evidenced by various promissory notes (collectively the "Note") executed jointly and severally by Borrower in favor of the Lender.

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WHEREAS, the Note is secured, inter alia, by (i) the Mortgage and Security Agreement ("Mortgage") of even date herewith made by Trustee and Debtor to Secured Party, for its benefit and the ratable benefit of Lenders and Agent, covering the Property, (ii) the Assignment of Rents and Leases of even date herewith made by Trustee and Debtor to Secured Party, for its benefit and the ratable benefit of Lenders and Agent, applicable to the Property, (iii) the Security Agreement of even date herewith made by Borrower to Secured Party, for its benefit and the ratable benefit of Lenders and Agent, and (iv) all of the other "Loan Documents" as defined and described in the Loan Agreement.

WHEREAS, as a condition to making the Loan, the Lenders have required that the indebtedness evidenced by the Note and the lien and security interest of the Mortgage and other Loan Documents be paramount and prior to any and all obligations, expenses and indebtedness owing to Manager which arise from the Management Agreement as it relates to the Property (collectively, the "Junior Liabilities") and any and all existing liens or future rights to liens of Manager or anybody claiming by, through or under Manager which arise from the Junior Liabilities (collectively, the "Junior Liens").

ACCORDINGLY, in consideration of the mutual covenants made herein and of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to induce the Lenders to make the Loan and disburse the proceeds of the Loan, it is hereby agreed as follows:

1. The Junior Liabilities and Junior Liens are hereby subordinate to each and every one of the Note, the Mortgage, and the Loan Documents, and all indebtedness, liabilities and obligations of any kind whatsoever (whether now existing or hereafter arising and regardless of the aggregate amount thereof) owing by Debtor or MB to the Lenders under the Note, Mortgage, Loan Agreement or the other Loan Documents (collectively, the "Senior Liabilities").
2. The payment of all Junior Liabilities shall be subordinated to the payment in full of all Senior Liabilities. No payment in respect of any Junior Liabilities shall be made at any time on or after the date Manager has been notified by Secured Party of any monetary Default or Event of Default in the payment or performance of any of the Senior Liabilities. In the event Manager receives any such payment, the same shall be received in trust for Secured Party and immediately turned over by Manager to Secured Party.
3. Manager hereby covenants and agrees that from and after written notice of an Event of Default under the Senior Liabilities from Secured Party, Manager shall immediately deposit in a separate and segregated deposit account at a financial institution designated by Secured Party, all revenues, rents, issues, proceeds, fees, charges, accounts, profits or other payments derived from the Property or from the operation of the hotel on the Property, and Secured Party is hereby granted and shall have a security interest in any such account to secure the obligations due under the Loan Documents.
4. Manager hereby agrees and acknowledges that Secured Party may terminate the Management Agreement at any time after an Event of Default with respect to the Senior Liabilities, upon written notice to Manager, such termination being immediately effective upon receipt. Upon any such termination, Manager shall cooperate with Secured Party and its representatives and shall promptly make available all books, records, documents and information in its possession or subject to its control with respect to the management, operation and ownership of the Property. Manager shall be entitled to recover its reasonable out of pocket

expenses in connection with such cooperation, excluding, however, any expenses for senior personnel who are shareholders of Debtor.

5. Manager represents and warrants to Secured Party, for its benefit and the ratable benefit of Lenders and Agent, that the copy of the Management Agreement attached hereto as Exhibit 2 is a true, correct and complete copy of the Management Agreement, that the Management Agreement is in full force and effect, and that neither party is currently in default of its obligations thereunder. Manager covenants that in the event of a default under the Management Agreement, it will provide Secured Party with written notice thereof.

6. Manager represents and warrants to Secured Party that it has not received any notices that the Property or the use thereof is in violation of any laws, rules, regulations or ordinances. Manager covenants that in the event it ever receives any such notices, it shall provide Secured Party with a copy thereof. Manager acknowledges that while the Loan is outstanding, Secured Party shall be entitled to access to the Property and Manager's books and records with respect to the Property to the full extent permitted and provided under the Loan Documents, and Manager shall cooperate fully with Secured Party in connection with any requested review, audit, examination or inspection by Secured Party or its representatives of the Property or the books and records with respect to the Property which are subject to Manager's control.

7. Manager hereby covenants with Secured Party, that upon written notice from Secured Party that an Event of Default has occurred under the Senior Liabilities, Manager shall establish and maintain all deposit accounts applicable to the revenues, rents, issues, proceeds, fees, charges, accounts, profits or other payments derived from the Property or from the operation of the hotel on the Property, with Secured Party or an affiliate of Secured Party located in the State of Illinois.

8. Any notices which may be given hereunder shall be deemed given when received if personally delivered, sent via overnight courier or mailed by United States certified or registered mail, return receipt requested, properly addressed as follows:

To Manager: IDM Properties, Inc.  
17100 South Halsted Street  
Harvey, Illinois 60426  
Attention: Dennis C. Gilley

To Lender: Bank One, Chicago, NA  
14 South LaGrange Road  
LaGrange, Illinois 60525  
Attention: William Kerth

9. This Agreement shall be binding upon Manager, its successor and assigns.

10. Manager agrees to execute such further documents or instruments and take such further actions as Secured Party may reasonably request from time to time to carry out the intent of this Agreement.

11. This Agreement shall be construed in accordance with and governed by the substantive laws of the State of Indiana. Wherever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any

provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

12. THE PARTIES HERETO EACH AGREE TO SUBMIT TO PERSONAL JURISDICTION AND TO WAIVE ANY OBJECTION AS TO VENUE IN THE COUNTY OF COOK, STATE OF ILLINOIS. SERVICE OF PROCESS ON MANAGER, AGENT OR SECURED PARTY SHALL BE EFFECTIVE IF MAILED TO SUCH PARTY AT THE ADDRESS LISTED IN SECTION 7 HEREOF. MANAGER HEREBY IRREVOCABLY APPOINTS CT CORPORATION SYSTEM AS ITS AGENT FOR THE PURPOSE OF ACCEPTING THE SERVICE OF ANY PROCESS WITHIN THE STATE OF ILLINOIS. MANAGER HEREBY AGREES THAT NOTHING HEREIN SHALL PRECLUDE AGENT OR SECURED PARTY FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION.

