

JOINT DEVELOPMENT AGREEMENT

among

THE LANCASTER COUNTY CONVENTION CENTER AUTHORITY

THE REDEVELOPMENT AUTHORITY OF THE CITY OF LANCASTER

and

PENN SQUARE PARTNERS

~~January 20, 2006~~
~~October 1, 2005~~

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JOINT DEVELOPMENT AGREEMENT

THIS JOINT DEVELOPMENT AGREEMENT is made and entered into as of the ____ day of October, 2005 by and among **THE LANCASTER COUNTY CONVENTION CENTER AUTHORITY**, a body politic and corporate existing under the laws of the Commonwealth of Pennsylvania ("LCCCA"), **THE REDEVELOPMENT AUTHORITY OF THE CITY OF LANCASTER**, a body politic and corporate existing under the laws of the Commonwealth of Pennsylvania ("RACL") and **PENN SQUARE PARTNERS**, a Pennsylvania limited partnership ("PSP").

WITNESSETH

WHEREAS, LCCCA is a public instrumentality of the Commonwealth of Pennsylvania organized under the Third Class County Convention Center Authority Act, 16 P.S. 2399.1 et seq., as amended, for the purpose, among others, of acquiring, developing, designing, constructing, financing, improving, operating, maintaining and owning a convention center in the City of Lancaster, County of Lancaster, Pennsylvania; and

WHEREAS, RACL is a public instrumentality of the Commonwealth of Pennsylvania organized under the Urban Redevelopment Law, Act No. 385, approved May 24, 1945, P.L. 991, as amended, for the purpose among other things to: 1) promote the elimination of blighted areas and supply decent housing; 2) replan such areas that are certified by the Lancaster City Planning Commission; 3) contract with private, corporate, or governmental entities for the redevelopment of blighted commercial, industrial, or residential areas; 4) acquire properties in blighted areas by purchase, gift, or eminent domain; and 5) contract with private, corporate, or governmental entities desiring to provide funding for the redevelopment of commercial, industrial, or residential properties; and

WHEREAS, LCCCA owns the premises (the "LCCCA Premises") described on **Exhibit A** attached hereto; and

WHEREAS, PSP owns the premises (the "PSP Premises") described on **Exhibit B** attached hereto; and

WHEREAS, the LCCCA Premises and the PSP Premises (collectively, the "Project Site") are adjacent to each other and LCCCA and PSP desire to jointly develop and operate the Convention Center and a Hotel in cooperation and coordination with each other on the Project Site; and

WHEREAS, RACL desires to facilitate the financing of the Convention Center and the Hotel, and to that end, will acquire the PSP Premises, participate with the LCCCA in creating a condominium on the Project Site, finance and construct the Hotel and certain common areas for utilization by the Hotel and the Convention Center, and enter into a long term lease in substantially the form attached hereto as **Exhibit C** ("Hotel Lease") with PSP for the Hotel Unit; and

WHEREAS, LCCCA, RACL and PSP intend to achieve economic efficiencies in the development, construction and operation of the Convention Center and the Hotel by sharing

and jointly using and operating certain facilities, areas and amenities within the Convention Center and the Hotel; and

WHEREAS, LCCCA, RACL and PSP have entered into or intend to enter into agreements in connection with the development and management of the Facilities with a common developer and manager; and

WHEREAS, LCCCA, RACL and PSP desire to enter into this Agreement to further define their relationship in connection with the development, financing, construction and operation of the Convention Center and the Hotel.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and other valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I

DEFINITIONS, TERMS AND REFERENCES

1.1 Definitions. In this Agreement and any exhibits, addenda or riders hereto, the following terms shall have the following meanings:

Agencies shall have the meaning set forth in Section 2.1.6 herein.

Agreement means this Joint Development Agreement, complete with all exhibits, addenda or riders attached hereto, as it may be amended, modified or supplemented from time to time.

Approval or Approved means prior written approval of the party hereto from whom such approval is sought, not to be unreasonably withheld, delayed or conditioned.

Architect means Cooper Carry, Inc., of Atlanta, Georgia.

Capital Costs means the fees, expenses and other costs payable as set forth on **Exhibit D** attached hereto.

Capital Structure means the currently anticipated source and structure of funding and financing for the development, finance, and construction of the Facilities described on **Exhibit E** attached hereto.

Capitalized Expenditures means any costs incurred post-opening that should properly be capitalized under Generally Accepted Accounting Principles.

Change Orders means any changes, modifications, amendments or revisions to the Final Plans and Specifications.

Common Elements shall have the meaning ascribed to it in the Condominium Documents.

Completion means substantial completion of each Facility as evidenced by the issuance of a certificate of substantial completion by the architect for such Facility, reflecting a punch list not in excess of industry standards for projects similar to such Facility.

Commercially Reasonable Efforts means good faith efforts considering market conditions, facts and circumstances, risks and rewards, and the business plan for the Project which shall carry out until (i) completion of the activity, (ii) the activity shall no longer be determined to be feasible in the reasonable discretion of the party undertaking the activity, or (iii) the occurrence of a Termination Event.

Condominium means The Penn Square Hotel and Convention Center, a Condominium.

Condominium Association means the Unit Owners Association of the Condominium created by the Condominium Documents.

Condominium Documents means the Declaration of Condominium to be made by RACL and LCCCA prior to commencement of construction of the Convention Center and Hotel, and the plats and plans, by-laws and rules and regulations prepared for the Condominium created thereunder.

Construction Contracts means any and all contracts entered into between LCCCA, RACL and PSP or a third party as agent for LCCCA, RACL or PSP, as the case may be, and the Contractors or subcontractors, as the case may be, for the construction of all or any portion of either Facility.

Contractors means one or more construction managers, general contractors or prime subcontractors under the Construction Contracts, which shall be selected and employed by LCCCA or RACL, with respect to construction of the Convention Center and the Hotel.

Contracts means any and all contracts, agreements, permits, licenses or other documents or instruments, other than the Construction Contracts, entered into between either LCCCA or RACL and a third party to perform all or any portion of the work in connection with the Convention Center and the Hotel.

Convention Center means the planned convention center complex constructed in accordance with the Convention Center Program, which, as of the date of this Agreement, is expected to include, without limitation, approximately 206,000 gross square feet of dedicated space, including two ballrooms, approximately 50,000 square feet of exhibition space, meeting rooms, support pre-function and circulation areas and food service, plus a portion of Common Elements and Shared Space, and supporting back-of-house areas and related FF&E and OS&E.

Convention Center Development Agreement means that certain Professional Services Development Agreement dated December 20, 2001, between LCCCA and Developer,

as the same may be amended, modified, supplemented or replaced, which provides for the engagement by LCCCA of Developer to perform development services in connection with the Convention Center.

Convention Center Management Agreement means that certain Qualified Convention Center Management Agreement dated January 23, 2002, between LCCCA and Manager, as the same may be amended, modified, supplemented or replaced, for the management and operation of the Convention Center.

Convention Center Program means the spatial program for the Convention Center set forth on Exhibit F attached hereto.

Convention Center Unit shall have the meaning ascribed to it in the Condominium Documents.

DCED shall mean the Pennsylvania Department of Community and Economic Development, or its successor.

Design Development Budget means the budget of project development costs in sixteen (16) divisions accompanying the Design Development Plans for either Facility.

Design Development Plans means the design development plans for either Facility prepared by the Design Team architect.

Design Team shall have the meaning set forth in Section 2.1.3 herein.

Developer shall mean High Associates, Ltd.

Event of Default shall have the meaning set forth in Section 3.1 herein.

Facility means either the Convention Center or the Hotel, as the context suggests or requires. When used with respect to LCCCA, "Facility" means the Convention Center and, when used with respect to RACL or PSP, "Facility" means the Hotel. "Facilities" means the Convention Center and the Hotel, collectively.

Facility Budget means the Schematic Budget, Design Development Budget or Final Budget, as the context may require.

Facility Program means the Convention Center Program and the Hotel Program.

FF&E means those items of furnishings, fixtures, equipment, accessories and materials for use in the operation of the Convention Center or the Hotel, as applicable.

Final Budget means the final budget for the Facilities based on the Construction Contracts and other Contracts accompanying the Final Plans and Specifications and the soft costs for either Facility.

Final Completion means completion of all punch list items, delivery and installation of all remaining FF&E and obtaining all final permits which remain undone or not complete following Completion.

Final Plans and Specifications means the final plans and specifications including construction drawings for either Facility prepared by the Design Team architect, as amended or supplemented from time to time as provided in this Agreement.

Force Majeure means any of the following which may have a Material Adverse Effect on either Facility or the market in which the Facilities operate (i) an act of God, (ii) acts of war, (iii) acts of terrorism, (iv) civil disturbance, (v) labor disputes among Facility employees or providers of services, material or equipment, (vi) reasonably unforeseeable weather conditions, (vii) reasonably unforeseeable unavailability of materials, supplies or equipment and delays in transportation, (viii) governmental action (including revocation of any license or permit necessary for the development, construction and/or operation of a Facility not caused by the act or omission of the owner of such Facility), or (ix) any other causes, other than downturns in the local or national economy, that are beyond the control of either party hereto.

Historic Structures means those improvements located on the Project Site and commonly referred to as the Watt & Shand Building, the Montgomery House, the Thaddeus Stevens House, the Kleiss Saloon and the Lydia Hamilton Smith Houses, and appurtenances thereto, including, without limitation, the cisterns located to the rear of the Thaddeus Stevens House and the Kleiss Saloon.

Hotel means the hotel, intended to be constructed in accordance with the Hotel Program by RACL and leased and operated by PSP as a Marriott Hotel on the Project Site that will contain approximately two hundred ninety-four (294) guest rooms, and to include guestrooms and suites, retail space, appropriate support facilities such as a restaurant(s), a lounge(s) or bar(s), and supporting back-of-the-house areas, together with a portion of Common Elements and Shared Space such other amenities and features characteristic of a full-service Marriott hotel, including FF&E and OS&E

Hotel Development Agreement means that certain Professional Services Development Agreement dated October ____, 2005, between RACL and Developer, as the same may be amended, modified, supplemented or replaced, which provides for the engagement by RACL of Developer to perform development services in connection with the Hotel.

Hotel Program means the spatial program for the Hotel set forth on **Exhibit G** attached hereto.

Hotel License Agreement means that certain Marriott Hotel License Agreement dated September 25, 2001, between Marriott and PSP, as the same may be amended, modified, supplemented or replaced.

Hotel Management Agreement means that certain Management Agreement dated January 5, 2001, between PSP and Manager, as the same may be amended, modified, supplemented or replaced, for the management and operation of the Hotel.

Hotel Unit shall have the meaning ascribed to it in the Condominium Documents.

IFIP Grant or IFIP Grants shall mean the grant payment or payments to be received pursuant to the IFIP Grant Agreement.

IFIP Grant Agreement shall mean any agreement between the Commonwealth of Pennsylvania, acting by and through DCED, and RACL, pursuant to which RACL is to receive grants for costs of the Hotel and Convention Center under the Infrastructure and Facilities Improvement Program of the Commonwealth of Pennsylvania established pursuant to Pennsylvania Act 23 of 2004.

LCCCA's Authorized Representative means LCCCA's designated representative with authority to make decisions hereunder, or any replacement identified by LCCCA in a written notice to RACL and PSP.

LCCCA's Debt Service means interest, principal and all other costs, fees or charges payable by the LCCCA on account of loans, bonds or other financings under which LCCCA is a payor or obligor.

Manager means Interstate Hotels & Resorts Company, or any successor, assign or replacement thereof.

Marriott means Marriott International, Inc. or any successor, assign or replacement thereof.

Material Adverse Effect means any circumstance or event which individually or in the aggregate could have a material adverse effect on the Convention Center and the Hotel, or either of them, or their development, use, occupancy or operation.

Operating Expenses means the expenses associated with a specific operating department of the Hotel and by extension to comparable expenses and departments of the Convention Center, as such expenses and departments are defined in the USAL.

OS & E means those items of operating supplies and equipment including telephone, computer and other operating systems for use in the operation of the Convention Center or the Hotel, as applicable.

Permits shall have the meaning set forth in Section 2.1.6 herein.

Plans and Specifications means the Schematic Plans, Design Development Plans or Final Plans and Specifications, as the context may require.

Project means the combined Facilities.

Project Budget means the budget set forth in Exhibit D attached hereto.

PSP's Authorized Representative means Mark C. Fitzgerald, Nevin D. Cooley or any replacement identified by PSP in a written notice to LCCCA and RACL.

Quality Standard means the standards of development, construction, use, operation, maintenance, repair and housekeeping for the Facilities in compliance with the requirements of the Hotel License Agreement, including but not limited to standards regarding construction and equipping and daily maintenance and routine upkeep, security, signage, temperature control and lighting of each Facility, more fully described on Exhibit H attached hereto.

RACL's Authorized Representative means RACL's designated representative with authority to make decisions hereunder or any replacement identified by RACL in a written notice to LCCCA and PSP.

Schedule means the master schedule for Completion of the Facilities prepared by Developer and Approved by LCCCA, RACL and PSP. Any and all modifications or amendments to the Schedule shall be subject to the Approval of LCCCA, RACL, Developer and PSP.

Schematic Budget means the budget for either Facility including preliminary estimates of project costs by category and accompanying the Schematic Plans for either Facility.

Schematic Plans means the schematic plans for either Facility prepared by the Design Team architect.

Shared Costs means those items of Capital Costs designated as shared expenses on Exhibit D attached hereto.

Shared Equipment means (i) each item of equipment serving both the Facilities, as shown on the Plans, (ii) any items of equipment serving both Facilities and subsequently designated in writing by the Parties of Shared Equipment, and (iii) each item of equipment subsequently installed in or on the Facilities as a replacement for any Shared Equipment. As of the date hereof, the "Shared Equipment" shall include all engineering equipment, employee dining room equipment, security room equipment, boiler equipment, mechanical room equipment and men's and women's locker room equipment.

Shared Space means those areas designated for common use and access by both the Hotel and Convention Center, other than Common Elements.

Termination Event shall have the meaning set forth in Section 4.1 herein.

USAL means the Ninth Revised Edition of Uniform System of Accounts for the Lodging Industry published by the Educational Institute of the American Hotel and Motel Association.

ARTICLE II

JOINT DESIGN AND DEVELOPMENT

2.1 In General. LCCCA, RACL and PSP acknowledge that material and substantial benefits will accrue as a result of, and that the efficient development and construction of each of the Facilities requires, the integration with the development and construction of the other Facility. To that end, LCCCA, RACL and PSP agree to consult, coordinate and cooperate with each other in connection with the design, development, construction and operation of the Facilities, and specifically to do the following:

2.1.1 Joint Development. LCCCA, PSP and RACL have each engaged Developer as the developer for the Convention Center and the Hotel, respectively, and agree to cause Developer to undertake to perform its obligations under the Convention Center Development Agreement and the Hotel Development Agreement so as to attempt to achieve the greatest efficiencies in design and the maximum reduction in construction and operating costs for the Convention Center and the Hotel. In all respects, the parties hereto shall construct their respective Facilities, and the Facilities shall be developed and constructed in compliance with the Facility Program, Quality Standard and all applicable requirements and conditions of the Convention Center Management Agreement, the Hotel Management Agreement and the Hotel License Agreement. PSP shall use commercially reasonable efforts to cause the Hotel License Agreement to be amended, modified, supplemented or replaced as may be required to develop, construct and operate the Hotel under a Marriott flag, as contemplated by this Agreement. All actions taken by RACL under the terms of this Agreement shall be done in consultation and cooperation with PSP as the lessee and operator of the Hotel. To the extent not otherwise provided for in Exhibit D, the parties shall purchase Shared Equipment, the cost of which shall be allocated in accordance with the principles set forth in Sections VI and VII of Exhibit L.

2.1.2 Formation of Condominium. After approval by LCCCA, PSP and RACL of all Construction Contracts and prior to commencement of construction, RACL and LCCCA, as declarants, shall submit the PSP Premises and the LCCCA Premises to the provisions of the Pennsylvania Uniform Condominium Act, 68 Pa. C.S. Section 3101, et seq., and create a condominium to be known as The Penn Square Hotel and Convention Center, a Condominium.

2.1.3 Design Team. LCCCA, PSP and RACL shall consult and coordinate with each other in connection with the direction of the team of design professionals and consultants for the Facilities, including, without limitation, the Architect and professionals providing interior space planning, engineering, structural, mechanical, electrical, HVAC, construction cost estimating, scheduling, value engineering, landscape, traffic, geotechnical, soils, and hydrological and all other services as necessary to implement the design of the Facilities (the "Design Team"). LCCCA, RACL and PSP shall individually engage the Architect and, wherever possible, shall individually engage members of the Design Team to provide services for both Facilities.

2.1.4 Coordination. LCCCA, PSP and RACL agree to coordinate with each other with respect to the selection of Contractors and the negotiation, bidding and award of the terms of all Construction Contracts and Contracts for the Facilities.

2.1.5 Budget, Schedule and Plans. LCCCA, RACL and PSP shall consult and coordinate with each other regarding the Schematic Budget, Design Development Budget, Final Project Budget, Schedule, Schematic Plans, Design Development Plans and Final Plans and Specifications and all required modifications thereto. LCCCA and RACL shall cause the Developer to coordinate, in conjunction with the Architect, the development of the Schematic Plans, Design Development Plans and Final Plans and Specifications for each Facility consistent with this Agreement, the Quality Standard, the Condominium Documents, the Convention Center Development Agreement, the Hotel Development Agreement, the Hotel License Agreement, the Convention Center Management Agreement and the Hotel Management Agreement. LCCCA and RACL shall cooperate with PSP with respect to PSP's efforts to obtain any approval required from Marriott pursuant to the Hotel License Agreement of the Schedule, Schematic Plans, Design Development Plans and/or Final Plans and Specifications for the Convention Center.

2.1.6 Permits and Other Approvals. LCCCA and RACL shall consult, coordinate and cooperate with each other in connection with the processing and pursuing by Developer of all regulatory permits, licenses, authorizations and approvals required by law for the Completion of the Facilities (collectively, the "Permits"), including, without limitation, cooperating with respect to (i) filing of all appropriate applications (including joint applications when appropriate) required by any and all governmental or quasi-governmental agencies, departments or commissions having jurisdiction over the Project or as otherwise necessary to obtain the Permits ("Agencies"), and (ii) presentations before the Agencies and citizen groups or other similar organizations having an interest in the Facilities to the extent deemed necessary by LCCCA, PSP and Developer to obtain the Permits.

2.1.7 Budget Reconciliation. RACL, PSP and LCCCA shall use commercially reasonable efforts commencing immediately with the execution of this Agreement to evaluate design features, including value engineering, for the Project and secure funds specified in Exhibit D in order to ensure that the Final Budget is equal to or less than available funding. Attached as Exhibit D is the Design Development Budget and sources of funds for the Project. The parties acknowledge that the Design Development Budget is based on the Allocation of Capital Costs in Exhibit L as currently estimated by the Contractors and High Associates, Ltd. as the Developer, and is subject to change as the construction documents are completed and the Final Budget is determined.

(a) LCCCA covenants to use commercially reasonable efforts commencing immediately with the execution of this Agreement to implement the following:

- (i) No later than twenty (20) days of receipt of item (v) below, execute one or more forward starting variable to fixed interest rate swaps, to lock in the most favorable interest rates in order to maximize borrowings secured by room tax revenues.

- (ii) Limit the amount of debt service reserve fund requirement to no more than 50% of the first year debt service and use a surety bond in lieu of cash for an amount not less than 50% of such reserve fund.
- (iii) Attempt to increase the amount of interest income obtainable on the remaining cash portion of the reserve fund, capitalized interest fund and Project construction fund.
- (iv) Issue the maximum amount of bonds at such times and in such amounts to attempt to reduce capitalized interest expense.
- (v) Obtain a commitment, for municipal bond insurance or commercial banks letters of credit supporting the Hotel Tax Revenue Bonds issued or to be issued by the Authority.
- (vi) Request Manager to approve reduction of the Authority's projected initial Operating Account Initial Balance from approximately \$1,900,000 to \$1,000,000.

(b) RACL, PSP and LCCCA shall work cooperatively and make commercially reasonable efforts to secure additional funds for the Project by (i) selling naming rights to the Convention Center, (ii) selling air rights above the Hotel Unit and Convention Center Unit, (iii) reducing LCCCA expenditures on parking, (iv) secure inducement from Manager for rights to manage the Condo Association, (v) secure additional State Grants for the Project, all which shall be used in accordance with the terms and conditions of this Agreement.

(c) The parties acknowledge, that in addition to (a) above, additional grants from the Commonwealth of Pennsylvania and the IFIP Grant are required in order to construct the Project.

(d) In the event the Final Budget is less than the available funds shown on Exhibit D, plus any funds secured in 2.1.7 (b), any surplus funds shall be equally allocated to RACL (to be utilized in accordance with the Hotel Tower Lease Agreement between RACL and PSP) and LCCCA as an additional contingency.

(e) If after pursuing all of the steps outlined hereinbefore in sections 2.1.7 (a) through (c), available funds are insufficient to meet the Final Budget, RACL, PSP and LCCCA shall take all the actions set forth hereinafter in this section 2.1.7(e). PSP, in cooperation with RACL, shall agree to pursue the following actions using commercially reasonable efforts considering prudent business practices : (i) work with RACL and High Associates Ltd. to reduce the developer fee-calculation by eliminating the acquisition cost of the Watt and Shand building as a component of RACL's developer fee calculation, (ii) increase the cash contribution by recalculating the internal rate of return based on revised timing assumptions, i.e. slower start and potentially faster ramp up; however, in no event shall PSP be required to accept an internal rate of return less than 17%. LCCCA shall agree to pursue the following actions using commercially reasonable efforts considering prudent business practices: (i) replace operating reserve with a

working capital line of credit, (ii) fund capital reserve account with additional debt. RACL and LCCCA shall jointly request that the City of Lancaster (i) replace the IFIP reserve fund with a surety bond, (ii) increase dollar amount of the IFIP bond based on lower debt service associated with a lower interest rates to the extent such is available.

(f) In the event that available funds shown on Exhibit D, plus any funds secured in 2.1.7 (b) and (e) exceeds the Final Budget, any surplus funds shall be equally allocated to RACL (to be utilized in accordance with the Hotel Tower Lease Agreement between RACL and PSP) and LCCCA as an additional contingency.

(g) Until such time as the available funds shown on Exhibit D, plus any funds secured in 2.1.7(b), exceed the Final Budget, the LCCCA shall not expend on parking any sums in excess of the amounts currently reflected for parking in the Design Development Budget.

2.1.8 Change Orders. LCCCA, PSP and RACL each agree not to initiate or Approve any Change Orders that could have a Material Adverse Effect on the Facilities or either of them or on LCCCA or PSP or that could result in a violation of the Quality Standard. LCCCA and RACL shall cooperate with PSP with respect to PSP's efforts to obtain any approval required from Marriott with respect to any Change Order pursuant to the Hotel License Agreement.

2.1.9 Management. LCCCA and PSP have each independently negotiated with and engaged Manager as the manager for the Convention Center and the Hotel, respectively, and agree to cause Manager to undertake to perform its obligations under the Convention Center Management Agreement and the Hotel Management Agreement so as to attempt to achieve the maximum reduction in operating costs for the Convention Center and the Hotel.

2.1.10 Financing. LCCCA, RACL and PSP shall each make a commercially reasonable effort to obtain financing necessary to implement the Capital Structure for the Facilities to be constructed and operated. LCCCA, RACL and PSP shall each advise the others of the status of such efforts to obtain financing.

2.1.11 Conveyance of Convention Center and Hotel Units. Immediately after the recordation of the Declaration of Condominium, the Convention Center Unit shall be conveyed to LCCCA, and the Hotel Unit shall be conveyed to RACL.

2.1.12 Purchase of PSP Premises by RACL. Contemporaneous with the execution of this Joint Development Agreement, RACL and PSP, shall enter into an Agreement to Transfer and Reimbursement Agreement between PSP and RACL substantially in the form attached hereto as **Exhibit I** ("Reimbursement Agreement"). Contemporaneous with such conveyance, and as more fully set out in the Reimbursement Agreement, (i) RACL shall pay to PSP an amount equal to the costs incurred by PSP up to the date of closing or operating, maintaining, repairing, holding, defending, and pursuing the development of the PSP Premises, it being recognized that such costs are necessary precursors to the development of the Hotel Unit and otherwise would have to be incurred by RACL had they been the developer from the time of inception of the Project, and (ii) RACL shall purchase from PSP all plans, specifications and

design documents which have been developed by PSP in connection with the Hotel Unit up to the date of Closing.

2.1.13 LCCCA's Option to Acquire the PSP Premises. Contemporaneous with the execution of this Joint Development Agreement, RACL and LCCCA shall enter into a Purchase Option Agreement substantially in the form attached hereto as **Exhibit J** ("Purchase Option Agreement"), which, among other things, shall grant an option to LCCCA to acquire the PSP Premises, or the Hotel Unit, as the case may be, under terms and conditions specified therein.

2.1.14 Hotel Lease. Immediately upon conveyance of the Hotel Unit to RACL, RACL and PSP shall execute the Hotel Lease.

2.1.15 Non-Opposition. LCCCA, RACL and PSP shall not take any action in the planning, development or construction of the Facilities which would be contrary to the intent and provisions of this Agreement or which could have a Material Adverse Effect on either Facility or the planning, development or construction of the Facilities.

2.1.16 Obligation of PSP to Invest \$10,000,000 in the Hotel. Penn Square Partners ("PSP") shall invest \$10,000,000 in cash (the "Investment") into the Hotel. The Investment shall be used to fund the costs of developing, constructing, furnishing, opening the Hotel, and shall be available to PSP, LCCCA and RACL as follows:

(a) Upon the execution of the Construction Contracts with the necessary prime sub-contractors required to construct the Project in accordance with the Final Budget, PSP shall post an irrevocable Letter of Credit ("LC") issued by a commercial bank ("LC Bank") selected by the mutual agreement of PSP and LCCCA, and containing terms and conditions reasonably agreed to by PSP and LCCCA in an amount equal to the Investment. The LC shall be reduced at the end of each quarter to reflect expenditures made in accordance with the succeeding paragraphs. The LC shall be irrevocable and remain in place until the earlier of (i) Project substantial completion, or (ii) expenditure of the Investment in accordance with the expenditure schedule (the "Schedule") attached hereto as Exhibit "A", or (iii) termination of the Agreement for reasons other than the occurrence of an Event of Default by PSP. PSP may, from time to time, change the timing and amount of the expenditure schedule if such is necessary to pay for its obligations under the terms and conditions of this Agreement, the Condominium Declaration or the Hotel Lease. The LC shall be reduced dollar for dollar as expenditures of the Investment are made by PSP into the Project.

(b) Interest on the Investment shall belong to PSP and shall not be available for the purposes set forth herein without the consent of PSP to be given only in its sole discretion. Under no circumstances shall draws against the LC exceed \$10,000,000 less actual expenditures made by PSP per the terms of this Section 2.1.16 in the aggregate.

PSP shall be permitted to use the Investment in order to pay for expenditures in accordance with the Schedule, including the purchase of furniture, fixtures and equipment to be installed for use at the Hotel, to pay for soft costs of the nature contemplated by the Schedule and to pay for other costs incurred by PSP included in the Project Budget; the Investment may also be used by PSP to

pay cost overruns. To the extent that the entire Investment is not invested into the Hotel prior to the completion of the Hotel punch list, PSP shall expend the balance of the Investment as follows: (i) within one (1) year of substantial completion of the Hotel punch list, PSP shall invest the remaining funds into additional construction costs, FF&E or OS&E; or (ii) if not completely expended after expiration of one (1) year from substantial completion of the Hotel punch list, then immediately thereafter into reduction of debt secured by the Hotel Unit.

Subject to the provisions of the preceding paragraph, the Investment shall be security for the performance by PSP of all of its obligations to RACL and LCCCA under this Agreement and all other Agreements or documents referred to in this Agreement. In no event shall RACL and/or LCCCA be permitted to access any sum in excess of the aggregate of the Investment during the period.

The Investment may be accessed by LCCCA only in the following manner: LCCCA shall send the LC Bank and PSP a notice of PSP's failure to comply with an obligation of PSP to LCCCA. The notice shall with specificity set forth the nature of the default, the nature of the cure required and provide PSP with fifteen (15) days in which to pay for or cure or, if not capable of being cured within such time period, commence to cure and diligently proceed to complete until cure is effected. If PSP contests the existence of the obligation or the default therein, it may send a notice to the LCCCA that it desires to engage in binding arbitration pursuant to the terms and conditions of Section 8.1 of this Agreement. The decision rendered as a result of the arbitration shall be final and binding on the parties.

(c) The LC Bank shall only honor draws on the LC, upon receipt by the LC, of (i) a written draw request signed by PSP certifying that the amount of the draw is to be used for (A) expenditures in accordance with the Schedule, (B) obligations owed to RACL, which have not been paid or challenged by PSP, in which event RACL shall countersign the draw request, (C) Change Orders for which PSP is responsible under the terms of the Hotel lease, which have not been paid or challenged by PSP, or for which PSP elects to pay or (D) obligations owed to LCCCA, which have not been paid or challenged by PSP in which event LCCCA shall countersign the draw request; (ii) if not within any of the categories specified above, a written draw request signed by both PSP and LCCCA; or (iii) a certificate signed by LCCCA or RACL which includes a certified copy of the arbitration award signed by the arbitrator(s) authorizing the withdrawal in the amount requested.

2.2 Covenants of LCCCA, RACL and PSP. LCCCA, RACL and PSP covenant and agree as follows:

2.2.1 Historic Structures Cost Overruns. All costs associated with demolition, stabilization and retention of Historic Structures consistent with the scope of work set forth in the Project Budget shall be treated by the parties as Shared Costs.

2.2.2 Indemnification of RACL. PSP and LCCCA shall enter into an indemnity agreement with RACL substantially in the form attached hereto as **Exhibit K**.

2.2.3 Allocation of Capital Costs. Allocation principles to be used for allocating Capital Costs are set forth on Exhibit L attached hereto.

2.2.4 Allocation of Operating Expenses and Capitalized Expenditures. Allocation principles to be used for allocating Operating Expenses and Capitalized Expenditures incurred in areas used in both operation of the Hotel and Convention Center are set forth on Exhibit M attached hereto.

2.2.5 Structure of Relationship Between Construction Managers Retained by RACL and LCCCA. The LCCCA and RACL intend to utilize the services of both Reynolds Construction Management ("RCM") and High Construction as construction managers. RACL and LCCCA shall enter into a Contract with RCM to serve as the construction manager for the Project; RCM shall engage High Construction as RCM's subcontractor. Each of RCM and High Construction shall be allocated principal responsibility and decision-making authority with respect to discrete portions of the Project, all in accordance with the terms of the Contracts.

2.2.6 Construction Budget Overruns and Savings. Convention Center costs in excess of the final Project Budget shall be funded by LCCCA; Hotel Costs in excess of the final Project Budget as a result in change in scope or change orders authorized by PSP shall be funded by PSP. All other change orders will be funded by RACL. To the extent that Convention Center costs are in excess of the Final Project Budget and LCCCA sources are insufficient, the LCCCA will fund remaining costs with completion debt to the extent that such financing is available. Savings directly attributable to the Convention Center construction shall belong to the LCCCA; savings directly attributable to the Hotel construction shall belong to RACL in accordance with the terms of the Hotel Tower Lease Agreement; savings attributable to Shared Space construction shall belong to both LCCCA or RACL in accordance with the methodology for sharing costs for Shared Space. All savings realized by RACL shall be used by RACL in accordance with the provisions of the Hotel Lease.

2.3 Communication. LCCCA's Authorized Representative, RACL's Authorized Representative and PSP's Authorized Representative shall communicate and interface with each other on a reasonable, regular and continuing basis and cause to be performed the necessary distribution of information as required to keep each other apprised of the status of the design of the Facilities, Facility Budget, Schedule and Plans and Specifications, including without limitation the distribution of Project meeting minutes when appropriate. LCCCA and RACL shall endeavor to and shall cause Developer to hold joint Project meetings, when appropriate, to review the status of the development of Plans and Specifications, Schedule and Facility Budget, the processing of Permits and the process of development and construction of the Facilities.

ARTICLE III

DEFAULT AND REMEDIES

3.1 Default. Subject to the notice and cure provisions of this Section, an "Event of Default" shall occur by any party hereunder if:

3.1.1 Any party fails to comply with any provision or requirement contained or referenced in this Agreement; provided, no default shall occur hereunder unless written notice shall have been given to all parties to this Agreement and ten (10) days shall have elapsed after receipt of such notice without the cure thereof, provided, however, that if such default is not reasonably capable of being cured within such ten (10) day period and if the defaulting party shall have commenced to cure same, no default shall occur so long as such defaulting party continuously and diligently pursues the cure thereof to completion, but in no event to exceed sixty (60) days; or

3.1.2 There shall have occurred an Act of Bankruptcy relating to a party. For the purposes of this Agreement, an "Act of Bankruptcy" shall be deemed to occur if a party shall file a voluntary petition seeking relief under any provision of any federal or state bankruptcy or insolvency statute, or make an assignment for the benefit of its creditors, or apply for or consent to the appointment of a receiver for its assets, or an involuntary proceeding shall be commenced against a party under any bankruptcy, insolvency or similar law seeking the appointment of a trustee or similar official of it or any substantial part of its property, and such involuntary proceeding shall remain undismissed and unstayed for a period of ninety (90) days.

3.2 Remedies. Upon the occurrence and continuation of an Event of Default, the other parties may pursue any one or more of the following remedies, which are cumulative and not exclusive of each other:

3.2.1 Either or both of the non-defaulting parties shall have the right to terminate this Agreement, in which event no party shall have any further duties or obligations under this Agreement.

3.2.2 Either or both of the non-defaulting parties shall have the right to bring an action for specific performance of this Agreement, all parties hereto agreeing that monetary damages are not sufficient to make the other parties whole for a default under this Agreement.

3.2.3 Pursuit by a party hereto of any of the foregoing remedies shall not preclude the pursuit of any damages incurred, or of any of the other remedies available at law or in equity, provided, however, that the parties hereto waive all rights to claim or assert consequential, special and punitive damages in connection with this Agreement and any other Agreement affecting the Project to which they are a party.

3.3 No Waiver. The failure of a non-defaulting party to exercise any right or remedy available to it pursuant to the terms of this Agreement shall not be deemed to be a waiver of such right or remedy or of any of the terms or provisions of this Agreement.

ARTICLE IV

TERMINATION

4.1 Termination Event. A "Termination Event" shall occur hereunder if:

4.1.1 An Event of Default occurs hereunder.

4.1.2 The Hotel License Agreement is terminated by either party thereto in accordance with its terms.

4.1.3 The Hotel Management Agreement is terminated by either party thereto in accordance with its terms.

4.1.4 The Convention Center Management Agreement is terminated by either party thereto in accordance with its terms.

4.1.5 The LCCCA provides written notice to RACL and PSP on or before commencement of construction of the Convention Center of LCCCA's intention to abandon the development of the Convention Center in accordance with the Convention Center Program.

4.1.6 RACL or PSP provides written notice to LCCCA on or before commencement of construction of the Hotel of either RACL's or PSP's intention to abandon the development of the Hotel in accordance with the Hotel Program.

4.1.7 The LCCCA, RACL or PSP reasonably determine, after completion of the process prescribed in section 2.1.7 herein, that there are insufficient funds available to complete the construction of the Hotel and Convention Center in accordance with the Final Plans and Specifications.

4.1.8 Any person or entity which is not affiliated with High Industries, Inc. acquires a majority equity interest in and the right to exercise management control over the general partner of PSP.

4.1.9 Foundation construction has not commenced for both the Hotel and Convention Center by August 1, 2006, unless such commencement is prohibited by litigation in which LCCCA, RACL or PSP is a party, whereupon this date shall be extended for a commercially-reasonable period of time beyond the termination of such litigation.

4.2 Right to Terminate. Upon the occurrence of a Termination Event, each party, except a party causing an Event of Default, upon written notice to the others given within ten (10) days after it obtains actual knowledge of the Termination Event, shall have the right to terminate this Agreement whereupon all rights, benefits, duties and obligations of the parties hereunder shall be null and void and no party shall have any further duties and obligations hereunder, except as otherwise provided in this Agreement. The parties shall execute mutual releases confirming the foregoing.

4.3 Marriott Right of First Refusal. PSP has granted to Marriott in the Hotel License Agreement a right of first refusal ("ROFR") to acquire the PSP Premises and the Hotel under circumstances described in the Hotel License Agreement. Such ROFR is also evidenced by a Memorandum Of Right Of First Refusal, dated September 25, 2001 ("Memorandum") recorded in the Land Records of Lancaster County, Pennsylvania. Contemporaneous with the execution of this Agreement, LCCCA and RACL have entered into a Purchase Option Agreement ("Option Agreement") granting LCCCA certain rights to acquire the PSP Premises and the Hotel Unit ("Option"). It is the intent of all the parties hereto that the ROFR shall not in any way adversely

affect any of the rights granted to LCCCA in the Option Agreement. PSP shall take all actions, and execute any documents reasonably requested by the LCCCA to terminate the ROFR or to otherwise have it subordinated in all respects to the rights of the LCCCA in the Option Agreement; provided, however, PSP shall not be required to execute any documents which would place PSP in breach of its obligations to Marriott and provided, further, that PSP shall use commercially reasonable efforts to obtain the signature of Marriott on all such documents. Prior to the expiration of the Option Agreement, or at any time after the exercise of the Option by LCCCA, PSP shall not, under any circumstances, execute any documents, take any action or participate in any conduct that facilitates the exercise of the ROFR by Marriott, except for any actions required to be taken by PSP pursuant to the terms of the Hotel License Agreement.

ARTICLE V

INDEMNIFICATION

5.1 Indemnification by LCCCA. LCCCA agrees to defend, protect, indemnify and hold harmless PSP and PSP's partners, members, shareholders, officers, directors, employees and agents from and against all claims or demands, including any action or proceedings brought thereon, and all costs, losses, expense and liability of any kind relating thereto, including reasonable attorneys' fees and costs of suit, arising out of or resulting from any breach or default by LCCCA in the performance of its obligations under this Agreement or any other agreement relating to the development, or construction or operation of the Facilities to which it is a party.

5.2 Indemnification by PSP. PSP agrees to defend, protect, indemnify and hold harmless LCCCA and LCCCA's partners, members, shareholders, officers, directors, employees and agents from and against all claims or demands, including any action or proceedings brought thereon, and all costs, losses, expense and liability of any kind relating thereto, including reasonable attorneys' fees and costs of suit, arising out of or resulting from any breach or default by PSP in the performance of its obligations under this Agreement or any other agreement relating to the development or construction or operation of the Facilities to which it is a party.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of LCCCA. In order to induce RACL and PSP to enter into this Agreement, LCCCA hereby makes the following representations and warranties:

6.1.1 LCCCA is authorized, and has the power, to enter into this Agreement and to perform its obligations under this Agreement.

6.1.2 This Agreement constitutes a valid and binding agreement of LCCCA and is enforceable against LCCCA in accordance with its terms.

6.1.3 This Agreement does not conflict with, constitute a default under or cause LCCCA to be in breach of or in violation of any other agreement or instrument to which LCCCA is bound.

6.2 Representations and Warranties of RACL. In order to induce LCCCA and PSP to enter into this Agreement, RACL hereby makes the following representations and warranties.

6.2.1 RACL is authorized, and has the power, to enter into this Agreement and to perform its obligations under this Agreement.

6.2.2 This Agreement constitutes a valid and binding agreement of RACL and is enforceable against RACL in accordance with its terms.

6.2.3 This Agreement does not conflict with, constitute a default under or cause RACL to be in breach of or in violation of any other agreement or instrument to which RACL is bound.

