

Penn Square Partners' Response to School District of Lancaster's Critical Questions

March 2005



Board Questions

- Are the payment amounts fair and sufficient?
- Is the collective risk acceptable?

PSP Response

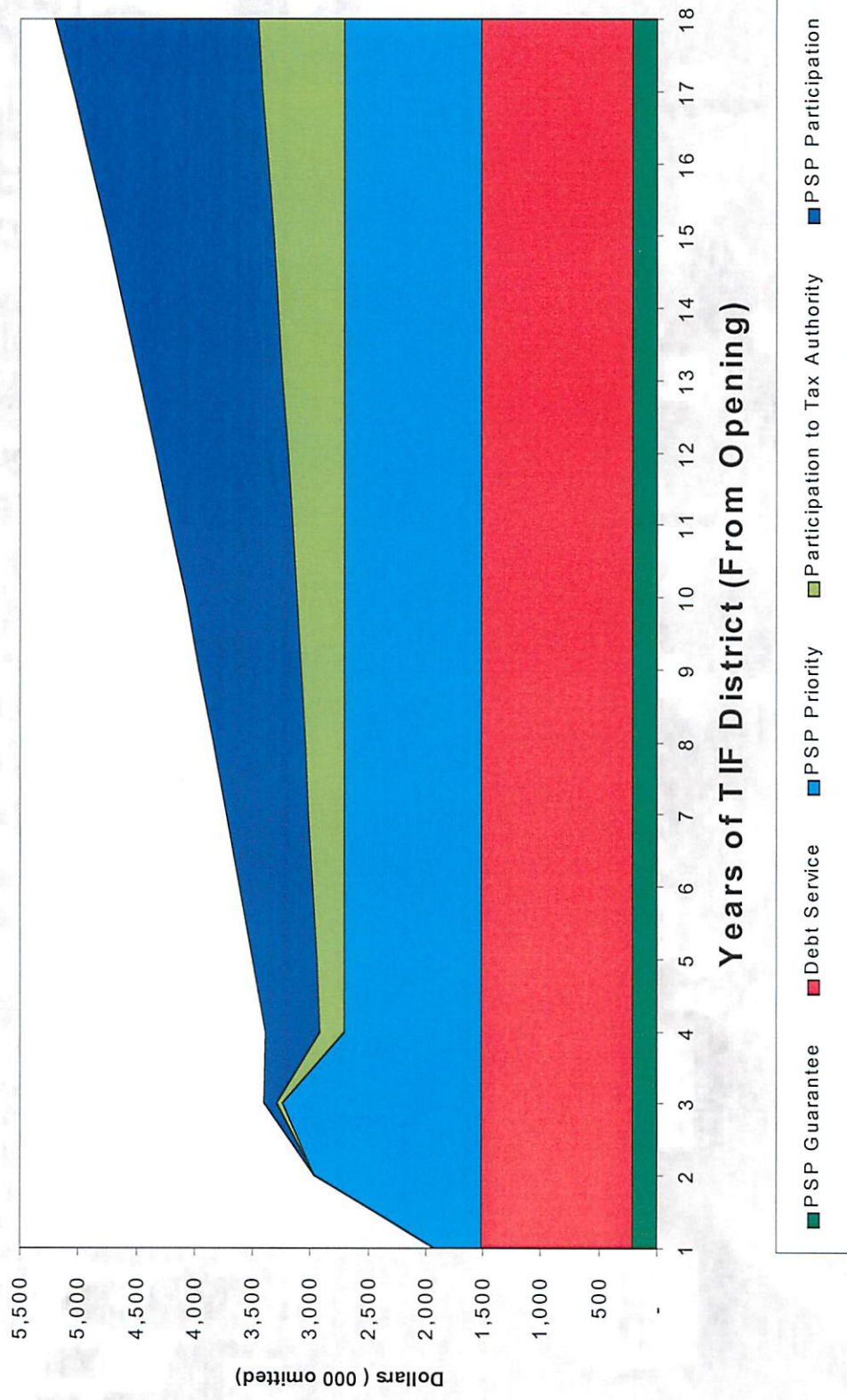
- Increased SDL's priority payments over the base taxes from \$70,000 to \$120,000 and PSP will guarantee these annual payments, plus the base taxes of \$30,000, for a total of \$150,000 annually beginning in 2007. Total value of guaranteed payments, \$2,761,000.



PSP Response

- Maintained SDL's 20% participation in cash flow, once PSP achieves 12% cash on cash return on equity.
- Projected total payments to School District of Lancaster increased by \$720,000 to \$7,381,000.

Estimated Cash Distributions



Summary (20 year period)