13. MUTUAL WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES HERETO WISH APPLICABLE STATE LAW AND FEDERAL LAW TO APPLY (RATHER THAN ARBITRATION RULES), MANAGER, AGENT AND SECURED PARTY DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, MANAGER AND SECURED PARTY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING BROUGHT TO ENFORCE OR DEFEND ANY RIGHTS OR REMEDIES UNDER THIS AGREEMENT. MANAGER ACKNOWLEDGES THAT AGENT, SECURED PARTY AND THE LENDERS HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS TO WHICH THEY ARE PARTIES BY, AMONG OTHER THINGS, THE WAIVERS AND CONSENTS CONTAINED HEREIN.

[Intentionally blank]



Dated: March 25, 1996.

MANAGER:

IDM Properties, Inc.,  
an Illinois corporation

By: [Signature]  
Its: President

Attest: [Signature]  
Its: Asst Secy

~~Document is~~

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the Lake County Recorder!**

**STOP**



(40062456)

STATE OF ILLINOIS )  
 ) SS  
COUNTY OF COOK )

I, the undersigned, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY that Dennis C. Gilley, the President of IDM Properties, Inc. ("Manager") and Ace Lanahan, the Assistant Secretary of Manager, each known to me to be the same persons whose names are subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that they signed and delivered the said instrument as their own free and voluntary act and as the free and voluntary act of Manager, for the uses and purposes therein set forth.

Given under my hand and Notarial Seal this 26<sup>th</sup> day of March, 1996.

*Diane M. Kubel*

Document is  
NOTARY PUBLIC

[SEAL]

NOT OFFICIAL!

My Commission Expires 6/1, 1999  
This Document is the property of  
the Lake County Recorder!

(40062456)

"OFFICIAL SEAL"  
DIANE M. KUBEL  
Notary Public, State of Illinois  
My Commission Expires June 1, 1999

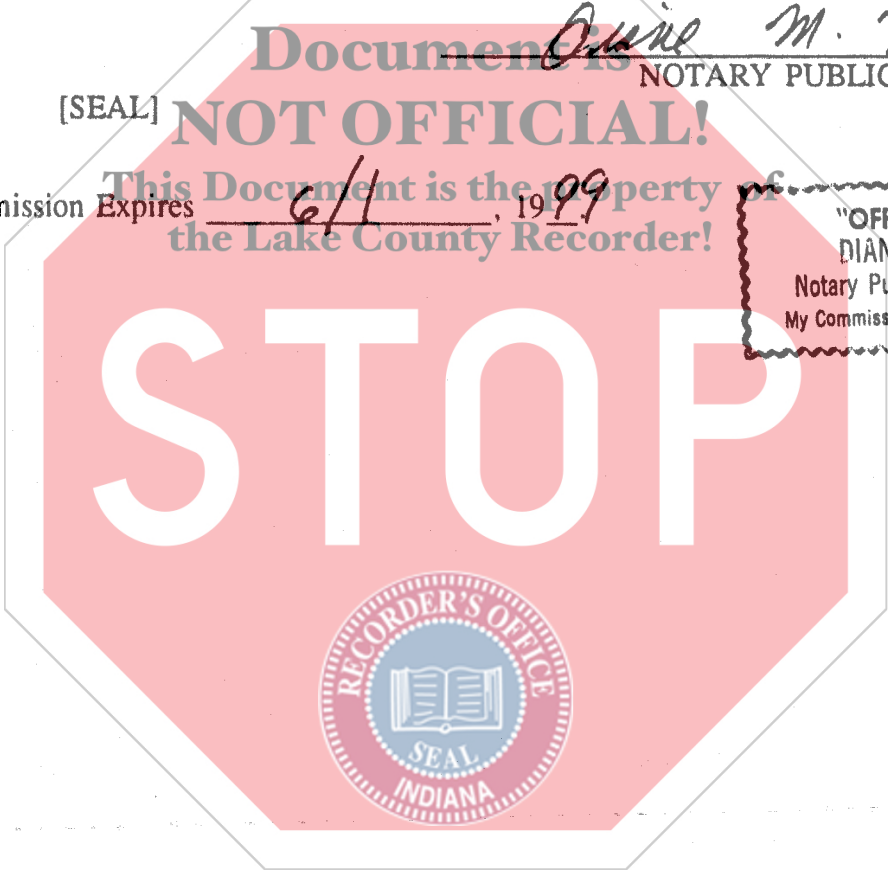


EXHIBIT 1

**LEGAL DESCRIPTION:**

**PARCEL 1:**

PART OF LOT 6 DESCRIBED AS FOLLOWS: STARTING AT THE NORTHEAST CORNER OF LOT 6 PROCEED SOUTH 17 DEGREES 37 MINUTES 37 SECONDS WEST A DISTANCE OF 734.04 FEET; THENCE PROCEED SOUTH 81 DEGREES 10 MINUTES WEST A DISTANCE OF 323.20 FEET; THENCE PROCEED NORTH 21 DEGREES 57 MINUTES 54 SECONDS EAST A DISTANCE OF 946.34 FEET, MORE OR LESS, TO A POINT ON THE NORTH LINE OF LOT 6 SAID POINT BEING 227.42 FEET NORTHWEST OF THE NORTHEAST CORNER OF SAID LOT 6; THENCE PROCEED SOUTH 55 DEGREES 36 MINUTES 48 SECONDS EAST A DISTANCE OF 227.42 FEET TO THE POINT OF BEGINNING, ALL IN KENNEDY INDUSTRIAL PARK, HAMMOND, INDIANA, AS SHOWN IN PLAT BOOK 38, PAGE 27, AND RE-RECORDED IN PLAT BOOK 38, PAGE 55, IN LAKE COUNTY, INDIANA.