6.3 Representations and Warranties of PSP. In order to induce LCCCA and RACL to enter into this Agreement, PSP hereby makes the following representations and warranties:

6.3.1 PSP is authorized, and has the power, to enter into this Agreement and to perform its obligations under this Agreement.

6.3.2 This Agreement constitutes a valid and binding agreement of PSP and is enforceable against PSP in accordance with its terms.

6.3.3 This Agreement does not conflict with, constitute a default under or cause PSP to be in breach of or in violation of any other agreement or instrument to which PSP is bound.

ARTICLE VII

GENERAL COVENANTS REQUIRED TO COMPLY WITH THE URBAN REDEVELOPMENT LAW AND THE IFIP GRANT

7.1 General Character of the Hotel and Convention Center. Annexed hereto as Exhibit N are Design Development plans for the Hotel and Convention Center and other documents showing the type, material, structure and general character of the improvements contemplated to be constructed by the parties to this Agreement in accordance with the terms of this Agreement.

7.2 Covenant to Complete. The parties hereto covenant to proceed with due diligence to undertake and to complete design and construction of the Hotel and the Convention Center within a period not to exceed ten (10) years from the date of this Agreement.

7.3 Project Cost Certification. PSP, LCCCA and RACL agree to provide to each other, and to cause the construction manager and sub-construction manager and each prime sub-contractor performing work on the Hotel and Convention Center to provide or submit to each other, a Project cost certification performed by one or more independent, third-party certified

public accountants establishing the actual total construction costs incurred and paid by RACL, LCCCA, PSP, and each prime contractor in connection with the Hotel and Convention Center. RACL, LCCCA and PSP agree that the receipt of such construction cost certification shall be a condition for receiving a certificate of completion of the Hotel and Convention Center to the extent required by Section 11 of the Urban Redevelopment Law of the Commonwealth of Pennsylvania, as amended, 35 P.S. § 1711. This covenant shall survive termination of this Agreement.

7.4 Third-party Infrastructure Payments; IFIP Grant Repayment. If, during the period in which RACL is receiving IFIP Grants, PSP or LCCCA receives from any party other than RACL or the Commonwealth of Pennsylvania any payments in respect of the cost of infrastructure improvements which are a part of the Hotel and Convention Center for which the IFIP Grants have been awarded, PSP or LCCCA, as applicable, shall pay to RACL a sum equal to such payments and RACL shall, in accordance with the IFIP Grant Agreement, apply the sum so paid to the payment of the debt service on the RACL bonds to be retired from proceeds of the IFIP Grants or, if such bonds have been retired, other bonds issued to finance the Hotel or Convention Center. This covenant shall survive termination of this Agreement.

7.5 Use of Improvements; IFIP Grant Repayment. PSP and LCCCA shall use the Hotel and Convention Center (or the parts thereof to which each such party is legally entitled to use) for purposes intended (consistent with the application for the IFIP Grants) for the whole period of time over which RACL is receiving IFIP Grants, and PSP and LCCCA each shall hold harmless and indemnify RACL for any amounts required to be repaid to the Commonwealth in respect of IFIP Grants by reason of PSP's or LCCCA's failure, respectively, to use the Hotel and Convention Center (or the parts thereof to which each such party is legally entitled to use) for such purposes for the period of time RACL is receiving IFIP Grants. This covenant shall survive termination of this Agreement.

7.6 Change of Use Requires DCED Consent. PSP shall not use the Hotel and LCCCA shall not use the Convention Center for any purpose other than for use as a Hotel and a Convention Center, respectively, during period or time over which RACL is receiving IFIP Grants, without the written consent of RACL and, if required by the IFIP Grant Agreement, the written consent of DCED. This covenant shall survive termination of this Agreement.

7.7 Restriction on Sale, Lease or Other Transfer. PSP and LCCCA covenant and agree that, to the extent required by the Pennsylvania Urban Redevelopment Law, they shall be without power to sell, lease or otherwise transfer their respective interests in the Hotel or the Convention Center, or any part thereof, without the prior written consent of RACL, until RACL shall have certified in writing that the Hotel and Convention Center have been completed. RACL agrees not to withhold such consent unreasonably, and agrees to make such certification promptly following Final Completion. PSP shall not assign its rights under the Hotel Lease, or in any other manner sell, transfer or assign its rights to operate the Hotel, without the written consent of the LCCCA, except that PSP shall not require LCCCA consent in the event that the proposed purchaser, transferee or assignee (i) demonstrates to the reasonable satisfaction of the LCCCA that it has a valid license agreement from Marriott to continue to operate the Hotel under the Marriott flag and intends to do so; or (ii) executes documents in form and content reasonably satisfactory to

LCCCA evidencing its obligations to be bound by the Quality Standard with respect to the maintenance and operation of the Hotel.

7.8 Project Records; IFIP Grant. PSP, LCCCA and RACL shall maintain full, accurate records with respect to the construction, operation and maintenance of their respective portions of the Hotel and Convention Center, and shall cooperate in providing DCED with access to such records, and such similar records as may be maintained by them, and to afford DCED and its authorized employees or agents access to and the ability to inspect all work, invoices, materials and other relevant records at reasonable times and places in connection with DCED's administration of the IFIP Grants. PSP and LCCCA shall furnish to RACL and DCED, upon request, all data, reports, contracts, documents and other information relevant to the Hotel and Convention Center and the IFIP Grants. This covenant shall survive termination or assignment of this Agreement.

7.9 IFIP Grant Cooperation. PSP, LCCCA and RACL shall cooperate in all matters necessary or appropriate to obtain and receive IFIP Grants for the Hotel and Convention Center over the full term for which the Hotel and Convention Center are eligible to receive IFIP Grants, and shall cooperate in having a certified public accountant undertake and submit to DCED a final audit listing all costs of the Hotel and Convention Center and certifying that grant funds were disbursed in accordance with the IFIP Grant Agreement, such audit and certificate to be submitted within 90 days following expiration of the IFIP Grants, or at such other time as shall be required by the IFIP Grant Agreement. This covenant shall survive termination or assignment of this Agreement.

7.10 Payment Bonds or Similar Security. The parties agree that every prime contract for construction, installation, alteration, repair of, or addition to, the Hotel and Convention Center shall, to the extent required by applicable law, or to such further extent as the parties may otherwise agree, contain provisions obligating the prime contractor to prompt payment for all material furnished, labor supplied or performed, rental for equipment employed, and services rendered by public utilities in or in connection with the prosecution of the work or improvement contemplated, and to provide financial security equal to 100% of the contract amount in the form of an appropriate bond from a surety company authorized to do business in Pennsylvania, an irrevocable letter of credit from a federal- or Commonwealth-chartered lending institution, or a restrictive escrow account with a federal- or state-chartered financial institution doing business in Pennsylvania. or other escrow agent Approved by LCCCA, RACL and PSP.

7.11 Nondiscrimination Clause; IFIP Grant. PSP, RACL and LCCCA covenant and agree not to discriminate against any employee or against any person seeking employment or use, sale or lease of any part of the Hotel or Convention Center because of race, creed, color, handicap, national origin, age or sex, and shall cooperate in making appropriate certification of compliance with this covenant to DCED in connection with the IFIP Grants and to any other governmental agency, department or commission, local, state or federal, as may be required.

PSP, LCCCA and RACL further agree, each as to itself and as to each occupant of the facilities acquired or constructed in whole or in part with proceeds of the IFIP Grants and

controlling, controlled by or under common control with it (each, for purposes of this Section, being referred to as a "Contractor"), as follows:

(a) Contractor shall not discriminate against any employee, applicant for employment, independent contractor or any other Person because of race, color, religious creed, handicap, ancestry, national origin, age or sex. Contractor shall take affirmative action to insure that applicants are employed, and that employees or agents are treated during employment, without regard to their race, color, religious creed, handicap, ancestry, national origin, age or sex. Such affirmative action shall include, but is not limited to: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training. Contractor shall post in conspicuous places, available to employees, agents, applicants for employment and other persons, a notice to be provided by the contracting agency setting forth the provisions of this Section.

(b) Contractor shall in advertisements or requests for employment placed by it or on its behalf, state that all qualified applicants will receive consideration for employment without regard to race, color, religious creed, handicap, ancestry, national origin, age or sex.

(c) Contractor shall send each labor union or workers' representative with which it has a collective bargaining agreement or other contract or understanding, a notice advising said labor union or workers' representative of its commitment to this nondiscrimination clause. Similar notice shall be sent to every other source of recruitment regularly utilized by Contractor.

(d) It shall be no defense to a finding of noncompliance with this Section that Contractor had delegated some of its employment practices to any union, training program or other source of recruitment which prevents it from meeting its obligations. However, if the evidence indicates that Contractor was not on notice of the third-party discrimination or made a good faith effort to correct it, such factor shall be considered in mitigation in determining appropriate sanctions.

(e) Where the practices of a union or of any training program or other source of recruitment will result in the exclusion of minority group persons, so that Contractor will be unable to meet its obligations under this Section, Contractor shall then employ and fill vacancies through other nondiscriminatory employment procedures.

(f) Contractor shall comply with all state and federal laws prohibiting discrimination in hiring or employment opportunities. Noncompliance with this Section will constitute an Event of Default under this Agreement.

(g) Contractor shall furnish all necessary employment documents and records to, and permit access to its books, records and accounts by, RACL or other appropriate governmental agencies, departments or officials, for purposes of investigation to ascertain compliance with the provisions of this Section. If Contractor does not possess documents or records reflecting the necessary information requested, it shall furnish such information on

reporting forms supplied by RACL or such other appropriate governmental agencies, departments or officials.

(h) Contractor shall actively recruit minority subcontractors and women subcontractors or subcontractors with substantial minority or women representation among their employees.

(i) Contractor shall include the provisions of this Section in every subcontract, so that such provisions will be binding upon each subcontractor.

(j) Contractor obligations under this Section are limited to Contractor's facilities within Pennsylvania or, where the contract is for purchase of goods manufactured outside of Pennsylvania, the facilities at which such goods are actually produced.

ARTICLE VIII

MISCELLANEOUS

8.1 Alternative Dispute Resolution. With respect to any dispute under this Agreement, any party may submit such dispute (within five (5) days of the occurrence of such dispute) to a panel of three (3) arbitrators of the American Arbitration Association to conduct a binding arbitration of such dispute in Lancaster, Pennsylvania, with no right of judicial appeal, except as required pursuant to the Uniform Arbitration Act of 1980 (P.L. 693, No. 142), 42 Pa. C.S.A. sections 7302 et seq. (2001) (the "Act"). Each of the three (3) arbitrators shall have at least five (5) years' experience in convention center and hotel design, construction, development, operation, management or ownership, one (1) to be appointed by each party. If the parties have not jointly initiated arbitration within such five (5) days, the arbitration may be initiated by any party by giving notice to the others of the date, which shall be not less than (5) days after delivery of notice. If any party fails to appoint an arbitrator within the specified time, the American Arbitration Association shall select such arbitrator. The parties hereby agree that such arbitration proceeding shall be prosecuted without delay and that such proceeding shall be concluded and decision rendered thereon within thirty (30) days after the commencement thereof, it being recognized and agreed that any delay will materially and adversely affect the Facilities. Any arbitration under this Agreement shall be in accordance with the rules of the American Arbitration Association. The decision of the arbitrators shall be binding upon the parties and no appeal of any kind of the decision shall be made by either party except as required by the Act. The costs and expenses of the arbitration proceedings shall be paid by the non-prevailing party.

8.2 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, legal representatives, successors and permitted assigns. No party shall assign or transfer any rights hereunder or interest herein without the Approval of the other parties, provided that PSP, without Approval of LCCCA or RACL, may assign this Agreement to any entity in which an affiliate of High Industries, Inc. has an equity interest and exercises management control. Unless specifically stated to the contrary in any

Approval to an assignment, no assignment will release or discharge the assignor from any duty or responsibility hereunder.

8.3 Headings. The headings of Sections and Paragraphs herein are inserted for convenience only and are in no way intended to describe, interpret, define or limit the scope or content of this Agreement or any provisions hereof.

8.4 Counterparts. This Agreement may be executed in one or more counterparts having the signatures of the parties and each such counterpart shall, for all purposes, be deemed an original, but all such counterparts shall constitute but one and the same instrument.

8.5 Force Majeure. A delay in or failure of performance by any party hereto shall not constitute a default, nor shall any party be held liable for loss or damage, if and to the extent that such delay, failure, loss or damage is caused by Force Majeure and all times specified for performance in this Agreement shall be extended by the period of delay resulting from the event of Force Majeure.

8.6 Publicity. Except as otherwise required by law, LCCCA, RACL and PSP covenant and agree to furnish to the other parties for prior Approval all announcements to news media regarding the Facilities and to permit and assist each other party to obtain such publicity in connection with the Facilities as such party reasonably desires.

8.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

8.8 Relationship. Neither this Agreement nor any agreements, instruments, documents or transactions contemplated hereby shall in any respect be interpreted, deemed or construed as making any party a partner or joint venturer with any other party and each party agrees that it will not make any contrary assertion, contention, claim or counterclaim in any action, suit or other legal proceedings involving any other party. It is also expressly understood and agreed by LCCCA, RACL and PSP that each party may engage in any other business or investment, including the ownership of or investment in real estate and development, operation, financing and management of hotels and that the other parties shall not have rights in and to any such business or investment or the income or profit derived therefrom.

8.9 Notices. Any notice, consent, approval, statement, demand or other communication which is provided for or required by this Agreement must be in writing, given to all parties to this Agreement and may be, at the option of the party giving notice, delivered in person (including delivery by national overnight couriers such as Federal Express) to any party or may be sent by registered or certified U.S. mail, with postage prepaid, return receipt required. Any such notice or other written communications shall be deemed to have been given (i) in the case of personal delivery, on the date of delivery to the person to whom such notice is addressed as evidenced by a written receipt signed by such person, and (ii) in the case of registered or certified mail, three (3) business days following the day it shall have been posted. For purposes of notice or other written communications, the addresses may be changed at any time by written notice given in accordance with this provision:

(a) If to LCCCA:

The Lancaster County Convention Center Authority
P.O. Box 1622
Lancaster, PA 17608
Attention: C. Ted Darcus, Chairman

with a copy to:

Stevens & Lee
4750 Lindle Road, 3rd Floor
Harrisburg, PA 17111
Attention: Christopher M. Cicconi, Esquire

(b) If to RACL:

The Redevelopment Authority of the City of Lancaster
120 N. Duke Street
Lancaster, PA 17603
Attention: Charles H. Simms, Jr., Chairman

with a copy to:

Blakinger, Byler & Thomas, P.C.
28 Penn Square
Lancaster, PA 17603
Attention: Frank P. Mincarelli, Esquire

(c) If to PSP:

Penn Square Partners
1853 William Penn Way
Lancaster, PA 17605-0008
Attention: Nevin D. Cooley, President

with a copy to:

Ballard Spahr Andrews & Ingersoll, LLP
1735 Market Street, 51st Floor
Philadelphia, PA 19103
Attention: Richard R. Goldberg, Esquire

The parties each agree that upon giving of any notice, it shall use its reasonable efforts to advise the others by telephone or telecopier that a notice has been sent hereunder. Such telephonic or telecopier advice shall not, however, be a condition to the effectiveness of notice hereunder.

8.10 Costs and Attorneys' Fees. In any proceeding arising under this Agreement, including any arbitration pursuant to Section 7.1 hereof, the prevailing party(ies) shall be entitled to recover the costs of the proceeding, as well as reasonable attorneys' fees and expenses before and at trial, on appeal, in bankruptcy and in post judgment collection, as such post judgment costs may be awarded by the court.

8.11 Exhibits. All exhibits attached to this Agreement are incorporated into this Agreement by reference thereto. Such exhibits may be updated or otherwise modified from time to time by the agreement of all of the parties.

8.12 Entire and Final Agreement. This Agreement constitutes the entire agreement between the parties relating to the subject matter hereof, superseding all prior agreements or understandings, oral or written, including, without limitation, the Joint Development Agreement between the Lancaster County Convention Center Authority and Penn Square Partners dated December 20, 2001.

8.13 Severability. If any provision of this Agreement or the application of any provision to any person or circumstance is or becomes invalid or unenforceable to any extent, then the remainder of this Agreement and the application of such provisions to any other any other person or circumstances shall not be affected by such invalidity or unenforceability and shall be enforced to the greatest extent permitted by law.


8.14 Recitals. All of the recitals set forth at the outset of this Agreement are incorporated into, and form a material part of, this Agreement.

[Remainder of this page is blank.]

IN WITNESS WHEREOF, LCCCA, RACL and PSP have executed this Agreement under seal as of the date first above written.


LCCCA:

THE LANCASTER COUNTY CONVENTION
CENTER AUTHORITY

By: 
C. Ted Darcus, Chairman

RACL:

THE REDEVELOPMENT AUTHORITY OF THE
CITY OF LANCASTER

By: 
Charles Simms, Chairman

PSP:

PENN SQUARE PARTNERS, a Pennsylvania
limited partnership

By: Penn Square General Limited Partnership, GP
By: Penn Square General Corporation, its general
partner

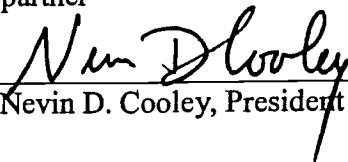
By: 
Nevin D. Cooley, President

EXHIBIT A

[LCCCA PREMISES]

Legal Description Attached

000040030

TAXES
Pa. 600.00
Locals 775.00
Locals 2775.00

Jul 13 2000

2700
2700
2700

DIS. WARRANTY
NO IN CORP

This Deed, made the 13th day of July, 2000

Between
A & S Realty & Investment Corporation, a Pennsylvania corporation

And
The Lancaster County Convention Center Authority

herein designated as the Grantors.

herein designated as the Grantees;

Witnesseth, that the Grantors, for and in consideration of
Five Hundred Fifty Five Thousand and 00/100-----(\$555,000.00)-----DOLLAR
lawful money of the United States of America, to the Grantees in hand well and truly paid by the Grantees, as or
before the sealing and delivery of these presents, the receipt whereof is hereby acknowledged and the Grantees being
therewith fully satisfied, do by these presents grant, bargain, sell and convey unto the Grantees forever,

AN Those 2 certain tracts or parcels of land and premises, situate, lying and being in the
City of Lancaster in the County of
LANCASTER and Commonwealth of Pennsylvania, more particularly described as follows:
No. 1 - ALL THAT CERTAIN lot of land with the brick store building,
attachments and other buildings thereon erected, situate on the East
side of South Queen Street, between Penn Square and Vine Street, and
known and numbered as 41 and 43 South Queen Street, in the City of
Lancaster, County of Lancaster and State of Pennsylvania, bounded and
described as follows, to wit:
CONTAINING in front on South Queen Street, thirty one (31) feet,
six (6) inches, more or less, and extending in depth of the same width
two hundred forty six (246) feet, more or less, to the line of a
fourteen (14) feet wide public alley, now known as South Christian
Street.
BOUNDED on the North by Purpart No. 2 hereof; on the East by said
South Christian Street; on the South by property now or late of Albert
Zappfel; and on the West by South Queen Street.
No. 2 - ALL THAT CERTAIN lot of ground situate on the East side of
South Queen Street, between Penn Square and Vine Street, in the City
of Lancaster, County of Lancaster and State of Pennsylvania, on which
is erected a three story brick store and dwelling house, known as No.
37 and 39 South Queen Street, and other improvements, bounded and
described as follows, to wit:
CONTAINING in front on the East side of South Queen Street, thirty
six (36) feet, more or less, and extending in depth of that width
Eastward two hundred forty-five (245) feet, more or less, to a
fourteen (14) feet wide alley, known as South Christian Street.
BOUNDED on the North by property now or late of the Incorporated
Trustees of the Salvation Army of Pennsylvania; on the East by South
Christian Street; on the South by Purpart No. 1 herein; and on the
West by South Queen Street.
BEING Nos. 1 and 2 of the same premises which Richard Oblender, as
tenant in common and Marguerite I. Oblender, his wife and Marguerite
I. Oblender, as tenant in common, and Richard Oblender, her husband,
by Deed dated 11/1/58 and recorded 11/3/58 in Deed Book U Vol 46 page
112, conveyed to A & S Realty and Investment Corporation.

6702 0165

EXHIBIT
A

I Certify This Document To Be
Recorded in Lancaster Co., Pa.



Steve McDonald
STEVE McDONALD
Recorder of Deeds

RECORDED OR FILED
00 JUL 13 PM 3:16
LANCASTER, PA.

Together with all and singular the buildings, improvements, ways, woods, waters, watercourses, rights, liberties, privileges, hereditaments and appurtenances in the same belonging or in anywise appertaining; and the reversion and reversions, remainder and remainders, rents, issues and profits thereof, and of every part and parcel thereof; And also all the estate, right, title, interest, use, possession, property, claim and demand whatsoever of the Grantors both in law and in equity, of, in and to the premises herein described and every part and parcel thereof with the appurtenances. **We have and to hold all and singular the premises herein described together with the hereditaments and appurtenances unto the Grantees and to Grantees' proper use and benefit forever.**

And the Grantors covenant that, except as may be herein set forth, they do and with **specialty warrant** the lands and premises, hereditaments and appurtenances hereby conveyed.

In all references herein to any parties, persons, entities or corporations, the use of any particular gender or the plural or singular number is intended to include the appropriate gender or number as the use of the words in this instrument may require.

Wherever in this instrument any party shall be designated or referred to by name or general reference, such designation is intended to and shall have the same effect as if the words "heirs, executors, administrators, personal or legal representatives, successors and assigns" had been inserted after each and every such designation.

In Witness Whereof, the Grantors have hereunto set their hands and seals, or if a corporation, it has caused these presents to be signed by its proper corporate officers and its corporate seal to be affixed hereto, the day and year first above written.

Signed, Sealed and Delivered
in the presence of
or Attested by

Richard H. Atwater, Secretary A & S Realty & Investment Corporation
BY: *Howe Atwater, President*
Howe Atwater, President

Commonwealth of Pennsylvania, County of

me:

We it Remembered, that on _____ before me the subscriber
personally appeared _____
known to me (or satisfactorily proven) to be the person whose name subscribed
to the within deed and acknowledged that executed the same for the purposes therein contained.
Witness my hand and seal the day and year aforesaid.

6702 0166

Commonwealth of Pennsylvania, County of LANCASTER } ss:

Be it Remembered, that on JULY 13, 2000

before me the subscriber,

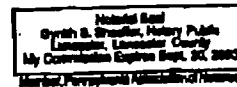
personally appeared Howe Atwater

who acknowledged him self to be the President of
A & S Realty & Investment Corporation

a Corporation, and that being authorized to do so as such corporate officer executed the foregoing instrument for the purposes therein contained on behalf of the corporation.

Witness my hand and seal the day and year aforesaid.

April D. Shaff



BTETB

A & S Realty & Investment
Corporation

TO

The Lancaster County
Convention Center Authority

Dated July 13, 2000

07/13/00	3:15PM	010W5674	AKH
		PA TN	15329.00
07/13/00	3:15PM	010W5674	ME
		LOCAL TN	1273.00
07/13/00	3:15PM	010W5674	AP
		LOCAL TN	1273.00

The Undersigned certifies that the precise residence and complete post office address of the Grantee is:

PO Box 1622
Lancaster PA 17608
City State Zip Code

Scott H. Spencer

6702 0167

SEP 14 2000

000053165

DEED - WARRANTY
NOT ON COM

29,000.00

RECORDED OR FILED

00 SEP 14 PM 2:34

RECORDER OF DEEDS
LANCASTER, PA.

This Deed, made the 14th day of September, 2000

Between

Dennis Nathan (also known as Dennis Seyedzadeh), Nasimeh Natan
Seyedzadeh and Allen Kambiz Seyedzadeh, partners

herein designated as the Grantors,

And

The Lancaster County Convention Center Authority

TAXES	Local 2105.00	Lancaster City
Pa 5200.00	Local 2105.00	Lancaster

herein designated as the Grantees:

Witnesseth, that the Grantors, for and in consideration of

FIVE HUNDRED THIRTY NINE THOUSAND AND 00/100---(\$539,000.00)---DOLLARS

lawful money of the United States of America, to the Grantors in hand well and truly paid by the Grantees, at or before the signing and delivery of these presents, the receipt whereof is hereby acknowledged and the Grantors being therewith fully satisfied, do by these presents grant, bargain, sell and convey unto the Grantees forever,

All Those 4 Certain tracts or parcels of land and premises, situate, lying and being in the City of Lancaster in the County of Lancaster and Commonwealth of Pennsylvania, more particularly described as follows:

TRACT NO. 1

ALL THAT CERTAIN tract of land situate on the East side of South Queen Street, between Penn Square and Vine Street, in the City of Lancaster, County of Lancaster and Commonwealth of Pennsylvania, having thereon erected a two-story brick building, known as Nos. 45 and 47 South Queen Street, bounded and described as follows:

BEGINNING at the northwest corner thereof, at a point on the east side of South Queen Street, a corner of property now or late of A.S. Realty & Inv. Corp.; thence southwardly, along the east side of South Queen Street, forty one (41) feet to the north gable wall of the brick house on property now or late of Andrew Shubach adjoining on the south; thence extending by said property now or late of Andrew Shubach, eastwardly forty six (46) feet, more or less; thence continuing along the same, northwardly six (6) feet, two (2) inches; thence continuing by the same, eastwardly one hundred fifty one (151) feet, five (5) inches to a corner of property now or late of Luciano R. Rodriguez and wife; thence extending by the same, northwardly fifteen (15) feet, ten (10) inches to a corner; thence extending by land of the same and by land now or late of Carl Migdon, respectively, forty seven (47) feet four (4) inches to the west line of Christian Street; thence extending northwardly along the west line of Christian Street, twenty (20) feet two (2) inches to property now or late of A.S. Realty & Inv. Corp.; thence westwardly, along line of property of the same, two hundred forty five (245) feet to the place of Beginning.

TRACT NO. 2

ALL THAT CERTAIN tract of land situate on the northeast corner of South Queen and East Vine Streets, in the City of Lancaster, County of Lancaster and Commonwealth of Pennsylvania, having thereon erected a brick store and apartment building and other improvements, known as No. 49 South Queen Street, bounded and described as follows:

BEGINNING at the said northeast corner of East Vine and South Queen Streets; thence extending northward along said South Queen Street, twenty five (25) feet, two (2) inches to a corner of property now or late of John DeLaurentis and wife; thence extending along the

6775 0112

EXHIBIT

A

1500
200
AM 11:00
TOT 2400
W3:35
NW 13410
EX 7
10/19/2000

same, eastward forty six (46) feet three (3) inches; thence continuing along the same, northward at right angles with said last mentioned line, six (6) feet two (2) inches to a point; thence extending along the same, eastward one hundred fifty five (155) feet, three and one half (3-1/2) inches to a point in land now or late of Luciano R. Rodriguez and wife; thence extending by the same, southward thirty (30) feet six (6) inches to a point on said East Vine Street; thence extending westward along said East Vine Street, two hundred one (201) feet six and one half (6-1/2) inches to South Queen Street, the place of Beginning.

TRACT NO. 3

ALL THAT CERTAIN tract of land situate on the north side of East Vine Street, between South Queen and South Christian Streets, in the City of Lancaster, County of Lancaster and Commonwealth of Pennsylvania, having thereon erected a dwelling house known as No. 21 East Vine Street, bounded and described as follows:

BEGINNING at a point on the north side of East Vine Street; thence extending along East Vine Street, eastwardly twenty two (22) feet five (5) inches to the east side of a private alley; thence northwardly along the east side of said alley, by property now or late of Andrew Shaubach, twenty five (25) feet to a gate; thence westwardly to an angle of about 30 degrees two (2) feet nine (9) inches to a point in the center of said private alley; thence northwardly along the division fence between this property and property adjoining on the east, nineteen (19) feet nine (9) inches; thence westwardly along other property of Andrew Shaubach, twenty three (23) feet nine (9) inches to a point, and southwardly along the same, fourteen (14) feet seven (7) inches to a point; thence southwardly along other property of Andrew Shaubach, thirty two (32) feet to a point on the north side of East Vine Street, the place of Beginning.

TRACT NO. 4

ALL THAT CERTAIN tract of land situate on the north side of East Vine Street, between South Queen and South Christian Streets, in the City of Lancaster, County of Lancaster and Commonwealth of Pennsylvania, having thereon erected a two story brick dwelling house, known as No. 23 East Vine Street, bounded and described as follows:

CONTAINING in front, on said East Vine Street, twenty five (25) feet two (2) inches, more or less, and extending northwardly of that width for a distance of twenty five (25) feet to a gate, at which point the division line between the herein conveyed property and the property adjoining on the west diverges a distance of two (2) feet nine (9) inches, making the width of the lot from this point twenty six (26) feet eight (8) inches, for a distance northwardly of nineteen (19) feet nine (9) inches, making the entire depth of the lot forty seven (47) feet three (3) inches, more or less.

BOUNDED on the north by property now or late of Andrew Shaubach; on the west by property now or late of Luciano R. Rodriguez and wife; on the east by South Christian Street; and on the south by East Vine Street.

BEING THE SAME PREMISES which Lancaster III, a New Jersey limited partnership, by Deed dated March 13, 1989 and recorded in Lancaster County in Record Book 2800 page 542 conveyed unto Dennis Nathan (also known as Dennis Seyedzadeh), Naeimeh Natan Seyedzadeh and Allen Kambis Seyedzadeh, partners, as tenants in co-partnership.

DISTRICT 33-3; MAP 13K1D; BLOCK 7; PARCEL 19, 20, 21, 22

6775 0113

09/14/00 2:31PM 01083140 PA TX \$5395.00
 09/14/00 2:31PM 01083140 LOCAL TX \$2695.00
 09/14/00 2:31PM 01083140 LOCAL TX \$2695.00

Together with all and singular the buildings, improvements, ways, woods, waters, watercourses, rights, liberties, privileges, hereditaments and appurtenances to the same belonging or in anywise appertaining; and the reversion and reversions, remainder and remainders, rents, issues and profits thereof, and of every part and parcel thereof; And also all the estate, right, title, interest, use, possession, property, claim and demand whatsoever of the Grantors both in law and in equity, of, in and to the premises herein described and every part and parcel thereof with the appurtenances. To have and to hold all and singular the premises herein described together with the hereditaments and appurtenances unto the Grantees and to Grantees' proper use and benefit forever.

And the Grantors covenant that, except as may be herein set forth, they do and will specially warrant the lands and premises, hereditaments and appurtenances hereby conveyed.

In all references herein to any parties, persons, entities or corporations, the use of any particular gender or the plural or singular number is intended to include the appropriate gender or number as the text of the within instrument may require.

Wherever in this instrument any party shall be designated or referred to by name or general reference, such designation is intended to and shall have the same effect as if the words "heirs, executors, administrators, personal or legal representatives, successors and assigns" had been interred after each and every such designation.

In Witness Whereof, the Grantors have hereunto set their hands and seals, or if a corporation, it has caused these presents to be signed by its proper corporate officers and its corporate seal to be affixed hereto, the day and year first above written.

Signed, Sealed and Delivered
 in the presence of
 or Attested by

Richard Solene

Dennis Nathan Attorney in Fact
 Dennis Nathan *

Dennis Seyedsadeh Attorney in Fact
 Dennis Seyedsadeh *

* by *Armech Anton Seyedsadeh*
 Attorney in Fact under a Power
 of Attorney in Record Book 5180
 Page 122 Recorded 7/4/92

Commonwealth of Pennsylvania, County of Lancaster Jss:

Be it Remembered, that on September 14, 2000 before me the subscriber
Armech Anton Seyedsadeh, Attorney in Fact
 personally appeared *Mr. Dennis Nathan*, also known as *Dennis Seyedsadeh*
Under Power of Attorney in Record Book 5180 Page 452
 known to me (or satisfactorily proven) to be the person whose name is subscribed
 to the within deed and acknowledged that he executed the same for the purposes therein contained.

Witness my hand and seal the day and year aforesaid.

NOTARIAL SEAL
 CHARLES F. BELLA, Notary Public
 Wyomissing, Berks County, PA
 My Commission Expires 5-15-2001

Charles F. Bella

6775 0114

I Certify This Document To Be
Recorded in Lancaster Co. Pa.



Steve McDonald
STEVE McDONALD
Recorder of Deeds

Together with all and singular the buildings, improvements, ways, woods, meadows, watercourses, rights, liberties, privileges, hereditaments and appurtenances to the same belonging or in anywise appertaining; and the reversion and reversions, remainder and remainders, rents, issues and profits thereof, and of every part and parcel thereof; And also all the estate, right, title, interest, use, possession, property, claim and demand whatsoever of the Grantors both in law and in equity, of, in and to the premises herein described and every part and parcel thereof with the appurtenances. To have and to hold all and singular the premises herein described together with the hereditaments and appurtenances unto the Grantees and to Grantees' proper use and benefit forever.

And the Grantors covenant that, except as may be herein set forth, they do and will expressly warrant the lands and premises, hereditaments and appurtenances hereby conveyed.

In all references herein to any parties, persons, entities or corporations, the use of any particular gender or the plural or singular number is intended to include the appropriate gender or number as the text of the within instrument may require.

Whenever in this instrument any party shall be designated or referred to by name or general reference, such designation is intended to and shall have the same effect as if the words "heirs, executors, administrators, personal or legal representatives, successors and assigns" had been inserted after each and every such designation.

In Witness Whereof, the Grantors have hereunto set their hands and seals, or if a corporation, it has caused these presents to be signed by its proper corporate officers and its corporate seal to be affixed hereto, the day and year first above written.

Signed, Sealed and Delivered
in the presence of
or Attested by

N. S. Seyedzadeh
Naeimeh Natan Seyedzadeh

Allen Kambis Seyedzadeh
Allen Kambis Seyedzadeh
Naeimeh Natan Seyedzadeh
ATTORNEY IN FACT UNDER
POWER OF ATTORNEY IN
RECORD BOOK 2600 PAGE 548
RECORDED 3/15/89

Commonwealth of Pennsylvania, County of Lancaster } ss:

I, H. Rembert, this on September 14, 2000 before me the subscriber
personally appeared Naeimeh Natan Seyedzadeh ^{INDIVIDUALLY & AS ATTORNEY IN FACT} & Allen Kambis Seyedzadeh
known to me (or satisfactorily proven) to be the person s whose name s are subscribed
in the within deed and acknowledged that they executed the same for the purposes therein contained.

Witness my hand and seal the day and year aforesaid.

NOTARIAL SEAL
CHARLES F. BELIDA, Notary Public
Harrisburg, Berks County, PA
My Commission Expires 8-10-2004

Charles F. Belida
6775 01/15

Commonwealth of Pennsylvania, County of

ss:

Be it Remembered, that on

before me the subscriber,

personally appeared

who acknowledged

self to be the

of

a Corporation, and that being authorized to do so as such corporate officer executed the foregoing instrument for the purposes therein contained on behalf of the corporation.

Witness my hand and seal the day and year aforesaid.

BTB

Dennis Nathan a/k/a Dennis Seyedzadeh; Naeimeh
Natan Seyedzadeh and Allen Kambis Sayedzeh, partners

TO

The Lancaster County Convention Center Authority

Dated September 14, 2000

The Undersigned certifies that the precise residence and
complete post office address of the Grantor is:

50 W. Duke Street (5th Floor)
Lancaster, Pa 17602
City State Zip Code

Charles T. Kelly

6775 0116

EXHIBIT B

[PSP PREMISES]

Legal Description Attached

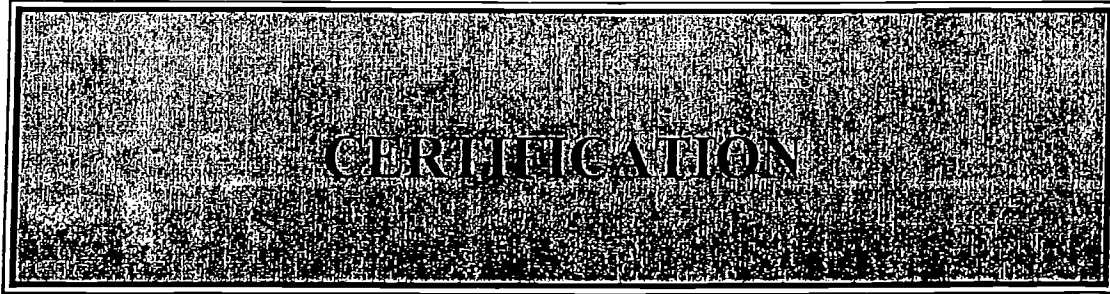
12.1.6.1-8" 10524 -- 6-27-01-

LANCASTER COUNTY

OFFICE OF RECORDER OF DEEDS

Steve McDonald
Recorder of Deeds

50 North Duke Street
P.O. Box 83480
Lancaster, PA 17608-3480
Telephone: 717.299.8238
Fax: 717.299.8393
Website: www.co.lancaster.pa.us
E-mail: mcdonald@co.lancaster.pa.us



I HEREBY CERTIFY THAT THE ATTACHED COPY IS A TRUE, FULL AND PERFECT
COPY OF DEED

FROM: BON-TON STORES OF LANCASTER, INC. ALSO KNOWN AS BON-TON STORES OF LANCASTER,
INC.

TO: PENN SQUARE PARTNERS

AS THE SAME IS RECORDED IN
THE OFFICE OF THE RECORDER OF DEEDS, LANCASTER COUNTY, PA IN

BOOK: 5624
VOLUME:
PAGE: 389

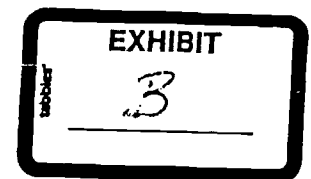
WITNESS MY HAND AND SEAL OF SAID OFFICE THIS
19TH DAY OF JULY A.D. 2001



James M. Schudy
RECORDER OF DEEDS
Debra L. Schudy



Lancaster County • Established 1729



998009917

31.00
GKV

FEB 18 1998

THIS INDENTURE made the 17th day of February, 1998 between THE

BON-TON STORES OF LANCASTER, INC., a Pennsylvania corporation, having its
*also known as Bon-Ton Stores of Lancaster, Inc.

principal office at 2801 East Market Street, York, PA 17402* ("Grantor") and PENN

SQUARE PARTNERS, a Pennsylvania limited partnership, having offices at 1853

William Penn Way, Lancaster, PA 17605 ("Grantee").

WITNESS, that in consideration of One Million Two Hundred Fifty

Thousand Dollars (\$1,250,000.) paid by Grantee, Grantor does hereby grant and convey
to Grantee, its successors and assigns,

ALL land, with the buildings and improvements thereon, described in
Exhibit A attached hereto and made a part hereof (the "Premises")

TOGETHER with all hereditaments and appurtenances thereunto
belonging, and all the estate, right, title and interest of Grantor, in law, equity, or
otherwise, in and to the same.

Subject to covenants and restrictions of record affecting the Premises.

Subject to applicable zoning ordinances.

To have and to hold the Premises unto Grantee, its successors and assigns,
forever.

DISTRICT: 33-3

Tax parcels No.

13KID-7-1
13KID-7-24
13KID-7-25
13KID-7-26
13KID-7-27
13KID-7-28

TAXES	
Pa.	12500.00
Local	6250.00
Local	6250.00

Lancaster City
Lancaster

RECORDED OR FILED
98 FEB 18 PM 4:00
LANCASTER, PA.

5624 0389

DIST 333 MAP See list 18
BLK 8 LOT

50 RE 19.00 AM 11.50 TOT 31.00

CUT-51924744

And Grantor does hereby warrant specially the Premises and does covenant that Grantor has not done or suffered anything whereby the Premises have been encumbered in any way whatever, except as aforesaid.

THE BON-TON STORES OF LANCASTER, INC.
also known as Bon-Ton Stores of Lancaster, Inc.

