



COURSE SYLLABUS
HOTEL TRANSACTIONS (SESSION A)
SPRING 2017
PLA6251
1.5 CREDITS

Wednesdays, 11am-1pm, 200 Fayerweather

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I. COURSE DESCRIPTION

The primary objective of this course is to provide you with a general understanding of the hotel business and how hotel transactions are structured, negotiated and documented from both a legal and business perspective.

Throughout the semester, you will learn how to analyze and evaluate customary hotel transactional agreements, such as purchase and sale, technical services, management, franchise and other pertinent agreements. Particular attention will be given to the different types of hotel owners (e.g., high net worth individuals vs. private equity groups) and hotel managers (e.g., branded, boutique start-up, third-party independent unbranded) and how each party's business objectives and motivations influence how a transaction is structured, negotiated and documented. Additionally, you will observe, on a high level, the business relationship between hotels on the one hand and mixed-use components located therein, including residences, restaurants, clubs, rooftop lounges, and other hospitality driven operations. You will also explore the business rationale behind each document and the major terms contained therein. While emphasis will be on the agreements themselves, the course will deal with the strong influence that property-level operations have on business strategy and structure (including an in-depth analysis of a hotel's Summary Operating Statement as provided in the *Uniform System of Accounts for the Lodging Industry, Eleventh Revised Edition*), negotiation paradigms, attorney-client relations and ethical concerns.

Our goal is to provide you with a "big picture" understanding of hotel transactional business goals, considerations of strategy and tactics, and how lawyers are involved in the process. By the end of the semester, you will walk away with sufficient knowledge to ask insightful questions on how deals are structured, why certain parties are more successful in their negotiations than others, and why deals close or fail to close.

II. COURSE REQUIREMENTS AND ASSIGNMENTS

Class participation is a significant component of this course. Your learning, and the learning of the others in the class, will be positively affected by your interest, effort and quality of class contribution. You should be prepared to discuss assigned readings and to interact with us and with other students to offer alternative perspectives and stimulate meaningful interaction, which is (we think) the best way to learn. Examples of good classroom contributions include starting a class discussion with a good overview of the problems at hand, asking questions and posing hypotheticals to further explore the topics we are discussing, synthesizing and summarizing class discussions, constructively criticizing and adding to the contributions of others, sharing relevant experiences with the class and responding effectively to the ideas of others.

A critical part of successfully working in the hotel industry is constantly keeping informed about the latest news and trends in the industry. Accordingly, you will be required to read about a recent hotel transaction in a major news publication (e.g., the *New York Times*, *Wall Street Journal*, *Financial Times*) or industry publication (e.g., *The Real Deal*, *Hotel News Now*) every week. If time permits, we will discuss some of the articles that you read at the end of each class so please be prepared with a new article every week and be sure to bring a copy to class.

Homework: You will be expected to (A) complete assigned weekly readings, (B) prepare **at least** 3 questions based on the weekly readings in a form that can be submitted on *Courseworks* or in class and (C) bring a newspaper article to class every week about a recent hotel transaction and be prepared to present the article to the class.

III. COURSE GRADING CRITERIA

Course grading criteria are as follows:

- Completion of readings and homework: 20%
- Attendance and in-class participation: 40%
- Final exam: 40%

Only exceptional performers will receive a High Pass. Those who fall short on more than one major assignment will receive a Low Pass.

IV. READINGS

You will be expected to complete readings in advance of class. With the exception of those from the required textbook, these will be posted at least one week in advance on *Courseworks*.

Required textbook(s):

- *Hotel Law: Transactions, Management and Franchising*, by Nelson Migdal (Routledge (May 12, 2015)) (“Hotel Law”).