**PARCEL 2:**

PART OF LOT 6, KENNEDY INDUSTRIAL PARK, HAMMOND, INDIANA DESCRIBED AS FOLLOWS: STARTING AT THE NORTHWEST CORNER OF LOT 6 PROCEED SOUTH 55 DEGREES 36 MINUTES 48 SECONDS EAST ALONG THE NORTHERLY LINE OF SAID LOT 6 A DISTANCE OF 227.43 FEET; THENCE PROCEED SOUTH 21 DEGREES 57 MINUTES 54 SECONDS WEST A DISTANCE OF 528.58 FEET TO THE PLACE OF BEGINNING; THENCE CONTINUE SOUTH 21 DEGREES 57 MINUTES 59 SECONDS WEST A DISTANCE OF 251.02 FEET; THENCE PROCEED SOUTH 79 DEGREES 28 MINUTES 01 SECONDS WEST A DISTANCE OF 320.08 FEET MORE OR LESS TO A POINT IN THE WEST LINE OF LOT 6; SAID POINT BEING 1001.58 FEET SOUTHERLY OF THE NORTHWEST CORNER OF LOT 6; THENCE PROCEED NORTH 24 DEGREES 42 MINUTES 13 SECONDS EAST ALONG THE WEST LINE OF LOT 6 A DISTANCE OF 423.42 FEET; THENCE PROCEED SOUTH 68 DEGREES 2 MINUTES 6 SECONDS EAST A DISTANCE OF 249.33 FEET MORE OR LESS TO THE PLACE OF BEGINNING, ALL IN KENNEDY INDUSTRIAL PARK ADDITION TO THE CITY OF HAMMOND AS MARKED AND LAID DOWN IN PLAT BOOK 38, PAGE 55 IN THE OFFICE OF THE RECORDER OF LAKE COUNTY, INDIANA.

PIN # 34 352 16 Unit 26  
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## MANAGEMENT AGREEMENT

THIS AGREEMENT made and entered into as of this 18th day of January, 1995 by and between M B INN, INC., a Maryland corporation (herein called "Owner") and IDM PROPERTIES, INC., an Illinois corporation (herein called "Manager"):

### W I T N E S S E T H :

WHEREAS, the Manager is engaged in the management, marketing and operation of hotels and motels in various states and in the course of its business has managed, marketed and operated numerous hotels and motels and has experience in various phases of hotel and motel management and operations;

WHEREAS, the Owner owns a Holiday Inn Hotel located at 3830 179th Street, Hammond, Indiana, 60438 (herein sometimes called the "Hotel"); and

WHEREAS, the Owner wishes to utilize the services and experience of the Manager to manage, market and operate the Hotel and Manager desires to render such services, upon and subject to the terms contained herein;

NOW, THEREFORE, in consideration of the foregoing and of the terms and conditions herein set forth, the parties hereto agree to as follows:

1. SUBJECT MATTER. The subject matter of this Agreement shall be the Hotel which term shall include the land, all buildings and improvements now or to be constructed thereon forming a part of the Hotel, all furnishings, furniture and equipment used or useful in the operation of the Hotel, and all operating supplies and other items used or useful in the operation of the Hotel.

2. EFFECTIVE DATE AND TERM OF AGREEMENT. This Agreement shall be effective upon the execution and delivery of this Agreement by the parties hereto or upon the leasing of the Hotel by the Owner, if later, which shall be the Effective Date hereof. The term of this Agreement as used herein for the purposes of determining the Manager's compensation and general duties hereunder shall commence on the Effective Date and shall extend for a period of four (4) years from the commencement date of the term (extended to the last day of the calendar month in which the end of such four (4) year period ends if the term commences on any date other than the first day of a calendar month).



Manager shall take over the operation of the Hotel at 12:01A.M. local time on the date the term of this Agreement commences. The term of this Agreement shall be subject to renewal for two consecutive four (4) year terms thereafter by Owner if it gives not less than one Hundred twenty (120) days advance written notice to Manager in the manner herein provided of its election to renew this Agreement at the end of the initial four (4) year term or at the end of any four year renewal term.

3. MANAGER'S CONTROL. Except as may otherwise be provided in this Agreement and subject to any express written direction from the Owner, the Manager shall have uninterrupted control in the operation of the Hotel. Accordingly, the Manager, as Owner's agent, shall determine room rates and food and beverage prices, as well as charges to guest for other Hotel services and for the use of the Hotel for all customary purposes, and shall also determine the terms of guest admittance to the Hotel, use of rooms for commercial purposes, policies relating to credit, entertainment and all phases of publicity and promotion. The foregoing notwithstanding, Manager shall not materially change the room rates, any food and beverage prices, other charges to guests for other Hotel services or any other charges for the use of the Hotel for all customary purposes beyond the amounts which are specifically delineated therefor in the then approved Annual Business Plan, without first obtaining Owner's written consent thereto. In addition, the Manager shall have the right to determine operating policy standards of operation, quality of service and any other matters affecting customer relations or affecting the management and operation of the Hotel, any material changes require Owner's consent. The Owner agrees that it will cooperate with the Manager in every reasonable and proper way to permit and assist the Manager to carry out its duties hereunder. However, Manager agrees to accept, abide by and be subject to all rules, regulations, inspections and requirements of Holiday Inns, Inc. If the Holiday Inn commitment or license issued thereunder pertaining to the Hotel shall terminate, the Manager shall cease operating the Hotel as a Holiday Inn Hotel.