By

02/18/98	3:59PM	010H4517	AXX
		PA TAX	\$12500.00
02/18/98	3:59PM	010H4517	AXX
		LOCAL TX	\$6250.00
02/18/98	3:59PM	010H4517	AXX
		LOCAL TX	\$6250.00

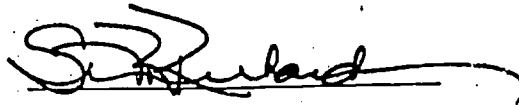
5624 0390

COMMONWEALTH OF PENNSYLVANIA

COUNTY OF LANCASTER

On this, the 17th day of February, 1998 before me, personally appeared H. Stephen Evans who acknowledged himself to be the Senior Vice President of The Bon-Ton Stores of also known as Bon-Ton Stores of Lancaster, Inc. Lancaster, Inc., a corporation, and that he as such Senior Vice President, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as Senior Vice President.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.



NOTARIAL SEAL
STEVEN R. RICHARDSON, Notary Public
Lancaster City, Lancaster Co., PA
My Commission Expires Feb. 24, 2001

The address of the within named Grantee is:

1853 William Penn Way

Lancaster, PA 17605

5624 0391

EXHIBIT A

DESCRIPTION and RECITAL

TRACT NO. 1 (2-10 East King Street & 19-21 South Queen Street)

ALL THAT CERTAIN tract of land with the improvements thereon erected, being situated on the South side of East King Street, the West side of South Christian Street, and the East side of South Queen Street, in the City of Lancaster, County of Lancaster, Commonwealth of Pennsylvania, as shown on a survey prepared by H. F. Huth Engineers, Inc., dated April 17, 1962, revised May 10, 1962, said tract being more fully bounded and described as follows:

BEGINNING at a point at the intersection of the South line of East King Street and the East line of "The Square"; thence along the South line of East King Street, North 81 degrees 35 minutes East, a distance of 111.61 feet to a point, a corner of land now or late of Simon A. Cantor, said point being the Eastern face of the East wall of the three-story brick store building hereon erected; thence along the East face of said wall and passing through the center line of said wall at the Southern extremity of said wall, South 08 degrees 32 minutes East, a distance of 131.67 feet to a point in the South side of a 10.0 foot wide private alley, said point being situated on the North face of the North wall of a four-story brick building hereon erected; thence along the same, North 81 degrees 46 minutes 30 seconds East, a distance of 69.21 feet to a point in the West line of South Christian Street; thence along the same, South 08 degrees 38 minutes 30 seconds East, a distance of 162.66 feet to a point, a corner of lands now or late of William G. Rinehart; thence along the same, passing along the North face of the North wall of the building erected on lands now or late of William G. Rinehart, South 81 degrees 42 minutes 30 seconds West, a distance of 246.74 feet to a point in the East line of South Queen Street; thence along the same, North 08 degrees 39 minutes 30 seconds West, a distance of 229.32 feet to a point in the South line of "The Square"; thence along the same, North 81 degrees 56 minutes East, a distance of 66.0 feet to a point in line of the East line of said "Square"; thence along the same, North 08 degrees 26 minutes West, a distance of 65.10 feet to the point or place of BEGINNING.

BEING composed of the following tracts of land:

1. Purparts No. 1, 3 and 4 of the same premises which James Shank and P. T. Watt and Laura G. Watt, his wife, and James Shand and P. T. Watt, partners trading as Watt and Shand, by Deed dated March 18, 1918, and recorded in the Recorder of Deeds Office for Lancaster County, Pennsylvania, in Deed Book I, Volume 23, Page 220, granted and conveyed unto Watt and Shand, a PA corporation, its successors and assigns.
2. The same premises which George R. Rohrer and Adelaide C. Rohrer, his wife, and Howard Fohrer, by their Deed dated April 2, 1920, and recorded in the Recorder of Deeds Office aforesaid in Deed Book C, Volume 24, Page 506, granted and conveyed unto Watt and Shand, a PA corporation, its successors and assigns.
3. The same premises which Drossos A. Skyllas, by Deed dated April

ATTACHED TO AND FORMING A PART OF TITLE INSURANCE COMMITMENT
der No.: D192447LA
=====

15, 1925, and recorded in the Recorder of Deeds Office aforesaid in Deed Book I, Volume 27, Page 578, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

4. The same premises which Albert F. Witmer, Substituted Fiduciary of the Trust Mortgage Pool of The Lancaster Trust Company, by Deed dated May 22, 1936, and recorded in the Recorder of Deeds Office aforesaid in Deed Book P, Volume 32, Page 480, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

5. The same premises which John M. Ammon and Cora M. Ammon, his wife, by Deed dated July 2, 1937, and recorded in the Recorder of Deeds Office aforesaid in Deed Book E, Volume 33, Page 295, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

6. The same premises which Harry P. Wisegarver, Executor of Jennie H. May, by Deed dated March 30, 1940, and recorded in the Recorder of Deeds Office aforesaid in Deed Book N, Volume 34, Page 365, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

7. The same premises which Alpheaus S. Groff and Ella L. Groff, his wife, by Deed dated February 24, 1960, and recorded in the Recorder of Deeds Office aforesaid in Deed Book Y, Volume 48, Page 419, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

TOGETHER with and subject to the right to the use of the aforesaid 10 feet wide private alley.

TRACT NO. 2 (40 South Christian Street)

ALL THAT CERTAIN lot or piece of land situated on the West side of South Christian Street, in the City of Lancaster, County of Lancaster and State of Pennsylvania, having thereon erected a two-story brick building known as No. 40 South Christian Street, bounded and described according to a survey made by J. Haines Shertzer on November 7, 1949, as follows, to wit:

BEGINNING at an iron pin on the West line of South Christian Street, a corner of property now or late of Richard Oblender; thence extending along said property of Richard Oblender, North 88 degrees 29 minutes West, a distance of 125.00 feet to a "V" cut in the wall of the building adjoining to the South, a corner of other property now or late of R. S. Noonan and Ella Noonan, his wife, and S. Edward Sherrill and Anita B. Sherrill, his wife; thence extending along said other property of the said R. S. Noonan and Ella Noonan, his wife, and S. Edward Sherrill and Anita B. Sherrill, his wife, North 45 minutes East, a distance of 32.14 feet to a cross in a concrete walk on line of property now or late of Phares Reifsnyder; thence extending along said property of Phares Reifsnyder, South 88 degrees 44 minutes East, a distance of 125.00 feet to an iron pin on the aforesaid West line of South Christian Street; thence extending along said West line of South Christian Street, South 45 minutes West, a distance of 32.68 feet to an iron pin, the place of BEGINNING.

5624 0393

BEING THE SAME PREMISES which R. S. Noonan and Ella Noonan, his wife, and S. Edward Sherrill and Anita B. Sherrill, his wife, by Deed dated November 30, 1949, and recorded December 1, 1949, in the Recorder of Deeds Office in and for Lancaster County, Pennsylvania, in Deed Book E, Volume 40, Page 501, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

TRACT NO. 3 (27-29 South Queen Street)

ALL THAT CERTAIN lot or piece of ground situate on the East side of South Queen Street, between Penn Square and Vine Street, in the City of Lancaster, County of Lancaster, Commonwealth of Pennsylvania, on which is erected a four-story brick store building, known as Nos. 27-29 South Queen Street, and other improvements.

CONTAINING in front on the East side of South Queen Street, 32 feet 2 1/4 inches, and extending in depth of that width Eastward 245 feet to Christian Street.

BOUNDED on the North by property of Watt & Shand; on the East by South Christian Street; on the South by property now or formerly of Farmers Bank & Trust Company of Lancaster; on the West by South Queen Street.

BEING THE SAME PREMISES which Ethel Judene Walker, by Deed dated October 29, 1986, and recorded November 10, 1986, in the Recorder of Deeds Office in and for Lancaster County, Pennsylvania, in Deed Book N, Volume 96, Page 231, granted and conveyed unto Watt & Shand, a Pennsylvania corporation, its successors and assigns.

AND Watt and Shand a/k/a Watt & Shand a/k/a Watt & Shand, Inc., by merger effective April 5, 1992, became known as Bon-Ton Stores of Lancaster, Inc.

TRACT NO. 4 (33-35 South Queen Street)

ALL THAT CERTAIN lot of ground situate on the East side of South Queen Street, in the City of Lancaster, County of Lancaster and State of Pennsylvania, known as 33-35 South Queen Street, bounded and described as follows, to wit:

CONTAINING in front on said South Queen Street, 32 feet 5 inches, more or less, and extending in depth of that width, more or less, 120 feet to property now or formerly of Watt & Shand Company.

BOUNDED on the North by property now or formerly of Julia G. Loeb; on the East by property now or formerly of Watt & Shand Company; on the South by property now or formerly of the Peoples Trust Company; on the West by South Queen Street.

ATTACHED TO AND FORMING A PART OF TITLE INSURANCE COMMITMENT
Order.No.: D192447LA
=====

BEING THE SAME PREMISES which Oblender's Furnishings, Inc., by Deed dated December 19, 1977, and recorded in the Recorder of Deeds Office in and for Lancaster County, Pennsylvania, in Deed Book U, Volume 72, Page 560, granted and conveyed unto Hager Realty Corporation, its successors and assigns.

AND Hager Realty Corporation, by merger, has become part of Bon-Ton Stores of Lancaster, Inc.

TRACT NO. 5 (31 South Queen Street)

ALL THAT CERTAIN half lot of piece of land, with the buildings and improvements thereon erected, situated on the East side of South Queen Street, between Penn Square and Vine Street, in the City of Lancaster, County of Lancaster and State of Pennsylvania, known as No. 31 South Queen Street.

CONTAINING in front on the East side of said South Queen Street, 32 feet $2\frac{1}{4}$ inches, more or less, and extending in depth of that width Eastwardly, 245 feet, more or less, to South Christian Street, the Northern boundary line of the main buiding of the hereby granted premises being a party wall to the end of said main buiding.

BOUNDED on the North by property now or late of Walter A. Heinitsh; on the South by property now or late of Julius Loeb; on the East by said South Christian Street; on the West by said South Queen Street.

BEING THE SAME PREMISES which William D. Crabtree and Ruth L. Crabtree, husband and wife, by their Attorney-in-Fact, Richard G. Greiner, by Deed dated July 31, 1997, and recorded July 31, 1997, in the Recorder of Deeds Office in and for Lancaster County, Pennsylvania, in Record Book 5414, Page 7, granted and conveyed unto Bon-Ton Stores of Lancaster, Inc., a Pennsylvania corporation, its successors and assigns.

DISTRICT - 33-3; MAP - 13K1D; BLOCK - 7; PARCEL - 1 & 28 (Tract 1); 25 (Tract 2); 27 (Tract 3); 24 (Tract 4); 26 (Tract 5)

I Certify This Document To Be
Recorded in Lancaster Co., Pa.



[Signature]
STEVE McDONALD
Recorder of Deeds

EXHIBIT C
[HOTEL LEASE]

HOTEL TOWER LEASE AGREEMENT

BETWEEN

**REDEVELOPMENT AUTHORITY OF THE
CITY OF LANCASTER,
LESSOR**

AND

**PENN SQUARE PARTNERS,
LESSEE**

DATED AS OF _____, 2005

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THIS HOTEL TOWER LEASE AGREEMENT (this "Agreement" or this "Lease") is made and entered into as of _____, 2005, by and between Redevelopment Authority of the City of Lancaster, a body politic and corporate existing under the laws of the Commonwealth of Pennsylvania ("Lessor") and Penn Square Partners, a Pennsylvania limited partnership ("Lessee").

RECITALS

A. City Council of the City of Lancaster ("City Council"), upon recommendation of the Planning Commission of the City of Lancaster ("Planning Commission") adopted in 1993 a City of Lancaster Comprehensive Plan in accordance with the Pennsylvania Urban Redevelopment Law 35 P.S. § 1701 as a comprehensive general plan for the development of the City of Lancaster and found that the Redevelopment Area was blighted.

B. On October 21, 1998, the Planning Commission adopted a Strategic Economic Redevelopment Plan citing and certifying that the condition of 35 P.S. § 1702 are found in the Redevelopment Area as adopted by the City of Lancaster in 1993. The Planning Commission found and certified that the replanning and redevelopment of such areas in accordance with sound Redevelopment Proposals prepared by the Redevelopment Authority, recommended by the Planning Commission and approved by the City Council will promote the public health, safety, convenience and welfare.

C. The Redevelopment Plan sets forth goals and objectives for the Redevelopment Area as set forth in the Strategic Economic Redevelopment Plan.

D. Unit 2, as hereinafter defined, is located within the Redevelopment Area and the Redevelopment Authority of the City of Lancaster is desirous of developing Unit 2 in furtherance of the Comprehensive Plan and the Strategic Economic Redevelopment Plan.

E. On April 5, 2005, Lessor approved a Redevelopment Proposal for the Project and recommended its approval to the City Council. The Redevelopment Proposal, among other things, will authorize the Lessor to own Unit 2, to construct the improvements contemplated by this Agreement, to lease to Lessee and to issue bonds to finance the construction of the improvements. The City Council approved the Redevelopment Proposal on May 10, 2005.

F. Pursuant thereto, Lessor desires to let and lease to Lessee, and Lessee desires to rent from Lessor, the Condominium Unit, and Lessor desires to grant and delegate to Lessee and Lessee desires to accept and assume certain rights, duties and obligations as described in this Agreement, all in fulfillment of the Comprehensive Plan and the Strategic Economic Redevelopment Plan and the Redevelopment Proposal.

TERMS

NOW THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1. Definitions.

The capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in Appendix A hereto for all purposes hereof.

ARTICLE II LEASE OF PROPERTY

Section 2.1. Demise and Lease.

(a) Lessor hereby demises and leases the Original Premises to Lessee, and Lessee does hereby rent and lease the Original Premises from Lessor, for the Initial Term.

(b) Lessor shall demise and lease Unit 2 to Lessee and Lessee shall hereby rent and lease Unit 2 from Lessor for the Interim Term.

(c) Lessor shall demise and lease Unit 2 to Lessee and Lessee shall hereby rent and lease Unit 2 from Lessor for the Base Term.

(d) Lessee may from time to time own or hold under lease or license from Persons other than Lessor furniture, equipment and personal property, including Lessee's Furniture, Fixtures, Equipment and Personalty, located on or about the Condominium Unit, which shall not be subject to this Lease or included in the term "Condominium Unit." Lessor shall from time to time, upon the reasonable request of Lessee, promptly acknowledge in writing to Lessee or other Persons that Lessor does not own or, except as provided in Article X, have any other right or interest in or to such furniture, equipment and personal property, including Lessee's Furniture, Fixtures, Equipment and Personalty, and Lessor hereby waives any such right, title or interest, whether pursuant to statute or common law. Lessee agrees to make an initial investment in the Hotel, including, but not limited to, fixtures, furniture, equipment, pre-opening expenses, working capital, third-party consultant fees, technical services fees, and development fees, for the Hotel and restaurant of approximately \$10 million (\$10,000,000.00) and to equip the Hotel in the manner required by Marriott International or any of its Affiliates pursuant to the Marriott Franchise Agreement.

(e) Lessee acknowledges that Unit 2 is part of a condominium regime containing the Hotel, the Convention Center and common elements and limited common elements, if any (the "Condominium Regime"). Except as otherwise provided herein, Lessee shall perform all acts and obligations, whether affirmative or negative, that are required by Lessor which pertain to the Condominium Unit. Except as otherwise provided herein, with respect to the other unit owners in the Condominium Regime, Lessee shall be deemed responsible for all duties, obligations and liabilities of the Lessor under the Condominium Regime for the term of this Lease.

(f) The Lease and the rights and privileges of Lessee thereunder shall be subject to the terms and conditions of the IDP Loan and the IDP Mortgage.

(g) Lessee shall have the right to cancel this Lease during the Interim Term if after two (2) years from the commencement of the Interim Term, the construction of the Improvements is not commenced. Either party may cancel this Lease during the Interim Term if the Improvements are not completed within ten (10) years after the commencement of the Interim Term.

(h) Lessor reserves to itself during the Interim Term all rights required for construction of the Improvements for Lessee as set forth in this Lease.

(i) Notwithstanding anything contained herein, Lessor has granted a purchase option to LCCCA during the Initial Term and that portion of the Interim Term until the construction of the foundation has commenced for both the Hotel and the Convention Center. Upon the purchase option to being exercised by LCCCA, this Lease shall terminate and be of no further force and effect and Lessor and Lessee hereby release each other from all liability and responsibility to one another pursuant to this Lease. The Agreement to Transfer and Reimbursement Agreement between Lessor and Lessee confers additional option rights and rights of first refusal upon Lessee in the event this Lease is terminated which in no way shall be affected by the termination of this Lease.

ARTICLE III RENT

Section 3.1. Initial Rent; Interim Rent; Base Rent; IDP Debt Service.

Lessee shall pay to Lessor Initial Rent during the Initial Term commencing on the first day of such term; Interim Rent during the Interim Term commencing on the first day of such term; and Base Rent during the Base Term commencing on the Commencement Date of the Base Term. With respect to the Interim Term and the Base Term, payments shall be made ten (10) days prior to the periodic payment date required for payment of debt service and other payments to be made pursuant to the Bond Financing and the Bond Financing Documents. During the Initial Term the Interim Term and the Base Term, Lessee shall pay the IDP Debt Service in accordance with the provisions of the IDP Loan until the IDP Loan is fully paid.

Section 3.2. Additional Rent.

Lessee shall pay to Lessor, or to such other Person as shall be entitled thereto Additional Rent in the manner contemplated herein or as otherwise required by Lessor as the same shall become due and payable. Unless the due date for a particular item of Additional Rent is specified elsewhere in this Lease, Additional Rent payable to Lessor shall be due and payable by Lessee on the due date of such particular item of Additional Rent provided Lessor has given Lessee notice of the due date of such item if Lessee does not otherwise have notice thereof, or if no such date is specified, ten (10) Business Days after written notice from Lessor. In the event of Lessee's failure to pay when due and payable any Additional Rent after the expiration of any

applicable notice and cure periods, Lessor shall have all rights, powers and remedies provided for herein or by law or in equity or otherwise as in the case of nonpayment of Base Rent.

Section 3.3. Minimum Participation Rent.

Commencing on the Commencement Date of the Base Term, Lessee shall pay to Lessor the Minimum Participation Rent or, if directed by Lessor, shall make the payment directly to the City of Lancaster. Lessee shall provide a guarantee with credit acceptable to the Lessor who will guarantee the payment of the Minimum Participation Rent for the term of the Lease.

Section 3.4. Participation Percentage Rental Payment; Audit.

(a) Commencing on the Commencement Date of the Base Term, Lessee shall pay to Lessor or to the City of Lancaster if directed by Lessor, the Participation Percentage Rental Payment. Payment shall be made by April 1 of each year for the preceding calendar year and, simultaneously therewith, Lessee shall deliver to Lessor and to said City a certification executed by the Lessee certifying the following: (i) Net Cash Flow from the operation of the Hotel and Condominium Unit for the previous calendar year, and (ii) the Preferred Return for the calendar year taking into account and showing the cumulative cash-on-cash Preferred Return on Lessee's Equity up to and including the period from the opening of the Hotel to the end of the previous year.

(b) Lessee shall provide Lessor reasonable access to books and records concerning the operations of the Hotel upon reasonable notice for purposes of verifying amounts set forth in its certification filed pursuant to this Article. Lessee shall, at its own expense, cause to be undertaken by an independent certified public accountant an audit of such books and records for the purposes stated in the preceding sentence. In the event that the accountant, as a result of the audit, determines that Lessee has made payments to Lessor for the applicable calendar year which are in excess of the amounts due pursuant to this Section 3.4, Lessor shall return the amount of such excess to Lessee within thirty (30) days of receipt of such determination. In the event that the accountant, as a result of the audit, determines that Lessee has made payments to the Lessor for the applicable calendar year which are less than the amounts due pursuant to this Section 3.4, Lessee shall pay to Lessor the amount of such deficiency within thirty (30) days of receipt of such determination.

Section 3.5. Method of Payment.

Base Rent, Additional Rent and Minimum Participation Rent payable to Lessor, shall be paid to Lessor or its designee to such account as Lessor shall (at least ten (10) Business Days prior to the due date therefor) specify in writing to Lessee; provided, however, that notwithstanding anything to the contrary contained herein, until such time as Lessor and Lender shall irrevocably instruct Lessee in writing, Lessor hereby irrevocably directs and Lessee agrees, that all Base Rent and all Additional Rent not payable by Lessee to third parties or Governmental Authorities or to Lessor by virtue of Articles XVIII and all late payments with respect thereto, shall be paid in immediately available funds to the parties designated by the Bond Financing Documents. Lessee shall pay all Additional Rent to the parties specified in the Condominium Documents. Lessee shall pay all Impositions to the appropriate taxing authority. The Minimum

Participation Rent shall be paid in accordance with Section 3.3 above. The Participation Percentage Rental Payment shall be made in accordance with Section 3.4 above. To the extent Lessor Administrative Costs are not payable to a third party in connection with the Bond Financing Documents, the IDP Loan or the IFIP Grant and the IFIP Grant Agreement and any financing in connection therewith, such costs shall be paid by Lessee directly to the Lessor.

Section 3.6. Late Payment.

If any payment of any Base Rent, Additional Rent or Minimum Participation Rent payable to Lessor shall be delinquent, Lessee shall pay interest thereon from the date such payment became due and payable to the date of receipt thereof by Lessor at a rate per annum equal to the Default Rate. If any Excepted Payments or payment of Base Rent or Additional Rent (payable to anyone other than Lessor) shall be delinquent, Lessee shall pay to the Person entitled thereto, as Additional Rent, an amount equal to the late charges (if any) actually due and payable thereon, including any amounts due as late charges under any of the Bond Financing Documents. Lessee acknowledges its responsibility to pay late charges and penalties owed to any third party by reason of Lessee's failure to pay when due Base Rent, or Additional Rent owed to such Person.

Section 3.7. Net Lease, No Setoff, Etc.

This Lease is a net lease, exclusive of any real estate taxes imposed despite Lessor's status as a Redevelopment Authority immune from local taxation or any other tax, and it is agreed and intended that Base Rent, Additional Rent, Minimum Participation Rent, and any other amounts payable hereunder by Lessee shall be paid without notice, except to the extent otherwise expressly specified in this Lease, demand, counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction and that Lessee's obligation to pay all such amounts, throughout the Base Term and all applicable Renewal Terms is absolute and unconditional. Except to the extent otherwise expressly specified in this Lease, the obligations and liabilities of Lessee hereunder shall in no way be released, discharged or otherwise affected for any reason, including without limitation: (a) any defect in the condition, merchantability, design, quality or fitness for use of the Condominium Unit or any part thereof, or the failure of the Condominium Unit to comply with all Applicable Laws, including any inability to occupy or use the Condominium Unit by reason of such noncompliance; (b) any damage to, removal, abandonment, salvage, loss, condemnation, theft, scrapping or destruction of or any requisition or taking of the Condominium Unit or any part thereof, or any environmental conditions on the Condominium Unit or any property in the vicinity of the Condominium Unit; (c) any restriction, prevention or curtailment of or interference with any use of the Condominium Unit or any part thereof including eviction; (d) any defect in title to or rights to the Condominium Unit or any Lien on such title or rights to the Condominium Unit; (e) any change, waiver, extension, indulgence or other action or omission or breach in respect of any obligation or liability of or by any Person; (f) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceedings relating to Lessee or any other Person, or any action taken with respect to this Lease by any trustee or receiver of Lessee or any other Person, or by any court, in any such proceeding; (g) any right or claim that Lessee has or might have against any Person, including without limitation Lessor, Lender, or any vendor, manufacturer, contractor of or for the Condominium Unit; (h) any invalidity,

unenforceability, rejection or disaffirmance of this Lease by operation of law or otherwise against or by Lessee or Lessor or any provision hereof or any of the other Operative Documents or any provision of any thereof; (i) the impossibility of performance by Lessee or Lessor, or both; (j) any action by any court, administrative agency or other Governmental Authority; (k) any interference, interruption or cessation in the use, possession or quiet enjoyment of the Condominium Unit pursuant to Section 24.2 or otherwise; or (l) any other occurrence whatsoever, whether similar or dissimilar to the foregoing, whether foreseeable or unforeseeable, and whether or not Lessee shall have notice or knowledge of any of the foregoing.

EXCEPT AS SPECIFICALLY SET FORTH IN THIS LEASE, THIS LEASE SHALL BE NONCANCELLABLE BY LESSEE FOR ANY REASON WHATSOEVER AND, EXCEPT AS EXPRESSLY PROVIDED IN THIS LEASE, LESSEE, TO THE EXTENT NOW OR HEREAFTER PERMITTED BY APPLICABLE LAWS, WAIVES ALL RIGHTS NOW OR HEREAFTER CONFERRED BY STATUTE OR OTHERWISE TO QUIT, TERMINATE OR SURRENDER THIS LEASE OR TO ANY DIMINUTION, ABATEMENT OR REDUCTION OF RENT PAYABLE HEREUNDER. UNDER NO CIRCUMSTANCES OR CONDITIONS SHALL LESSOR BE EXPECTED OR REQUIRED TO MAKE ANY PAYMENT OF ANY KIND HEREUNDER OR HAVE ANY OBLIGATIONS WITH RESPECT TO THE USE, POSSESSION, CONTROL, MAINTENANCE, ALTERATION, REBUILDING, REPLACING, REPAIR, RESTORATION OR OPERATION OF ALL OR ANY PART OF THE PROPERTY, SO LONG AS THE PROPERTY OR ANY PART THEREOF IS SUBJECT TO THIS LEASE, AND LESSEE EXPRESSLY WAIVES THE RIGHT TO PERFORM ANY SUCH ACTION AT THE EXPENSE OF LESSOR PURSUANT TO ANY LAW.

Section 3.8. Initial Rent and Interim Rent Payment.

Initial Rent and Interim Rent payments shall be paid upon execution of this Lease; provided, however, that the portion or portions of Initial Rent and Interim Rent constituting Additional Rent shall be paid in accordance with Section 3.2 and the portion or portions representing Lessor Administrative Costs shall be paid on the due dates therefor specified in the Bond Financing Documents or, if not specified therein, (a) as to amounts due and payable to third parties by or on behalf of Lessor of which such amounts are due and payable to said third parties and (b) as to other amounts, on the date or dates specified by Lessor to Lessee.

Section 3.9. Cost of Credit Enhancement.

To the extent Lessee, in its sole discretion, determines that a form of credit enhancement for the Bond Financing including, without limitation, a letter of credit or bond insurance, is necessary or desirable, Lessee shall procure such credit enhancement which shall be a cost of the project. Lessee shall be permitted to secure the payment of the credit enhancement by creating a lien on Lessee's interest in Unit 2. To the extent any provider of any credit enhancement determines, in its sole discretion, that it is necessary for Lessor to join in the security instrument for the purpose of subjecting Lessor's fee simple interest in Unit 2 so as to permit the credit enhancer, in the event of a default, to own a fee simple interest, Lessor agrees to join in the security instrument provided that Lessor shall have no additional liability beyond its fee simple interest in Unit 2.

ARTICLE IV CONSTRUCTION OF IMPROVEMENTS

Section 4.1. Construction.

Lessee acknowledges that the Condominium Unit is to be improved with an approximately 300 room first-class hotel, a restaurant, front desk, administrative offices, and ancillary improvements, all as more specifically defined on the plans and specifications ("Plans") listed on Schedule 4.1 attached hereto and incorporated herein by reference. Lessor agrees to complete the Improvements in accordance with the Plans pursuant to a construction management agreement (including, without limitation, M/W/BE goals, non-discrimination requirements and prevailing wage requirements of the City of Lancaster, Commonwealth of Pennsylvania and the United States of America) with a qualified construction manager and sub-construction manager with guaranteed maximum prices from each initial prime sub-contractor performing the work for each trade ("Prime Sub-Contracts"), all as selected by Lessee and approved by Lessor, which approval shall not be unreasonably withheld (the "Construction Contract").

Section 4.2. Payment of Cost Overages; Return of Cost Savings.

Lessee acknowledges and agrees that it will pay the cost of all change orders to the Prime Sub-Contracts and Construction Contract which result from a change required or requested by Lessee and the costs in excess of allowances specified in the Prime Sub-Contracts pursuant to the Construction Contract; provided, such costs result in an increase to the price to any Prime Sub-Contract or the Construction Contract as a whole. All other change orders to the Prime Sub-contracts and Construction Contract shall be paid by the Lessor. The utilization of cost savings with respect to the Hotel shall be determined by Lessee in its sole discretion and shall be used by Lessee to construction finance maintain and operate the Hotel. Lessor shall not be entitled to use cost savings for any other purpose.

Section 4.3. Payment and Performance Bonds.

The Construction Contract shall comply with all requirements of the Urban Redevelopment Act, 35 P.S. § 1711, with respect to payment and performance bonds.

Section 4.4. Non-Discrimination Covenants.

No person shall be deprived of any use, sale or lease of the Improvements, the Hotel or any other part of the facilities and property subject to this Lease by reason of race, creed, color or national origin, nor shall any person be denied employment at the Hotel or any other part of said facilities or property by reason of race, creed, color or national origin.

Section 4.5. IFIP Non-Discrimination Covenants.

During the term of this Lease, the Lessee agrees, as to itself and as to each occupant of the facilities acquired or constructed in whole or in part with proceeds of the IFIP Grants and controlling, controlled by or under common control with the Lessee (each, for purposes of this Section, being referred to as a "Contractor") as follows:

(a) Contractor shall not discriminate against any employee, applicant for employment, independent contractor or any other Person because of race, color, religious creed, handicap, ancestry, national origin, age or sex. Contractor shall take affirmative action to insure that applicants are employed, and that employees or agents are treated during employment, without regard to their race, color, religious creed, handicap, ancestry, national origin, age or sex. Such affirmative action shall include, but is not limited to: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training. Contractor shall post in conspicuous places, available to employees, agents, applicants for employment and other persons, a notice to be provided by the contracting agency setting forth the provisions of this Section.

(b) Contractor shall in advertisements or requests for employment placed by it or on its behalf, state that all qualified applicants will receive consideration for employment without regard to race, color, religious creed, handicap, ancestry, national origin, age or sex.

(c) Contractor shall send each labor union or workers' representative with which it has a collective bargaining agreement or other contract or understanding, a notice advising said labor union or workers' representative of its commitment to this nondiscrimination clause. Similar notice shall be sent to every other source of recruitment regularly utilized by Contractor.

(d) It shall be no defense to a finding of noncompliance with this Section that Contractor had delegated some of its employment practices to any union, training program or other source of recruitment which prevents it from meeting its obligations. However, if the evidence indicates that Contractor was not on notice of the third-party discrimination or made a good faith effort to correct it, such factor shall be considered in mitigation in determining appropriate sanctions.

(e) Where the practices of a union or of any training program or other source of recruitment will result in the exclusion of minority group persons, so that Contractor will be unable to meet its obligations under this Section, Contractor shall then employ and fill vacancies through other nondiscriminatory employment procedures.

(f) Contractor shall comply with all state and federal laws prohibiting discrimination in hiring or employment opportunities. Noncompliance with this Section will constitute an Event of Default under this Lease.

(g) Contractor shall furnish all necessary employment documents and records to, and permit access to its books, records and accounts by, the Lessor for purposes of investigation to ascertain compliance with the provisions of this Section. If Contractor does not possess documents or records reflecting the necessary information requested, it shall furnish such information on reporting forms supplied by the Lessor.

(h) Contractor shall actively recruit minority subcontractors and women subcontractors or subcontractors with substantial minority or women representation among their employees.

(i) Contractor shall include the provisions of this Section in every subcontract, so that such provisions will be binding upon each subcontractor.

(j) Contractor obligations under this Section are limited to Contractor's facilities within Pennsylvania or, where the contract is for purchase of goods manufactured outside of Pennsylvania, the facilities at which such goods are actually produced.

(k) Contractor shall cooperate with Lessor in making appropriate certification of compliance with these covenants to DCED in connection with the IFIP Grants.

Section 4.6. Project Cost Certification.

Lessor and Lessee shall cooperate with one another to cause the construction manager and sub-construction manager and each prime sub-contractor performing work on the Improvements, to provide or submit to Lessor a project cost certification performed by one or more independent, third-party certified public accountants establishing the actual total construction costs incurred and paid by Lessor, Lessee, and each prime contractor in connection with the Improvements. Lessor and Lessee agree that the receipt of such construction cost certification shall be a condition for receiving a certificate of completion of the Improvements to the extent required by Section 11 of the Urban Redevelopment Law of the Commonwealth of Pennsylvania, as amended, 35 P.S. §1711

**ARTICLE V
INTENTIONALLY OMITTED**

**ARTICLE VI
LESSEE'S ACCEPTANCE OF PROPERTY; ENFORCEMENT OF WARRANTIES**

Section 6.1. Waivers.

The Condominium Unit is demised and let by Lessor "AS IS" in its present condition, subject to (a) the rights of any parties in possession thereof (other than rights, if any, granted by Lessor), (b) the state of the title thereto existing at the time of the commencement of the Lease Term (other than defects in, or exceptions to, title, if any, created by Lessor), (c) any state of facts which an accurate survey or physical inspection might show, (d) all Applicable Laws and Operative Documents, (e) any violations of Applicable Laws which may exist at the commencement of the Lease Term and (f) the presence of any Hazardous Materials at or under the Condominium Unit or at or under any property in the vicinity of the Condominium Unit.

LESSOR HAS NOT MADE OR SHALL BE DEEMED TO HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, OR SHALL BE DEEMED TO HAVE ANY LIABILITY WHATSOEVER AS TO THE VALUE, HABITABILITY, CONDITION, DESIGN, OPERATION, LOCATION, USE, DURABILITY, MERCHANTABILITY, CONDITION OF TITLE, OR FITNESS FOR USE OF THE PROPERTY (OR ANY PART THEREOF) FOR ANY PARTICULAR PURPOSE, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED,

WITH RESPECT TO THE PROPERTY (OR ANY PART THEREOF) AND NONE OF LESSOR, ANY AFFILIATE THEREOF OR LENDER OR ANY DESIGNEE THEREOF SHALL BE LIABLE FOR ANY LATENT, HIDDEN, OR PATENT DEFECT THEREIN OR FOR THE FAILURE OF THE PROPERTY, OR ANY PART THEREOF, TO OTHERWISE COMPLY WITH ANY APPLICABLE LAWS; PROVIDED, HOWEVER, NOTHING HEREIN SHALL NEGATE THE RIGHT OF LESSEE TO ENFORCE ANY WARRANTY RECEIVED FROM THE CONSTRUCTION MANAGER OR ANY OF THE PRIME SUBCONTRACTORS OR OTHER PARTIES CONSTRUCTING THE CONDOMINIUM UNIT IN ACCORDANCE WITH THE PROVISIONS OF THIS LEASE.

It is agreed that Lessee has inspected the Condominium Unit, is satisfied with the results of its inspections of the Condominium Unit and is entering into this Lease solely on the basis of the results of its own inspections and all risks incident to the matters discussed in the preceding sentence. The provisions of this Article VI have been negotiated, and the foregoing provisions are intended to be a complete exclusion and negation of any representations or warranties by Lessor, any Affiliate thereof or Lender, express or implied, with respect to the Condominium Unit, that may arise pursuant to any law now or hereafter in effect, or otherwise and specifically negating any warranties under the Uniform Commercial Code.

Section 6.2. Lessee's Right to Enforce Warranties.

(a) Subject to paragraph (b) below, Lessor hereby assigns and sets over to, and Lessee hereby accepts the assignment of all of Lessor's right, title and interest, and estate in, to and under, any and all warranties and other claims against dealers, manufacturers, vendors, architects, contractors and subcontractors relating to the construction, use and maintenance of the Condominium Unit or any portion thereof now existing or hereafter acquired (excluding from such assignment any such warranties and claims which by their terms are not assignable by Lessor without loss by reason of such assignment, of some or all of the benefits of such warranties or claims); provided, however, that Lessor shall have no obligations under, or liabilities with respect to, any such warranties and claims.

(b) Unless a Lease Event of Default shall have occurred and be continuing, Lessor authorizes Lessee (directly or through agents) at Lessee's expense to, and Lessee, to the extent consistent with customary business practices, shall, assert diligently for Lessor's account, during the Lease Term, all of Lessor's rights (if any) under any applicable warranty and any other claim that Lessee or Lessor may have against any architect, dealer, vendor, manufacturer, contractor or subcontractor with respect to the Condominium Unit or any portion thereof. Any amount recovered by Lessor during a Lease Event of Default shall be applied to Lessee's obligations.

(c) Unless a Lease Event of Default shall have occurred and be continuing, Lessor agrees, at Lessee's expense, to cooperate with Lessee and take all other action necessary as specifically requested by Lessee to enable Lessee to enforce all of Lessee's rights (if any) under this Section 6.2, such rights of enforcement to be exclusive to Lessee, and Lessor will not, during the Lease Term, amend, modify or waive, or take any action under, any applicable warranty and any other claim that Lessee may have under this Section 6.2 without Lessee's prior written consent. Lessee agrees at its expense, to the extent consistent with customary business

practices, to diligently assert all of its rights under such warranties and any other claims that Lessee may have against such vendor, manufacturer, contractor or subcontractor with respect to the Condominium Unit or any portion thereof. If Lessee fails to assert such rights and claims and to pursue the same diligently after written demand to do so from Lessor, Lessor may assert the same.

Section 6.3. Waiver of Landlord's Lien.

Twenty (20) days after receipt of written request from time to time therefor, Lessor shall execute and deliver to Lessee the form of Landlord's Waiver annexed hereto as Schedule 6.3 in connection with any financing or leasing by Lessee of Lessee's Furniture, Fixtures, Equipment and Personalty.

Section 6.4. Voting Rights under the Condominium Documents.

Lessor agrees that Lessee, during the term of this Lease and any Renewal Terms thereof, shall have all rights of Lessor as a "Unit Owner" under the Condominium Declaration, including, but not limited to, the right to (i) exercise all voting rights of Lessor as a "Unit Owner" under the Condominium Declaration, and (ii) elect a member to serve on the executive board of the Condominium Association. Lessee shall have only those obligations of Lessor as a Condominium Owner as are set forth in this Lease. Lessee agrees to defend, save and hold Lessor harmless against any costs, expenses, suits, judgments, or claims incurred by Lessor as a result of Lessee's acts with respect to the designation of voting rights. Lessee may not do or fail to do anything by which Lessor's ownership rights under the Condominium Documents may be materially adversely affected, without Lessor's prior written consent.

**ARTICLE VII
LIENS**

Section 7.1. Liens.

(a) Lessee shall not directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to the Condominium Unit, title thereto or any interest therein, to this Lease or the leasehold interest created hereby, or to the Rent, title thereto or interest therein, or the rentals payable with respect to the subletting of the Condominium Unit, except Permitted Liens. Lessee shall promptly, but not later than thirty (30) days after Lessee has Actual Knowledge of the filing thereof, at its own expense, take such action as may be necessary duly to discharge or eliminate or bond in a manner reasonably satisfactory to Lessor any such Lien (other than Permitted Liens). Lessee shall nevertheless discharge any lien on Lessee's Furniture, Fixtures, Equipment and Personalty before any loss or forfeiture of Lessee's Furniture, Fixtures, Equipment and Personalty that would materially and adversely affect operation of the Hotel, even though such lien is a Permitted Lien.