V. COURSE OUTLINE

Class 1: January 18, 2017: The Hotel Industry Overview; Hotel Accounting Basics

- Hotel Industry Overview – The Players (Types of owners, management companies (branded v. independent), financiers)
- Uniform System of Accounts for the Lodging Industry
- Summary Operating Statement

Required readings:

- Hotel Law, Chapter 1

Recommended readings:

- Uniform System, Part 1, available on *Courseworks*
- Hospitality Industry Accounting, Chapter 5, available on *Courseworks*

Class 2: January 25, 2017: Major Agreements Overview; Letters of Intent/Term Sheet

- Overview of Major Agreements—Purchase and Sale Agreement, Hotel Management Agreement, Technical Services Agreement, Franchise Agreement, Subordination, Non-disturbance, and Attornment Agreement (“SNDA”), Comfort Letter, Marketing License Agreement, Asset Management Agreement, Project Management Agreement, Development Agreement, etc.
- Term Sheet/Letters of Intent
 - Major components and terms
 - Parties
 - Time periods
 - Deposits
 - Binding or Non-Binding
 - Brokers and Finders
 - Confidentiality
 - Outline of Essential Deal Terms
 - Shorter v. Longer Terms Sheets/Letters of Intent
- Purchase and Sale Agreements (Note: Please review Excerpts of Purchase and Sale Agreement as we will begin to discuss this document at the end of the class)

Required readings:

- Excerpts of Letters of Intent, available on *Courseworks*
- Hotel Law, Chapters 3 (pages 21-24), 5 and 6
- Excerpts of Purchase and Sale Agreement, available on *Courseworks*

Class 3: February 1, 2017: Purchase and Sale

- Purchase and Sale Agreement
 - Property and Liabilities
 - Contingencies

- Representations and Warranties
- Covenants
- Closing Conditions
- Prorations and Expenses
- Transition Procedures
- Guest Speaker

Required readings:

- Excerpts of Purchase and Sale Agreement, available on *Courseworks*
- Hotel Law, Chapter 2

Class 4: February 8, 2017: Management Agreement

- Hotel Management Agreement
 - Term
 - Base Fee and Incentive Fee
 - Centralized Services/Marketing and associated Fees
 - Manager's Authority and Limitations on such Authority
 - Hotel Personnel
- Guest Speaker

Required readings:

- Excerpts of Hotel Management Agreement, available on *Courseworks*
- Hotel Law, Chapters 7 and 3 (pages 24-97)

Class 5: February 15, 2017: Management Agreement; Technical Services Agreement (Continued)

- Hotel Management Agreement (continued)
 - Annual Plan/Budget/Working Capital
 - FF&E Reserve and Capital Expenditures
 - Assignment/Transfer
 - Performance Test
 - Restricted Area
- Technical Services Agreement
 - Technical Services
 - Fees, Expenses and Budget
 - Plans and Specifications

Required readings:

- Excerpts of Technical Services Agreement, available on *Courseworks*
- Excerpts of Hotel Management Agreement, available on *Courseworks*
- Hotel Law, Chapters 7 and 3 (pages 24-97)

- Re-review readings not covered in Class 4

Class 6: February 22, 2017: Franchise/Review

- Franchise Agreement
- Review Session
- Guest Speaker

Required readings:

- Excerpts of Franchise Agreement, available on *Courseworks*

Class 7: March 1, 2017: Make-up Class or Final Exam

TBD

VI. FINAL EXAM

The final exam will be a closed book exam consisting of short essay questions that will draw on key concepts taught throughout the semester. However, you will be permitted to bring one letter-sized piece of paper into the exam (the “Study Sheet”). You may use both sides of the Study Sheet and anything written on the Study Sheet must be (1) in your own handwriting (pen or pencil); (2) a product of your individual thought process; and (3) shall not be reduced in size by use of a scanner, computer, copy machine, or other similar device in order to fit more text on the Study Sheet. The Study Sheet is an important part of the learning process so we highly recommend that you think very carefully about the key concepts in the course before writing your notes.

VII. PERSONAL DATA SHEET

In advance of the first class session, please complete the attached Personal Data Sheet, and give it to us at the beginning of the class. Our objective in obtaining this information is to determine your level of understanding in the course and pertinent background information, as well as to begin the dialogue among us. If we find that students have a great deal of experience or interest in a particular aspect of the course, we will endeavor to incorporate those findings into our teaching outline. Please feel free to use additional sheets of paper if necessary.