4. FUNDING. All funds required or costs to be borne under or pursuant to the terms of this Agreement, shall be, unless otherwise specifically stated, the Owner's responsibility; therefore, for example, any expense noted herein as a "Hotel Expense" shall be the Owner's expense. In keeping with the foregoing, the Manager shall bear costs hereunder only when specifically required by the language hereof. The designation of an item as Hotel Expense shall not, however, govern whether such an item must be capitalized or amortized or treated as an ordinary business expense. The foregoing notwithstanding, however, and except as may be specifically provided otherwise in this Agreement, the Manager's employees shall not be considered employees of Owner, shall not be compensated by the Owner

nor entitled to any of the fringe benefits the Owner provides its employees and such employees shall be the sole responsibility of the Manager. Furthermore, except as may be specifically provided otherwise in this Agreement, the Manager shall bear all of its own overhead costs and expenses.

5. MANAGEMENT FEE.

(a) BASE MANAGEMENT FEE. Manager's basic compensation from the Owner for operating, managing and marketing the Hotel shall be a "Management Fee" which shall be equal to three percent (3%) of the Hotel's Monthly Gross Revenue (as hereinafter defined) for each calendar month (or portion thereof) during the term of this Agreement.

(b) MONTHLY GROSS REVENUE DEFINED. As used herein, the term "Monthly Gross Revenue" shall mean all revenue and income of any kind (whether in cash or on credit, and computed on the accrual basis) derived from the Hotel and all departments and parts thereof, including rentals or other payments from lessees, licensees, or concessionaires in the Hotel (but not including gross receipts of any such lessees, licensees or concessionaires except as may be received by or on behalf of the Owner as rent), the proceeds of business interruption insurance and telephone charges, all determined in accordance with generally accepted accounting principles, excluding all refunds, rebates, discounts and credits of a similar nature, given, paid or returned by the Owner or Manager in the course of obtaining such revenue and income. However, any amounts received, recognized or realized, in the nature of the following, shall not be included as monthly Gross Revenues: (i) applicable sales, use and excise taxes or similar governmental charges collected directly from patrons or guests, or as part of the sales price of any goods, services or displays (including, without limitation, occupancy, gross receipts, admission, cabaret or similar equivalent taxes); (ii) gratuities; (iii) extraordinary revenues; (iv) interest earned on any reserves; (v) sales proceeds; (vi) insurance proceeds of all type; (vii) condemnation awards; (viii) and capital contributions by Owners.

(c) PAYMENT OF MANAGEMENT FEE. During the term of this Agreement, the Base Management Fee for each calendar month shall become due and payable on the tenth (10th) day of the succeeding calendar month. The Management Fee for the last month of the term of this Agreement shall be payable on the tenth (10th) day of the month immediately following the expiration of the term of this Agreement. During the Term of this Agreement, the Management Fee will be subordinated to the Owner's Parent's (M B Inn, Inc.) obligation to pay Preferred Dividends. This subordination will be determined on a quarterly basis and will not be accumulative. There is no requirement for the Manager to set aside the

amount subordinated. If the Manager is required to return the subordinated Management fee to Owner, the Manager, at the Managers sole election, may either repay said fees within 90 days or instruct Owner to deduct said fees over the next 90 days from future fees due Manager. The Owner's obligation to make such payment shall survive the termination of this Agreement.

(d) SOLE COMPENSATION DUE MANAGER. The Management Fee payable hereunder shall be the sole compensation for the Manager payable by the Owner and Manager shall be entitled to no other reimbursement, remuneration or fee from the Owner, except as expressly provided in this Agreement.

(e) CANCELLATION FEE. In the event that Owner elects to exercise its option to terminate this Agreement under the terms contained in Section 20 hereof at any time prior to the end of the initial four (4) year term of this Agreement or prior to the end of any four (4) year renewal term provided the term hereof is renewed, the Manager shall be paid, within thirty (30) days following the date of such termination, the following amount as a cancellation fee:

- (i) if this Agreement is terminated at any time prior to the end of the first full thirty-six (36) calendar months of the initial term hereof, the Manager shall be entitled to receive an amount equal to the Base Management Fee payable to the Manager for the twelve full calendar months immediately preceding the calendar month in which this Agreement terminates or twice the annualized Base Management Fee payable to the Manager if this Agreement is terminated prior to the end of the first twelve (12) full calendar months included within such initial term;
- (ii) if this Agreement is terminated subsequent to the end of the first full thirty-six (36) calendar months of the initial term hereof, the Manager shall not be entitled to a termination fee.

In determining the amount of any cancellation fee owed hereunder, any portion of the Managements Fees which are subordinated hereunder shall be deemed to have been paid to Manager for each calender year in which they would have been payable as if there had been no requirement to subordinate hereunder.

6. PERMITS. During the term of this Agreement, at the Owner's expense, with the Manager's assistance, the Owner shall obtain and keep in full force and effect all necessary registrations, licenses and permits, including, without limitation, such occupational, liquor, bar, restaurant, sign and hotel licenses, as may be required for the maintenance and operation of the Hotel and as the Owner can obtain and keep in full force and effect or shall use reasonable efforts to procure from any third party holding any such necessary registration, license and/or permit, satisfactory written documentation that such third party has obtained, or is obtaining, any such necessary registration, license and/or permit.

Upon termination of this Agreement, regardless of the cause for such termination, any and all licenses which Manager has obtained and which relate to the Hotel or to the use or operation thereof, and which are in Manager's name shall, without any consideration being due from Owner to Manager therefor, be transferred and assigned to Owner or Owner's designee. Notwithstanding the foregoing, Manager hereby agrees that if any licenses, permits or registrations are due for renewal during the term of this Agreement, Manager shall diligently proceed to effectuate such renewal and maintain such in Owner's name. Further, Manager understands and agrees that in connection with any financing Owner obtains for the Hotel, the lender of such financing may require that Manager's or Owner's interest, as the case may be, in any and all such registrations, licenses and permits be assigned to such lender for collateral purposes. Manager hereby agrees to execute and deliver any such collateral assignments and other documents which are required by any such lender promptly upon request therefor by Owner.