(b) NOTHING CONTAINED IN THIS LEASE SHALL BE CONSTRUED AS CONSTITUTING THE CONSENT OR REQUEST OF LESSOR, EXPRESS OR IMPLIED, TO OR FOR THE PERFORMANCE BY ANY CONTRACTOR, LABORER, MATERIALMAN, OR VENDOR OF ANY LABOR OR SERVICES OR FOR THE

FURNISHING OF ANY MATERIALS FOR ANY CONSTRUCTION, ALTERATION, ADDITION, REPAIR OR DEMOLITION OF OR TO THE PROPERTY OR ANY PART THEREOF, WHICH WOULD RESULT IN ANY LIABILITY OF LESSOR FOR PAYMENT THEREFOR. NOTICE IS HEREBY GIVEN THAT LESSOR WILL NOT BE LIABLE FOR ANY LABOR, SERVICES OR MATERIALS FURNISHED OR TO BE FURNISHED TO LESSEE, OR TO ANYONE HOLDING AN INTEREST IN THE PROPERTY OR ANY PART THEREOF THROUGH OR UNDER LESSEE, AND THAT NO MECHANICS OR OTHER LIENS FOR ANY SUCH LABOR, SERVICES OR MATERIALS SHALL ATTACH TO OR AFFECT THE INTEREST OF LESSOR IN AND TO THE PROPERTY.

ARTICLE VIII USE AND REPAIR

Section 8.1. Use.

The Condominium Unit shall be used only for hotel, convention center and related purposes, but in no event shall the Condominium Unit be used for (i) the operation of a public nuisance or any use that would materially increase the risk of Lessor incurring environmental liability, (ii) any use that would make it impossible to obtain or would invalidate any insurance policy of the Condominium Unit in question, provided such policy is required to be maintained hereunder, (iii) any use that would violate Applicable Laws or the Operative Documents, (iv) any use that would involve the mining for, or removal of, any oil, gas or minerals, or (v) any use that involves the manufacture, generation, use, storage, handling or processing of Hazardous Materials unless incidental to a use permitted under this Section 8.1 (a "Permitted Use"), and then only in compliance with Environmental Laws).

Lessee shall use the Improvements for only for their intended purposes for the whole period of time over which the Lessor is receiving IFIP Grants, and shall hold harmless and indemnify the Lessor for any amounts required to be repaid to the Commonwealth in respect of IFIP Grants by reason of Lessee's failure to use the Improvements for the period of time the Lessor is receiving IFIP Grants

Lessee shall not use the Improvements for any purpose other than for use as a Hotel with meeting and conference facilities during the term of this Lease and the period over which the Lessor is receiving IFIP Grants without the written consent of Lessor and, if required by the IFIP Grant Agreement, the written consent of DCED of the Commonwealth of Pennsylvania.

Section 8.2. Maintenance.

Lessee, at its own expense, shall at all times, (i) maintain the Condominium Unit in first-class condition and repair, (ii) maintain the Condominium Unit in accordance with the requirements of all insurance policies relating to the Condominium Unit required to be maintained hereunder and in compliance with Applicable Laws and the Operative Documents, and (iii) make repairs and Alterations of the Condominium Unit necessary to keep the same in the condition required by the preceding clauses (i) and (ii), whether interior or exterior, structural or nonstructural, ordinary or extraordinary, foreseen or unforeseen and regardless of whether

such expenditures would constitute expenses under GAAP if made by the owner of the Condominium Unit.

Section 8.3. Alterations.

(a) Provided that no Lease Event of Default has occurred and is continuing, at any time and from time to time, Lessee, at its sole cost and expense, may make (1) any Non-Structural Alterations, (2) Structural Alterations to the Condominium Unit costing \$1,000,000 or less on any one occasion during the Term after giving ten (10) days' prior written notice to Lessor and Lender, but without obtaining Lessor's or Lender's prior consent; and (3) Structural Alterations to the Condominium Unit costing in excess of \$1,000,000 on any one occasion during the Term after giving prior notice to Lessor and Lender, and obtaining Lessor's and Lender's prior written consent, which consent may not be unreasonably withheld or delayed; provided that no Alteration shall (i) impair in any material respect the utility, remaining useful life or current or residual fair market value of the Condominium Unit, in each case assuming that the Improvements are then being operated and maintained in accordance with this Article VIII, (ii) cause the Condominium Unit to be characterized as "limited use property" (as described in Section 4.09 of Revenue Procedure 75-28 or Revenue Procedure 76-30), or (iii) include the installation of any underground storage tank or otherwise increase in any material respect the risk of liability to Lessor or Lender, under any Environmental Laws; provided, however, any Alteration required to comply with the Marriott license agreement for the hotel shall be permitted after notice to the Lessor without Lessor's consent. Any Alterations not expressly permitted hereunder shall require Lender's consent, not to be unreasonably withheld or delayed. The amount stated in subclauses (1), (2), and (3) of this Section 8.3(a) (that is, \$1,000,000) shall be adjusted upward (but not downward) each year by the CPI Increase.

(b) Every Alteration shall comply with the following terms (which compliance shall be at Lessee's sole cost and expense): (1) the Alteration shall be built under the supervision of a certified architect who shall be licensed in the appropriate jurisdiction to the extent required for the filing of any plans in connection with such Alteration (which architect may be an employee of Lessee or its Affiliates), except when such Alterations are not, or do not include, Structural Alterations and the cost of such Alterations is, in the aggregate, less than \$1,000,000, (2) in the written opinion of a certified architect, duly licensed in the appropriate jurisdiction, the structural integrity of the existing Improvements will not be impaired upon completion of such work, (3) Lessee shall comply with all Applicable Laws and the Operative Documents, (4) Lessee shall obtain any licenses or permits required, copies of which shall be delivered to Lessor upon written request, and (5) such Alterations will not encroach upon any adjacent premises unless appropriate easements and consents shall have been obtained, and such encroachment shall be de minimis in nature. In connection with any Alteration, Lessee shall perform and complete all work in a good and workmanlike manner in compliance with Applicable Laws without the imposition of any Liens or assessments other than Permitted Liens. Lessee shall maintain or cause to be maintained at all times during construction all builder's risks insurance and comprehensive general liability insurance required under this Lease naming Lessor, Lender and such other Persons as may be required by Lessor as additional insureds.

(c) With respect to such Structural Alterations for which Lessee must obtain the consent of Lender pursuant to the terms of this Lease, Lender shall each have thirty (30) days

after Lessee's delivery of its request for consent, together with preliminary drawings and specifications for such Alterations. Lender shall have the right, within ten (10) days of receipt of such request for consent, to request in writing reasonable additional information as shall be reasonably necessary to provide an informed response with respect to the Alterations and any delay beyond five (5) Business Days in Lessee supplying Lender with such information shall extend the thirty (30) day period by a period equal to the delay occasioned in supplying the requested information to Lender for the consent of Lender. If Lender shall have not within such thirty (30) day period notified Lessee that such consent will not be granted (which notice, to be effective, must be accompanied with a reasonably detailed explanation for Lender's denial of consent), Lessee may give a second notice which clearly shall state that the failure to respond within seven (7) days shall be a deemed consent. If Lender shall not, within seven (7) days after such second notice (and such second notice specified therein that the failure to respond within seven (7) days shall constitute deemed consent), notify Lessee that such consent will not be granted (which notice, to be effective, must be accompanied with a reasonably detailed explanation for Lender's denial of consent), such consent shall be deemed to have been granted. All reasonable costs of review by persons not employees of Lessor incurred by Lessor or Lender (whether or not the Alteration is approved) shall be paid by Lessee within thirty (30) days of receipt of an invoice therefor.

(d) Lessee agrees that all Alterations shall at all times comply with all Applicable Laws and the Operative Documents. Lessee, at its expense, shall (i) obtain all necessary governmental permits, authorizations, approvals and certificates for the commencement and prosecution of such Alterations, (ii) obtain all necessary approvals, if any, under the Operative Documents and (iii) cause all improvements to be performed in a first class and good and workmanlike manner, using new materials and equipment equal in quality to the original installations in Unit 2.

(e) Notwithstanding anything contained herein, if the Bond Financing Documents contained a different standard for Alterations, the Bond Financing Documents shall control.

Section 8.4. Title to Alterations.

Title to Alterations (not including Lessee's Furniture, Fixtures, Equipment and Personalty) shall without further act vest in Lessor and shall be deemed to constitute a part of the Condominium Unit and be subject to this Lease in the following cases:

(a) such Alteration shall be in replacement of or in substitution for a portion of the Improvements in existence as of the date hereof.

(b) such Alteration shall be required to be made pursuant to the terms of Section 8.2;

(c) such Alteration shall be nonseverable; or

(d) such Alteration shall be financed or paid for by Lessor.

Lessee shall, at Lessor's request and at Lessee's sole cost and expense, execute and deliver any deeds or assignments reasonably requested by Lessor to evidence the vesting of title in and to such Alterations in Lessor. If an Alteration is not within any of the categories set forth in clauses (a) through (d) of this Section 8.4, then title to such Alteration shall vest in Lessee and shall be removed by Lessee to the extent required in accordance with Article X hereof. All Alterations to which title shall vest in Lessee as aforesaid, so long as removal thereof shall not result in the violation of any Applicable Laws or this Lease, may be removed at any time by Lessee, provided that Lessee shall, at its expense, repair any damage to the Condominium Unit caused by the removal of such Alteration and shall restore the Condominium Unit to substantially the same condition as existed prior to such Alteration (assuming the Condominium Unit was in the condition required by Article VIII immediately before the existence of such Alteration) being made. Lessee shall provide Lessor and Lender with "AS-BUILT" plans for any Alterations costing in excess of \$1,000,000, as well as any Structural Alterations.

Section 8.5. Limitation on Compliance.

If, to the extent and for so long as compliance with an Applicable Law shall have been excused or exempted by a nonconforming use permit, variance, waiver, extension or forbearance issued by the Person otherwise entitled to enforce such Applicable Law, then Lessee shall not be required hereunder to comply with such Applicable Law. Lessor shall, at Lessee's expense, cooperate fully with Lessee in connection with seeking any such exemption. Lessor will not be required to join in any proceedings pursuant to this Section 8.5 unless a provision of any Applicable Laws requires, or in the good faith opinion of Lessee it is helpful to Lessee, that such proceedings be brought by or in the name of Lessor; in that event Lessor will join in the proceedings or permit the proceedings to be brought in its name if Lessee pays all reasonable expenses incurred by Lessor in connection with such proceedings, and indemnifies Lessor for all such expenses. Lessee may not assert Lessor's status as a governmental entity in seeking any such exemption, except with respect to ad valorem real estate taxes or any tax adopted as a substitute in whole or in part therefor, without Lessor's prior written consent, which may be withheld for any reason.

Section 8.6. Compliance with Law; Environmental Compliance.

Lessee, at Lessee's expense, shall comply or cause compliance at all times with all Applicable Laws and shall comply or cause compliance at all times and perform the obligations required to be performed by Lessee and Lessor under the Operative Documents, in all material respects. Lessee shall secure the issuance of any permits under all Applicable Laws required with respect to Lessee's use and occupancy of the Condominium Unit. Lessee shall notify Lessor and Lender immediately if (i) Lessee becomes aware of the presence of any Hazardous Material (in addition to that which is expressly disclosed and set forth in the Environmental Reports) at, on, under, emanating from, or migrating to, the Condominium Unit in any quantity or manner, which could reasonably be expected to violate any Environmental Law or give rise to any liability or to remediation or other obligations under any Environmental Law, or (ii) Lessee receives any notice, claim, demand or other communication from a Governmental Authority or a third party regarding the presence of any Hazardous Material at, on, under, within, emanating from, or migrating to the Condominium Unit or regarding the

violation of, or noncompliance with, any Applicable Laws or the Operative Documents. Such compliance includes, without limitation, Lessee's obligation, at its expense, to remediate (in accordance with Applicable Law, and this Lease) or cause to be remediated any violation of any Applicable Law, now or hereafter existing, currently known or unknown to Lessee and/or Lessor, as and when such violations are made known to Lessee. In the event that Lessee is required or elects to enter into any remediation plan with respect to any Environment Laws, such remediation plan shall be subject to the prior written approval of Lessor and Lender. Lessee shall have the right to contest any Applicable Law, subject to the following: (i) such contest shall be at its sole cost and expense, (ii) Lessee shall provide prompt notice to Lessor and Lender of the Applicable Law contested and the grounds thereof and shall provide not less than twenty (20) days' prior written notice to Lessor and Lender before instituting any legal proceedings contesting such Applicable Law, (iii) such contest shall be by appropriate legal proceedings conducted in good faith and with due diligence, (iv) such contest will operate (A) to suspend the enforcement of such Applicable Law and suspend the imposition of penalties or fees on account of noncompliance with such Applicable Law, and (B) to suspend the collection of or realization upon any fees, penalties or other costs arising from such noncompliance with any such Applicable Law from the Condominium Unit or other interest of Lessor or Lender, or from any Rent (or otherwise affect Lessee's obligation to pay, and Lessor's right to receive, Rent), (v) such contest will not adversely affect Lender's lien on the Condominium Unit, or Lessor's right to the Condominium Unit, (vii) such contest will not materially and adversely interfere with the possession, use or occupancy or sale of the Condominium Unit and (viii) such contest will not subject Lessor or Lender to any such civil or criminal liability. Lessee shall comply with any Applicable Law and pay any and all fees, penalties and costs associated with any such Applicable Law promptly after forgoing any contest or after receipt of a final adverse judgment, or after notice from Lessor or Lender if such contest is not being performed in accordance with the terms hereof. Lessee may not assert Lessor's status as a governmental entity in seeking any such exemption from Applicable Laws, except with respect to ad valorem real estate taxes or any tax adopted as a substitute in whole or in part therefor, without Lessor's prior written consent, which may be withheld for any reason.

Section 8.7. Payment of Impositions.

Lessee shall pay or cause to be paid all Impositions before any fine, penalty, premium, further interest (except as provided in the immediately succeeding sentence with respect to installments) or cost may be assessed or added for nonpayment, such payments to be made directly to the taxing authorities where feasible, and Lessee shall deliver, within ten (10) days before the due date of each Imposition, to Lessor and Lender's copies of receipts, canceled checks or other documentation reasonably satisfactory to Lessor and Lender evidencing payment of Impositions. If any such Imposition may, at the option of Lessee, lawfully be paid in installments (regardless whether interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same in installments, and in such event Lessee shall pay only those installments that become due and payable during the Lease Term or relate to the Lease Term, as the same become due and before any fine, penalty, premium, further interest or cost may be assessed or added thereto. If a Lease Event of Default shall occur and be continuing, Lessee shall pay to Lessor (or Lender), as Additional Rent in monthly installments amounts equal to the Impositions to be held and applied by Lessor (or Lender) including on such initial payment date such additional amount as shall be necessary to assure that together with the

upcoming months' installment, the full amount of each Imposition shall have been received by Lessor prior to the due date of such Imposition. Lessee shall have the right to contest any Imposition, subject to the following: (i) such contest shall be at its sole cost and expense, (ii) Lessee shall provide prompt notice to Lessor and Lender of the Imposition contested and the grounds thereof, and shall provide not less than twenty (20) days' prior written notice to Lessor and Lender before instituting any legal proceedings contesting such Imposition, (iii) such contest shall be by appropriate legal proceedings conducted in good faith and with due diligence, (iv) if Lessee shall defer payment of such Imposition, such contest will operate to suspend the collection of, or other realization upon such Imposition from the Condominium Unit or other interest of Lessor or Lender, or from any Rent (or otherwise affect Lessee's obligation to pay, and Lessor's right to receive, Rent), (v) such contest will not adversely affect Lender's Lien on the Condominium Unit, or Lessor's right to the Condominium Unit, (vi) such contest will not materially and adversely interfere with the possession, use or occupancy or sale of the Condominium Unit and (vii) such contest will not subject Lessor or Lender to any civil or criminal liability. Lessee shall pay any Imposition (and related costs) promptly after foregoing any contest or after receipt of a final adverse judgment, or after notice from Lessor or Lender that such contest is not being performed in accordance with the terms hereof. RACL reserves the right to contest imposition of any taxes or Impositions that Lessee has not agreed to pay.

Section 8.8. Adjustment of Impositions.

Impositions with respect to the Condominium Unit for a billing period during which Lessee's obligation to indemnify Lessor pursuant to this Lease expires or terminates as to the Condominium Unit shall be adjusted and prorated on a daily basis between Lessor and Lessee, whether or not such Imposition is imposed before or after such expiration or termination, and Lessee's obligation to pay its pro rata share thereof shall survive such expiration or termination. In the event that an Imposition in the nature of an assessment that is not payable in installments is imposed with respect to any Improvements affecting the Condominium Unit, Lessee shall pay such assessment completely.

Section 8.9. Utility Charges.

Lessee shall pay or cause to be paid all charges for electricity, power, gas, oil, water, telephone, sanitary sewer services and all other utilities used in or on the Condominium Unit during the Lease Term, and such obligation on the part of Lessee shall survive the expiration or earlier termination of this Lease until all such outstanding balances have been paid. Lessee shall be entitled to receive any credit or refund with respect to any utility charge paid by Lessee and the amount of any credit or refund received by Lessor on account of any utility charges paid by Lessee, whether before or after the Closing Date, shall be promptly paid over to Lessee, which obligation shall survive the expiration or earlier termination of this Lease

ARTICLE IX INSURANCE

Section 9.1. Coverage.

(a) Subject to Section 9.1(b), Lessee shall maintain insurance of the types and in the amounts set forth on Schedule 9.1 attached hereto and made a part hereof, which insurance shall be updated annually for coverages and amounts required to adequately insure the Improvements and the risks and liabilities associated therewith. Lessee shall name Lessor as an additional insured on all such policies.

(b) Nothing in this Article IX shall prohibit Lessee from maintaining at its expense insurance on or with respect to the Condominium Unit, naming Lessee as insured and/or loss payee for an amount greater than the insurance required to be maintained under this Section 9.1, unless such insurance would conflict with or otherwise limit the availability of or coverage afforded by insurance required to be maintained under Section 9.1. Nothing in this Section 9.1 shall prohibit Lessor from maintaining at its expense other insurance on or with respect to the Condominium Unit or the operation, use and occupancy of the Condominium Unit, naming Lessor as insured and/or payee, unless such insurance would conflict with or otherwise limit the insurance required to be maintained under Section 9.1.

(c) Irrespective of the cause thereof, Lessor shall not be liable for any loss or damage to any buildings or other portion of the Condominium Unit resulting from fire, explosion or any other casualty. In the event of Lessee's failure to obtain or maintain the insurance called for under this Lease, Lessor and Lender shall have the right, together with Lessor's remedies set forth herein, to obtain the policies of insurance required under this Lease (but not duplicative policies of such insurance) and to bill Lessee for the premium payments therefor, together with interest at the Default Rate. Neither Lessor nor Lender shall have any obligation to maintain insurance of any nature or type whatsoever.

(d) Lessee shall be relieved under any obligation to provide insurance which is otherwise provided by the Condominium.

ARTICLE X RETURN OF PROPERTY TO LESSOR

Section 10.1. Return of Condominium Unit.

Lessee shall, upon the expiration or termination of this Lease, and at its own expense, return the Condominium Unit to Lessor by surrendering the same into the possession of Lessor:

(a) free and clear of all Liens, except that Lessee shall have no responsibility or liability in respect of (i) Lessor Liens, (ii) any Lien created by the Bond Financing Documents, and (iii) Liens described in clause (f) of the definition of "Permitted Liens"; and

(b) unless such return is after an Event of Loss, in compliance with all Applicable Laws and in compliance with the maintenance conditions required by this Lease. All Alterations and Lessee's Furniture, Fixtures, Equipment and Personalty not removed by Lessee on the last day of the Lease Term (but in the event of a termination other than upon the expiration of the Base Term or any Renewal Term, within thirty (30) days after said termination of this Lease), other than those Alterations as to which title shall vest in Lessor pursuant to Section 8.4, shall be deemed abandoned in place by Lessee and shall become the property of Lessor. Lessee shall pay or reimburse Lessor for any reasonable, actual, out-of-pocket costs incurred by Lessor (i) in connection with the removal or disposal of such Alterations and Lessee's Furniture, Fixtures, Equipment and Personalty (not including those Alterations as to which title shall vest in Lessor pursuant to Section 8.4) not removed by Lessee and to repair any damage to the Condominium Unit caused by such removal.

(c) Upon the return of the Condominium Unit, Lessee shall deliver therewith:

- (i) all transferable licenses, permits and the like by general assignment, without warranty as to the transferability or otherwise and without recourse;
- (ii) as-built drawings including plans for HVAC, mechanical and electrical systems, to the extent in Lessee's possession or control;
- (iii) keys to the Condominium Unit; and
- (iv) an assignment of all maintenance contracts and existing warranties by general assignment, without warranty as to assignability or otherwise and without recourse.

ARTICLE XI ASSIGNMENT BY LESSEE

Section 11.1. Assignment of Lease.

(a) So long as no Lease Event of Default has occurred and is continuing, Lessee may, not assign this Lease to any Person except subject to the terms and conditions herein provided. No assignment shall be made by Lessee during the Interim Term and prior to the end of the second full year of the Base Term. Thereafter, Lessee may assign this Lease with the prior written consent of Lessor, which consent shall not be unreasonably withheld, delayed or denied. Lessee shall be deemed to have satisfied Lessor's requirements for approval of an assignment if the following conditions are met by Lessee and/or its Assignee: (a) any assignee shall assume in writing any obligations of Lessee arising from and after the effective date of the assignment, provided, however, that no such assignment shall become effective until (i) a fully executed copy of such assignment and assumption, reasonably satisfactory in form and substance to Lessor and Lender, shall have been delivered to Lessor and Lender, (ii) such assignee shall have executed such instruments and other documents and provided such further assurances as Lender shall reasonably request to ensure that such assignment is subject to the Assignment of Lease, and (iii) Lessee or such assignee shall have delivered to Lessor and Lender an opinion of counsel, in form and substance reasonably satisfactory to Lessor and Lender, that (x) the assignee has satisfied the

useful life at least equal to the value, utility and remaining useful life of the Condominium Unit immediately prior to such Event of Loss, and in all events as required by Section 8.2, such restoration to be completed, subject to force majeure, by the earlier to occur of (x) the second anniversary of the Event of Loss, or (y) the expiration of the Lease Term (and Lessee shall remain liable for the completion of such restoration beyond the expiration of the Lease Term to the extent not completed prior to such expiration and shall pay Base Rent and Additional Rent with respect to the Condominium Unit from the date of expiration to the date of completion).

(b) If Lessee makes an offer to purchase pursuant to Section 12.1(a)(i), and Lessor accepts such offer or is deemed to have accepted such offer within the time periods referred to in the last sentence of clause (i) above (and if Lessor fails to respond within such period Lessor shall be deemed to have accepted such offer), Lessee shall pay to Lessor the Termination Value, unpaid Rent and other amounts described in Section 12.1(a)(i) on the Termination Value Date. The term "Termination Value Date" shall mean the first day of the month of any month commencing after the month in which Lessor has accepted, or is deemed to have accepted, Lessee's offer to purchase, such date to be designated in writing by Lessee to Lessor and Lender (provided, if Lessee fails to so designate such date, the Termination Value Date shall be the first day of the second month after the month in which Lessor has accepted, is deemed to have accepted, or has rejected, the offer to purchase). In the event of acceptance, any Net Proceeds related to the Condominium Unit then held by Lessor or Lender shall be credited against the portion of such purchase price payable to Lessor. Upon payment of such amounts by Lessee, the balance of Net Proceeds, if any, shall be paid to or retained by Lessee.

as of
(c) In the event Lessee has made the election described in Section 12.1(a)(ii) above and Lessee, due in whole or in substantial part to Lessee's failure to proceed with diligent efforts in good faith, has failed to comply with the terms thereof within the period described, then Lessee shall be deemed to have made the offer to purchase described in Section 12.1(a)(i) above and the Termination Value Date occurring thirty (30) days after the expiration of the period described in Section 12.1(a)(ii).

Section 12.2. Application of Payments Relating to an Event of Loss When Lease Continues.

Subject to Section 12.4, payments received at any time by Lessor or Lessee as compensation for or toward an Event of Loss from any Governmental Authority or other Person with respect to any Condominium Unit as to which an Event of Loss shall have occurred, in a case in which this Lease will not terminate because Lessee has elected to proceed under Section 12.1(a)(ii), shall be paid to Lessee, subject, however, to Section 12.4, to be applied, as necessary, for the repair or restoration of the Improvements and any excess remaining thereafter shall be retained by Lessee, in the event of a Casualty, and divided as set forth in Section 12.3, in the event of a Condemnation. All such repair and restoration shall be effected by Lessee in compliance with Applicable Laws and in compliance with the standards contained in Section 8.3. If the cost of restoration exceeds the Net Proceeds, any shortfall will be paid by Lessee. From and after the Event of Loss, and during or prior to any period of repair or rebuilding pursuant to this Article XII, this Lease will remain in full force and effect, and Rent shall continue to accrue and be payable without abatement or reduction.

foregoing condition, (y) the assignee is in good standing in its state of formation and duly qualified to do business in the Commonwealth of Pennsylvania, and (z) all documents executed and delivered by such assignee pursuant to this Section 11.1 have been duly authorized, executed and delivered by such assignee and constitute the valid, legal, and binding obligations of such assignee; (b) , Lessee assigns this Lease to an Assignee whose net worth is equivalent or more than that of Lessee at the time of substantial completion of the Hotel; (c) Lessee assigns this Lease to an Assignee which, in the reasonable judgment of Lessor, has sufficient experience in owning and operating full service hotels or, in lieu thereof has contracted with a hotel manager which meets this requirement; and (d) the Assignee or any Affiliate thereof is not a debtor or debtor-in-possession in a voluntary or involuntary bankruptcy proceeding or the subject of any insolvency proceeding at the commencement of the assignment. At such time as Lessee satisfies the requirements of Lessor as set forth herein, Lessee shall be released from liability hereunder.

(b) Lessee shall be without power to sell, lease or otherwise transfer its interest in the property and facilities leased pursuant to this Lease, or any part thereof, without the prior written consent of the Lessor, until the Lessor shall have certified that the redevelopment project of which the Building and the Hotel are a part has been completed.

(c) Nothing in this Article shall be construed to prohibit Lessee from assigning its interest in the Lease in connection with any financing permitted hereunder.

ARTICLE XII LOSS, DESTRUCTION, DAMAGE OR CONDEMNATION

Section 12.1. Event of Loss.

(a) If there shall occur an Event of Loss with respect to the Condominium Unit, Lessee shall give Lessor and Lender prompt written notice thereof and elect, within thirty (30) days following a preliminary adjustment to the insurance claim by the applicable insurance company as agreed to by Lessee and thirty (30) days after a determination by the applicable parties to the Bond Financing that they will permit rebuilding to occur, one of the following options (provided that upon an Event of Loss described in clause (y) or (z) of the definition of "Event of Loss", Lessee may not elect the following clause (ii)):

(i) Purchase Lessor's interest in the Condominium Unit from Lessor, as of the Termination Value Date (as defined in Section 12.1(b) below), for a purchase price equal to the sum of (A) the Termination Value for the Condominium Unit, determined as of such Termination Value Date, plus (B) all unpaid Rent with respect to the Condominium Unit due and (without duplication) all Rent with respect to the Condominium Unit accruing, but unpaid through such Termination Value Date, plus (C) an amount equal to the reasonable out-of-pocket expenses of Lessor and Lender relating to the purchase by Lessee as a result of such Event of Loss including reasonable attorneys' fees and costs actually incurred including any transfer taxes plus (D) all amounts then due and payable under the Operative Documents, or

(ii) Restore and rebuild the Improvements damaged as a result of such Event of Loss, at Lessee's cost and expense, so as to have a value, utility and remaining

to lessee, then excess split

Section 12.3. Application of Payments Not Relating to an Event of Loss.

In case of a Condemnation or Casualty which is not an Event of Loss or which does not result in a termination of this Lease in accordance with the above provisions of Article XII, this Lease shall remain in full force and effect, without any abatement or reduction of Rent. Subject to Section 12.4, all Net Casualty Proceeds shall be paid to Lessee to repair or replace the Condominium Unit. ~~All Net~~ Condemnation Proceeds shall, to the extent related to the taking of use during the Lease Term, be paid to Lessee, and to the extent awarded with respect to use of the Condominium Unit for any time period after the expiration or termination of the Lease Term shall be paid to Lessor and any Net Condemnation Proceeds that were awarded for the taking of title to a portion of the Condominium Unit shall be paid equitably to Lessee. If the cost of restoration exceeds the Net Proceeds, any shortfall will be paid by Lessee.

Section 12.4. Other Dispositions.

(a) Net Casualty Proceeds or Net Condemnation Proceeds, as the case may be, in excess of \$1,000,000 (the "Restoration Fund") in respect of such Casualty or Condemnation, as the case may be, shall be paid to the Proceeds Trustee for release to Lessee as restoration progresses, subject to and in accordance with Section 12.4(b). Lessor and Lessee hereby authorize and direct any insurer to make payment under policies of casualty insurance required to be maintained by Lessee pursuant to Section 9.1(a) directly to the Proceeds Trustee instead of to Lessor and Lessee jointly; and Lessee and Lessor each hereby appoints the Proceeds Trustee as its attorney-in-fact to endorse any draft therefor for the purposes set forth in this Lease after approval by Lessee of the Proceeds Trustee, if the Proceeds Trustee is other than Lender. In the event that a casualty shall occur at such time as Lessee shall not have maintained property or casualty insurance to the extent required by said Section 9.1(a), and to the extent of deductibles on existing insurance policies, Lessee shall, within thirty (30) days of the casualty, pay to the Proceeds Trustee the amount of the proceeds that would have been payable had such insurance been in effect or if no deductibles had been applicable and such amount shall constitute a part of the Restoration Fund for all purposes hereof. Notwithstanding the foregoing provisions of this Article XII, so long as a Lease Event of Default shall be continuing, any amount that would otherwise be payable to or for the account of Lessee pursuant to this Article XII shall be paid to Lender (or to Lessor when the Bond Financing Documents shall not be in effect) as security for the obligations of Lessee under this Lease and, at such time thereafter as the Lease Event of Default shall have been waived or no longer be continuing, unless Lessor shall be exercising its remedies under Section 17.1, such amount shall be paid promptly to Lessee or the Proceeds Trustee in accordance with this Lease (subject to other terms hereof).

(b) The Restoration Fund, if any, shall be disbursed by the Proceeds Trustee in accordance with the following conditions:

(i) At the time of any disbursement, no Lease Event of Default shall exist and no mechanics' or materialmen's liens shall have been filed and remain undischarged, unbonded or not insured over.

(ii) Disbursements (subject to the holdback in Section 12.4(b)(iv) below) shall be made from time to time in an amount not exceeding the hard and soft cost

of the work and costs incurred since the last disbursement upon receipt of (1) satisfactory evidence, including architects' certificates, of the stage of completion, of the estimated cost of completion and of performance of the work to date in a good and workmanlike manner in accordance with the contracts, plans and specifications, (2) partial releases of liens from all Persons, and (3) other reasonable evidence of cost and payment so that the Proceeds Trustee is able to verify that the amounts disbursed from time to time are represented by work that is completed in place or delivered to the site and free and clear of (or such claims have been bonded or insured over), mechanics' and materialmen's lien claims.

(iii) Each request for disbursement shall be accompanied by a certificate of Lessee describing the work, materials or other costs or expenses for which payment is requested, stating the cost incurred in connection therewith and stating that Lessee has not previously received payment for such work or expense and the certificate to be delivered by Lessee upon completion of the work shall, in addition, state that the work has been substantially completed and complies with the applicable requirements of this Lease.

(iv) The Proceeds Trustee may retain ten percent (10%) of the costs otherwise disburseable until the restoration is at least fifty percent (50%) complete, and thereafter five percent (5%) of costs until the restoration is substantially complete.

(v) The Restoration Fund shall be kept in a separate interest-bearing federally insured account by the Proceeds Trustee with interest accruing to the benefit of the Lessee.

(vi) At all times the undisbursed balance of the Restoration Fund held by the Proceeds Trustee plus any funds already contributed thereto by Lessee shall be not less than the cost of completing the restoration, free and clear of all liens (other than Permitted Liens, which term for purposes hereof shall exclude Liens of the type described in clause (d) of the definition of Permitted Liens other than Liens for amounts not yet due or that are bonded over or insured over).

(vii) In addition, prior to commencement of restoration and at any time during restoration, if the estimated cost of restoration, as reasonably determined by the Proceeds Trustee, exceeds the then amount of the Restoration Fund, the amount of such excess shall be paid by Lessee to the Proceeds Trustee promptly after Lessee's receipt of written notice and be added to the Restoration Fund; provided, however, if Lessee can demonstrate that there will be proceeds in an amount sufficient to restore the Hotel, the payment hereunder will not be required. Any sum in the Restoration Fund which remains in the Restoration Fund upon the completion of restoration shall be paid in accordance with Section 12.3.

Section 12.5. Negotiations.

In the event the Condominium Unit becomes subject to condemnation or requisition proceedings, Lessee shall control the negotiations with the relevant Governmental

Authority, unless a Lease Event of Default shall be continuing, in which case Lessor (or if the Bond Financing Documents are in effect, Lender or Lessor) at Lessee's expense may elect in writing to control such negotiations; provided that in any event Lessor may elect to participate at Lessee's expense in such negotiations. Lessee shall give to Lessor and Lender such information, and copies of such documents, which relate to such proceedings and are in the possession of Lessee, as are reasonably requested by Lessor or Lender. Lessor shall use good faith efforts to be reasonable when incurring expenses payable by Lessee hereunder.

ARTICLE XIII LESSOR COVENANTS

Section 13.1. Payment of Real Estate Taxes.

In the event it is determined that the tax immunity of Lessor does not extend to the Condominium Unit, Lessor covenants to pay or cause to be paid when due all real property taxes, ad valorem on real property, or any other tax adopted as a total or partial substitute in lieu thereof payable to any taxing authority without reimbursement of any kind whatsoever from the Lessee.

Section 13.2. Construction of the Condominium Unit and the Hotel.

Lessor covenants to construct the Condominium Unit, the Common Elements, the Limited Common Elements, if any, and those portions of the Hotel for which it is responsible in accordance with the terms and conditions of the Hotel Development Agreement, the Joint Development Agreement, the Marriott Franchise Agreement and the Plans.

Section 13.3. Application of Funds in Lessor's Control.

Lessor covenants to apply funds delivered to it through various grants from the Commonwealth of Pennsylvania and other sources (including, without limitation, the purchase price paid by Lessor to Lessee to acquire the existing building known as the Watt and Shand Building on which the Condominium Unit will be partially located), but only such as are specifically granted for the Hotel, to the construction of the Condominium Unit, Hotel and the Convention Center and to reimburse Lessee for pre-development costs, including, without limitation, carrying costs, paid by Lessee in order to facilitate development, which costs shall be in an amount and for items reasonably agreed to by Lessor and Lessee.

ARTICLE XIV SUBLEASE

Section 14.1. Subleasing Permitted; Lessee Remains Obligated.

Provided that no Lease Event of Default shall have occurred and be continuing at the time the sublease is entered into, upon ten (10) days' prior written notice to Lessor and Lender, Lessee may at any time and from time to time sublease the Condominium Unit or any portion or portions thereof to any Person or permit the occupancy of the Condominium Unit or

any portion or portions thereof by any Person who is not a debtor or debtor-in-possession in a voluntary or involuntary bankruptcy proceeding at the execution and delivery of the Sublease. Any such sublease, sub-sublease, license, occupancy agreement or similar agreement (each, a "Sublease") shall not release Lessee from its primary liability for the performance of its duties and obligations hereunder, and Lessee shall continue to be obligated for all obligations of "Lessee" in this Lease, which obligations shall continue in full effect as obligations of a principal and not of a guarantor or surety, as though no Sublease had been made. Lessee shall furnish to Lessor and Lender within thirty (30) days after the execution of each Sublease (i) an executed copy of such Sublease and (ii) such other instruments and documents as Lender shall reasonably request to ensure that such Sublease is subject to the Assignment of Lease.

Section 14.2. Provisions of Subleases.

Each Sublease shall provide that:

- (a) such Sublease is expressly subject and subordinate to this Lease and to the Bond Financing Documents or any mortgage encumbering the Condominium Unit;
- (b) such Sublease does not extend beyond the Lease Term minus one day;
- (c) upon any termination of this Lease, the Sublessee shall be obligated, at Lessor's written election (which election must be consented to by Lender), to attorn to and recognize Lessor as lessor under such Sublease, whereupon such Sublease shall continue as a direct lease between the Sublessee and Lessor upon all the terms and conditions of such Sublease; and
- (d) the Sublessee shall be bound by all covenants contained in Sections 8.1, 8.2 and 8.6 hereof with respect to subleased premises to the same extent as if the Sublessee were Lessee.

**ARTICLE XV
INSPECTION**

Section 15.1. Inspection Rights.

Upon two (2) Business Days' prior written notice to Lessee (or immediately in an emergency or if a Lease Event of Default shall be continuing), Lessor and/or Lender, and their respective representatives (collectively, "Inspecting Party"), may inspect the Condominium Unit, including, without limitation, the right to cause consultants to make structural, environmental and/or other inspections or tests, but subject to the rights under any Subleases of any sublessees and occupants in the Condominium Unit (it being understood, however, that such Subleases shall provide for such inspection by the Inspecting Parties subject to commercially reasonable limitations). Where practical, Lessee shall have the right to accompany the Inspecting Party on any such inspection provided Lessee does not interfere or hinder such inspection. All such inspections and tests shall be at Lessor's or Lender's expense, unless (i) a Lease Event of Default occurs and is continuing or (ii) such inspection and/or test requires Lessee to take any action in

order to comply with the Lease. In either such case, the cost of such inspection and/or test shall be promptly paid by Lessee.

Section 15.2. Additional Rights.

In addition, the Inspecting Party shall have the right upon the same notice set forth above to enter the Condominium Unit at all reasonable times, accompanied by a representative of Lessee (a) to perform any obligation of Lessor or to exercise any right reserved to Lessor in the Lease and (b) to exhibit the Condominium Unit to prospective purchasers or mortgagees, and during the last fifteen (15) months of the Lease Term to prospective tenants.

Section 15.3. Environmental Audits.

At any time that a Lease Event of Default shall have occurred and be continuing, or a notice, complaint, or order or finding of violation or non-compliance with Environmental Laws that relates to a Release or threatened Release with respect to the Condominium Unit shall have been issued by a Governmental Authority, Lessor and Lender may after prior reasonable notice to Lessee, cause to be performed an environmental audit or risk assessment of the Condominium Unit and the then uses thereof (which right shall include, and not be limited to, a phase I environmental audit report or the equivalent, and a phase II or full environmental report or the equivalent).

LESSEE HEREBY AGREES TO INDEMNIFY LENDER AND LESSOR FOR ALL REASONABLE COSTS AND EXPENSES INCURRED IN CONNECTION WITH SUCH ENVIRONMENTAL AUDIT OR RISK ASSESSMENT. SUCH AN ENVIRONMENTAL AUDIT OR ASSESSMENT SHALL BE PERFORMED BY AN ENVIRONMENTAL CONSULTANT SELECTED BY LESSOR OR LENDER (SUBJECT TO THE REASONABLE AND PROMPT APPROVAL OF LESSEE PROVIDED NO LEASE EVENT OF DEFAULT SHALL HAVE OCCURRED AND BE CONTINUING) AND SHALL INCLUDE A REVIEW OF THE USES OF THE PROPERTY AND AN ASSESSMENT OF THE POSSIBILITY OF VIOLATION OR NON-COMPLIANCE OF THE SAME WITH ENVIRONMENTAL LAWS. ALL REASONABLE COSTS AND EXPENSES ACTUALLY INCURRED BY LENDER AND LESSOR IN CONNECTION WITH SUCH ENVIRONMENTAL AUDIT OR ASSESSMENT SHALL BE PAID BY LESSEE WITHIN TWENTY (20) DAYS AFTER WRITTEN DEMAND BY LESSOR OR LENDER.

Section 15.4. Lessee's Rights Regarding Inspections.

