



October 8, 2011

Re: **Negotiations With UNITE-HERE Update**

Dear Team Members:

I felt it was important to provide you an update on our negotiations with UNITE-HERE on your behalf.

We have met with the union on several occasions over the last couple of months. Until Friday October 7th, our negotiations involved "non-economic" issues; items such as scheduling of PTO, posting of schedules, etc. We have made substantial progress on many of these issues, with each side compromising to reach agreement.

In our meeting prior to Friday, the Union presented us with their initial economic proposal. They requested substantial increases in wages, the union's health insurance program, a substantial increase in pension contributions, and several other items. Their most recent proposal asked for a total increase of **\$1,117,000** which is over **\$10,000 per full-time union Team Member** for the first year alone (That is a **53% percentage increase** over the cost of the current collective bargaining agreement).

As you know, soon after the hotel opened, our industry experienced a dramatic downturn in business due to the recession. Hotel revenues have decreased 17%, profit is down 40% and there are 40 less Team Members here at the hotel since the peak. Even though we continue to outperform our competitors, the recovery continues to be very slow and we are not meeting initial expectations.

You have probably heard the comparison of our hotel to the Hilton Portland. We understand that the Hilton Portland receives substantially more revenue through higher room rates, higher food and beverage pricing and better occupancy than we do here in Vancouver. We have had our experts work with our property to improve sales, but as I mentioned before, the recovery has been slow. Each hotel must stand on its own and it is impossible to treat them the same.

We believe in you and want everyone to be fairly compensated. But, under current conditions the hotel is not in a position to be able to accept the Union's offer or anything close to it. We therefore made a counter proposal on Friday of a 3% wage increase for non-tipped union Team Members for the first year, which was the maximum received by our unrepresented Team Members this year. We told the committee we are still considering what we deem to be appropriate for the second and third year of the contract. With regards to classifications at minimum wage, they will receive a \$0.37 increase effective January 1, 2012 per the state's new minimum wage. Finally, we also notified your committee that the cost of your insurance will be the same or reduced for 2012 depending on your coverage.

Everyone has worked extremely hard during these difficult times and I want you to know that it is very much appreciated! I know all of you are very proud to represent Hilton, the City of Vancouver and our local citizens by continuing to deliver outstanding service and upholding very high quality standards each day here at the Hilton Vancouver Washington.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Walters".

Eric Walters
General Manager