7. PROCUREMENT OF OPERATING SUPPLIES. To the extent of the expenditures for operating supplies approved in the then approved Annual Business Plan as defined in Section 12 hereof, the Manager shall procure, in the name of the Owner and as a Hotel Expense, all operating supplies that the Manager deems necessary to the normal and ordinary course of operation of the Hotel and, if applicable, to operate the Hotel in accordance with the operational standards of any franchisor who has granted a franchise for the Hotel.

8. HOTEL PERSONNEL AND PAYMENT OF CERTAIN EXPENSES.

(a) The Manager, will hire, supervise, direct, promote, discharge and determine the compensation (including fringe benefits) of, and terms of employment of, all personnel working in the Hotel. Except as is otherwise provided in this Section, the Manager is to be the sole judge of the fitness and qualifications of any such personnel and is vested with absolute discretion in hiring, supervising, directing, promoting, and

determining the compensation of, and terms of employment of, such personnel. Except as expressly designated in writing by the parties, it is understood and agreed by the parties that all Hotel personnel are in the sole employ of the Manager and are not in the employ of the Owner. However, the Manager shall be reimbursed for all personnel costs (including fringe benefits) for all personnel working in the Hotel and the Manager will not enter into any employment agreement with any employee whose annual compensation exceeds \$75,000. which is not subject to termination on not more than thirty (30) days notice without the written consent of the Owner.

(b) The Owner shall be solely responsible for and shall reimburse the manager for any and all personnel expenses, which are or would be related or incidental to any personnel in the employ of the Manager at the Hotel or if, with the prior written consent of the Owner, are employed by the Manager on a full-time basis at the Hotel, including by way of example only, all salaries, wages, other compensation and fringe benefits which are required to be paid by the Owner hereunder. The Manager shall be solely responsible and where necessary reimburse the Owner for any and all personnel expenses, costs, liabilities and claims which are or would be related or incidental to any employees of the Manager which are not required to be paid by the Owner under this Agreement.

(c) As part of the Base Management Fee, the Manager, upon the written request of the Owner, will assist in negotiating or otherwise dealing, on the Owner's behalf, with any labor union lawfully entitled to represent Hotel employees, but no collective bargaining agreement or labor contract resulting from any such negotiations shall be valid unless executed by the Owner.

(d) The costs, fees, compensation or other expenses of any persons engaged by the Owner, or by the Manager with the written approval of the Owner, to perform duties of a special nature, directly related to the Hotel, such as attorneys, accountants and the like, shall be an expense of the Owner as a Hotel Expense.

(e) The Owner shall reimburse the Manager for all reasonable travel expenses incurred in good faith by any of the Manager's employees relative to hiring and training of Hotel employees, maintaining the physical condition and appearance of the Hotel, maintaining and promoting proper operational procedures and practices, maintaining books and records and otherwise performing duties undertaken by or rights granted to the Manager in this Agreement, provided that the Manager has submitted written documentation of such expenses to the Owner and Owner has approved in writing such expenses and reimbursement therefor, which approval shall not be unreasonably withheld. Such employees, when in the exercise of the

above functions, shall also be provided with complimentary food and beverages, excluding alcoholic beverages, at the Owner's expense, whenever said employees are on the premises of the Hotel or in the vicinity thereof. All such reasonable reimbursement of travel expenses shall be a Hotel Expense of the Owner.

(f) The Owner shall pay the Manager Two Thousand Dollars (\$2,000.00) per month to reimburse Manager for the costs and expenses incurred by Manager to provide its accounting and data processing personnel for the purpose of preparing financial statements, accounting or operating statements provided for hereunder and for preparing all sales, payroll, use and personal property tax returns required to be prepared by any governmental authority. If the Manager shall provide any computer or other recordkeeping equipment at the Hotel (the "Accounting Equipment"), the Accounting Equipment and all programs and materials used or useful in connection therewith supplied by the Manager shall remain the sole and exclusive property of the Manager and shall be subject to removal at any time and from time to time at the sole option of the Manager.

9. SALES, MARKETING AND ADVERTISING. To the extent of the expenditures approved in the then approved Annual Business Plan for sales, marketing and advertising, the Manager, as a Hotel Expense, shall advertise and promote the business of the Hotel, shall institute and supervise a sales and marketing program, shall coordinate with tour programs marketed by airlines and travel agents, at such time(s) as the Manager deems the same to be advisable, and shall cause the Hotel to participate in sales and promotional campaigns and activities involving complimentary or discounted rooms, foods and beverages to the extent and at such time(s) the Manager deems the same to be advisable.

10. MAINTENANCE AND REPAIRS. The Manager, in the name of the Owner, shall make or cause to be made all repairs, corrections and maintenance as shall be required in the normal and ordinary course of operation of the Hotel or as contemplated in the Annual Business Plan and, pursuant thereto, the Manager, in the name of the Owner, is authorized to take all actions and to make and enter into all such contracts and purchase orders as the Manager deems necessary. All other expenditures with respect to the operation or maintenance of the Hotel shall only be made with the written approval of the Owner except in the event an emergency arises which requires an expenditure or expenditures to be made in order to continue to operate the Hotel in the same manner and condition which existed prior to the date such emergency arose. All costs and expenses of such repairs, corrections and maintenance shall be a Hotel Expense.

## 11. ACCOUNTING AND FISCAL PERIODS.

(a) as part of the Management Fee, the books and records reflecting the operations of the Hotel shall be kept by the Manager in accordance with generally accepted accounting principles as uniformly applied for the operation of hotels and motels and shall be maintained either at the Hotel or at a district or principal office of the Manager at the Manager's option.

Such books and records shall be the property of the Owner and at the termination date of this Agreement shall be returned to the Owner, if not then in the Owner's possession. The foregoing obligation to return such books and records shall survive the termination of this Agreement. The Owner's and the Manager's respective independent accounting firms shall have the right and privilege of examining said books and records at any reasonable time.