In exercising its rights under Article XV, Lessor, if reasonably practicable under the circumstances, shall not materially interfere with or disrupt the normal operation of Lessee's business. Lessor, and any third parties entering the Condominium Unit at Lessor's invitation or request, shall observe Lessee's reasonable rules relating to security at the Condominium Unit. Notwithstanding the foregoing to the contrary, in the event of an emergency (which, for the purposes of this Section 15.4, shall mean an event, condition or occurrence that threatens human life or safety or the structural integrity of the Building or building systems), Lessor shall use all reasonable efforts under the circumstances to contact Lessee's building manager (provided Lessee's building manager has been identified to Lessor and telephone numbers at which the

building manager may be reached have been provided to Lessor) prior to making entry to the Condominium Unit.

ARTICLE XVI LEASE EVENTS OF DEFAULT

Section 16.1. Lease Events of Default.

The following events shall constitute "Lease Events of Default":

- (a) Lessee shall fail to make any payment of Base Rent or Minimum Participation Rent within ten (10) days after they are due;
- (b) Lessee shall fail to make any payment of Additional Rent and Participation Percentage Rental Payment when due and such failure shall continue for a period of ten (10) days after written notice by Lessor or Lender to Lessee of such failure; provided, however, Lessee shall not be entitled to more than two (2) written notices for default in paying Additional Rent or Participation Percentage Rental Payment during any twelve (12) month period, and if after Lessee receives such two (2) written notices, any other payment of Additional Rent or Participation Percentage Rental Payment is not paid when due, a Lease Event of Default will be deemed to have occurred without the requirement of any further notice by Lessor;
- (c) Lessee shall fail to make any payment required under the Operative Documents, other than any amount described in clause (a) or clause (b) of this Article XVI, and such failure shall continue for a period of ten (10) days after notice of such failure to Lessee from Lessor or Lender or any other Person;
- (d) Lessee shall fail to timely perform or observe any covenant or agreement (not otherwise specified in this Article XVI) to be performed or observed by it hereunder or under any other Operative Document or under any Bond Financing Document to which it is a party and such failure shall continue for a period of twenty (20) days after written notice thereof from Lessor or Lender; provided that the continuation of such a failure for twenty (20) days or longer after such notice shall not constitute a Lease Event of Default if such failure cannot reasonably be cured within such twenty (20) day period, and Lessee shall be diligently and continuously prosecuting the cure of such failure; provided, that such failure must be cured within one hundred and twenty (120) days after written notice;
- (e) Lessee shall fail to carry or maintain in full force any insurance required hereunder;
- (f) Any representation or warranty made by Lessee herein or in any Operative Document or Bond Financing Document to which Lessee is a party shall prove to have been incorrect in any material respect when such representation or warranty was made and shall remain materially incorrect for a period of twenty (20) days after written notice from Lessor or Lender;

(g) Lessee makes any general arrangement or assignment for the benefit of creditors; (ii) Lessee becomes a "debtor" as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Condominium Unit or of Lessee's interest in this Lease, where possession is not restored to Lessee within sixty (60) days; (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Condominium Unit or of Lessee's interest in this Lease where such seizure is not discharged within sixty (60) days; or (v) Lessee is adjudicated to be insolvent or Lessee shall acknowledge that it is generally not able to pay its debts as they become due; provided, that in the event that any provision of this subsection (g) is contrary to any Applicable Law, such provision shall be of no force or effect; or

(h) Lessee shall have assigned or otherwise transferred its right, title and interest in and to this Lease, or subleased the Condominium Unit, in violation of Article XI or Section 14.1, as the case may be.

ARTICLE XVII ENFORCEMENT

Section 17.1. Remedies.

Upon the occurrence of any Lease Event of Default and at any time thereafter so long as the same shall be continuing, Lessor may, at its option, by notice to Lessee do one or more of the following as Lessor in its sole discretion shall determine:

(a) Lessor may, by notice to Lessee, terminate this Lease as of the date specified in such notice; however, (A) no reletting, reentry or taking of possession of any or all of the Condominium Unit by Lessor will be construed as an election on Lessor's part to terminate this Lease unless a written notice of such intention is given to Lessee, (B) notwithstanding any reletting, reentry or taking of possession, Lessor may at any time thereafter elect to terminate this Lease with respect to the Condominium Unit, and (C) no act or thing done by Lessor or any of its agents, representatives or employees and no agreement accepting a surrender of any or all of the Condominium Unit shall be valid unless the same be made in writing and executed by Lessor; provided, however, prior to any termination hereunder becoming effective, Lessee shall have sixty (60) days to notify Lender that it wishes to exercise the purchase option as set forth in Article XXI, with a closing date as set forth therein.

(b) Lessor may (i) demand that Lessee, and Lessee shall upon the written demand of Lessor, return the Condominium Unit promptly to Lessor in the manner and condition required by, and otherwise in accordance with all of the provisions of, Article X as if the Condominium Unit were being returned at the end of the Lease Term, and Lessor shall not be liable for the reimbursement of Lessee for any costs and expenses incurred by Lessee in connection therewith, and (ii) without prejudice to any other remedy which Lessor may have for possession of the Condominium Unit, enter upon the Condominium Unit and take immediate possession of (to the exclusion of Lessee) the Condominium Unit and expel or remove Lessee and any other person who may be occupying the same, by summary proceedings or otherwise, all

without liability to Lessee for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise. The provisions of this Section 17.1(b) shall operate as a notice to quit and shall be deemed to satisfy any other requirement or provisions of Applicable Laws which may require Lessor to provide a notice to quit or of Lessor's intention to re-enter any or all of the Condominium Unit and any such requirements or provisions are hereby waived by Lessee;

(c) Lessor may sell the Condominium Unit at public or private sale, as Lessor may determine, free and clear of any rights of Lessee in which event Lessee's obligation to pay Base Rent hereunder for periods commencing after the Sale next succeeding the date of such sale shall be terminated or proportionately reduced, as the case may be.

(d) Except as Lessor may otherwise be required by Applicable Laws, Lessor may hold, keep idle or lease to others the Condominium Unit as Lessor may determine, free and clear of any rights of Lessee, except that Lessee's obligation to pay Base Rent from and after the occurrence of a Lease Event of Default shall be reduced by the net proceeds, if any, received by Lessor from leasing the Condominium Unit to any Person, or allowing any Person to use the Condominium Unit, other than Lessee for the same periods or any portion thereof;

(e) Lessor may retain and apply against Lessor's damages all sums which Lessor would, absent such Lease Event of Default, be required to pay to, or turn over to, Lessee pursuant to the terms of this Lease; or

(f) Lessor may exercise any other right or remedy that may be available to it under Applicable Laws or in equity, or proceed by appropriate court action (legal or equitable) to enforce the terms hereof or to recover damages for the breach hereof including, without limitation, (but only if Lessor has not recovered the full amount due under Subsection 17.1(c) or 17.1(e)) the right to sue for and collect the unamortized amount of the outstanding bonds plus all interest accruing to and due and payable with respect to the Bond Financing to the earliest practicable date on which the bonds may be redeemed (allowing sufficient time for the issuance of redemption instructions, preparation and mailing a proper redemption notice and the required number of days' notice to be given to holders and owners of the bonds) and the redemption fees and expenses of the trustee and any registrar or paying agent for the bonds pursuant to the Bond Financing. Separate suits may be brought to collect any such damages for any period or periods with respect to which Rent shall have accrued, and such suits shall not in any manner prejudice Lessor's right to collect any such damages for any subsequent period, or Lessor may defer any such suit until after the expiration of the Base Term or the then current Renewal Term, in which event such suit shall be deemed not to have accrued until the expiration of the Base Term, or the then current Renewal Term.

Section 17.2. Survival of Lessee's Obligations.

No repossession of any or all of the Condominium Unit or exercise of any remedy under this Lease, including termination of this Lease, shall, except as specifically provided herein, relieve Lessee of any of its liabilities and obligations hereunder, including the obligation to pay Rent. In addition, except as specifically provided herein, Lessee shall be liable for any and all unpaid Rent due hereunder before, after or during the exercise of any of the foregoing

remedies, including all reasonable legal fees and other costs and expenses incurred by Lessor and Lender by reason of the occurrence of any Lease Event of Default or the exercise of Lessor's remedies with respect thereto, and including all costs and expenses incurred in connection with the return of the Condominium Unit in the manner and condition required by, and otherwise in accordance with the provisions of, Article X as if the Condominium Unit were being returned at the end of the Lease Term.

Section 17.3. Remedies Cumulative; No Waiver; Consents; Mitigation of Damages.

To the extent permitted by, and subject to the requirements of, Applicable Laws, each and every right, power and remedy herein specifically given to Lessor or otherwise in this Lease shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by Lessor, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any right, power or remedy. No delay or omission by Lessor in the exercise of any right, power or remedy or in the pursuit of any remedy shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of Lessee or to be an acquiescence therein. Lessor's consent to any request made by Lessee shall not be deemed to constitute or preclude the necessity for obtaining Lessor's consent, in the future, to all similar requests. No express or implied waiver by Lessor of any Lease Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Lease Event of Default. To the extent required by Applicable Laws, and only to such extent, Lessor shall use reasonable efforts to mitigate any damages suffered by Lessor that result from a Lease Event of Default.

**ARTICLE XVIII
INDEMNITIES**

Section 18.1. General Indemnification.

LESSEE AGREES TO ASSUME LIABILITY FOR, AND TO INDEMNIFY, PROTECT, DEFEND, SAVE AND KEEP HARMLESS EACH INDEMNITEE FROM AND AGAINST ANY AND ALL CLAIMS THAT MAY BE SUFFERED, IMPOSED ON OR ASSERTED AGAINST ANY INDEMNITEE, ARISING OUT OF (I) THE OWNERSHIP OR LEASING (OR SUBLEASING OR SUB-SUBLEASING) OF THE PROPERTY, THE ASSIGNMENT OR MODIFICATION OF THE LEASE, THE RETURN, OPERATION, POSSESSION, USE, NON-USE, MAINTENANCE, MODIFICATION, OR ALTERATION OF THE PROPERTY BY LESSEE OR THE RECONSTRUCTION, RESTORATION, SUBSTITUTION, OR REPLACEMENT OF THE IMPROVEMENTS BY LESSEE, THE GRANTING BY LESSOR AT LESSEE'S REQUEST OF EASEMENTS, LICENSES OR ANY SIMILAR RIGHTS WITH RESPECT TO ALL OR ANY PART OF THE PROPERTY, OR THE CONSTRUCTION, DESIGN, PURCHASE OR CONDITION OF THE PROPERTY (INCLUDING IN ANY OF THE FOREGOING MATTERS CONTAINED IN THIS SECTION 18.1(A)(I) ANY CLAIMS ARISING, DIRECTLY OR INDIRECTLY, OUT OF THE

ACTUAL OR ALLEGED PRESENCE, USE, STORAGE, GENERATION, RELEASE OR THREAT OF RELEASE OF ANY HAZARDOUS MATERIALS, AND ANY CLAIMS FOR PATENT, TRADEMARK OR COPYRIGHT INFRINGEMENT AND LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, ANY LIABILITY UNDER APPLICABLE LAWS (INCLUDING, WITHOUT LIMITATION, ANY CLAIMS ARISING DIRECTLY OR INDIRECTLY OUT OF ANY ACTUAL OR ALLEGED VIOLATION, NOW OR HEREAFTER EXISTING, OF ANY ENVIRONMENTAL LAWS) AND ANY CLAIMS RESULTING FROM LESSEE'S EXERCISE OF ITS RIGHTS UNDER SECTION 8.5 HEREOF), (II) THE OPERATIVE DOCUMENTS OR ANY MODIFICATION, AMENDMENT OR SUPPLEMENT THERETO REQUIRED BY THE TERMS OF ANY SUCH OPERATIVE DOCUMENTS OR REQUESTED IN WRITING BY LESSEE, (III) THE ENFORCEMENT BY ANY INDEMNITEE OF ANY OF ITS RIGHTS UNDER THE OPERATIVE DOCUMENTS AGAINST LESSEE, (IV) THE NON-COMPLIANCE OF THE PROPERTY WITH APPLICABLE LAWS (INCLUDING BECAUSE OF THE EXISTENCE OF THE PERMITTED LIENS) (WHETHER OR NOT THE CLAIM IS MATERIAL), (V) ANY MATTER RELATING TO THE PROPERTY OR ANY OPERATIONS THEREON, INCLUDING MATTERS RELATING TO ENVIRONMENTAL LAWS, APPLICABLE LAWS OR HAZARDOUS MATERIALS, THE BREACH BY LESSEE OF ITS REPRESENTATIONS, WARRANTIES, COVENANTS AND OBLIGATIONS IN THIS LEASE OR ANY OTHER OPERATIVE DOCUMENTS OR ANY OF THE BOND FINANCING DOCUMENTS WHETHER OR NOT SUCH CLAIM ARISES OR ACCRUES PRIOR TO THE DATE OF THIS LEASE AND WHETHER OR NOT SUCH CLAIM IS MATERIAL, (VI) ANY SUMS PAYABLE BY LESSOR UNDER THE OPERATIVE DOCUMENTS (OTHER THAN PRINCIPAL AND INTEREST ON THE NOTE OR BONDS ISSUED PURSUANT TO THE BOND FINANCING DOCUMENTS), AS A RESULT OF A LESSEE EVENT OF DEFAULT OR LATE PAYMENT BY LESSEE, (VII) THE BUSINESS AND ACTIVITIES OF LESSEE, (IX) THE FEES AND EXPENSES, PURSUANT TO THE BOND FINANCING DOCUMENTS, OF LENDER AND THE TRUSTEE UNDER THE BOND FINANCING DOCUMENTS AND (X) THE COST OF ASSESSMENT, CONTAINMENT, REMEDIATION UNDER THE OPERATIVE DOCUMENTS AND/OR REMOVAL OF ANY AND ALL HAZARDOUS MATERIALS FROM ALL OR ANY PORTION OF THE PROPERTY OR ANY SURROUNDING AREAS OVER WHICH IN EITHER CASE LESSEE HAS OR MAY HAVE RESPONSIBILITY, THE COST OF ANY ACTIONS TAKEN IN RESPONSE TO A RELEASE OR THREAT OF RELEASE OF ANY HAZARDOUS MATERIALS ON, IN, UNDER OR AFFECTING ANY PORTION OF THE PROPERTY OR ANY SURROUNDING AREAS OVER IN EITHER CASE LESSEE HAS OR MAY HAVE RESPONSIBILITY TO PREVENT OR MINIMIZE SUCH RELEASE OR THREAT OF RELEASE SO THAT IT DOES NOT MIGRATE OR OTHERWISE CAUSE OR THREATEN DANGER TO PRESENT OR FUTURE PUBLIC HEALTH, SAFETY, WELFARE OR THE ENVIRONMENT, AND COSTS INCURRED TO COMPLY WITH ENVIRONMENTAL LAWS IN CONNECTION WITH ALL OR ANY PORTION OF THE PROPERTY OR ANY SURROUNDING AREAS OVER WHICH IN EITHER CASE LESSEE HAS OR MAY HAVE RESPONSIBILITY; PROVIDED, HOWEVER, LESSEE SHALL NOT INDEMNIFY LESSOR AGAINST THE COST OF THE PROJECT IN EXCESS OF THE PRICE IN THE PRIME SUB-CONTRACTS OR THE CONSTRUCTION CONTRACT EXCEPT TO THE EXTENT PROVIDED IN SECTION 4.2 OF THIS LEASE.

Lessee acknowledges that the foregoing includes any costs incurred by Lessor or Lender in performing any inspections of any Condominium Unit if such inspection reveals the presence of Hazardous Materials in violation of the terms of this Lease or Applicable Laws or Environmental Laws or other problems for which Lessee is responsible under the terms of this Lease (collectively, "Expenses"). Notwithstanding any or all of the foregoing, Lessee shall not be required to indemnify any Indemnitee under this Section 18.1 for any of the following:

(a) any Claim to the extent attributable to acts or events which occur after the expiration or termination of the Lease Term unless the Condominium Unit was returned to Lessor upon the exercise of remedies as a result of a Lease Event of Default, in which case, , such indemnity shall continue as long as such Lease Event of Default is continuing and Lessor has not ousted Lessee from possession, the Claim expressly survives as a result of the terms and conditions of the Lease, or the Claim arises out of personal injury, property damage or environmental contamination;

(b) any Claim to the extent resulting from the willful misconduct or gross negligence, of the Indemnitee;

(c) any Claim to the extent resulting from a breach or violation by any Indemnitee of any representations, warranties or covenants in any of the Operative Documents or the Bond Financing Documents or from a violation of Applicable Laws by any Indemnitee, unless such breach, misrepresentation or violation is the result of a misrepresentation or breach by Lessee of any of its obligations under any Operative Document, or any Bond Financing Documents, or a violation of Applicable Laws attributable to the business or activities of Lessee or the nature, design, engineering, use, repair, construction or location of the Condominium Unit;;

(d) any Claim arising from (i) Lessor making any general arrangement or assignment for the benefit of creditors, (ii) Lessor becoming a "debtor" as defined in 11 U.S.C. § 101 or any successor statute thereto, (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessor's assets located at the Condominium Unit or of Lessor's interest in this Lease, (iv) the attachment, execution or other judicial seizure of substantially all of Lessor's assets located at the Condominium Unit or of Lessor's interest in this Lease, or (v) Lessor being adjudicated to be insolvent or Lessor acknowledging that it is generally not able to pay its debts as they become due; or,

(e) the matters covered by final proviso contained in the first paragraph (fully capitalized of this Section.

Lessee shall be entitled to credit against any payments due under this Section 19.1 any insurance recoveries or other reimbursements received by the Indemnitee to be indemnified in respect of the related Claim under or from insurance paid for, directly or indirectly, by Lessee or assigned to Lessor by Lessee and required to be maintained by Lessee pursuant to Schedule 9.1, to the extent such insurance recoveries exceed such Indemnitee's costs and expenses incurred in recouping such insurance recovery.

Section 18.2. Indemnification Procedure.

(a) In case any Claim shall be made or brought against any Indemnatee, such Indemnatee shall give prompt notice thereof to Lessee, provided that failure to so notify Lessee shall not reduce Lessee's obligations to indemnify hereunder except to the extent of any resultant harm suffered by Lessee. Lessee shall be entitled, at its expense, acting through counsel selected by Lessee (and reasonably satisfactory to such Indemnatee), to participate in, and, to the extent that Lessee desires to, assume and control, in consultation with Indemnatee, the negotiation, litigation and/or settlement of any such Claim (subject to the provisions of the last sentence of subparagraph (b) of this Section). Such Indemnatee may (but shall not be obligated to) participate in a reasonable manner at its own expense (unless Lessee is not properly performing its obligations hereunder) and with its own counsel in any proceeding conducted by Lessee in accordance with the foregoing. If Lessee shall defend the Indemnatee in any such suit or proceeding, then, unless such Indemnatee shall determine (in its good faith discretion) that a conflict of interest exists between Lessee and such Indemnatee, Lessee shall not be obligated to reimburse the Indemnatee for the cost of such Indemnatee's attorneys' fees or expenses incurred in connection with such suit or proceeding.

(b) At Lessee's expense, each Indemnatee shall supply Lessee with such information and documents reasonably requested by Lessee and shall furnish such other cooperation reasonably requested by Lessee, in connection with any Claim for which Lessee may be required to indemnify any Indemnatee under Section 18.1. No Indemnatee shall enter into any settlement or other compromise with respect to any Claim for which indemnification is required under Section 18.1 without the prior written consent of Lessee. Lessee shall have the sole authority to settle or compromise any Claim against an Indemnatee hereunder, provided that no admission of wrongdoing shall be required of such Indemnatee and such Indemnatee shall be released of all liability in connection with any such Claim.

(c) Upon payment in full of any Claim by Lessee pursuant to Section 18.1 to or on behalf of an Indemnatee, Lessee, without any further action, shall be subrogated to any and all claims that such Indemnatee may have relating thereto (other than claims in respect of insurance policies maintained by such Indemnatee at its own expense), and such Indemnatee shall execute such instruments of assignment and conveyance, evidence of claims and payment and such other documents, instruments and agreements as may be necessary to preserve any such claims and otherwise reasonably cooperate with Lessee to enable Lessee to pursue such claims.

(d) Prior to paying any amount otherwise payable to an Indemnatee pursuant to Section 18.1, Lessee shall be entitled to receive from such Indemnatee a written statement describing the amount so payable and such additional information as Lessee may reasonably request and which is reasonably available to such Indemnatee to properly substantiate the requested payment.

Section 18.3. Additional Indemnification.

Lessee hereby agrees to pay the following expenses and obligations:

(a) Lessee shall pay or cause to be paid all reasonable out-of-pocket fees and expenses of the Lender under the Bond Financing Documents, including all recording, registration and filing fees, taxes and expenses associated with the maintenance (but not the creation) of the lien and security interest of the Bond Financing Documents, provided that Lessee shall not be liable for any fees and expenses of the Lender which are the result of any Event of Default under the Bond Financing Documents which was not caused by a Lease Event of Default.

(b) Following the occurrence and during the continuance of any Event of Default under the Bond Financing Documents or in connection with any potential, actual or proposed workout, restructuring or similar negotiations relating to Lessor, if such Event of Default or such workout or restructuring is the result of a Lease Event of Default, Lessee agrees to pay or cause to be paid all reasonable out-of-pocket expenses incurred by Lessor (including special and local counsel fees and the fees, expenses and disbursements of an investment bank or other firm acting as financial advisor to third parties to whom Lessor is liable) in connection with such Event of Default or such workout or restructuring.

(c) All indemnifications contained in the loan documents with respect to any loan made by Lessor to Lessee prior to the date hereof, and which loans remain in full force and effect as of the date hereof shall survive.

**ARTICLE XIX
LESSEE REPRESENTATIONS AND WARRANTIES**

Section 19.1. Representations and Warranties.

Lessee represents and warrants to Lessor that the following are true and correct as of the date hereof:

(a) Due Organization. Lessee is a limited partnership duly organized, validly existing and subsisting under the laws of the Commonwealth of Pennsylvania. Lessee has the power and authority to conduct its business as now conducted and as the same is contemplated to be conducted by the Overall Transaction, to own or hold under lease its property, to lease the Condominium Unit and to enter into and perform its obligations under the Operative Documents to which it is or is to become a party. Lessee is duly qualified to do business and is in good standing as a foreign limited partnership in any jurisdiction where the failure to so qualify would have a material adverse effect on its ability to perform its obligations under the Operative Documents to which it is a party.

(b) Due Authorization; No Conflict. Each of the Operative Documents to which Lessee is a party has been duly authorized by all necessary partnership or corporate action on the part of Lessee and has been duly executed and delivered by Lessee, and the execution, delivery and performance thereof by Lessee will not, (i) require any approval of the partners or

stockholders of Lessee or any approval or consent of any trustee or holder of any indebtedness or obligation of Lessee, other than such consents and approvals as have been obtained, (ii) contravene any Applicable Law binding on Lessee or the charter or by-laws or other organizational documents of Lessee or (iii) contravene or result in any breach of or constitute any default under Lessee's charter or by-laws or other organizational documents, or any indenture, mortgage, loan agreement, contract, partnership or joint venture agreement, lease or other agreement or instrument to which Lessee is a party or by which Lessee is bound, or result in the creation of any Lien (other than pursuant to the Operative Documents) upon any of the property of Lessee, to the extent that such breach, default or creation of Lien would (x) have a material adverse effect on the ability of Lessee to perform its obligations under the Operative Documents to which it is a party, or (y) be a material breach or default, or result in a Lien arising, under a material indenture, mortgage, loan agreement, lease or other agreement.

(c) Governmental Actions. All Governmental Action required in connection with the execution, delivery and performance by Lessee of the Operative Documents to which it is a party, has been obtained, given or made.

(d) Enforceability. Each of the Operative Documents to which Lessee is or is to become a party constitutes the legal, valid and binding obligation of Lessee, enforceable against Lessee in accordance with the terms thereof, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors', mortgagees' or lessors' rights in general and by Applicable Laws relating to Lessor's rights or remedies.

(e) No Event of Loss. No Event of Loss has occurred, and to the Actual Knowledge of Lessee no event or condition has occurred which would, with the passage of time or the giving of notice, or both, constitute an Event of Loss.

(f) Financial Advisors. Lessee has not retained any broker, finder or financial advisor in connection with the transactions contemplated by this Lease and the Operative Documents.

(g) Investment Company. Lessee is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(h) Securities Act. Lessee has not offered any interest in the Condominium Unit or the Lease, or any similar securities of Lessee to, or solicited any offer to acquire any of the same from, any Person, in violation of Section 5 of the Securities Act, nor has it authorized any Person to take any such action, and Lessee has not taken any action that would subject any interest in the Condominium Unit, the Bond Financing Documents, or the Lease to the registration requirements of Section 5 of the Securities Act. Nothing herein is intended to imply or shall be construed to suggest that the interests in Lessor constitute securities.

(i) Environmental Matters. Except as set forth in the Environmental Reports and to Lessee's Actual knowledge based on the Environmental Reports, (i) Lessee has complied with all Environmental Laws; (ii) there are no circumstances that may prevent or interfere in any

material respect with Lessee's ability to operate and maintain the Condominium Unit as contemplated by the Operative Documents in full compliance with applicable Environmental Laws or that may give rise to any material liability under applicable Environmental Laws; (iii) there are no pending or threatened Claims against Lessee with respect to Environmental Laws; (iv) the Condominium Unit is free from all contamination in violation of Environmental Laws arising from, relative to, or resulting from any Hazardous Materials except as may be set forth in the Environmental Reports; and (v) there are not now any underground storage tanks, incinerators or surface impoundments located at, on or under the Condominium Unit except as may be set forth in the Environmental Reports.

(j) Bankruptcy. No bankruptcy, reorganization, arrangement or insolvency proceedings are pending, threatened or contemplated by Lessee, and Lessee has not made a general assignment for the benefit of creditors.

(k) Rents. Lessee has not paid Rent to Lessor (or any Affiliate of Lessor) more than thirty (30) days in advance, and no Rent payable hereunder has been waived, released, or otherwise discharged or compromised by Lessor (or any of its Affiliates).

(l) Liens. Lessee has no right to create a Lien or encumbrance upon the Condominium Unit superior to the Lien of the Bond Financing Documents.

(m) Financial Condition. There has been no material adverse change in the financial condition of Lessee since April 30, 2005.

(n) Tax Returns. All tax returns and reports of Lessee required by law to be filed have been duly filed, and all taxes, assessments and other charges of any Governmental Authority upon Lessee and/or upon any property, assets or income of Lessee, which are due and payable, have been paid.

(o) Condominium Unit Related Representations and Warranties. With respect to the Condominium Unit, Lessee represents and warrants to Lessor as follows:

(i) To Lessee's Actual Knowledge, (i) the Condominium Unit and the Improvements and the intended use thereof by Lessee under this Lease will comply in all material respects with the Operative Documents and, except as set forth in the Environmental Reports, all applicable restrictive covenants, zoning ordinances, subdivision and building codes, flood disaster laws, applicable health and environmental laws and regulations and all other ordinances, order or requirements issued by any state, federal or municipal authorities having or claiming jurisdiction over the Condominium Unit.

(ii) All utility services necessary and sufficient for the use, occupancy, and operation of the Condominium Unit for their intended purposes (after completion of the Improvements) are or will be available to the Condominium Unit, including water, storm sewer, sanitary sewer, gas or propane, electric and telephone facilities, through public rights-of-way or perpetual private easements approved by Lessor.

(iii) All streets, roads, highways, bridges and waterways necessary for access to and full use, occupancy, and operation of the Condominium Unit for their intended use and purposes will be completed, will be dedicated to and accepted by the appropriate municipal authority and will be open and available to the Condominium Unit and the Improvements without further condition or cost to Lessor.

(iv) There are no judicial, administrative, mediation or arbitration actions, suits or proceedings pending, against or affecting Lessee (or, if Lessee is a partnership or a limited liability company, any of its general partners or members) or, known to Lessor, the Condominium Unit, which, if adversely determined, would materially impair either the Condominium Unit or Lessee's ability to perform the covenants or obligations required to be performed under the Operative Documents except for those set forth in Schedule 19.1.

(v) Lessee will possess prior to the commencement of construction of the Condominium Unit all franchises, patents, copyrights, trademarks, trade names, licenses and permitted material for the conduct of its business substantially as now conducted or as the same is contemplated by the Overall Transaction to be conducted, except to the extent that the failure to possess any of the foregoing could not reasonably be expected to have a material adverse effect upon Lessee's business.

(vi) No Lease Event of Default, or condition which with the passing of time or the giving of notice or both would constitute a Lease Event of Default, exists.

(vii) No part of the Condominium Unit has been taken in Condemnation, eminent domain or like proceeding nor is any such proceeding pending or, to Lessee's Actual Knowledge and belief, threatened in writing or contemplated.

(viii) Lessee is not entitled to any period(s) of free Rent or any offset, credits or rights of abatement against Lessee's obligation to pay Rent hereunder.

Section 19.2. Defense of Title.

(a) Lessee will, on behalf of Lessor, forever warrant and defend Lessor's title to the Condominium Unit against any and all claims whatsoever, subject to the Permitted Liens and Lessor Liens. The foregoing warranty of title shall survive the foreclosure of the Bond Financing Documents and shall inure to the benefit of and be enforceable by Lender in the event Lender acquires title to the Condominium Unit.

(b) If, within the scope of the above warranty, the title to the Condominium Unit or the interest of Lender or Lessor shall be the subject of any adverse claim, any action at law or in equity, or be attacked, or endangered, clouded or adversely affected in any manner (collectively, a "Title Claim"), Lessee, at Lessee's expense, shall take all necessary and proper steps for the defense of said title or interest, including the employment of counsel approved by Lessor and Lender (such approval not to be unreasonably withheld or delayed), the prosecution or defense of litigation, and the compromise or discharge of any Title Claims made against said title or interest; provided, however, that Lessee shall not be required to defend such title or interest if the Title Claim against such title or interest was caused by or any act or acts of Lender

or Lessor or any Affiliate of either. Notwithstanding the foregoing, in the event that Lessor or Lender determines that Lessee is not adequately performing its obligations under this Section, Lessor or Lender may, without limiting or waiving any other rights or remedies, after giving fifteen (15) Business Days' notice to Lessee, take such steps with respect thereto as Lessor or Lender shall deem necessary or proper and any out-of-pocket costs and expenses incurred by Lender and Lessor in connection therewith, together with interest thereon at the Default Rate from the date incurred by Lessor or Lender until actually paid by Lessee, shall be immediately paid by Lessee to the party entitled thereto on demand and shall be an obligation under this Lease. Nothing contained in this Section shall relieve Lessee of its obligations under Section 7.1.

ARTICLE XX SUBORDINATION, ATTORNMENT AND NON-DISTURBANCE

Section 20.1. Subordination.

This Lease and Lessee's rights hereunder are, subject to Section 21.5, subordinate to: (i) the Bond Financing Documents; and (ii) all renewals, modifications, replacements, substitutions and extensions of the Bond Financing Documents.

(a) Lessee shall, within twenty (20) days after demand, execute and deliver an instrument, in recordable form if requested, that Lessor, or any holder of the Bond Financing Documents may request, to confirm such subordination.

(b) Notwithstanding the provisions of Section 20.1(a), the holder of the Bond Financing Documents to which this Lease is subject and subordinate shall have the right, at its sole option, at any time, to subordinate and subject the Bond Financing Documents, in whole or in part, to this Lease by recording a unilateral declaration to such effect.

Section 20.2. Attornment to Successor Lessors.

(a) If at any time any holder of the Bond Financing Documents or any other person or the successors or assigns of any of the foregoing (such holders and any such other person or successor or assign being herein collectively referred to as "Successor Lessor") shall succeed to the rights of Lessor under this Lease, Lessee shall attorn to and recognize any such Successor Lessor as Lessee's landlord under this Lease upon the terms of this Lease. The provisions of this Section shall inure to the benefit of any such Successor Lessor, shall be self-operative upon any such request, and no further instrument shall be required to give effect to these provisions.

(b) Upon the request of any such Successor Lessor, Lessee shall execute and deliver, from time to time, instruments satisfactory to any such Successor Lessor, in recordable form if requested, to evidence and confirm the foregoing provisions of this Section, acknowledging such attornment and setting forth the terms and conditions of Lessee's tenancy.

(c) Upon such attornment as provided in the foregoing provisions of this Section, this Lease shall continue in full force and effect as a direct lease between such

Successor Lessor and Lessee upon all of the terms of this Lease except that such Successor Lessor shall not be: (i) liable for any act or omission or negligence of any prior Lessor; (ii) subject to any counterclaim, defense or offset which theretofore shall have accrued to Lessee against any prior Lessor; (iii) bound by the payment of any Additional Rent for more than one month in advance; or (iv) bound by any previous modification or amendment of this Lease unless such modification or amendment shall have been approved in writing by the holder of any of the Bond Financing Documents through which the Successor Lessor shall have succeeded to the rights of Lessor under this Lease.

Section 20.3. Notice of Default to Superior Interest.

Lessee shall not exercise any right or remedy provided in this Lease or under Applicable Law on account of any act or omission by Lessor until (a) it shall have given written notice of such act or omission to the person entitled to notice pursuant to the Bond Financing Documents whose name and address shall have been previously furnished to Lessee, and (b) a period of thirty (30) days shall have elapsed following such notice without such act or omission having been cured, except that if such person cannot cure such act or omission within such thirty (30) day period, such person shall have an additional period, not to exceed one hundred eighty (180) days, provided it commences to cure such act or omission within the thirty (30) day period and proceeds diligently thereafter to effect such cure.

Section 20.4. Non-Disturbance Agreement

Lessee's agreement to subordinate to any of the Bond Financing Documents is subject to the condition that so long as this Lease is in full force and effect and no Lease Event of Default has occurred and is continuing (a) notwithstanding anything to the contrary contained in Section 21.1, Lessee's possession of the Condominium Unit, and all its rights and privileges under this Lease, shall not be disturbed or diminished or in any way adversely affected as a result of the foreclosure of the Bond Financing Documents, including without limitation any rights of renewal or rights of first opportunity to purchase, which Lessee may enjoy under this Lease, (b) except for, and to the limited extent of any, compulsory claims or counterclaims, Lessee shall not be joined in any action or proceeding to foreclose the Bond Financing Documents, and (c) notwithstanding anything to the contrary contained in Section 21.1, this Lease shall continue as a direct lease between the person entitled to act on behalf of the holders or beneficiaries of the bonds pursuant to the Bond Financing Documents, or such other Successor Lessor and Lessee, upon all of the terms of this Lease, except such as are not then applicable or pertinent to the remainder of the Base Term or Renewal Term, as applicable.

**ARTICLE XXI
PURCHASE PROCEDURE**

Section 21.1. Purchase Option.

Lessor and Lessee agree that Lessee shall have an option to purchase the Condominium Unit at any time after the commencement of the Interim Term of the Lease and after construction of foundations for the Hotel and Convention Center has commenced under the following terms and conditions:

(a) Lessee shall pay the unamortized amount of the Bond Financing plus all interest accruing to and due and payable with respect to the Bond Financing to the earliest practicable date on which the Bonds may be redeemed (allowing sufficient time for the issuance of redemption instructions, preparation and mailing of a proper redemption notice and the required number of days' notice to be given to holders and owners of the Bonds) and the redemption fees and expenses of the trustee and any registrar or paying agent for the Bonds, plus all unpaid interest on the Bond Financing and unpaid Base Rent and Additional Rent;

(b) In the event Lessee has received an Internal Rate of Return, based on the Lessee's Equity starting with investments from the inception of the Interim Term and terminating with the expiration of the Base Term of at least 20%, then Lessee shall pay Lessor a Purchase Price the unpaid principal balance and accrued interest of the IDP Loan, if any.. In the event the Lessee's return, as calculated above is less than 20%, then, if Lessee exercises the purchase option contained herein, Lessor shall lend to Lessee (subject to any required approval of the Commonwealth of Pennsylvania), an amount equal to the unpaid principal balance and accrued interest due under the IDP Loan, if any, which loan shall be for a ten (10) year term at the same interest rate as the IDP Loan and which shall fully amortize during the ten (10) year term. Lessee may elect to repay in full the amount due under the IDP Loan in lieu of the loan described in this sub-section (b). In order to calculate the Internal Rate of Return, Lessor and Lessee agree to cause an appraisal to be done by an appraiser bearing the MAI designation who is generally familiar with the value of similar properties, which appraiser shall appraise the residual value (the value at the end of the 20th year) of the Hotel and Condominium Unit on a net basis after deduction of costs normally associated with the sale of a similar property, including, without limitation, transfer taxes and transaction costs. In the event Lessor and Lessee are unable to agree on single appraiser, each shall select an appraiser meeting the criteria set forth herein who shall perform the appraisal. If the appraisals are within five (5%) per cent of each other in residual value, the parties shall use the average of the appraisals in determining residual value. If the appraisals vary by more than five (5%) per cent the two appraisers shall select a third appraiser who shall review the two appraisals and select one of the two appraisals as the appraisal to be utilized in determining residual value. In the event the Commonwealth of Pennsylvania does not consent to the making of the loan set forth above, then Lessee shall pay to Lessor an amount equal to the outstanding principal balance of the IDP Loan together with accrued interest which, together with (c) below shall constitute the purchase price. Lessor shall use its commercially reasonable best efforts to obtain the necessary approvals from the Commonwealth of Pennsylvania. In the event there is the unpaid principal balance is zero (0), the purchase price shall be as determined in (c) below;

(c) In the event the Lessee has received an Internal Rate of Return, based on Lessee's Equity, starting with investments from the inception of the Interim Term and terminating with the expiration of the Base Term, of at least 25%, then in addition to the Purchase Price paid in Section 21.1 (b), Lessee shall pay Lessor an additional price of thirty (30%) of the amount of the residual value (the value at the end of the 20th year) in excess of the residual value required to achieve an Internal Rate of Return equal to 25%. In order to calculate the Internal Rate of Return, Lessor and Lessee agree to cause an appraisal to be done by an appraiser bearing the MAI designation who is generally familiar with the value of similar properties, which appraiser shall appraise the residual value (the value at the end of the 20th year) of the Hotel and Condominium Unit on a net basis after deduction of costs normally associated

with the sale of a similar property, including, without limitation, transfer taxes and transaction costs. The appraiser shall also calculate the residual value in excess of that required to produce an Internal Rate of Return equal to 25 % in order to determine the payment (if any) required to be made in accordance with this Section 21.1 (c). In the event Lessor and Lessee are unable to agree on a single appraiser, the parties shall follow the procedure set forth in Section 21.1 (b) above for determining residual value;

(d) In no event shall the purchase price be less than One Thousand (\$1000.00) Dollars;

(e) If Lessee accepts a bona fide third party offer (not from an Affiliate) to sell the Condominium Unit and Hotel within twelve (12) months after the closing occurs on the purchase option granted herein and closing occurs thereafter with the offeree (or its designee), the Internal Rate of Return shall be recalculated utilizing the purchase price after deduction of all of the costs of sale associated therewith. In the event the Internal Rate of Return produces a result which increases the amount which would have been payable to Lessor pursuant to (b) and (c) above, Lessee shall make a lump sum payment to Lessor at Closing on the sale equal to the difference between the amounts actually paid pursuant to (b) or (c) above and the recalculated amount that would have been due and payable under such (b) or (c) if such actual net sale price were the residual value.

(f) The Condominium Unit shall be transferred by Special Warranty deed with covenants of further assurances and otherwise shall be "as is;" and

(g) Closing shall occur one hundred eighty (180) days after a notice is sent by certified mail, return receipt requested, from Lessee to Lessor. Lessee shall pay all Closing costs, transfer taxes, recording costs and other costs due and payable in connection with this transaction.