(b) At the Owner's option, but as a Hotel Expense, to be treated as an operating cost, a certified audit of the Hotel's operations may be performed annually (and upon termination hereof, if not coincident with a fiscal year end) by an independent certified public accounting firm selected by the Owner.

(c) The books and records of the Hotel shall be kept on a calendar year basis. On or before the twenty-fifth (25th) day of the month, the Manager shall mail to the Owner, the Manager's standard form of operating statement setting forth the results of the Hotel's operations for the preceding fiscal month and the fiscal year-to-date. The annual operating statement for the Hotel shall be mailed to the Owner on or before the sixtieth (60th) day after the end of the fiscal year, subject to delays caused by a certified audit (if any).

## 12. ANNUAL BUSINESS PLAN.

(a) Within thirty (30) days of the beginning of the term of this Agreement and within thirty (30) days prior to the commencement of each full fiscal year thereafter during the term of this Agreement, the Manager shall submit to the Owner, for the Owner's written approval, an "Annual Business Plan" for the Hotel which shall consist of a proposed operating budget and a proposed marketing plan for the ensuing full or partial fiscal year, whichever the case may be. The Manager shall also report to the Owner on a monthly basis, separately and not as part of the Annual Business Plan, regarding the financial and physical condition of the Hotel, including recommendations for improvements and changes to the Hotel. The Manager shall revise the Annual Business Plan from time to time to

reflect any unpredicted materially significant changes, variables or events. Any such revision shall be submitted to the Owner for written approval and shall not become part of the Annual Business Plan until the Owner approves any such revision in writing. Upon request of the Owner, the Manager shall timely provide the Owner with the data utilized in preparing an Annual Business Plan or any revision thereto. Unless the Owner objects in writing within fifteen (15) days from the delivery to it of the Annual Business Plan or revision thereof detailing its objections, such Plan or revision shall be deemed to be approved by Owner. The Owner shall not unreasonably withhold approval of any Business Plan or revision thereto. If the parties can't agree the prior years' Plan stays in effect.

(b) Subject to any express written direction from the Owner, the Manager, in the name of the Owner and at the Owner's expense, is authorized to take all actions and to make and enter into all contracts and purchase orders as the Manager deems necessary to accomplish the Annual Business Plan within the expenditure limits contained therein, provided, however, (i) all leases, licenses or other agreements on behalf of the Owner for the leasing of space, stores, bars, restaurants and lounges in the Hotel, (ii) the licensing of concessions in or about the Hotel, (iii) any agreements or expenditures not specifically delineated in the Annual Business Plan and (iv) all agreements for a duration of more than one (1) year shall be submitted by the Manager to the Owner for approval and execution, and Manager may not execute any such contract, license, lease or other agreement or make such expenditure until Owner has approved same in writing, unless the Owner directs the Manager in writing to execute any such contract, license, lease or other agreement on the Owner's behalf.

(c) The Manager shall not be deemed to have made any guarantee, warranty of representation whatsoever in connection with the Annual Business Plan since the parties acknowledge that the Annual Business Plan is intended to set forth reasonable performance objectives and goals based upon facts and circumstances known by the Manager at the time of the Plan's preparation. The Manager does, however, represent that it controls an organization which has adequately equipped departments suitable for the performance of its duties described in this Agreement, and except as may be otherwise provided in this Agreement, that it will furnish the full use of its organization and personnel without additional charge in the performance of this Agreement.

### 13. BANK ACCOUNT.

(a) The Manager shall establish an account in the Hotel's name at such bank conveniently located to Manager or the Hotel as is designated by the Owner. If the Owner decides to change such bank, it shall so inform



the Manager in writing, whereupon the Manager shall immediately transfer all funds remaining in the previously established bank account to the new bank account designated by the Owner. A designee or designees of the Manager shall be the authorized signatories to draw upon such account.

(b) All sums received from the operation of the Hotel and any and all expenses paid by the Manager which are attributable solely to the operation and management of the Hotel shall pass through only the aforesaid bank account. Upon the termination date of this Agreement, all funds remaining in such bank account shall be the property of the Owner. The Manager shall retain each monthly bank statement for the aforesaid bank account together with copies of all cancelled checks and deposit slips relating to each and every monthly bank statement and make them available at either the Hotel or Manager's office for inspection by Owner.

(c) Notwithstanding anything to the contrary contained in this Agreement, the Manager is authorized to establish, utilize and/or maintain petty cash funds, central credit card accounts and central disbursing accounts, and to make deposits thereto and payments therefrom, all as the same are customary in the Manager's policies and procedures. Whenever this Agreement refers to the bank account, such term shall be construed to include one or more of said central credit card accounts and/or central disbursing accounts. As they relate to the operation and management of the Hotel, Owner and Owner's agents shall have the continuing right and privilege of examining any such account from time to time at any reasonable time.

(d) The Owner agrees that during the term of this Agreement, it will keep a minimum balance of Fifty Thousand Dollars (\$50,000.00) or such other amount as agreed upon in writing by the parties, in the aforesaid bank account. If, for any reason, the amount of funds in the bank account fall below the minimum balance or because of a draft to be written on such bank account the balance of such bank account will fall below the minimum balance required to be maintained hereunder, Manager will immediately notify the Owner, whereupon the Owner or the Manager shall cause funds to be deposited in such bank account sufficient to raise the balance in the bank account to a level greater than or equal to the minimum balance.

14. PRIORITY OF DISBURSEMENTS. There shall be disbursed by the Manager on a current basis, for and on behalf of the Owner, funds from the bank account provided for in Section 13 hereof, in the following order of priority and to the extent available:

(a) All Hotel operating costs and maintenance and repair costs, the Management Fee, Hotel Expenses, reimbursable expenses due to the

Manager, insurance premiums on all policies other than fire and extended coverage due and payable by the Owner and all fees and amounts due and payable by the Owner under any franchise agreement;

(b) All fire and extended coverage insurance premiums due and payable by the Owner;

(c) All real property taxes and assessments due and payable by the Owner;

(d) Any real estate and/or personal property lease or rental payments due and payable by the Owner; and

(e) Debt service payments on any mortgage to which the Hotel is subject except to the extent such payments are deferred under the terms thereof.

15. DISBURSEMENT TO THE OWNER. After the disbursements pursuant to Section 14 hereof, any excess funds remaining in the bank account provided for in Section 13 hereof and subject to the minimum balance required by Section 13(d) hereof, as of the end of a month (unless otherwise directed in writing by the Owner), shall be disbursed to the Owner no later than the twenty-fifth (25th) day of the succeeding month.

16. INSURANCE COVERAGE. It shall be the Manager's responsibility to prepare within thirty (30) days after the date of execution of this Agreement and within thirty (30) days prior to the commencement of each fiscal year during the continuance in force of this Agreement a program for insurance coverage with respect to the Hotel. Such insurance program shall set forth by types and amounts of coverage, which shall include, without limitation, comprehensive general liability insurance, fire and extended coverage insurance, Worker's Compensation insurance, business interruption insurance and any other insurance customarily and usually procured in the operation of a hotel, provided, however, that such program is expressly contingent upon, and subject to, Owner's prior written approval and the requirements of any mortgagee of the Hotel. It shall be the Owner's duty to procure and maintain such insurance; however, at the request of the Owner, the Manager shall assist the Owner in procuring and maintaining such insurance. All insurance to be procured shall be subject to the prior written approval of the Owner. The Manager will procure at its own expense comprehensive general liability insurance, including a broadform endorsement, hired and non-owned automobile insurance and Worker's Compensation insurance, covering its employees performing its duties under this Agreement. All such insurance shall be effected by policies issued by insurance companies of good reputation and sound

financial responsibility. Upon procurement of such insurance, certificates of insurance evidencing such insurance shall be promptly delivered to the Manager and the Owner. All insurance policies procured by the Owner shall be in the name of the Owner with the Manager and any mortgagee of the Hotel being named thereon as additional insureds. All comprehensive general liability and hired and non-owned automobile insurance policies procured by the Manager to satisfy its obligation under this Section shall name the Owner as an additional insured. All insurance policies shall be endorsed specifically to the effect that the proceeds shall be made payable to the Owner and the Manager jointly, as their interests may appear. Any payments received by the Manager on account of the insurance maintained pursuant to this Section 16 shall be, at the direction of the Owner, immediately remitted to the Owner and any checks received by the Manager on account of such insurance shall be, at the direction of the Owner, immediately endorsed by the Manager as payable to the Owner. All such policies of insurance shall also be endorsed specifically to the effect that such policies shall not be cancelled or materially changed without at least thirty (30) days prior written notice to the Owner and the Manager.

17. AGREEMENT NOT AN INTEREST IN REAL PROPERTY. This Agreement shall not be deemed at any time to be an interest in real estate or a lien of any nature against the Hotel or the land upon which the Hotel is erected. All rights of the Manager hereunder shall at all times be subject and subordinate to all mortgages which may now or hereafter be outstanding on the Hotel, and to all renewals, modifications, consolidations, replacements, and extensions thereof and to the rights of all mortgagees.

This clause shall be self-operative and no further instrument or subordination shall be required by any mortgagee. The Manager shall execute promptly any certificate or other document that the Owner or any mortgagee of the Hotel may request to evidence such subordination.

18. FIDELITY BOND. The Manager agrees that it will obtain, at its sole cost, within ten (10) days after the date of execution of this Agreement or prior to the first date on which it begins to provide management services hereunder, if it does not already have, a fidelity bond for all of its employees who will perform any and all of its duties required under this Agreement, which names, if possible, the Owner as an additional insured and which provides not less than a Fifty Thousand Dollar (\$50,000.00) coverage limit. If the Owner can be named as an additional insured, any such bond shall be endorsed specifically to the effect that the proceeds payable under such bond shall be made payable to the Owner and the Manager jointly, as their interests may appear. If the Owner cannot be named as an additional insured, on any such bond, the Manager does hereby assign the proceeds of any such bond payable to the Manager to

Owner to the extent of any liability, loss, damage, cost or expense (including, without limitation, attorneys' fees and expenses) which is covered under such bond and to the extent the Manager would be liable to the Owner hereunder for such liability, loss, damage, cost or expense. The Manager further agrees in the event of any such liability, loss, damage, cost or expense for which the Manager would be liable to the Owner hereunder to make promptly a claim of loss under any such bond and upon the receipt of proceeds therefrom to pay same to the Owner. Any such bond requested by the Owner shall be issued by surety companies of good reputation and sound financial responsibility. Upon procurement of any such bond, or upon execution of this Agreement, if the specific bond requested in this Section has already been obtained, a certificate evidencing any such bond shall be promptly delivered to the Owner. Any such bond shall also be endorsed specifically to the effect that such bond shall not be cancelled or materially changed without at least thirty (30) days prior written notice to the Manager and, if applicable, the Owner. The Manager also agrees to promptly notify the Owner of any cancellation or material change of any bond furnished pursuant to the requirements of this Section.

19. COMPLIANCE WITH STATUTES. The Manager, at the request of the Owner, shall assist the Owner in complying with all statutes, ordinances, rules, regulations, orders and determinations affecting or issued in connection with the operation of the Hotel by any governmental authority having jurisdiction therefor.

20. TERMINATION OF AGREEMENT. This Agreement is subject to termination upon the occurrence of any of the following events:

(a) SALE OF HOTEL. In the event the Hotel is sold to any person or entity which is not related to, or affiliated with, directly or indirectly, either (i) the Owner or (ii) any individual, person or entity which has a direct or indirect interest in the Owner, the Owner may terminate this Agreement by giving the Manager not less than sixty (60) days prior written notice of the scheduled date of such sale but such termination shall not be effective prior to the date of closing of the sale. The Manager may terminate this Agreement upon written notice given to the Owner effective on the said closing date.