(h) If Lessee fails to notify Lessor of the exercise of the purchase option hereunder before the end of the Term of this Lease, the right of Lessor to exercise shall not be forfeited unless or until Lessor has given Lessee notice giving Lessee an additional sixty (60) days within which to exercise the purchase option it being the intent of the parties to avoid a forfeiture of the purchase option as a result of Lessee's inadvertent failure to notify Lessor. During such period and the period given to close on the transaction, the term shall be extended and Lessee shall be deemed to be a tenant in accordance with Section 24.22 hereof except that Lessor shall not be permitted to oust Lessee from possession or otherwise exercise its remedies under this Lease until either the sixty (60) day notice period has expired with an exercise of the purchase option by Lessee or the one hundred eighty (180) period has expired and closing has not occurred (unless these time periods are extended by Lessor).

(i) It shall be a condition of the exercise and closing of the purchase option hereunder, that Lessee and Lessor have made satisfactory arrangement to repay or refinance any loan (or portion thereof) obtained or bonds (or any portion thereof) issued by Lessor in connection with and to be paid from proceeds of the IFIP Grant which is attributable to the Hotel and the Condominium Unit..

ARTICLE XXII
TRANSFER OF LESSOR'S INTEREST

Section 22.1. No Permitted Transfer.

Lessor shall not;

(i) transfer any portion of its right, title and interest in and to the Condominium Unit and its rights under this Lease except pursuant to the Bond Financing Documents without the prior written consent of the Lessee which may be withheld in Lessee's sole discretion;

(ii) finance its interest in the Condominium Unit except for the Bond Financing Documents without the prior written consent of the Lessee which may be withheld in Lessee's sole discretion, and

(iii) grant any easement license, lease or otherwise encumber its fee interest or the leasehold interest granted in this Lease without the prior written consent of the Lessee which may be withheld in Lessee's sole discretion.

Section 22.2 Façade Easement

To the extent Lessee, in its sole discretion, deems it necessary or desirable in order to finance the Hotel, Lessor, upon Lessee's request, shall transfer to Lessee a facade easement which Lessee shall be permitted to further transfer to an investor. The easement shall contain such terms and conditions to which Lessor and Lessee shall mutually agree provided such terms and conditions shall further the object of preserving the historic characteristics of the façade of the building located on the Original Premises. All funds received by Lessee from the transfer of a façade easement shall be used by Lessee in connection with Lessee's obligations pursuant to this Lease.

ARTICLE XXIII
PERMITTED FINANCING; ASSUMPTION; REFINANCING

Section 23.1. Financing During Term.

Lessee hereby expressly consents to the Lien imposed in favor of the Indebtedness pursuant to the Bond Financing as such Indebtedness is in effect on the date hereof. Lessor shall not alter, change, extend, reduce or modify the Bond Financing or the Bond Financing Documents in any manner which adversely affects the obligations of the Lessee without the written consent of Lessee which may be withheld at its sole discretion without any duty on Lessee to be reasonable.

Section 23.2. Lessee's Consent to Assignment for Indebtedness.

Lessee acknowledges that in order to secure Lessor's obligations under the Bond Financing Documents, Lessor may agree to an Assignment of Lease and in the Bond Financing Documents, among other things, to the assignment (to the extent provided therein) to Lender of Lessor's right, title and interest to this Lease and to the undertakings of Lessee in this Section. While the Assignment of Lease and the Bond Financing, are in effect, Lessee hereby:

- (a) consents to such assignment;
- (b) covenants to make in full to Lender, in Lender's name, when due (without offset, deduction, defense, deferment, abatement or diminution, except as provided in this Lease), by wire transfer of immediately available funds in accordance with the terms of this Lease:
 - (i) each payment of Base Rent and, to the extent not directly payable by Lessee to third parties or Governmental Authorities, or payable to Lessor under Articles XVIII or XIX hereof, all Additional Rent; and
 - (ii) the Termination Value;
- (c) agrees:
 - (i) to deliver to Lender all notices and other communications which Lessee is required to deliver to Lender pursuant to this Lease;
 - (ii) that all consents to be delivered by Lessor pursuant to this Lease shall not be effective unless consent is also given by Lender, to the extent Lender consent is required by the Bond Financing Documents;
 - (iii) to deliver to Lender duplicate originals of all written notices and other communications delivered to Lessor pursuant to this Lease, in accordance with this Lease, of (A) the occurrence of any Lease Event of Default, (B) the making of any election, (C) the exercise of any right to terminate all or any portion of this Lease, and (D) the exercise of any option;
 - (iv) to deliver to Lender, at its address for notices set forth herein or at such other address as Lender shall designate, all such payments and sums and all such notices and other communications;
 - (v) that it shall not, except as provided in this Lease or under applicable law, seek to recover from Lender any moneys paid to Lender by virtue of the Assignment of Lease and the foregoing provisions; provided, however, that neither the Assignment of Lease nor the foregoing provisions shall limit Lessee's right to recover (A) any duplicate payment made to Lender, whether due to computational or administrative error or otherwise, if Lender has received such payment, (B) all or any portion of a payment in excess of the amount then due under this Lease or otherwise owed by Lessor to Lessee under this Lease, and (C) any amounts that have been paid to

or are actually held by Lender that are required to be refunded to, repaid, or otherwise released to or for the benefit of Lessee under this Lease;

(vi) that no payment of Rents (other than Excepted Payments and payments required by this Lease to be paid to third parties) or delivery of such notices or other communications by Lessee shall be of any force or effect unless paid to Lender or delivered to Lender as provided above;

(vii) that Lessee shall not pay any Rent more than thirty 30 days prior to such payment's scheduled due date except as provided in this Lease;

(viii) that Lessee shall not enter into any agreement subordinating or (except as expressly permitted by the terms of this Lease as in effect on the date hereof) terminating this Lease without the prior written consent of Lender, and any such attempted subordination or termination without such consent shall be void;

(ix) that except with respect to Excepted Payments, Lessee shall not enter into any amendment or modification of this Lease without the prior written consent of Lender, and any such attempted amendment or modification without such consent shall be void;

(x) that if this Lease shall be amended, it shall continue to constitute collateral under the Bond Financing Documents without the necessity of any further act by Lessor, Lessee or Lender;

(xi) that except as expressly provided in this Lease, Lessee shall not take any action to terminate, rescind, reject or avoid this Lease, notwithstanding, to the fullest extent permitted by law, the bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution or other proceeding affecting Lessor or any assignee of Lessor and notwithstanding any action with respect to the Lease which may be taken by an assignee, trustee or receiver of Lessor or of any such assignee or by any court in any such proceedings; and

(xii) that Lender is entitled to all of the rights and benefits, including, without limitation, rights to indemnification, set forth in this Agreement, notwithstanding the fact that Lender is not a party to this Agreement.

Nothing herein shall be construed as Lessee's agreement to be bound and perform the obligations of Lessor under the Bond Financing Documents (except as expressly stated herein). If Lessee receives conflicting direction from Lessor and Lender, or is in good faith uncertain as to whether it should comply with a direction from either Lessor or Lender, Lessee shall be permitted to seek written confirmation from Lessor and Lender, or if the matter in dispute regards the payment of money by Lessee, pay the same into a court and provide Lessor and Lender with reasonably prompt notice of such payment. The parties acknowledge and agree that Lender shall be a third party beneficiary of the provisions contained in this Article XXIII.

Section 23.3. Refinancing

Lessee shall have the right to require Lessor to refinance the Bond Financing on terms and conditions acceptable to Lessee, in which event the Base Rent shall utilize the debt service and other periodic charges set forth in the new financing documents (which shall for the purpose of this Lease be deemed to be the Bond Financing and the documents in connection therewith shall be deemed to be Bond Financing Documents). Lessor shall cooperate fully with Lessee to achieve a refinancing if Lessee determines to proceed. Lessee shall pay all transaction costs of Lessor in connection with the refinancing. Lessee agrees that the payment of transaction costs in connection with the refinancing shall not be included as Equity for any purpose under this Lease unless the refinancing results in an interest rate reduction in which event the payment of transaction costs shall be included as Equity. Lessor and Lessee agree that the replacement of one form of Credit Enhancement for another shall not be deemed to be a refinancing for the purposes hereunder and transaction costs in connection therewith expended by Lessee shall be included as Equity.

ARTICLE XXIV MISCELLANEOUS

Section 24.1. Binding Effect; Successors and Assigns Survival.

The terms and provisions of this Lease, and the respective rights and obligations hereunder of Lessor and Lessee, shall be binding upon their respective successors, legal representatives and assigns (including, in the case of Lessor, any Person to whom Lessor may transfer the Condominium Unit) and inure to the benefit of their respective permitted successors and assigns, and the rights hereunder of Lender shall inure (subject to such conditions as are contained herein) to the benefit of its permitted successors and assigns.

Section 24.2. Quiet Enjoyment.

Lessee shall have the right to peaceably and quietly hold, possess and use any and all of the Condominium Unit hereunder during the Lease Term, subject to the Permitted Liens, the Operative Documents and all matters of record affecting the Condominium Unit as of the Closing Date, so long as no Lease Event of Default has occurred and is continuing.

Section 24.3. Notices.

Unless otherwise specifically provided herein, all notices, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms hereof to be given to any Person shall be in writing sent to either (i) that Person's Address, and a copy thereof shall be sent to each Person to receive a copy pursuant to the definition of "Address", by (A) a nationally recognized overnight courier service, and any such notice shall be deemed received one (1) Business Day after delivery to a nationally recognized courier service specifying overnight delivery, or (B) or (ii) that Person's fax number, and a second copy thereof shall be sent to each Person required to receive a copy pursuant to the definition of "Address", by a nationally recognized overnight courier service, specifying overnight delivery, prepaid, and any such notice shall be deemed received after the earlier of (x) the confirmation of receipt of such

fax, or (y) when received, if by courier. From time to time any party may designate a new Address or fax number for purposes of notice hereunder by notice to each of the other parties hereto. All notices given hereunder shall be irrevocable unless expressly specified otherwise. Lessee shall provide Lender with a copy of all notices from Lessee to Lessor under this Agreement. Said copies of notices from Lessee to Lessor that are sent by Lessee to Lender shall be sent in accordance with the requirements set forth in this Section.

Section 24.4. Severability.

Any provision of this Lease that shall be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction, and each party hereto shall remain liable to perform its obligations hereunder except to the extent of such unenforceability. To the extent permitted by applicable law, Lessee hereby waives any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

Section 24.5. Amendment, Complete Agreements.

Neither this Lease nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but may be terminated, amended, supplemented, waived or modified only by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification shall be sought. This Lease is intended by the parties as a final expression of their lease agreement and as a complete and exclusive statement of the terms thereof, all negotiations, considerations and representations between the parties having been incorporated herein. No representations, undertakings, or agreements have been made or relied upon in the making of this Lease other than those specifically set forth in the Operative Documents.

Section 24.6. Headings.

The Table of Contents and headings of the various Articles and Sections of this Lease are for convenience of reference only and shall not modify, define or limit any of the terms or provisions hereof.

Section 24.7. Counterparts.

This Lease may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 24.8. Governing Law.

This Lease shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania.

Section 24.9. Estoppel Certificates.

Each party hereto agrees that at any time and from time to time during the Lease Term, it will promptly, but in no event later than ten (10) business days after request by the other party hereto, execute, acknowledge and deliver to such other party a certificate stating (a) that this Lease is unmodified and in force and effect (or if there have been modifications, that this Lease is in force and effect as modified, and identifying the modification agreements); (b) the date to which Base Rent has been paid; (c) whether or not there is any existing default by Lessee in the payment of Base Rent or any other Rent payable to Lessor hereunder, and whether or not there is any other existing default by either party with respect to which a notice of default has been served, and, if there is any such default, specifying the nature and extent thereof, (d) whether or not, to the knowledge of the signer, there are any setoffs, defenses or counterclaims against enforcement of the obligations to be performed hereunder existing in favor of the party executing such certificate and (e) other items that may be reasonably requested. Such certificate may be relied upon by any bona fide, permitted purchaser of, or mortgagee with respect to, Lessor's or Lessee's interest in the Condominium Unit (direct or indirect), or any prospective sublessee of Lessee in respect of any one or more of the Condominium Unit or any purchaser of an interest in Lessee or Lessor or any Person with whom Lessee intends to consolidate.

Section 24.10. Easements.

So long as no Lease Event of Default has occurred and is then continuing, and provided that no such action could reasonably be expected to have a material adverse effect upon Lessee's ability to perform its obligations under the Operative Documents, Lessor will join with Lessee (and will request Lender to join in, or subordinate the lien on real estate granted pursuant to the Bond Financing Documents, to any easement granted in accordance with this Section) from time to time at the request of Lessee (and at Lessee's sole cost and expense including all reasonable costs incurred by Lender) to:

(a) subject to the terms of Article XII, sell, assign, convey or otherwise transfer an interest in any or all of the Condominium Unit to any Person legally empowered to take such interest under the power of eminent domain, and, without such activity being subject to the terms of Article XII, dedicate or transfer de minimis unimproved portions of the Condominium Unit for road, highway or other public purposes;

(b) upon approval by Lessor, which approval may not be unreasonably withheld: (i) grant new (or release existing) easements, licenses, rights of way and other rights and privileges in the nature of easements, with respect to the Condominium Unit, and (ii) execute amendments to any covenants and restrictions affecting the Condominium Unit. Lessor's approval shall be deemed given if Lessor shall not have notified Lessee of its withholding of such approval within twenty (20) days after Lessee's request, provided Lessee shall have given a second notice (stating that failure to respond within seven (7) days shall be deemed approval) at least seven (7) days prior to the expiration of said twenty-day period; and

(c) execute and deliver any instrument, in form and substance reasonably acceptable to Lessor, necessary or appropriate to make or confirm the grants, releases or other actions described above in clauses (a) and (b) of this Section.

Section 24.11. No Joint Venture.

Any intention to create a joint venture or partnership relation between Lessor and Lessee is hereby expressly disclaimed.

Section 24.12. No Accord and Satisfaction.

The acceptance by Lessor of any sums from Lessee (whether as Rent or otherwise) in amounts which are less than the amounts due and payable by Lessee hereunder is not intended, nor shall be construed, to constitute an accord and satisfaction of any dispute between such parties regarding sums due and payable by Lessee hereunder, unless Lessor specifically deems it as such in writing.

Section 24.13. No Merger.

In no event shall the leasehold interests, estates or rights of Lessee hereunder, or of Lender merge with any interests, estates or rights of Lessor in or to any and all of the Condominium Unit, it being understood that such leasehold interests, estates and rights of Lessee hereunder, and of Lender shall be deemed to be separate and distinct from Lessor's interests, estates and rights in or to the Condominium Unit, notwithstanding that any such interests, estates or rights shall at any time or times be held by or vested in the same person, corporation or other entity. Without limitation of the foregoing, if Lessee purchases the Condominium Unit pursuant to Article XXI or otherwise at a time when the Bond Financing Documents remain in effect, this Lease will remain in full force and effect..

Section 24.14. Naming and Signage of the Condominium Unit.

Subject to the Operative Documents, all matters of record affecting the Condominium Unit as of the Closing Date and Applicable Laws, Lessee shall have the sole and exclusive right, at any time and from time to time, to select the name or names of the Condominium Unit and the Improvements, and the sole and exclusive right to determine not to use any name in connection with the Condominium Unit, as well as all rights in respect of signage for or in connection with the Condominium Unit. Lessor shall not have or acquire any right or interest with respect to any such name or names used at any time by Lessee, or any trade name, trademark service mark or other intellectual property of any type of Lessee.

Section 24.15. Expenses.

Whenever this Lease provides for the reimbursement by Lessee of costs and expenses of Lessor or any other party, then such reimbursement obligation shall be limited to actual, out-of pocket, reasonable costs and expenses.

Section 24.16. Investments.

Any moneys held by Lessor (or by Lender) as security under this Lease for future payments by Lessee (including Condemnation or proceeds of any insurance) at any time shall, until paid to Lessee, be invested by Lessor in a manner mutually acceptable to Lessee and Lessor, or, if the Bond Financing Documents are in effect, by Lender in investments permitted pursuant to the Bond Financing Documents. Any gain (including interest received) realized as a result of any such investment (net of any fees, commissions, Taxes and other expenses, if any, incurred in connection with such investment) shall be retained with, and distributed and re-invested in the same manner, as the original principal amount. Lessor (and Lender) shall have no liability for any losses arising from any such investments or reinvestments.

Section 24.17. Further Assurances.

Lessor and Lessee, at the cost and expense of the requesting party, will cause to be promptly and duly taken, executed, acknowledged and delivered all such further acts, documents and assurances as any of the others reasonably may request from time to time in order to carry out more effectively the intent and purposes of this Lease. Nothing herein shall obligate Lessee to provide to Lessor or Lender any proprietary or confidential information relating to the manner, method and procedures of Lessee's business operations, or relating to Lessee's business plan except such information as is reasonably necessary to the calculation of the Participation Percentage Rental Payment and the Purchase Price. Lessee acknowledges that the information required to be provided in Section 3.4 (b) above is not covered by this exclusion.

Section 24.18. Conveyance Expenses.

All transfer taxes, title insurance premiums, and other costs, fees and expenses (including reasonable attorneys fees and expenses) incurred in connection with the transfer of any or all of Lessor's interest in the Condominium Unit to Lessee under Articles XII or XXI shall be paid by Lessee.

Section 24.19. Independent Covenants.

The covenants of Lessor and Lessee herein are independent and several covenants and not dependent on the performance of any other covenant in this Lease.

Section 24.20. Lessor Exculpation.

Anything to the contrary in this Lease notwithstanding, the covenants contained in this Lease to be performed by Lessor shall not be binding on any trust company or owner of interests in Lessor in its individual capacity, but instead said covenants are made for the purpose of binding only all of Lessor's right, title and interest in and to the Condominium Unit, and none of Lessor, any owner of interests in Lessor or any Affiliate of Lessor or any of their successors and assigns shall have any liability under this Lease in excess of, and Lessee shall have no recourse under this Lease against Lessor, any owner of interests in Lessor, or any Affiliate of Lessor except with respect to, Lessor's interest in the Condominium Unit, Net Proceeds and Rent.

Section 24.21. Remedies Cumulative.

To the extent permitted by, and subject to the requirements of, Applicable Laws, each and every right, power and remedy herein specifically given to Lessor or otherwise in this Lease shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by Lessor. No delay or omission by Lessor in the exercise of any right, power or remedy or in the pursuit of any remedy shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of Lessee or to be an acquiescence therein. Lessor's consent to any request made by Lessee shall not be deemed to constitute or preclude the necessity for obtaining Lessor's consent, in the future, to all similar requests. No waiver by Lessor of any default shall in any way be, or be construed to be, a waiver of any future or subsequent default.

Section 24.22. Holding Over.

Lessee covenants that if for any reason Lessee or any subtenant of Lessee, without written consent of Lessor, shall fail to vacate and surrender possession of the Condominium Unit or any part thereof on or before the expiration or earlier termination of this Lease and Base Term or Renewal Term, as the case may be, then Lessee's continued possession of the Condominium Unit shall be as a tenant at sufferance, during which time, without prejudice and in addition to any other rights and remedies Lessor may have hereunder or at law, Lessee shall pay to Lessor an amount equal to the Additional Rent, the Minimum Participation Rent, and the Participation Percentage Rental Payment (and in the case of any Renewal Fees paid or payable under Section 5.1(b)(iii), the Renewal Fee) pro-rated for the number of days such property is held over. The provisions of this Section shall not in any way be deemed to (i) permit Lessee to remain in possession of the Condominium Unit after the expiration date or sooner termination of this Lease, or (ii) imply any right of Lessee to use or occupy the Condominium Unit upon expiration or termination of this Lease and the Base Term or Renewal Term, as the case may be, and, unless Lessor has consented in writing to Lessee or its subtenant remaining in possession, no acceptance by Lessor of payments from Lessee after the expiration date or sooner termination of the Base Term or Renewal Term, as the case may be, shall be deemed to be other than on account of the amount to be paid by Lessee in accordance with the provisions of this Section. Lessee's obligations under this Section shall survive the expiration or earlier termination of this Lease. Lessor's rights to terminate this Lease or otherwise oust Lessee from possession pursuant to this Section 24.22 is fully subject to Lessee's rights to exercise the purchase option and remain in possession pursuant to Section 21.1(g) hereof so long as Lessee pays the rents provided to be paid in this Section 24.22.

Section 24.23. Survival.

The following provisions shall survive the termination of this Lease: (i) Sections 3.5, 6.1, 8.4, 8.6, 8.8, 8.9, 17.2, and Articles VII, X, XVIII, and XXI; and (ii) any other provision of this Lease pursuant to which Lessor or Lessee had an existing obligation which was unsatisfied at the time of termination of this Lease and remains unsatisfied, including, without limitation, to the extent there was any unsatisfied obligation under Section 12.1 or Article III;

provided, however, that nothing in this Section 24.23 shall be deemed to extend any applicable statute of limitations.

Section 24.24. Memorandum.

Lessee and Lessor agree that a memorandum or short form of this Lease (and any amendment hereof) may be executed and recorded, at Lessee's expense, in the land records of the jurisdiction in which the Condominium Unit is situate.

Section 24.25. Restrictions on Lessor.

Lessor shall not, without the consent of Lessee: (i) undertake Alterations of the Condominium Unit, (ii) contest any Impositions that are to be paid by Lessee or (iii) incur mechanics or materialmen's liens on the Condominium Unit that would interfere with Lessee's possession and quiet enjoyment of the Condominium Unit. Such consent shall not be unreasonably withheld, delayed or conditioned as to clause (ii) and otherwise may be withheld in Lessee's discretion. Nothing in this Section shall limit the rights of Lessor to exercise any of its rights or remedies under this Lease, whether following a default by Lessee or otherwise specifically granted in this Lease.

Section 24.26 IFIP Grant Covenants.

(a) . Lessee shall cooperate with Lessor in all matters necessary or appropriate to obtain and receive IFIP Grants for the Improvements during the term of this Lease or, if less, the term over which the Improvements are eligible to receive IFIP Grants, and shall cooperate with Lessor in having a certified public accountant undertake and submit to DCED a final audit listing all costs of the Improvements and certifying that grant funds were disbursed in accordance with the IFIP Grant the Improvements and certifying that grant funds were disbursed in accordance with the IFIP Grant Agreement, such audit and certificate to be submitted within 90 days following expiration of the IFIP Grants, or at such other time as shall be required by the IFIP Grant Agreement. Lessee shall cooperate with the Lessor in compiling, preparing and presenting such financial information and operating data as shall be required to make application for, to renew, and to receive, IFIP Grants for each year during the term of the Lease or, if less, for the maximum term over which such grants may be received in accordance with law. This covenant shall survive termination or assignment of this Lease.

(b) ' If, during the period in which the Lessor is receiving IFIP Grants, the Lessee receives from any party other than the Lessor or the Commonwealth of Pennsylvania any payments in respect of the cost of infrastructure improvements which are a part of the Improvements for which the IFIP Grants have been awarded, the Lessee shall pay to the Lessor a sum equal to such payments and the Lessor shall, in accordance with the IFIP Grant Agreement, apply the sum so paid to the payment of the debt service on the Bonds or other debt service for the Improvements.

(c) Lessee shall maintain full accurate records with respect to the construction, operation and maintenance of the Improvements, and shall cooperate with the Lessor in providing DCED with access to such records, and such similar records as may be maintained by Lessor, and to afford DCED and its authorized employees or agents access to and

the ability to inspect all work, invoices, materials and other relevant records at reasonable times and places in connection with DCED's administration of the IFIP Grants. Lessee shall furnish to the Lessor and DCED, upon request, all data, reports, contracts, documents and other information relevant to the Improvements and the IFIP Grants.

{Remainder of page intentionally blank.}

IN WITNESS WHEREOF, Lessor and Lessee have duly authorized, executed and delivered this Lease as of the date first hereinabove set forth.

LESSOR:

Redevelopment Authority of the City of
Lancaster, a body politic and corporate
existing under the laws of the
Commonwealth of Pennsylvania

By: _____

Its: _____

LESSEE:

Penn Square Partners, a Pennsylvania
limited partnership

By: _____

Its: _____

APPENDIX A

In this Lease, unless the context otherwise requires:

- (a) any term defined below by reference to another instrument or document shall continue to have the meaning ascribed thereto whether or not such other instrument or document remains in effect;
- (b) words importing the singular include the plural and vice versa;
- (c) words importing a gender include any gender;
- (d) a reference to a part, clause, party, section, article, exhibit or schedule is a reference to a part and clause of, and a party, section, article, exhibit and schedule to, this Lease;
- (e) a reference to any statute, regulation, proclamation, ordinance or law includes all statutes, regulations, proclamations, ordinances or laws varying, consolidating or replacing them, and a reference to a statute includes all regulations, proclamations and ordinances issued or otherwise applicable under that statute;
- (f) a reference to a document includes an amendment or supplement to, or replacement or novation of, that document;
- (g) a reference to a party to a document includes that party's successors and permitted assigns;
- (h) the words "including" and "includes," and words of similar import, shall be deemed to be followed by the phrase "without limitation";
- (i) the words "hereof" and "hereunder," and words of similar import, shall be deemed to refer to this Lease as a whole and not to the specific section or provision where such word appears; and
- (j) unless the context shall otherwise require, a reference to the "Condominium Unit" or "Building" shall be deemed to be followed by the phrase "or a portion thereof".
- (k) a reference to "material" or "materially" when used in determining the existence of a Lease Event of Default shall be deemed to be followed by the phrase "(determined by using a commercially reasonable standard)".

"Actual Knowledge" with respect to any Person, shall mean the present, conscious, actual knowledge of the officers of such Person charged with the oversight on its behalf of the Overall Transaction without duty of inquiry, provided that such Person will also be deemed to have knowledge of any matter of which notice shall have been given in accordance with the provisions hereof or by any Governmental Authority, and provided further that with

respect to Liens or maintenance items it shall include the knowledge of senior officers of the Person.

"Additional Rent" shall mean all operating costs (including, without limitation, Lessor's share of the costs of operating the Original Premises or the Condominium Unit, as the case may be) which are incurred by Lessor in connection with the ownership of the Original Premises or the Condominium Unit, as the case may be and any other payments due under this Lease exclusive of Impositions, Minimum Participation Rent and Participation Percentage Rental Payment.

"Address" shall mean, subject to the rights of the party in question to change its Address in accordance with the terms of the Operative Documents:

(a) with respect to Lessor, The Redevelopment Authority of the City of Lancaster, 120 N. Duke Street, Lancaster, Pennsylvania 17603, Attention: Charles H. Simms, Jr., Chairman, with a copy to Frank P. Mincarelli, Esquire, Blakinger, Byler & Thomas, P.C., 28 Penn Square, Lancaster, Pennsylvania 17603 with a required copy to Lender at the address set forth in clause (c) below.

(b) with respect to Lessee, c/o High Real Estate Group, 1853 William Penn Way, P.O. Box 10008, Lancaster, Pennsylvania 17605-0008, Attention: Mark C. Fitzgerald CPM, CCIM, President and Chief Operating Officer, with a copy to: Richard R. Goldberg, Esquire, Ballard Spahr Andrews & Ingersoll, LLP, 1735 Market Street, 51st Floor, Philadelphia, Pennsylvania, 19105-7599.

(c) the address for Lender shall be determined as of the date the Bond Financing becomes effective.

"Affiliate" of any Person shall mean any other Person directly or indirectly controlling, controlled by or under common control with, such Person and shall include, if such Person is an individual, members of the Family of such Person and trusts for the benefit of such individual or Family members. For purposes of this definition, the term, "control" (including the correlative meanings of the terms "controlling" "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"Alterations" shall mean alterations, improvements, installations, modifications, changes and additions to the Condominium Unit or any part thereof.

"Applicable Laws" shall mean all existing and future applicable laws (including common laws), rules, regulations, statutes, treaties, codes, ordinances, permits, certificates, orders and licenses of and interpretations by, any Governmental Authorities, and applicable judgments, decrees, injunctions, writs, orders or like action of any court, arbitrator or other administrative, judicial or quasi-judicial tribunal or agency of competent jurisdiction (including those pertaining to health, safety or the environment and those pertaining to the construction, use or occupancy of the Condominium Unit), development guide, declaration, restrictive use agreement and any reciprocal easement agreement, covenant, other agreement or deed restriction

or easement of record affecting the Condominium Unit as of the date hereof or, with Lessee's prior written consent, subsequent hereto (but excluding for purposes of this definition the Bond Financing Documents). Applicable Laws include Environmental Laws.

"Assignment of Lease" shall mean the assignment of lease dated as of the Closing Date, by and among Lessor, as assignor, and Lender, as assignee, with respect to this Lease, and consented to by Lessee, and any other assignment of the Lease hereinafter entered into by Lessor.

"Bankruptcy Code" shall mean the Bankruptcy Reform Act of 1978 as amended and as may be further amended.

"Base Rent" shall mean (i) the amount required on a periodic basis to be paid pursuant to the Bond Financing and the Bond Financing Documents as debt service and to pay all other periodic charges required to be paid by Lessor in connection with the Bond Financing and the Bond Financing Documents until the Bond Financing is repaid after which event the Base Rent shall be zero and (ii) any sums required to be paid by Lessor as Lessor Administrative Costs to the extent not provided for in the Bond Financing Documents, which, if the same constitute sums due and payable to third parties by or on behalf of Lessor of which Lessee has notice or knowledge, shall be paid by Lessee not later than the date or dates on which such sums are due and payable to said third parties or, as to other sums, shall be paid by Lessee on the date or dates specified by Lessor.

"Base Term" shall mean the period commencing on the Commencement Date of the Base Term and ending on [insert date 20 years from Commencement Date of the Base Term] or such shorter period as may result from earlier termination of the Lease as provided therein.

"Bond Financing" shall mean the bonds issued by the Lessor in order to construct the Improvements and secured by revenues from this Lease and any other Credit Enhancement provided by Lessee in connection therewith.

"Bond Financing Documents" shall mean all documents executed by Lessor to provide financing in connection with the Bond Financing and all documents executed by Lessee to provide Credit Enhancement in connection with the Bond Financing.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which banks are authorized to be closed in New York, New York.

"Casualty" shall mean any damage or destruction caused to the Condominium Unit by any reason, whether or not constituting an Event of Loss.

"Claims" shall mean liens (including, without limitation, lien removal and bonding costs) liabilities, obligations, damages, losses, demands, penalties, assessments, payments, fines, claims, actions, suits, judgments, settlements, costs, expenses and disbursements (including, without limitation, reasonable, actually-incurred legal fees and expenses and costs of investigation) of any kind and nature whatsoever.

"Closing Date for Unit 2" shall mean the date on which the Condominium is created and Lessor conveys the Original Premises to the Condominium Regime created by the Condominium Documents and the Condominium Regime conveys Unit 2 to the Lessor.

"Closing Date for the Original Premises" shall mean the date on which Lessee conveys to Lessor the land and improvements described in Exhibit A.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Complete", "Completed" or "Completion" shall mean, with respect to the Improvements as defined in Section 4.1, when each of the following conditions shall have been satisfied:

(a) The Improvements shall have been constructed in accordance with the Plans, the Operative Documents and all Applicable Laws as such may be amended and revised;

(b) A permanent or temporary certificate of occupancy (or local equivalent) or other written evidence that the legal occupancy of the Improvements for their intended use has been authorized by the appropriate Governmental Authority shall have been issued;

(c) The Qualified Architect with respect to the Improvements shall have issued a certificate certifying that substantial completion of such respective improvements has been achieved in accordance with the Plans and all Applicable Laws; and

(d) Lessee shall have delivered to Lessor and Lender an ALTA "as built" survey of the Condominium Unit showing the Improvements to be made to the Condominium Unit, having access to a public street, having sufficient parking to comply with applicable zoning ordinances and regulations, and being in compliance with any set-back or similar building restrictions.

"Commencement Date of the Base Term" shall mean the earlier of (i) substantial completion of Unit 2 so that the Hotel may be occupied by the general public as a hotel or (ii) the date hotel guest paying normal rates first occupy the Hotel for use as a hotel.

"Condemnation" shall mean any condemnation, requisition or other taking or sale of the use, occupancy or title to any or all of the Condominium Unit, by or on account of any eminent domain proceeding or other action by any Governmental Authority or other Person under the power of eminent domain or otherwise or any transfer in lieu of or in anticipation thereof.

"Condominium" shall mean the Condominium Regime created on _____, containing the Hotel, the Convention Center, and the common elements and limited common elements as such are defined in the Condominium Declaration.

"Condominium Documents" shall mean the Condominium Declaration and By-Laws attached as Exhibit B.

"Condominium Regime" shall have the meaning set forth in Section 2.1(c).

"Condominium Unit" shall mean the condominium unit described in the Condominium Declaration as shown on Exhibit B to this Lease; together with all buildings, structures, and other improvements of every kind (collectively, the "Improvements"); together with all easements, rights and appurtenances relating thereto; and together with all fixtures, including all components thereof, on and in respect to the Improvements, together with all replacements, modifications, alterations and additions thereto (collectively, the "Fixtures"), provided that in no event shall "Fixtures" include Lessee's Furniture, Fixtures, Equipment and Personalty and together with an interest in common with other units in the Condominium in the Common Elements and Limited Common Elements, if any.

"Construction Contract" should have the meaning set forth in Section 4.1 of this Lease.

"Contractor" shall have the meaning given in Section 4.4 hereof.

"Convention Center" shall mean the Improvements constructed in the Condominium Unit owned by the LCCCA.

"CPI Increase" shall mean the quotient derived by dividing the Consumer Price Index – All Cities Average published by the United States of America for the month in which the CPI Increase computation is to be made by the Consumer Price Index – All Cities Average in effect during the month in which the computation was previously made for the particular purpose. If the CPI Index – All Cities Average is no longer published, the parties shall select a comparable rate to determine the quotient.

"Credit Enhancement" shall mean a letter of credit secured by a mortgage on the Condominium Unit, bond insurance provided by a bond insurer acceptable to Lessor, Lessee and the purchasers of bonds pursuant to the Bond Financing Documents or any other similar form of credit support designed to improve the rating of the bonds by applicable rating agencies.

"DCED" shall mean the Pennsylvania Department of Community and Economic Development, or its successor.

"Default Rate" shall mean (i) with respect to Base Rent, any amount equal to any default rate and late charge specified in the Bond Financing Documents; (ii) with respect to Additional Rent, the amount specified in the Condominium Documents as the default rate plus late charges, and (iii) with respect to the Minimum Participation Rent, three percent (3%) of the prime rate published in the Wall Street Journal on the first day of the period in question.

"Development Agreement" shall mean that certain Development Agreement dated the date hereof by and among Lessor, Lessee, and High Associates, Ltd., a Pennsylvania limited liability company.

"Environmental Laws" shall mean and include the Resource Conservation and Recovery Act of 1976 (RCRA), 42 U.S.C. §§ 6901-6987, as amended by the Hazardous and Solid Waste Amendments of 1984, the Comprehensive Environmental Response, Compensation

and Liability Act, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601- 9657 (CERCLA), the Hazardous Materials Transportation Act of 1975, 49 U.S.C. §§ 1801-1812, the Toxic Substances Control Act, 15 U.S.C. §§ 2601-2671, the Clean Air Act, 42 U.S.C. §§ 7401 *et seq.*, the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. §§ 136 *et seq.* and all other federal, state, or local laws, ordinances, rules, orders, statutes, decrees, judgments, injunctions, codes and regulations (i) relating to the environment, human health or natural resources; (ii) regulating, controlling or imposing liability or standards of conduct concerning Hazardous Materials; or (iii) relating to the clean-up or other remediation of the Condominium Unit, as any of the foregoing may have been or may be amended, supplemented or supplanted from time to time.

"Environmental Reports" shall mean Report on Phase I Environmental Assessment prepared by _____ dated _____, and delivered to Lessee and Lessor prior to the date hereof.

"Equity" shall mean all cash invested by the Lessee from time to time in the Hotel and the Condominium Unit to include, without limitation, furniture, fixtures and equipment used in connection with the operation of the Hotel and the Condominium Unit, pre-opening expenses in connection with the Hotel, working capital, soft costs (including, without limitation, developer's fees, technical services fees and legal fees), any other personal property used in connection with the operation of the Hotel and the Condominium Unit, and any sums required to fund operating deficits of the Hotel, without deduction for non-cash charges including without limitation, depreciation, and without deduction for ownership distributions received by Lessee or its constituent general and limited partners which shall for all purposes of this Lease be deemed to be returns on equity and not returns of equity. Net refinancing proceeds distributed to the Lessee and its constituent, insurance proceeds distributed to the Lessee and its constituent partners not used to rebuild the Hotel or Condominium unit or purchase Personal Property to be used in connection with the Hotel and proceeds from the sale of Personal Property not used to buy other Personal Property shall reduce the amount of Lessee's investment for the purposes hereunder. The transaction costs specified in Section 23.3 shall be treated in accordance with that Section.

"Event of Loss" shall mean (x) the actual or constructive loss of all or substantially all of the Condominium Unit, or damage thereto which is uneconomical or impractical to repair and has the effect of such actual or constructive loss of all or substantially all of the Condominium Unit, (y) the taking by Condemnation of title to all or substantially all of the Condominium Unit, or such portion thereof that makes use of the balance uneconomic or impractical for Lessee's continued use, or (z) the prohibition of occupancy or use as a result of any Applicable Laws or the taking by Condemnation of the use of all or substantially all of the Condominium Unit, or such portion thereof that makes use of the balance uneconomic or impractical for Lessee's continued use, permanently or for a continuous period in excess of the remaining Lease Term or, at Lessee's option, for a period in excess of three (3) years. Any decision regarding whether the balance of the Condominium Unit is uneconomic or impractical shall be made by Lessee and evidenced by an Officer's Certificate of Lessee delivered to Lessor. Damage shall not be uneconomical or impractical to repair if the cost to repair is fully paid by insurance.

"Excepted Payments" shall mean any amounts, other than Base Rent, payable directly to Lessor under Article XVIII as set forth herein or in a notice from time-to-time from Lender.

"Expenses" shall have the meaning specified in Section 18.1 of the Lease.

"Family" shall mean, as to any Person, such Person's grandparents, all lineal descendants of such Person's grandparents, Persons adopted by, or stepchildren of, any such grandparent or descendant and Persons currently married to, or who are widows or widowers of, any such grandparent, descendant, adoptee or stepchild.

"Final Payment Date" shall have the meaning specified in Section 17.1(e) of the Lease.

"Fixtures" shall have the meaning specified in the term "Condominium Unit".

"GAAP" shall mean generally accepted accounting principles in the United States, as in effect from time to time, consistently applied.

"Governmental Action" shall mean all permits, authorizations, registrations, consents, approvals, waivers, exceptions, variances, orders, judgments, decrees, licenses, exemptions, publications, filings, notices to and declarations of or with, or required by, any Governmental Authority, or required by any Applicable Laws, and shall include, without limitation, all citings, environmental and operating permits and licenses that are required for the use, occupancy, zoning and operation of the Condominium Unit.

"Governmental Authority" shall mean any federal, state, county, municipal or other governmental or regulatory authority, agency, board, body, commission, instrumentality, court or quasi governmental authority (or private entity in lieu thereof including any community association, business park association or architectural review committee).

"Hazardous Material" shall mean any substance, waste or material (including those that are toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous, including petroleum, its derivatives, by-products and other hydrocarbons and asbestos), in each case that is or becomes regulated by any Governmental Authority, including any agency, department, commission, board or instrumentality of the United States and/or the State in which the Condominium Unit is situated, or that may form the basis of liability under any Environmental Law.

"Hotel" shall mean the operation of the hotel and food and beverage services located at the Condominium Unit or located in facilities leased by the Lessee from the Condominium Unit owned by the LCCCA.

"Hotel Development Agreement" shall mean that agreement governing the development and construction of the Hotel entered into of even date between Lessor, Lessee and High Associates, Ltd, a Pennsylvania limited liability company.

"IDP Debt Service" shall mean the principal and interest payments, including any balloon payment, due pursuant to the terms and conditions of the IDP Loan.

"IDP Loan" shall mean that loan evidenced by a loan agreement dated November 4, 2002, between Lessor and Lessee, the Note dated November 4, 2002, in the principal amount of \$2,250,000.00 executed in connection with the aforesaid loan Agreement and the IDP Mortgage.

"IDP Mortgage" shall mean the open end leasehold mortgage entered into by Lessor and Lessee covering the Property which is the security for the IDP Loan as such may be amended from time to time including, without limitation, the change in security to Unit 2 when Lessor transfers the Property to the Condominium and receives a deed to Unit 2.

"IFIP Grant Agreement" shall mean any agreement between the Commonwealth of Pennsylvania, acting by and through DCED, and Lessor, pursuant to which Lessor is to receive grants under the Infrastructure and Facilities Improvement Program of the Commonwealth of Pennsylvania established pursuant to Pennsylvania Act 23 of 2004 to be used to construct the Hotel and the Convention Center.

"IFIP Grant" or IFIP Grants" shall mean the grant payment to be received pursuant to the IFIP Grant Agreement.

"Impositions" shall mean, collectively, all sales and use, single business, gross receipts, transaction privilege, rent or similar taxes levied or incurred with respect to the Condominium Unit, or the use, lease, ownership or operation thereof, personal property tax on any property covered by this Lease that is classified by government authorities as personal property, assessments (including all assessments for public improvements or benefits, whether or not commenced or completed within the Lease Term), water, sewer, utilities or other rents and charges, excises, levies, fees and all other governmental charges of any kind or nature whatsoever, general or special, foreseen or unforeseen, ordinary or extraordinary, with respect to the Condominium Unit or any part thereof and/or the Rent, including all interest and penalties thereon, which at any time prior to, during or with respect to the Lease Term may be assessed or imposed on or with respect to or be a Lien upon Lessor or the Condominium Unit or any part thereof or any rent therefrom or any estate, title or interest therein and any and all community association, and/or business park association charges, fees, dues and assessments, and interest and penalties thereon. Impositions shall exclude, however, and nothing contained in the Lease or any other Operative Document shall be construed to require Lessee to pay, (i) any tax imposed on Lessor or Lender based on the net income or capital gains of Lessor or Lender or any transfer tax imposed on Lessor or Lender or any other Person, except to the extent that any tax described in this clause (i) is levied, assessed or imposed entirely as a substitute for a tax, assessment, levy or charge upon the Condominium Unit, the Rent or any part thereof or interest therein which Lessee would otherwise be required to pay thereunder; (ii) any tax imposed with respect to the sale, exchange or other disposition by Lessor or Lender or the proceeds thereof; (iii) any gross receipts, transaction privilege, rent or similar tax, assessment, levy or charge upon Lessor, the Condominium Unit, the Rent or any part of any thereof or interest therein, but solely to the extent that the same is levied, assessed or imposed as a total or partial substitute for a tax, assessment, levy or charge described in clause (i) or clause (ii) which Lessee would otherwise

not be required to pay hereunder; or (iv) any real estate taxes or ad valorem taxes (other than the Development Investment District tax) on the Condominium Unit imposed by any taxing authority or any other tax that is levied, assessed or imposed as a total or partial substitution for any real estate taxes or ad valorem taxes.

"Improvements" shall have the meaning specified in the term "Condominium Unit."

"Indebtedness" shall mean the indebtedness evidenced by the bonds, any Credit Enhancement provided by Lessee, and the Bond Financing Documents, and any replacement, supplement and substituted indebtedness thereof.

"Indemnatee" shall mean Lessor or Lender, any trustee, and each of their Affiliates, and the respective officers, directors, employees, shareholders, members or partners of each of the foregoing.

"Initial Rent" the sum of \$100 plus Additional Rent and Lessor Administrative Costs.

"Initial Term" means the period commencing on and including the Closing Date for the Original Premises and ending on the day immediately preceding the Interim Term.

"Inspecting Parties" shall have the meaning specified in Section 15.1 of the Lease.

"Interim Rent" shall mean the sum of \$100, Additional Rent and, to the extent applicable, Lessor Administrative Costs to the extent such cost is not provided for in the Bond Financing Documents.

"Interim Term" shall mean the period commencing on and including the Closing Date for Unit 2 and ending on the Commencement Date of the Base Term.

"Internal Rate of Return" shall meet the interest rate calculated which is required to make the net present value of all cash inflows and expenditures (including a terminal residual value) equal 0.

"Joint Development Agreement" shall mean that agreement entered into by Lessor, Lessee and LCCCA of even date which sets forth the responsibilities for construction and other services to be performed in connection with the construction and development activities to take place throughout the Condominium Regime created to govern the Hotel and the Convention Center.

"LCCCA" shall mean the Lancaster County Convention Center Authority.

"Lease Event of Default" shall have the meaning specified in Article XVI of the Lease.

"Lease Term" shall mean the full term of the Lease, including the Base Term and any Renewal Terms as to which Lessee exercises a renewal option pursuant to Article V of the

Lease, or such shorter period as may result from earlier termination of the Lease as provided therein.

"Lender" shall mean, collectively, the lending institution or institutions and trustee or agent acting on behalf of any such lending institutions, holders of the bonds, and providers of Credit Enhancement that provide Lessor the funds necessary to acquire the Condominium Unit, and any other mortgage loans incurred by Lessor and secured by the Condominium Unit supported by the lease revenue derived from this Lease, and each of their respective successors and assigns.

"Lessee" shall mean Penn Square Partners, a Pennsylvania limited partnership, and its permitted successors and permitted assigns.

"Lessee's Furniture, Fixtures, Equipment and Personalty" shall mean certain furniture, equipment and personal property of Lessee, which includes, without limitation, business machinery, signs, desks, movable partitions, vending machines, computer software and hardware, and removable trade fixtures and equipment, as now or may hereafter exist in or on any of the Improvements. In no case shall Lessee's Furniture, Fixtures, Equipment and Personalty include any heating, ventilating and air-conditioning equipment and electrical supply equipment (including power panels) to be utilized in connection with the operation of the Condominium Unit as a building as distinguished from the particular business activities of Lessee.

"Lessor" shall mean the Redevelopment Authority of the City of Lancaster, a body politic and corporate existing under the laws of the Commonwealth of Pennsylvania, and its successors and permitted assigns.

"Lessor Administrative Costs" shall mean any sums expended by Lessor to pay third party service providers for the reasonable costs of administering this Lease, the Condominium Documents and the Bond Financing Documents not otherwise required to be paid by Lessee pursuant to those documents including, without limitation, Lessee's share of the costs associated with the provision of financing resulting from the IFIP Grant and the IFIP Grant Agreement

"Lessor Liens" shall mean Liens on or against the Condominium Unit or the Lease or any payment of Rent (a) which result from any act of, or any Claim against, Lessor, or which result from any violation by Lessor of any of the terms of the Operative Documents other than a violation due to a default by Lessee under the Lease, (b) which result from Liens in favor of any taxing authority by reason of any Tax owed and payable by Lessor, except that Lessor Liens shall not include any Lien resulting from any Tax for which Lessee is obligated to indemnify Lessor until such time as Lessee shall have already paid to or on behalf of Lessor the Tax or the required indemnity with respect to the same, or (c) which result from any Expenses owed, caused or occasioned by Lessor or any of its employees or agents which are not indemnified by Lessee pursuant to Section 18.1 of the Lease, but shall exclude Permitted Liens and any Liens created by the Bond Financing Documents, except to the extent any such Lien arises by Lender payment of any of the foregoing.

"Lien" shall mean any lien, mortgage, deed of trust, deed to secure debt, encumbrance, pledge, charge, servitude, security title or security interest of any kind, including any thereof arising under any conditional sale or other title retention agreement.

"Marriott Franchise Agreement" shall mean that License Agreement entered into by Lessee and Marriott International Inc. dated _____, or any other franchise or license agreement between the Lessee and any other hotel company which franchises or licenses its name for use in connection with hotels.

"Minimum Participation Rent" shall mean the sum of \$200,000 per annum, payable monthly to Lessor, prorated for any incomplete period.

"Net Cash Flow" shall mean gross receipts received by the Lessee in any manner from or in connection with the operation of the Hotel (including any income received by Lessee from leases or licenses granted in connection with the roof and air rights of the Hotel and Condominium Unit), but excluding any capital event and excluding any distributions received as a result after expenses and reserves and other charges are paid), from which are subtracted the following: (i) Hotel operating expenses, (ii) Base Rent, (iii) Additional Rent, (iv) debt service on any loan in which Lessee is indebted used for Hotel purposes, (v) payments, if any, to the LCCCA, (vi) taxes (to the extent payable by Lessee), (vii) furniture, fixtures and equipment reserves reasonably expended by the Lessee or required to be preserved pursuant to any agreement to which Lessee is subject, (viii) structural reserve reasonably expended by the Lessee or required to be reserved pursuant to any agreement to which Lessee is subject, (ix) any other reserves, and (x) any other items required to be paid by the Lessee in connection with the operation, maintenance and Improvement of the Hotel or Condominium Unit, but excluding Participation Percentage Rental Payments.

"Net Casualty Proceeds" shall mean the compensation and/or insurance payments net of the expenses of collecting such amounts incurred by Lessor, Lender, or Lessee and received by Lessor, Lender or Lessee in respect of the Condominium Unit by reason of and on account of an Event of Loss described in clause (x) of the definition thereof or a casualty.

"Net Condemnation Proceeds" shall mean any award or compensation net of the reasonable expenses of collecting such amounts including attorneys' fees incurred by Lessor, Lender or Lessee or Lender, and received by Lessor, Lessee or Lender in respect of the Condominium Unit by reason of and on account of a Condemnation.

"Net Proceeds" shall mean Net Casualty Proceeds and Net Condemnation Proceeds.

"Nonseverable" shall describe an Alteration or part of an Alteration (other than Lessee's Equipment or Personalty) which cannot be readily removed from the Condominium Unit without causing material damage to the Condominium Unit and alterations which cause no physical damage but adversely affects the operation of the Hotel.

"Non-Structural Alterations" shall mean all Alterations other than Structural Alterations.

"Officer's Certificate" of a Person means a certificate signed by any of the following: the Chairman or any Vice Chairman of the Board, the President, or any Executive Vice President, any Senior Vice President, or any other Vice President of such Person, the Treasurer, any Assistant Treasurer, the Controller, or the Secretary or Assistant Secretary of such Person or the general partner or managing member of such Person.

"Operative Documents" shall mean each of the following as the same may be amended, extended, renewed or modified: (i) the Lease, (ii) the Bond Financing Documents; (iii) the Condominium Declaration and By-Laws, and (iv) all recorded documents affecting the Condominium Unit as of the Closing Date.

"Original Premises" shall mean the land and improvements described in Exhibit A attached hereto and made a part hereof.

"Overall Transaction" shall mean (i) all the transactions and activities referred to in or contemplated by the Operative Documents, and (ii) all the transactions and activities relating to Lessor's purchase of its interest in the Condominium Unit.

"Participation Percentage Rental Payment" shall mean an annual payment of 30% of Net Cash Flow from Hotel operations (but never less than the Minimum Participation Rent) after Lessee has received a return on capital equal to a 12% cumulative cash-on-cash annual Preferred Return payable for each calendar year of the Base Term and prorated for any partial year.

"Permitted Liens" shall mean:

(a) the respective rights and interests of Lessee, Lessor and Lender under the Operative Documents and the Bond Financing Documents,

(b) Lessor Liens and any Liens on Lessee's Furniture, Fixtures, Equipment and Personalty,

(c) Liens for Taxes either not yet due or being contested in good faith and by appropriate proceedings, so long as such proceedings shall not involve any material danger of the sale, forfeiture or loss of any part of the Condominium Unit, title thereto or any interest therein and are undertaken in accordance with the terms of any documents securing the Indebtedness (including, without limitation, posting of any bonds or other collateral to the extent required by such documents),

(d) materialmen's, mechanics', workers', repairmen's, employees or other like Liens for amounts either not yet due or being contested in good faith and by appropriate proceedings so long as such proceedings shall not involve any material danger of the sale, forfeiture or loss of any part of the Condominium Unit, title thereto or any interest therein, provided Lessee agrees that it shall pay, discharge of record or bond over any such Lien within thirty (30) days after knowledge thereof,

(e) Liens arising out of judgments or awards with respect to which at the time an appeal or proceeding for review is being prosecuted in good faith and either which have been

bonded or for the payment of which adequate reserves shall have been provided to Lessor's reasonable satisfaction, provided that any such judgment or award in excess of One Million Dollars (\$1,000,000) (unless Lessee or its Affiliates are insured therefor), shall be bonded or discharged by Lessee within thirty (30) days after Lessee's knowledge thereof,

(f) A lien in favor of Marriott International or any of its Affiliates on Lessee's leasehold interest and the Lessee's Furniture, Fixtures, Equipment and Personalty securing unpaid franchise fees pursuant to the Marriott Franchise Agreement.

(g) a lien for _____ of _____ as the Lessee's Leasehold interest and the Lessee's Furniture, Fixtures, Equipment and Personalty,

(h) easements, rights of way, reservations, servitudes and rights of others against the Condominium Unit which (x) are listed on Schedule B to the Title Policy or (y) are granted pursuant to Section 24.10 of the Lease,

(i) assignments and subleases expressly permitted by the Lease, and

(j) all other easements, rights of way, reservations, and servitudes reasonably required in connection with the operation of a hotel or the Condominium Unit in connection with a publicly owned convention center.

"Permitted Use" shall have the meaning given to such term in Section 8.1 of the Lease.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, limited liability company, non-incorporated organization or government or any agency or political subdivision thereof or any other legal entity.

"Plans" shall have the meaning given to such term in Section 4.1 of the Lease.

"Preferred Return" shall mean an annual computation for each calendar year, prorated for partial years, commencing on the date of Completion of the Hotel in which the quotient is arrived at by dividing (i) Net Cash Flow for any period by (ii) the Equity invested by Lessee.

"Proceeds Trustee" shall mean Lender

"Project" shall mean the hotel and convention center to be constructed and which will be the subject of the Condominium Documents.

"Prime Sub-Contract(s)" shall have the meaning given to such term in Section 4.1 of the Lease.

"Purchase Option" shall mean the right of the Lessee to purchase the Condominium Unit at any time during the Base Term or during any Renewal Term or any holdover term under the terms and conditions described in Section 21.1.

"Purchase Price" shall mean the amount payable by Lessee upon exercise of the Purchase Option.

"Qualified Architect" means Cooper Carey Inc., 3520 Piedmont Road N.E., Atlanta, Georgia 30305-1595, or any other individual who is, or firm which has a principal who is, an architect duly registered or licensed under the laws of the Commonwealth of Pennsylvania and who is a member of The American Institute of Architects (or its successor organization) with not less than ten (10) years' experience providing architectural services in connection with the construction of commercial properties similar to the Condominium Unit in the market in which the Condominium Unit is located.

"Release" shall mean the release or threatened release of any Hazardous Material into or upon or under any land or water or air, or otherwise into the environment, including, without limitation, by means of burial, disposal, discharge, emission, injection, spillage, leakage, seepage, leaching, dumping, pumping, pouring, escaping, emptying, placement and the like.

"Rent" shall mean Base Rent and Additional Rent, collectively.

"Restoration Fund" shall have the meaning specified in Section 12.4(a) of the Lease.

"Structural Alterations" shall mean, with respect to the Improvements, any Alterations to structural elements of the roof, the foundation, load bearing walls, exterior curtain walls and supporting columns.

"Sublease" shall have the meaning given such term in Section 14.1.

"Sublessee" shall mean the sublessee or occupant under a Sublease.

"Taxes" shall mean any and all present or future liabilities, losses, expenses and costs of any kind whatsoever that are fees (including without limitation, license fees, documentation fees and registration fees), taxes (including without limitation, rental turnover, property, ad valorem, real estate, income, gross or net income, gross or net receipts, sales, use, value added, franchise, business, transfer, unemployment, capital property (tangible and intangible), municipal assessments, excise and stamp taxes and sewer and water rents), licenses, recording charges or fees, levies, imposts, duties, charges, assessments or withholdings, together with any penalties, fines, additions or interest thereon or addition thereto (any of the foregoing being referred to herein individually as a "Tax"), imposed by any taxing authority of the United States or any state, county, city or other political subdivision thereof.

"Term" shall mean the Initial Term, the Interim Term and Base Term.

"Termination Value" shall mean on the Termination Value Date, the unamortized principal balance together with unpaid interest, if any, and any other sums due and owing under the Bond Financing and any Base Rent, Additional Rent, Minimum Participation Rent, or Participation Percentage Rental Payment due and owing under this Lease. Termination Value shall also include all interest accruing to and due and payable with respect to the Bond Financing to the earliest practicable date on which the Bonds may be redeemed (allowing sufficient time

for the issuance of redemption instructions, preparation and mailing of a proper redemption notice and the required number of days' notice to be given to holders and owners of the Bonds) plus redemption fees and expenses payable to bond trustee, registrar or paying agent. In addition, Termination Value shall include the payment of any other monetary liens incurred by Lessee and the costs of recording deeds, lease terminations, and other recorded documents.

"Termination Value Date" shall mean the date of Closing pursuant to the Purchase Option or upon another date specified in the Lease where Lessee may purchase Lessor's interest in the Lease.

"Title Insurance Company" shall mean Fidelity Title Insurance Company or such other title insurance company selected by the Lessee.

"Title Policy" shall mean the title insurance policy issued by the Title Insurance Company to Lessor on the Closing Date.

"Unit 2" shall mean the Condominium Unit owned by the Lessor containing, without limitation, approximately 300 hotel rooms, a restaurant, front desk, and administrative offices together with all interests in the common elements, limited or otherwise, created by the Condominium Documents.

**SCHEDULE 4.1
PLANS**

To Be Provided

**SCHEDULE 6.3
LANDLORD'S WAIVER**

Dated: _____

PREMISES:

DEBTOR:

SECURED PARTY:

LESSOR:

LEASE:

WHEREAS, Lessor has an interest in the above Premises as owner or landlord, which Premises are rented to Debtor, and

WHEREAS, Debtor has granted or is granting to Secured Party a continuing lien on and security interest in (or is leasing from Secured Party), among other things, the following property of Debtors (collectively, the "Collateral"): _____

NOW THEREFORE, Lessor, intending to be legally bound and for other good and valuable and sufficient consideration, the receipt of which is hereby acknowledged, hereby agrees as follows:

1. Any and all liens, claims, demands or rights, including without limitation, the right to levy or distraint for unpaid rent, which Lessor now has or hereafter acquires on or in any of the Collateral, shall be subordinate and inferior to the title and/or lien and security interest of Secured Party and as to Secured Party, Lessor hereby specifically waives and relinquishes all rights of levy, distraint or execution with respect to the Collateral.

2. Any collateral shall, at all times, be considered to be personal property and shall not become a part of the above-referenced Premises.

3. Secured party may, after reasonable written notice to Lessor, during normal business hours, enter upon the Premises, and may remove the Collateral and take possession of the Collateral, provided that Secured Party shall be responsible for and shall repair

promptly all physical injury to the Premises caused in the removal of the Collateral by Secured Party. It is understood and agreed that no auction may be held on the Premises.

4. Secured Party agrees to indemnify and hold harmless Lessor from and against any damage to the Premises, personal injury or death which may occur as a result of the negligent or willfully wrongful acts or omissions of Secured Party and/or its employees, agents or contractors in the exercise of the rights granted to Secured Party by Lessor under this Agreement.

LESSOR:

By: _____

Its: _____

**SCHEDULE 9.1
INSURANCE REQUIREMENTS**

Shall be provided.

SCHEDULE 19.1
REPRESENTATIONS AND WARRANTIES

None

EXHIBIT A
Land and Improvements

EXHIBIT A

DESCRIPTION and RECITAL

TRACT NO. 1 (2-10 East King Street & 19-21 South Queen Street))

ALL THAT CERTAIN tract of land with the improvements thereon erected, being situated on the South side of East King Street, the West side of South Christian Street, and the East side of South Queen Street, in the City of Lancaster, County of Lancaster, Commonwealth of Pennsylvania, as shown on a survey prepared by H. F. Huth Engineers, Inc., dated April 17, 1962, revised May 10, 1962, said tract being more fully bounded and described as follows:

BEGINNING at a point at the intersection of the South line of East King Street and the East line of "The Square"; thence along the South line of East King Street, North 81 degrees 35 minutes East, a distance of 111.61 feet to a point, a corner of land now or late of Simon A. Cantor, said point being the Eastern face of the East wall of the three-story brick store building hereon erected; thence along the East face of said wall and passing through the center line of said wall at the Southern extremity of said wall, South 08 degrees 32 minutes East, a distance of 131.67 feet to a point in the South side of a 10.0 foot wide private alley, said point being situated on the North face of the North wall of a four-story brick building hereon erected; thence along the same, North 81 degrees 46 minutes 30 seconds East, a distance of 69.21 feet to a point in the West line of South Christian Street; thence along the same, South 08 degrees 38 minutes 30 seconds East, a distance of 162.66 feet to a point, a corner of lands now or late of William G. Rinehart; thence along the same, passing along the North face of the North wall of the building erected on lands now or late of William G. Rinehart, South 81 degrees 42 minutes 30 seconds West, a distance of 246.74 feet to a point in the East line of South Queen Street; thence along the same, North 08 degrees 39 minutes 30 seconds West, a distance of 229.32 feet to a point in the South line of "The Square"; thence along the same, North 81 degrees 56 minutes East, a distance of 66.0 feet to a point in line of the East line of said "Square"; thence along the same, North 08 degrees 26 minutes West, a distance of 65.10 feet to the point or place of BEGINNING.

BEING composed of the following tracts of land:

1. Purparts No. 1, 3 and 4 of the same premises which James Shank and P. T. Watt and Laura G. Watt, his wife, and James Shand and P. T. Watt, partners trading as Watt and Shand, by Deed dated March 18, 1918, and recorded in the Recorder of Deeds Office for Lancaster County, Pennsylvania, in Deed Book I, Volume 23, Page 220, granted and conveyed unto Watt and Shand, a PA corporation, its successors and assigns.
2. The same premises which George R. Rohrer and Adelaide C. Rohrer, his wife, and Howard Rohrer, by their Deed dated April 2, 1920, and recorded in the Recorder of Deeds Office aforesaid in Deed Book C, Volume 24, Page 506, granted and conveyed unto Watt and Shand, a PA corporation, its successors and assigns.
3. The same premises which Drossos A. Skyllas, by Deed dated April

15, 1925, and recorded in the Recorder of Deeds Office aforesaid in Deed Book I, Volume 27, Page 578, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

4. The same premises which Albert F. Witmer, Substituted Fiduciary of the Trust Mortgage Pool of The Lancaster Trust Company, by Deed dated May 22, 1936, and recorded in the Recorder of Deeds Office aforesaid in Deed Book P, Volume 32, Page 480, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

5. The same premises which John M. Ammon and Cora M. Ammon, his wife, by Deed dated July 2, 1937, and recorded in the Recorder of Deeds Office aforesaid in Deed Book E, Volume 33, Page 295, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

6. The same premises which Harry P. Wisegarver, Executor of Jennie H. May, by Deed dated March 30, 1940, and recorded in the Recorder of Deeds Office aforesaid in Deed Book N, Volume 34, Page 365, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

7. The same premises which Alpheaus S. Groff and Ella L. Groff, his wife, by Deed dated February 24, 1960, and recorded in the Recorder of Deeds Office aforesaid in Deed Book Y, Volume 48, Page 419, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

TOGETHER with and subject to the right to the use of the aforesaid 10 feet wide private alley.

TRACT NO. 2 (40 South Christian Street)

ALL THAT CERTAIN lot or piece of land situated on the West side of South Christian Street, in the City of Lancaster, County of Lancaster and State of Pennsylvania, having thereon erected a two-story brick building known as No. 40 South Christian Street, bounded and described according to a survey made by J. Haines Shertzer on November 7, 1949, as follows, to wit:

BEGINNING at an iron pin on the West line of South Christian Street, a corner of property now or late of Richard Oblender; thence extending along said property of Richard Oblender, North 88 degrees 29 minutes West, a distance of 125.00 feet to a "V" cut in the wall of the building adjoining to the South, a corner of other property now or late of R. S. Noonan and Ella Noonan, his wife, and S. Edward Sherrill and Anita B. Sherrill, his wife; thence extending along said other property of the said R. S. Noonan and Ella Noonan, his wife, and S. Edward Sherrill and Anita B. Sherrill, his wife, North 45 minutes East, a distance of 32.14 feet to a cross in a concrete walk on line of property now or late of Phares Reifsnnyder; thence extending along said property of Phares Reifsnnyder, South 88 degrees 44 minutes East, a distance of 125.00 feet to an iron pin on the aforesaid West line of South Christian Street; thence extending along said West line of South Christian Street, South 45 minutes West, a distance of 32.68 feet to an iron pin, the place of BEGINNING.

BEING THE SAME PREMISES which R. S. Noonan and Ella Noonan, his wife, and S. Edward Sherrill and Anita B. Sherrill, his wife, by Deed dated November 30, 1949, and recorded December 1, 1949, in the Recorder of Deeds Office in and for Lancaster County, Pennsylvania, in Deed Book E, Volume 40, Page 501, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

TRACT NO. 3 (27-29 South Queen Street)

ALL THAT CERTAIN lot or piece of ground situate on the East side of South Queen Street, between Penn Square and Vine Street, in the City of Lancaster, County of Lancaster, Commonwealth of Pennsylvania, on which is erected a four-story brick store building, known as Nos. 27-29 South Queen Street, and other improvements.

CONTAINING in front on the East side of South Queen Street, 32 feet 2 1/4 inches, and extending in depth of that width Eastward 245 feet to Christian Street.

BOUNDED on the North by property of Watt & Shand; on the East by South Christian Street; on the South by property now or formerly of Farmers Bank & Trust Company of Lancaster; on the West by South Queen Street.

BEING THE SAME PREMISES which Ethel Judene Walker, by Deed dated October 29, 1986, and recorded November 10, 1986, in the Recorder of Deeds Office in and for Lancaster County, Pennsylvania, in Deed Book N, Volume 96, Page 231, granted and conveyed unto Watt & Shand, a Pennsylvania corporation, its successors and assigns.

AND Watt and Shand a/k/a Watt & Shand a/k/a Watt & Shand, Inc., by merger effective April 5, 1992, became known as Bon-Ton Stores of Lancaster, Inc.

TRACT NO. 4 (33-35 South Queen Street)

ALL THAT CERTAIN lot of ground situate on the East side of South Queen Street, in the City of Lancaster, County of Lancaster and State of Pennsylvania, known as 33-35 South Queen Street, bounded and described as follows, to wit:

CONTAINING in front on said South Queen Street, 32 feet 5 inches, more or less, and extending in depth of that width, more or less, 120 feet to property now or formerly of Watt & Shand Company.

BOUNDED on the North by property now or formerly of Julia G. Loeb; on the East by property now or formerly of Watt & Shand Company; on the South by property now or formerly of the Peoples Trust Company; on the West by South Queen Street.

ATTACHED TO AND FORMING A PART OF TITLE INSURANCE COMMITMENT
Order No.: D192447LA

BEING THE SAME PREMISES which Oblender's Furnishings, Inc., by Deed dated December 19, 1977, and recorded in the Recorder of Deeds Office in and for Lancaster County, Pennsylvania, in Deed Book U, Volume 72, Page 560, granted and conveyed unto Hager Realty Corporation, its successors and assigns.

Hager Realty Corporation, by merger, has become part of Bon-Ton Stores of Lancaster, Inc.

TRACT NO. 5 (31 South Queen Street)

ALL THAT CERTAIN half lot of piece of land, with the buildings and improvements thereon erected, situated on the East side of South Queen Street, between Penn Square and Vine Street, in the City of Lancaster, County of Lancaster and State of Pennsylvania, known as No. 31 South Queen Street.

CONTAINING in front on the East side of said South Queen Street, 32 feet $3\frac{3}{4}$ inches, more or less, and extending in depth of that width Eastwardly, 245 feet, more or less, to South Christian Street, the Northern boundary line of the main building of the hereby granted premises being a party wall to the end of said main building.

BOUNDED on the North by property now or late of Walter A. Heinitsh; on the South by property now or late of Julius Loeb; on the East by said South Christian Street; on the West by said South Queen Street.

BEING THE SAME PREMISES which William D. Crabtree and Ruth L. Crabtree, husband and wife, by their Attorney-in-Fact, Richard G. Greiner, by Deed dated July 31, 1997, and recorded July 31, 1997, in the Recorder of Deeds Office in and for Lancaster County, Pennsylvania, in Record Book 5414, Page 7, granted and conveyed unto Bon-Ton Stores of Lancaster, Inc., a Pennsylvania corporation, its successors and assigns.

DISTRICT - 33-3; MAP - 13K1D; BLOCK - 7; PARCEL - 1 & 28 (Tract 1); 25 (Tract 2); 27 (Tract 3); 24 (Tract 4); 26 (Tract 5)

EXHIBIT B
Condominium Documents

DECLARATION OF CONDOMINIUM
OF
THE PENN SQUARE HOTEL AND CONVENTION CENTER, A CONDOMINIUM

Pursuant to the provisions of the
Pennsylvania Uniform Condominium Act,
68 Pa. C.S. §3101, et seq.

DECLARATION OF CONDOMINIUM

THE PENN SQUARE HOTEL AND CONVENTION CENTER, A CONDOMINIUM

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DECLARATION OF CONDOMINIUM

THE PENN SQUARE HOTEL AND CONVENTION CENTER, A CONDOMINIUM

2-10 East King Street, 19-21 South Queen Street, 40 South Christian Street
27-29 South Queen Street, 31 South Queen Street, 33-35 South Queen Street, 37-43 South
Queen Street, 45-49 South Queen Street and 21-23 East Vine Street
County and City of Lancaster
Commonwealth of Pennsylvania

THIS DECLARATION is made this _____ day of _____, 2005, by LANCASTER COUNTY CONVENTION CENTER AUTHORITY, a body politic and corporate existing under the laws of the Commonwealth of Pennsylvania (the "LCCCA") and REDEVELOPMENT AUTHORITY OF THE CITY OF LANCASTER ("RACL"), a body politic and corporate existing under the laws of the Commonwealth of Pennsylvania (collectively, the "Declarant") as collective owners in fee simple of the Property (hereinafter described).

ARTICLE I

SUBMISSION

Section 1.1 Declarant; Property; Condominium Name. Declarant, the collective owners in fee simple of the property described in Exhibit "A" attached hereto (the "Property"), located in the City and County of Lancaster, Pennsylvania, hereby submits the Property, including all easements (including but not limited to the Access and Construction Easement (as hereinafter defined)), rights and appurtenances thereto belonging and the Buildings and improvements erected or to be erected thereon to the provisions of the Pennsylvania Uniform Condominium Act, 68 Pa. C.S. Section 3101 et seq. (the "Act"), and hereby creates with respect to the Property a condominium, to be known as The Penn Square Hotel and Convention Center, a Condominium (the "Condominium").

Section 1.2 Title. After the recording of this Declaration, the Hotel Unit shall be conveyed to RACL and subsequently leased to Penn Square Partners, a Pennsylvania limited partnership ("Penn Square") and the Convention Center Unit shall be conveyed to the LCCCA. The Hotel Unit and the Convention Center Unit shall be developed and built pursuant to that certain Joint Development Agreement of even date herewith between RACL and the LCCCA (the "Joint Development Agreement").

ARTICLE II

DEFINITIONS

Section 2.1 Terms Defined in the Act. Capitalized terms not otherwise defined herein or in the Plats and Plans shall have the meanings specified or used in the Act.

Section 2.2 Terms Specifically Defined in This Declaration. In addition to the terms hereinabove defined, the following terms shall have the following specific meanings in this Declaration, the Bylaws, and Plats and Plans:

(a) **"Access and Construction Easement"** means the access and construction easement over the property described in Exhibit A-1, together with all improvements on such property, including but not limited to, landscaping, paving, driveways, curb, sidewalk, signs, lighting, storm water management facilities, utilities, and a canopy as shown on the Plats and Plans.

(b) **"Act"** means the Act described in Section 1.1 above.

(c) **"Allocation of Common Expenses"** means the procedure for allocating costs for ongoing operation, repairs and maintenance of the Common Elements as set forth on Exhibit "F".

(d) **"Association"** means the Unit Owners' Association of the Condominium, which is known as the "The Penn Square Condominium Association."

(e) **"Building(s)"** means the structure(s) currently erected and to be erected on the Property containing Units.

(f) **"Bylaws"** means the document having that name and providing for the governance of the Association, pursuant to Section 3308 of the Act, as such document may be amended from time to time.

(g) **"Common Elements"** means those parts of the Property either described in the Act as being Common Elements or described herein or in the Plats and Plans as being Common Elements, including but not limited to the following areas of the Property and the Building currently constructed or to be constructed on the Property and the furniture, fixtures and equipment located in such areas, as more specifically depicted on the Plats and Plans: the Exterior of the Watt & Shand Building, the areas identified as Maintenance Storage, Engineering, W&S Staging and Receiving, Security, Fire Control Mechanical and Electrical Rooms, Personnel, Employee Lockers (Men), Employee Lockers (Women), Employee Entry Vestibule, Employee Dining, Fire Pump Room, Water Softner Room, Training, Boiler Room and Can Wash on the Exhibit Level; the areas identified as the Watt & Shand Lobby, Electrical Room, Computer, Generator, Lobby Restroom, Janitors Closets, Guest Elevator/Lobby, Service Elevator/Lobbies, Exit Stairs, Back of House ("BOH") Corridors, Vestibule, Valet Key Stor., SDB View, Parking Entry Vestibule, Parking Entry and Mechanical on the Watt & Shand Lobby Level, all items of equipment that serve both Units (regardless of the physical location of any such items of equipment within a particular Unit, but excluding Kitchen equipment), all elevator cabs, elevator mechanical equipment and escalator equipment that services both Units or one or both Units and the Common Elements, the porte cochere, the Access and Construction Easement, the vacated portion of the Christian Street Alley, the foundation systems (including caissons, if any) that support the Watt & Shand Foundation Slabs, the Watt & Shand Foundation Slabs, all support columns on the Exhibit Level, any support columns on the Exhibit Level that support the

Watt & Shand Lobby Level or any levels above the Watt & Shand Lobby Level located beneath the footprint of the Guest Tower, and all support columns on the Watt & Shand Lobby Level.

(h) **“Common Expenses”** means those expenditures made or liabilities incurred by or on behalf of the Association in connection with the Common Elements and pursuant to Section 3.3(c) hereof plus the costs of the owner of the Hotel Unit of administering those certain Infrastructure Finance Improvement Program Bonds issued by RACL (the “Bond Costs”), all to be assessed against the Unit Owners in accordance with the Allocation of Common Expenses.

(i) **“Condominium”** means the Condominium described in Section 1.1. above.

(j) **“Condominium Documents”** include the Declaration, Plats and Plans, Bylaws, and Rules and Regulations, if any.

(k) **“Convention Center Entry Level”** means the portion of the Building identified on the Plats and Plans as “Convention Center Entry Level.”

(l) **“Convention Center Foundation Slabs”** means any Foundation Slabs other than the Watt & Shand Foundation Slab and the Historic Foundation Slabs.

(m) **“Convention Center Unit”** means Unit number 1 to be owned by the LCCCA which will consist of the following areas of the Property and the Building currently constructed and to be constructed on the Property, as more specifically depicted on the Plats and Plans:

- (i) All Interior areas on the Watt & Shand Meeting/Administration Level;
- (ii) All Interior areas on the Watt & Shand Ballroom A Level, except the Hotel Business Center;
- (iii) All Interior areas on the Watt & Shand Ballroom B Level;
- (iv) All Interior and Exterior areas contained in the Parking Connector;
- (v) Those Interior areas on the Watt & Shand Lobby Level identified as Kitchen (and notwithstanding anything to the contrary contained herein, including Kitchen equipment), Mechanical and Sound Control Room;
- (vi) Those Interior areas within the Exhibit Level identified on the Plats and Plans as all Exhibit Halls, Show Manager Offices, VIP Lounge, Lounge Restroom, Comm. Stair, Freight Elevator, Exhibit Service, Escalator, Public Stair, Mezz. Access, Exhibit Vestibule, Exhibit Compactor, Exhibit Hall Dock, Exhibit Entry, Prefunction, A/V Room, A/V Storage, Storage, Men, Women and Family

Restrooms, Janitors Closets, Public Elevator, Elevator Machine, Exit Stairs and BOH Corridors;

- (vii) All Exterior areas on the Exhibit Level;
 - (viii) All Interior and Exterior areas on the Convention Center Entry Level;
 - (ix) All roof areas on top of the Building, except those roof areas on top of the Guest Tower and on top of the Montgomery House (which shall be included in the Hotel Unit);
 - (x) All foundation systems (including caissons, if any) that support the Convention Center Foundation Slabs;
 - (xi) The Convention Center Foundation Slabs;
 - (xii) All support columns of the Exhibit Level, except those that support the Watt & Shand Lobby Level, or any levels above the Watt & Shand Lobby Level located beneath the footprint of the Guest Tower; and
 - (xiv) All Interior and Exterior areas of the K/S Areas.
- (n) **"Declarant"** means the Declarant described in Section 1.1, above.
- (o) **"Declaration"** means this document, as the same may be amended from time to time.
- (p) **"Doors"** means interior doors together with door jambs, hardware and any electronic system that is used in the operation of a door.
- (q) **"Executive Board"** means the Executive Board of the Association.
- (r) **"Exhibit Level"** means the Building level extending from King Street to Vine Street and identified on the Plats and Plans as "Exhibit Level."
- (s) **"Exterior"** means the exterior façade material on the Building.
- (t) **"Foundation Slabs"** means the floor slabs built immediately on top of any foundation system.
- (u) **"Guest Tower"** means those floors of the Building identified as the "Health Club" and "Guestroom Levels 6-19" on the Plats and Plans.
- (v) **"Historic Foundation Slabs"** means the existing Foundation Slabs on top of which the existing Buildings comprising the K/S Areas and the Montgomery House were built.

(w) **"Hotel Unit"** means Unit number 2 to be leased to Penn Square which will consist of the following areas of the Building currently constructed and to be constructed on the Property, as more fully depicted on the Plats and Plans:

- (i) All Interior and Exterior areas in the Guest Tower;
- (ii) Those areas on the Watt & Shand Lobby Level identified as: Restaurant, Omelet Station, Lobby Bar, Bar Storage, Front Offices, AYS Dept., AYS Manager, Reserv/Operators, Front Office Manager, Concierge, Front Desk, Luggage and Sundries;
- (iii) Those areas on the Exhibit Level identified as: MATV, Laundry and Laundry Receiving;
- (iv) That area on the Watt & Shand Ballroom A Level identified as Hotel Business Center;
- (v) All roof areas on top of the Guest Tower; and
- (vi) All Interior and Exterior Areas of the Montgomery House.

(x) **"Interior"** means all areas of the Building other than the Exterior, Foundation Slabs and foundation systems on which Foundation Slabs rest.

(y) **"K/S Areas"** means those areas within the Convention Center Unit which will consist of the following portions of the Building currently constructed and to be constructed on the Property, as more fully depicted on the Plats and Plans:

- (i) All Interior and Exterior areas of the Kleiss Saloon;
- (ii) All Interior and Exterior areas of the Stevens House;
- (iii) All Interior and Exterior areas of the Underground Interpretive Museum, except the support columns;
- (iv) All Interior and Exterior areas of the Smith House;
- (v) The Kleiss Saloon, Stevens House and Smith House portions of the Historic Foundation Slabs; and
- (vi) The foundation systems that support the Kleiss Saloon, Stevens House and Smith House portions of the Historic Foundation Slabs.

(z) **"Manager"** means the Manager as defined in Section 12.1 of this Declaration.

(aa) **"Marriott"** means Marriott International, Inc.