(b) DAMAGE OR DESTRUCTION BY CASUALTY. If the Hotel or any part of the Hotel shall be damaged by fire or other casualty and if such damage or casualty renders all or a substantial portion of the Hotel untenable, unusable or renders the Hotel, in the Manager's opinion, unprofitable to operate, Manager shall have the right to terminate this Agreement upon not less than thirty (30) days prior written notice thereof.

(c) EMINENT DOMAIN. If the Hotel or a substantial part thereof shall be taken or condemned by any competent authority for any public or quasi-public use or purpose, then the Owner or Manager shall have the right to terminate this Agreement upon and not before, the date when the possession of the part so taken shall be required for such use or purpose, provided not less than sixty (60) days prior written notice of such termination is given. Manager shall have no right to share in, or make any claim for, any such condemnation award, whether for a total or partial taking.

(d) DEFAULT BY MANAGER. The default by the Manager in the performance of any of the agreements made by Manager hereunder not incurred within thirty (30) days following receipt of notice of such default from Owner describing such default. If Manager is terminated per this Section 20(d) the Manager will not be entitled to any Termination Fee as described in Section 5(e).

(e) IPO. The Owner may terminate this Agreement by giving the Manager not less than sixty (60) days prior written notice of the scheduled date of such IPO or any public offering of securities but such termination shall not be effective prior to the date of closing.

21. INSPECTION OF ACCOUNTS AND RECORDS. All book, accounts, and records maintained for the operation of the Hotel shall be open at all reasonable hours for inspection, copying and audit at the Hotel or Manager's executive office by Owner or any authorized representative of the Owner showing proper identification upon request for access thereto. All such books, accounts and records shall be delivered to Owner with prior notice to Owner that Manager is making such delivery in lieu of maintaining such books, records and accounts pursuant to this Section 21, or maintained for at least three (3) years after the expiration or sooner termination of this Agreement. Owner's right of inspection, copying and audit shall survive the expiration or sooner termination of this Agreement.

22. NOTICES. All notices or other communication provided for in this Agreement shall be in writing and shall be personally delivered or sent by air courier service or by postage prepaid, registered or certified mail, to the following addresses, until such time as written notice, as provided herein, of a change of address with a new address to be used thereafter is delivered to the other party:

If to Owner:

M B Inn, Inc.  
Attn: H. Chris Carlstead, Jr.  
IDM Building  
17100 S. Halsted St.  
Harvey, Illinois 60426

If to Manager:

IDM Properties, Inc.  
Attn: Dennis C. Gilley  
IDM Building  
17100 S. Halsted St.  
Harvey, Illinois 60426

Any such notice not personally delivered shall be deemed to be given, delivered or made upon receipt of the same by the party to whom the same is to be given, delivered or made. Upon request, a party shall send copies of any notice or communication by ordinary mail as instructed by the other party.

23. TERMINATION OF OBLIGATIONS OF MANAGER. Upon termination of this Agreement, the Manager shall have no further obligations to provide any services to the Owner hereunder other than to deliver to the Owner all of the books and records relating to the Hotel and its operations and transfer to the Owner all funds in the bank account(s) relative to the Hotel.

24. DEFAULT AND DAMAGES. In event either party breaches any of the terms or provisions of this Agreement (the "Defaulting Party"), the Defaulting Party shall be liable for all costs and expenses, including fees of counsel, paid or incurred by the other party in connection with the investigation of such default, the negotiation of any proposed settlements relating to such default, the preparation of all documents relating to such settlement, and the filing and prosecuting of any lawsuit(s) to either enforce any of such terms and provisions and/or to recover damages as a result of such breach by the Defaulting Party.

25. RELATIONSHIP OF PARTIES. Nothing in this Agreement shall be deemed to create any joint venture or partnership between the parties. Neither the Owner nor the Manager shall have the power to bind or obligate the other, except as and to the extent expressly set forth in this Agreement. This Agreement, either alone or in conjunction with any other document(s) or understanding(s), shall not be deemed to constitute or create any security interest or lien in any property.

26. APPLICABLE LAW. This Agreement shall be governed by the laws of the State of Illinois. In the event any court or appropriate judicial authority shall hold or declare that the law of another jurisdiction is applicable, this Agreement shall remain enforceable under the laws of that jurisdiction. If any of the terms and provisions hereof shall be held invalid or unenforceable for any reason, such invalidity or unenforceability shall not in any event affect any of the other terms or provisions hereof and such other terms and provisions shall be valid and enforceable to the fullest extent permitted by law.

27. ASSIGNMENT. Neither party shall assign or in any manner sell or transfer any of its rights or interests in this Agreement without the prior written consent of the other party. Notwithstanding the foregoing, Owner shall have the right, in connection with any financing it obtains for the Hotel, to assign for collateral purposes its interest hereunder and Manager hereby agrees to execute and deliver any consent or acknowledgment to any such collateral assignment.

28. BINDING EFFECT. This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns, except as hereinbefore limited.

29. WAIVER OF BREACH. The waiver by either party of a breach of any provision of this Agreement shall not operate as or be construed as a waiver of any subsequent breach by the other party.

30. FORMALITIES. Any change to or modification of this Agreement must be in writing signed by both parties hereto. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original. The captions for each section of this Agreement are intended for convenience only and shall not be deemed to construe or limit in any manner whatsoever this Agreement. This Agreement is separate and independent of any other document, agreement or understanding of the parties hereto.

31. ENTIRE AGREEMENT. This Agreement contains the entire understanding between the parties and supersedes any prior understandings and agreements between the parties regarding the subject matter of this Agreement.

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

OWNER:

M B INN, INC.  
a Maryland corporation

By

Its

President

MANAGER:

IDM PROPERTIES, INC.  
an Illinois corporation

By

Its

President