(bb) **"Marriott License Agreement"** means that License Agreement between Penn Square Partners and Marriott International, Inc. dated September 25, 2001, as may be amended.

(cc) **"Montgomery House"** means that portion of the Hotel Unit consisting of all Interior and Exterior areas of the Montgomery House as more fully depicted on the Plats and Plans, the Montgomery House portion of the Historic Foundation Slabs and the foundation systems that support the Montgomery House portion of the Historic Foundation Slabs.

(dd) **"Monthly Assessment"** means a Unit's individual share of the anticipated Common Expenses for each month of the Association's fiscal year as reflected in the Budget adopted by the Executive Board for such year.

(ee) **"Mortgagee"** means a lender who holds a mortgage encumbering a Unit.

(ff) **"Parking Connector"** means that area of the Building identified as the "Parking Connector" on the Plats and Plans.

(gg) **"Percentage Interest"** means the undivided interest in the Common Elements appurtenant to a Unit, which shall be based upon the square footage of each Unit in relation to the square footage of all the Units in the entire Condominium.

(hh) **"Plats and Plans"** means the Plats and Plans attached hereto as Exhibit "B" as such may be amended from time to time by mutual consent of the Unit Owners (unless any such amendment does not have a material adverse effect on any Unit and does not affect any Common Elements or any areas of the Building covered by the Allocation of Common Expenses).

(ii) **"Property"** means the Property described in Section 1.1 above.

(jj) **"Quality Standard"** means the standards for use, operation, maintenance, repair and housekeeping for the Units, including but not limited to standards regarding daily maintenance and routine upkeep, security, signage, temperature control and lighting, more fully described on Exhibit "E" attached hereto and made a part hereof.

(kk) **"Rules and Regulations"** means such rules and regulations as are promulgated by the Executive Board from time to time with respect to the use of all or any portion of the Property.

(ll) **"Special Assessment"** means a Unit's individual share of any assessment made by the Executive Board in addition to the Monthly Assessment.

(mm) **"Unit"** means one of the two Units as described herein and in the Plats and Plans, which Units are the Hotel Unit and the Convention Center Unit.

(nn) **"Unit Owner"** means the person or entity holding title to a Unit.

(oo) **“Watt & Shand Ballroom A Level”** means that floor of the Building identified as “Watt & Shand Ballroom A Level” on the Plats and Plans.

(pp) **“Watt & Shand Ballroom B Level”** means that floor of the Building identified as “Watt & Shand Ballroom B Level” on the Plats and Plans.

(qq) **“Watt & Shand Building”** means the four-story building with basement existing on the Property on the date of this Declaration; or, after completion of construction, the Building depicted on the Plats and Plans comprised of the foundation systems supporting the Watt & Shand Foundation Slabs, the Watt & Shand Foundation Slabs, the Exhibit Level, the Watt & Shand Lobby Level, the Watt & Shand Ballroom B Level, and the Watt & Shand Meeting/Administration Level.

(rr) **“Watt & Shand Foundation Slabs”** means the Foundation Slabs on the Exhibit Level.

(ss) **“Watt & Shand Lobby Level”** means that floor of the Building identified as “Watt & Shand Lobby Level” on the Plats and Plans.

(tt) **“Watt & Shand Meeting/Administration Level”** means that floor of the Building identified as “Watt & Shand Meeting/Administration Level” on the Plats and Plans.

Section 2.3 Provisions of the Act. The provisions of the Act shall apply to and govern the operation and governance of the Condominium, except to the extent that contrary provisions, not prohibited by the Act, are contained in one or more of this Declaration, the Plats and Plans or the Bylaws.

Section 2.4 Provisions of other governing law. Nothing in this Declaration, the Plats and Plans, or the Bylaws shall relieve any person from compliance with all applicable federal, state and local laws, regulations, ordinances or similar requirements or the lawfully granted waivers therefrom. The provisions of this Declaration are in addition to those federal, state and local laws, regulations, ordinances or similar requirements or the lawfully granted waivers therefrom.

ARTICLE III

UNIT BOUNDARIES, MAINTENANCE RESPONSIBILITIES, RESERVES, CONVERSION OF UNITS AND EXCLUSION OF WARRANTY

Section 3.1 Unit Boundaries.

(a) Each Unit consists of the space, excluding any Common Elements passing through such title lines as defined by Section 3202 of the Act, within the title lines or boundaries of each Unit, which are situated as shown on the Plats and Plans and described as follows:

1) Upper and Lower (horizontal) Boundaries: The upper and lower boundaries of the Units shall be the following boundaries extended to an intersection with the vertical boundaries:

a. Upper Boundary of the Convention Center Unit: the Exterior of the roof above the Convention Center Unit, except that the upper boundary of that portion of the Convention Center Unit directly beneath the Guest Tower shall be the uppermost horizontal plane of the surface that abuts the finished floor of the lowest level of the Guest Tower.

b. Upper Boundary of the Hotel Unit: with respect to the Guest Tower, the Exterior of the roof above the Guest Tower, and with respect to all other portions of the Hotel Unit, the uppermost horizontal plane of the surface that abuts the finished floor of the Unit or Common Element (as the case may be) above it.

c. Lower Boundary of the Units: with respect to those portions of the Units located on the Exhibit Level, the horizontal plane immediately above the top of the Foundation Slabs (as the Foundation Slabs and foundation systems below the Exhibit Level are Common Elements); otherwise, at the lowest level of the Building, the Foundation Slabs, and with respect to those portions of the Units located above the lowest level of the Building, the horizontal plane of the surface beneath any finished flooring of such level of the Unit.

2) Vertical Boundaries: The vertical boundaries of the Units shall be the vertical planes, extended to the intersections with the upper and lower boundaries of the Unit, of (a) with respect to walls of Units that are on the interior of the Building, the centerline of the party walls which separate one Unit from another Unit or from the Common Elements if there is such a party wall, and otherwise as shown on the Plats and Plans and (b) with respect to the exterior walls of Units that are on the exterior of the Building, the Exterior, provided, however, that the vertical boundary of that portion of the Convention Center Unit within the Watt & Shand Building shall be the Unit-side surface of furring, to include the thickness of the finish material such as plaster or drywall.

3) A Unit shall include the Unit-side surface of furring around structural steel columns, utility shafts, and other Common Elements within or passing through such Unit, to include the thickness of the finish material such as plaster or drywall.

4) A Unit shall include the Unit-side surface of furring under and around utility lines, ducts and cables (all of which shall be Common Elements), to include the thickness of the finish material such as plaster or drywall.

5) Notwithstanding the location of the upper boundary of the Convention Center Unit directly beneath the Guest Tower, the Unit Owner of the Hotel Unit shall be responsible for any damage to the Convention Center Unit caused by any leak of the Hotel swimming pool located on the Health Club Level.

Section 3.2 Maintenance Responsibilities of Units and Common Elements.

Notwithstanding the location of the various portions of the Common Elements and the Units by virtue of the foregoing boundary descriptions, the Units shall be maintained and repaired by each Unit Owner and the Common Elements shall be maintained and repaired by the Association in accordance with the Quality Standard, the Allocation of Common Expenses, and the provisions of Section 3307 of the Act, except as expressly set forth to the contrary herein. In the event of any conflict between this Declaration, the Quality Standard, and the Allocation of Common Expenses, the order of priority for purposes of determining which document controls shall be first, the Allocation of Common Expenses, next, the Quality Standard, and last, this Declaration.

Section 3.3 Maintenance Responsibilities of Sidewalks. The following sidewalk and landscaped areas adjacent to the Condominium shall be maintained and repaired as follows:

- (a) All sidewalks and landscaped areas from the southwest corner of the Montgomery House on Queen Street to the southeast corner of the Convention Center Unit on Vine Street shall be maintained and repaired by the Owner of the Convention Center Unit;
- (b) All sidewalks and landscaped areas in front of the Montgomery House shall be maintained and repaired by the Owner of the Hotel Unit;
- (c) All other sidewalks and landscaped areas adjacent to the Condominium shall be maintained and repaired by the Association and all costs of such maintenance and repair shall be treated as Common Expenses hereunder.

Section 3.4 Reserves.

(a) Common Elements. The Association shall establish a reserve account ("Common Element Reserve") in a bank or savings and loan association to cover the costs of (a) replacements and renewals to, or refurbishment of, the fixtures, furniture, furnishings and equipment ("FF&E") that are Common Elements, and (b) to cover the costs of non-routine repairs, alterations, maintenance, and refurbishment to the Common Elements that are normally capitalized under generally accepted accounting principles, including, by way of example, but not limited to, exterior and interior repainting, mechanical systems, elevators, floors and roofs ("Capital Expenditures"). Each Unit Owner shall fund its share of the Common Element Reserve no less frequently than monthly in the amount set forth in the annual budget adopted by the Executive Board (the "Budget") in order to operate the Condominium in accordance with the Quality Standard. Notwithstanding the foregoing, to the extent that the management agreement for the Common Elements requires a Common Element Reserve for either FF&E or Capital Expenditures, then the terms of such management agreement shall control, and no separate Common Element Reserve shall be required hereunder. The Association shall expend from amounts in the Common Element Reserve the amounts provided to be expended for refurbishment, replacement, repair, maintenance and alteration of the Common Elements as are provided in the Budget or the management agreement for the Common Elements.

(b) Units. Each Unit Owner shall establish a reserve account ("FF&E and Capital Reserve") in a bank or savings and loan association to cover the costs of (a) replacements

and renewals to, or refurbishment of the FF&E (excluding the Common Elements) installed in or located in its Unit, and (b) to cover the costs of Capital Expenditures for its Unit. Each Unit Owner shall fund its FF&E and Capital Reserve no less frequently than monthly in the amount set forth in its Unit annual operating budget and in order to operate the Unit in accordance with the Quality Standard. Notwithstanding the foregoing, to the extent that the management agreement for the Convention Center Unit, the management agreement for the Hotel Unit or the Marriott License Agreement requires a reserve for FF&E or a reserve for Capital Expenditures, then the terms of such management agreement or the Marriott License Agreement, as the case may be, shall control, and no separate FF&E and Capital Reserve shall be required hereunder. Each Unit Owner shall expend from amounts in the FF&E and Capital Reserve the amounts provided to be expended for refurbishment, replacement, repair, maintenance and alteration of FF&E (excluding the Common Elements) and Capital Expenditures for its Unit as are provided in each Unit annual operating budget or the provisions of the management agreement for the Convention Center Unit, the management agreement for the Hotel Unit or the Marriott License Agreement, as applicable. Each Unit Owner shall, upon request, provide to the other evidence of the establishment, funding of and expenditure of any FF&E and Capital Reserve required hereunder.

Section 3.5 Conversion of Units. Pursuant to Section 3215 of the Act, the Convention Center Unit may be converted into two (2) units, one consisting of the K/S Areas and the other consisting of the Convention Center Unit less the K/S Areas (the "Converted Convention Center Unit"), and the Hotel Unit may be converted into two (2) units, one consisting of the Montgomery House and the other consisting of the Hotel Unit less the Montgomery House (the "Converted Hotel Unit"); provided, however, in such event, and notwithstanding anything to the contrary set forth in Section 3215 of the Act, the votes in the Association and Common Expense liability formerly allocated to the Converted Convention Center Unit or the Converted Hotel Unit, as the case may be, (a) shall be reallocated to the new units in the manner prescribed by the Executive Board, and (b) shall, in the aggregate, be equal to the votes in the Association and Common Expense liability formerly allocated to the Unit which was converted.

Section 3.6 Exclusion of Warranty. Each Unit shall be conveyed "AS IS" and "WITH ALL FAULTS." The warranty against structural defects provided in Section 3411 of the Act is hereby expressly excluded.

ARTICLE IV

ALLOCATION OF PERCENTAGE INTERESTS; COMMON EXPENSES AND VOTING RIGHTS

Section 4.1 Percentage Interests. Each Unit shall have the respective Percentage Interest set forth on Exhibit "D", which in the case of the Convention Center Unit and the Hotel Unit has been determined based upon the size of such Unit. Each Unit shall bear a share of the Common Expenses in accordance with the Allocation of Common Expenses.

Section 4.2 Allocation of Unit Owner's Voting Rights. Each Owner of the Hotel Unit and the Convention Center Unit shall have 50 votes in the Association.

Notwithstanding the foregoing, if all or substantially all of a Unit is leased to any person or entity, the Owner of such Unit may pursuant to its lease agreement with such person or entity grant such person or entity a proxy for control of the voting rights held by such Unit Owner.

ARTICLE V

EASEMENTS; TITLE MATTERS

Section 5.1 Additional Easements. In addition to and in supplementation of the easements provided for by Section 3216 of the Act, the following easements are hereby created:

(a) The Units and Common Elements shall be and are hereby made subject to easements in favor of appropriate utility and service companies and governmental agencies or authorities for such utility and service lines and equipment as may be necessary or desirable to serve any portion of the Property. The easements created in this Section 5.1(a) shall include, without limitation, rights of the providing utility or service company, or governmental agency or authority to install, lay, maintain, repair, relocate and replace gas lines, pipes and conduits, water mains and pipes, sewer and drain lines, telephone wires and equipment, television equipment and facilities (cable or otherwise), electrical wires, conduits, equipment, transformers, switchgear, circuit breakers, conductors, chases, stand pipes, ventilation systems and ducts and vents over, under, through, along and on the Units and Common Elements. Notwithstanding the foregoing provisions of this Section 5.1(a), unless approved in writing by the Unit Owner or Unit Owners affected thereby, any such easement through a Unit shall be located either in substantially the same location as such facilities or similar facilities are shown on the Plats and Plans or so as not to materially interfere with the use or occupancy of the Unit by its occupants. The Executive Board shall have the right and power to convey easements over the Common Elements for the installation, maintenance, repair and replacement of same to any private or public utility company.

(b) The Units and Common Elements shall be and are hereby made subject to easements in favor of the Unit Owners and their agents, employees and independent contractors for the purpose of performing the construction of improvements contemplated herein or in the Plats and Plans; provided that such construction is performed in accordance with the Plats and Plans and in a manner so as not to materially interfere with the use or occupancy of any Unit by its occupants.

(c) The Common Elements shall be and hereby are made subject to an easement in favor of the Unit Owners and their invitees, licensees, permittees, customers, guests, agents, employees, tenants and servants, the Association and the agents, employees and independent contractors of the Association for access, egress and ingress over, through and across each portion thereof, and for the enjoyment and use thereof, pursuant to such requirements and subject to such charges as the Executive Board may from time to time prescribe.

(d) The Common Elements shall be and hereby are made subject to an easement in favor of the Association, and the agents, employees and independent contractors

thereof for the purpose of the inspection, upkeep, maintenance, repair and replacement of the Common Elements.

(e) The Common Elements shall be and are hereby made subject to the following easements in favor of the Units benefited:

1) For the installation, repair, maintenance, use, removal and/or replacement of pipes, ducts, heating and air conditioning systems, electrical, telephone and other communication wiring and cables and all other utility lines and conduits which are a part of or exclusively serve a single Unit and which pass across or through a portion of the Common Elements;

2) For the installation, repair, maintenance, use, removal and/or replacement of overhead lighting fixtures, electrical receptacles and the like which are located in a portion of the ceiling, wall or floor adjacent to a Unit which is a part of the Common Elements; provided that the installation, repair, maintenance, use, removal or replacement of such fixtures, receptacles, and the like does not unreasonably interfere with the common use of any part of the Common Elements or impair or structurally weaken the Building;

3) For driving and removing nails, screws, bolts and the like into the Unit-side surface of walls, ceilings, and floors which are part of the Common Elements; provided that such action will not unreasonably interfere with the common use of any part of the Common Elements or impair or structurally weaken the Building; and

4) For the maintenance or the encroachment of any lighting devices, outlets, exhaust fans, ventilation ducts, registers, grilles and similar fixtures which serve only one Unit but which encroach into any part of any Common Element on the date this Declaration is recorded.

(f) To the extent necessary, each Unit shall have an easement for structural support over every other Unit in the Building, the Common Elements, and each Unit and the Common Elements shall be subject to an easement for structural support in favor of every other Unit in the Building and the Common Elements.

(g) The Units are hereby made subject to the following easements:

1) In favor of the Association and its agents, employees and independent contractors, (i) for inspection of the Units in order to verify the performance by Unit Owners of all items of maintenance and repair for which they are responsible, (ii) for inspection, maintenance, repair, and replacement of the Common Elements situated in or accessible from such Units, and (iii) for correction of emergency conditions in one or more Units, or casualties to the Common Elements and/or the Units.

2) In favor of the Unit Owner benefited thereby and the Association and its agents, employees and independent contractors, for the installation, repair,

maintenance, use, removal and/or replacement of pipes, ducts, electrical, telephone, telegraph or other communication systems and all other utility lines and conduits which are part of the Common Elements and which pass across or through a portion of one or more Units.

3) In the event of an emergency, such temporary easements as are reasonably necessary for the preservation of life and/or property, including the right to use all stairways, escalators, ramps, corridors, entrances and exits, including access thereto, located within a Unit for emergency ingress and egress of all occupants.

(h) The Convention Center Unit is hereby made subject to an easement for pedestrian ingress and egress in the areas identified on the Plats and Plans as public circulation, exit stair, BOH corridors and the Parking Connector, including but not limited to transporting such materials as can be carried by pedestrians.

(i) The Convention Center Unit is hereby made subject to an easement for the benefit of the Hotel Unit for uses reasonably necessary for the operation of the Hotel Unit, including but not limited to the use of AV rooms, MATV, sound control room, projection room, dimmer room, elevator machine room, and storage rooms or areas.

(j) The Convention Center Unit is hereby made subject to an easement for the use of all stairs, escalators, ramps, service elevators and public elevators located in the Convention Center Unit, to provide pedestrian ingress and egress and to transport materials, equipment and freight, in accordance with such reasonable rules and regulations as the Manager may, from time to time, promulgate in writing.

(k) All easements, rights and restrictions described and mentioned in this Declaration are easements appurtenant, running with the land and the Property, including (by way of illustration but not limitation) the Units and the Common Elements, and (except as may be expressly otherwise provided in the instrument creating the same), shall continue in full force and effect until the termination of this Declaration, as it may be amended from time to time.

(l) In the exercise of any rights pursuant to this Section 5.1, the Unit Owners, the Association, and their respective agents, employees and independent contractors shall take reasonable steps to minimize any interference with a Unit Owner's use of his Unit.

(m) Any Unit Owner exercising its rights pursuant to this Section 5.1 shall be responsible for any and all damage to the other Unit Owner's Unit caused by the exercising Unit Owner's agents, employees and independent contractors.

Section 5.2 Title Matters. In addition to those easements described in Section 5.1 above, title to the Property is subject to any additional restrictions and title exceptions set forth on Exhibit "C" attached hereto.

Section 5.3 Naming Rights.

(a) The Unit Owner of the Convention Center Unit shall have the exclusive right to sell, lease or license naming rights to the convention center facility to be constructed and operated within the Convention Center Unit (the "Naming Rights"), provided that all fees, charges and other revenues arising from the sale, lease or license of the Naming Rights shall first be used to fund any working capital or similar fund required by the Manager and the balance shall be distributed to the Unit Owners (a) in accordance with the Joint Development Agreement, and (b) if the Joint Development Agreement is no longer in effect, then, fifty percent (50%) to the Unit Owner of the Convention Center Unit and fifty percent (50%) to the Unit Owner of the Hotel Unit. The Unit Owner of the Convention Center Unit may enter into an agreement with a third party pursuant to which such third party will obtain a lease, license or similar right to designate the name of the Convention Center Unit (the "Naming Rights Agreement"), provided, however, that the Naming Rights Agreement shall provide that all marketing, promotional and advertising materials and all signage at the Convention Center Unit and Common Elements that is to include a reference to "Convention Center" shall be styled as follows: "Lancaster Marriott and _____ Convention Center" when the convention center facility is marketed, promoted, advertised or referenced in conjunction with the Lancaster Marriott and "_____ Convention Center" when the convention center facility is marketed, promoted, advertised or referenced without the Lancaster Marriott. The Naming Rights Agreement may include, among other terms and conditions, provisions regarding (i) the payment of fees for the Naming Rights and (ii) the right to include the designated name on all signage, marketing, advertising, contracts and other communications and designations of recognition regarding the Convention Center Unit and to otherwise publicize the designated name of the convention center facility. If the Unit Owner of the Convention Center Unit enters into a Naming Rights Agreement, all signage at the Convention Center Unit and Common Elements that is to include a reference to "Convention Center" may also include the name designated by the holder of the Naming Rights under the Naming Rights Agreement.

(b) S. Dale High (who may nominate High Industries or any affiliate thereof to exercise the rights granted in this Section 5.3(b)) shall have a right of first offer with respect to all Naming Rights. If any time the Unit Owner of the Convention Center Unit desires to sell, lease or license the Naming Rights, then the Unit Owner of the Convention Center Unit shall send a written notice to S. Dale High at High Real Estate Group, 1853 William Penn Way, P.O. Box 10008, Lancaster, PA 17605-0008 (or such other address as the Unit Owner of the Convention Center Unit has been notified of in writing) stating all of the terms upon which the Naming Rights will be marketed (the "Naming Rights Notice"). S. Dale High shall, within fifteen (15) days of his receipt of the Naming Rights Notice, notify the Unit Owner of the Convention Center Unit in writing of his acceptance or rejection of the terms of the Naming Rights Notice. S. Dale High's failure to respond within such fifteen (15) day period shall be deemed a rejection of the terms of the Naming Rights Notice. If S. Dale High shall reject the terms of the Naming Rights Notice or be deemed to have rejected the terms of the Naming Rights Notice, the Unit Owner of the Convention Center Unit may market and sell, lease or license the Naming Rights for a period of six (6) months on the same terms (or terms more favorable) as set forth in the Naming Rights Notice. After the expiration of such six-month period, if the Unit Owner of the Convention Center Unit has not sold, leased or licensed the Naming Rights during such six-month period, then the right of first offer granted herein shall be

reinstated and the Unit Owner of the Convention Center Unit shall not market, sell, lease or license the Naming Rights except in accordance with the provisions of this Section 5.3(b).

Section 5.4 Use of Common Elements; Rooftops and Air Rights. In addition to the Common Elements as specifically referred to and described in the definition of Common Elements, all areas of the Property that are not part of a Unit are Common Elements, including the air space above the Units. The Association may, upon approval of the Executive Board, enter into agreements allowing others the use of Common Elements, including, without limitation, agreements allowing the use of rooftop areas and the air space above the roof lines of the Buildings. Unless otherwise agreed by the Unit Owners, any fees, charges or other revenues arising from any such agreements shall be distributed to the Unit Owners (a) in accordance with the Joint Development Agreement, and (b) if the Joint Development Agreement is no longer in effect, then, fifty percent (50%) to the Unit Owner of the Convention Center Unit and fifty percent (50%) to the Unit Owner of the Hotel Unit.

ARTICLE VI

RESTRICTIONS ON USE; LEASES OF UNITS

Section 6.1 Use of Units. The following restrictions shall apply to the use of the Units.

(a) The Units shall be used at all times only in accordance with the Quality Standard. The Hotel Unit may not be used for any purpose other than a full service hotel. The Convention Center Unit may not be used for any purpose other than a first-class urban convention center. Notwithstanding the foregoing, the K/S Areas and the Montgomery House may also be used for historic preservation, public viewing, education, gift shop and office (including the lease of space to a commercial tenant for private office use). Notwithstanding the foregoing, the Units may also be used for accessory uses which are customarily incidental to the foregoing uses and in accordance with all governmental requirements.

(b) No Unit Owner may obstruct the Common Elements in any way.

(c) No Unit Owner may carry on any practice or permit any practice to be carried on which unreasonably interferes with the quiet enjoyment by the occupants of any other Unit. The Property is to be maintained in a clean and sanitary condition in accordance with the Quality Standard. No Unit Owner may place any garbage, trash or rubbish anywhere on the Property other than in his own Unit and in or on such parts of the Common Elements as may be designated for such purpose by the Executive Board. No Unit Owner shall have the right to object to any operation of any other Unit that is within the ordinary course of business of the Owner of such Unit as described in Section 6.1(a) above, provided, however, that no Unit Owner shall permit occupancy of its Unit (unless such occupancy is required to be permitted by law) by any person or group of persons that has a documented history of causing property damage or liability to the owner of property.

(d) No Unit shall be used, occupied or kept in a manner which in any way increases the fire insurance premiums (but only if such increases would be payable by the Unit Owners) for the Property without the prior written permission of the Executive Board.

(e) No Unit Owner may erect any sign on or in his Unit which is visible from outside his Unit or from the Common Elements, without in each instance having obtained the prior written permission of the Executive Board. The sign pre-approved in accordance with the Marriott License Agreement and any other sign which is generally in use by Marriott for a hotel of the kind and quality present in the Hotel Unit is hereby approved. Signs consistent in size, materials and quality with the signs generally in use by Marriott are also hereby approved for the Convention Center Unit. A Unit Owner may locate signs only on or within its Unit, except as otherwise shown on the Plats and Plans or approved by the Executive Board. The primary identification sign at the entrance located at the intersection of King Street and Queen Street and the primary identification sign at the entrance located on Queen Street shall identify both Units and shall otherwise be approved by the Executive Board.

(f) The Owner of a Unit shall be responsible for maintaining such Unit in accordance with the Quality Standard in good order and repair, at the expense of such Owner, including but not limited to cleaning and replacing glass panes in any window serving such Unit.

(g) As determined by the Executive Board in its sole discretion, no noxious or offensive activity shall be conducted in any Unit nor shall anything be done or any object placed in any Unit which is or may become a nuisance or cause disturbance or annoyance to other Unit Owners.

Section 6.2 Lease of Units. A Unit Owner may lease or sublease its Unit, including but not limited to the rental of hotel rooms, meeting rooms and ballrooms, at any time and from time to time provided that the rights of any lessee or sublessee of any Unit shall be subject to, and each such lessee or sublessee shall be bound by, the covenants, conditions and restrictions contained in this Declaration, the Bylaws and the Rules and Regulations. If any person or entity leases substantially all of a Unit, then such person or entity shall be deemed responsible, jointly and severally with the Unit Owner, for all duties, obligations and liabilities of the Unit Owner under this Declaration for so long as such lease is in effect. Except for the lease or sublease of a Unit in the ordinary course of business for such Unit and except for the lease of the Hotel Unit from RACL to Penn Square, no Unit Owner may lease all or substantially all of its Unit without the approval of the Executive Board.

ARTICLE VII

MORTGAGES

Section 7.1 Restrictions on Mortgages. Every mortgage encumbering a Unit shall provide generally, whether or not they so state, that the mortgage and the rights and obligations of the parties thereto shall be subject to the terms and conditions of the Act, the Declaration, the Plats and Plans and any Rules and Regulations.

Section 7.2 Notice of Mortgages. Every Unit Owner or prospective purchaser of a Unit shall notify the Executive Board of the name and address of its mortgagee or mortgagees.

Section 7.3 Register. Upon notification of the name of any mortgagee, the Secretary of the Association shall instruct the insurer of the Property to add the name of such mortgagee to the mortgagee loss payable provision of the hazard insurance policy covering the Property and to provide such mortgagee with a certificate of insurance showing that such mortgagee's name has been so added. The Secretary shall maintain a register of mortgages, showing the name and address of the holder thereof and the amount secured thereby.

Section 7.4 Notice of Unit Owner Default. The Executive Board shall:

(a) Give prompt notice to a Unit mortgagee of any default in the Unit mortgagor's obligations under the Condominium Documents which is not cured within thirty (30) days after the occurrence of such default;

(b) Promptly after the Association has received written notice of any pending acquisition of any portion of the Property by means of eminent domain, give to all mortgagees written notice of any such proceedings; and

(c) Agree in writing to notify the appropriate mortgagee whenever (i) damage to a Unit covered by the mortgage held by such mortgagee exceeds \$100,000.00, and (ii) damage to Common Elements or related facilities exceeds \$100,000.00.

Section 7.5 Liability for Use and Charges. A mortgagee who obtains title to a Unit pursuant to the remedies provided in a mortgage for foreclosure of such mortgage shall not be liable for such Unit Owner's unpaid assessments or charges which accrue prior to the acquisition of such title to such Unit by the Mortgagee, except to the extent otherwise provided for under Section 3315 of the Act.

Section 7.6 Condemnation Rights. No provision of this Declaration shall give a Unit Owner, or any other party, priority over any rights of the mortgagee of a Unit pursuant to its mortgage in the case of distribution to such Unit Owner of insurance proceeds or condemnation awards for loss to or a taking of one or more Units and/or Common Elements.

Section 7.7 Approval of Mortgagees. The prior written approval of all Mortgagees must be obtained for the following:

(a) The abandonment of the condominium status of the Property, except for abandonment permitted by the Act in case of substantial loss to the Units and Common Elements;

(b) A change in the Percentage Interest allocated to each Unit other than any amendment made pursuant to Section 11.3 hereof;

(c) The abandonment, encumbrance, sale or transfer of the Common Elements; and

(d) Any amendment of the condominium documents that modifies any provision that is applicable to mortgagees.

Section 7.8 Books and Records. Any mortgagee shall have the right (exercisable by written notice to the Executive Board) to examine the books and records of the Association and to require that they be provided with a copy of each annual report of the Association and other financial data of the Association reasonably requested by such mortgagee.

ARTICLE VIII

INSURANCE; CASUALTY

Section 8.1 Types and Amounts of Insurance. Each Unit Owner shall maintain in effect at least the following insurance coverage with respect to its Unit:

(a) Commercial property insurance on the improvements constituting the Unit owned by such Unit Owner, any and all furniture, equipment, supplies and other property owned, leased, held or possessed by such Unit Owner and contained in its Unit, against all risk of physical loss in an amount not less than one hundred percent (100%) of the actual replacement cost of such improvements (excluding foundation); provided, however, that if the full insurable value of such improvements is less than the actual replacement cost of such improvements, then such Unit Owner may reduce the amount of such insurance coverage to one hundred percent (100%) of the full insurable value of such improvements (excluding foundation);

(b) Commercial liability insurance protecting and indemnifying the other Unit Owner against any and all claims for damages to person or property or for loss of life or of property occurring upon, in or about the land underlying the Unit owned by such Unit Owner, the improvements constituting such Unit and the adjoining streets, other than streets dedicated to the public and accepted for maintenance by the public, with a limit of not less than One Million Dollars (\$1,000,000) per occurrence with umbrella coverage of not less than Four Million Dollars (\$4,000,000);

(c) Worker's compensation (including employer's liability insurance) covering such Unit Owner's contractors' employees providing the statutory benefits required under Pennsylvania law; provided, however, that a Unit Owner shall be required to carry such insurance only during periods of construction by such Unit Owner in or about the Units;

(d) Such other insurance, and in such amounts, as the Unit Owners may from time to time be required to maintain pursuant to the terms of any mortgage with respect to either Unit.

Section 8.2 Insurance to be Maintained by the Association.

(a) The Association shall maintain in effect at least the following insurance coverage:

1) With respect to the Common Elements, the insurance required to be maintained by Unit Owners with respect to their Units pursuant to Section 8.1 (a), (b) and (c) above.

2) Insurance to satisfy the indemnification obligation of the Association and all Unit Owners set out in Section 9.2 hereof, if and to the extent available.

(b) The Executive Board shall review annually the adequacy of the insurance coverage and report the results of such review at each annual meeting.

(c) The name of the insured under each policy required pursuant to this Section 9.2 shall be stated in form and substance similar to the following:

The Penn Square Condominium Association, for the use and benefit of the individual Owners, or their authorized representatives, of the Units contained in The Penn Square Hotel and Convention Center, a Condominium.

(d) The insurer under each policy required pursuant to this Section 8.2 shall be required to waive its right to subrogation under the policy against any Unit Owner.

Section 8.3 Policies. All policies of insurance maintained pursuant to this Article shall comply with the following requirements:

(a) All of the policies of insurance provided for in this Agreement shall be with reputable companies licensed and authorized to issue such policies in such amounts in the Commonwealth of Pennsylvania with an A.M. Best rating of A- or better. Such insurance may be carried under blanket policies that include other properties and provide separate coverage for the insured Facility. Upon request, each Unit Owner shall deliver certificates showing such insurance to be in full force and effect to the other Unit Owner. Such certificates shall be endorsed to show the receipt by the issuer of the premiums for such insurance or shall be accompanied by other evidence of payment of such premiums. If the premium covers more than one (1) year and may be paid in installments, then only an annual installment must be paid in advance. Such policies shall contain express waivers by the insurer of any rights of subrogation against the other Unit Owners (including any tenant, occupant, guest or invitee) and the Association. The deductible amount for any insurance, coverage required to be carried by a Unit Owner shall not exceed two percent (2%) of the policy amount without approval of the other Unit Owner.

(b) All insurance required by this Article shall name the carrying Unit Owner as insured and the other Unit Owner and the Association as additional insureds and may, at the option of either Unit Owner, name any mortgagee or any other persons, all as their respective interests may appear.

(c) Each policy of insurance required to be maintained under this Agreement shall provide that it may not be cancelled by the insurer for nonpayment of premiums or otherwise until at least thirty (30) days after service of notice of the proposed cancellation upon the non-carrying Unit Owner.

Section 8.4 Waiver of Subrogation. To the extent permitted by applicable law, each Unit Owner releases the other from any and all liability or responsibility to the other or anyone claiming through or under it by way of subrogation or otherwise for any loss or damage to property caused by fire or any other perils insured in policies of insurance covering such property, even if such loss or damage shall have been caused by the fault or negligence of the other Unit Owner, or anyone for whom such Unit Owner may be responsible; provided, however, that this release shall be applicable and in force and effect only to the extent that such release shall be lawful at that time and in any event only with respect to loss or damage occurring during such time as the releasor's policies shall contain a clause or endorsement to the effect that any such release shall not adversely affect or impair said policies or prejudice the right of the releasor to recover under such policies, and then only to the extent of the insurance proceeds payable under such policies.

Section 8.5 Casualty. Except as otherwise provided below, if all or any part of a Unit and/or the Common Elements shall be damaged or destroyed by fire or other casualty, then, with respect to a Unit the Unit Owner, and with respect to the Common Elements the Association, shall commence and thereafter proceed with reasonable diligence to repair, restore, replace or rebuild such Unit and/or Common Elements to a good, safe and slightly condition in accordance with the Quality Standard; provided, however, if (a) the insurance proceeds received by a Unit Owner or the Association are insufficient to pay the entire cost to repair, restore, replace or rebuild a particular Unit or the Common Elements, as the case may be, and (b) the cost to repair, restore, replace or rebuild a particular Unit or the Common Elements is reasonably estimated to exceed One Million Dollars (\$1,000,000), then the Owner of such Unit or the Association, as the case may be, shall be relieved of its obligations set forth above to repair, restore, replace or rebuild the Units or Common Elements. Notwithstanding the foregoing, if any mortgagee elects to require the insurance proceeds resulting from damage or destruction of a Unit to be paid to such mortgagee on account of the indebtedness secured by such mortgagee's mortgage, then, subject to the rights of any other mortgagees with respect to such insurance proceeds, such payment shall be made to such mortgagee, and the Association and Owner of the Unit which was damaged or destroyed shall be relieved of all obligations, monetary or otherwise, established under this Section 8.5. Notwithstanding anything in this Article to the contrary, if any local ordinance or regulation dictates the reconstruction or demolition of any Units or Common Elements or directs the disposition of insurance proceeds, the Association, Unit Owners and their insurers shall comply with those local ordinances or regulations.

Section 8.6 Indemnification. Subject to the provisions of Section 8.4 above, each Unit Owner shall defend, protect, indemnify and hold harmless the other Unit Owner, the Association, and any lessee or sublessee of substantially all of a Unit from and against all claims or demands, including any action or proceedings brought thereon, and all costs, losses, expense and liability of any kind relating thereto, including reasonable attorneys' fees and cost of suit, arising out of or resulting from (a) any breach or default by the indemnifying Unit Owner in the performance of its obligations under this Declaration or (b) any act, omission, event, or occurrence arising from or occurring within the indemnifying Unit Owner's Unit.

ARTICLE IX

LIMITATION OF LIABILITY

Section 9.1 Limited Liability of the Executive Board. The Executive Board, and its members in their capacity as members, officers and employees:

(a) Shall not be liable for the failure of any service to be obtained by the Executive Board and paid for by the Association, or for injury or damage to persons or property caused by the elements or by another Unit Owner or person on the Property, or resulting from electricity, gas, water, rain, dust or sand which may leak or flow from the outside or from any part of the Building, or from any of the pipes, drains, conduits, appliances, or equipment, or from any other place unless in each such instance such injury or damage has been caused by the willful misconduct or gross negligence of the Association or the Executive Board;

(b) Shall not be liable to the Unit Owners as a result of the performance of the Executive Board members' duties for any mistake of judgment, negligence or otherwise, except for the Executive Board members' own willful misconduct or gross negligence;

(c) Shall have no personal liability in contract to a Unit Owner or any other person or entity under any agreement, check, contract, deed, lease, mortgage, instrument or transaction entered into by them on behalf of the Executive Board of the Association in the performance of the Executive Board members' duties;

(d) Shall not be liable to a Unit Owner, or such Unit Owner's tenants, employees, agents, customers or guests, for loss or damage caused by theft of or damage to personal property left by such Unit Owner or his tenants, employees, agents, customers or guests in a Unit, or in or on the Common Elements, except for the Executive Board members' own willful misconduct or gross negligence;

(e) Shall have no personal liability in tort to a Unit Owner or any other person or entity, direct or implied, by virtue of acts performed by or for them, except for the Executive Board members' own willful misconduct or gross negligence in the performance of their duties; and

(f) Shall have no personal liability arising out of the use, misuse or condition of the Building, or which might in any other way be assessed against or imputed to the Executive Board members as a result of or by virtue of their performance of their duties, except for the Executive Board members' own willful misconduct or gross negligence.

Section 9.2 Indemnification. Each member of the Executive Board in his capacity as an Executive Board member, officer or both, shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed upon him in connection with any proceeding in which he may become involved by reason of his being or having been a member and/or officer of the Executive Board, or any settlement of any such proceeding, whether or not he is an Executive Board member, officer or both at the time such expenses are incurred, except in such cases wherein such Executive Board member and/or officer is found to have engaged in willful misconduct or gross negligence in the performance of

his duties. The indemnification by the Unit Owners set forth in this Section 9.2 shall be paid by the Association on behalf of the Unit Owners and shall constitute a Common Expense and shall be assessed and collectible as such. Such right of indemnification shall not be deemed exclusive of any other rights to which such Executive Board member and/or officer may be entitled as a matter of law or agreement or by vote of the Unit Owners or otherwise.

Section 9.3 Joint and Several Liability of Unit Owners and Lessees. Each Unit Owner shall be jointly and severally liable with any lessee or sublessee of the Unit owned by such Unit Owner for all liabilities arising out of the ownership, occupancy, use, misuse or condition of such Unit or any portion of the Common Elements.

Section 9.4 Defense of Claims. Complaints brought against the Association, the Executive Board or the officers, employees or agents thereof in their respective capacities as such, or the Condominium as a whole, shall be directed to the Executive Board of the Association, which shall promptly give written notice thereof to the Unit Owners and any Mortgagees and such complaints shall be defended by the Association. The Unit Owners and the Mortgagees shall have no right to participate other than through the Association in such defense. Complaints of a nature specified in Section 9.3 hereof against one or more but less than all Unit Owners or Units shall be defended by such Unit Owners who are defendants themselves and such Unit Owners shall promptly give written notice of the institution of any such suit to the Association and to the holders of any mortgages encumbering such Units.

ARTICLE X

UNITS SUBJECT TO CONDOMINIUM DOCUMENTS; RIGHTS RESERVED; EMINENT DOMAIN

Section 10.1 Applicability of Condominium Documents. Each present and future Owner, lessee, occupant and mortgagee of a Unit shall be subject to and shall comply with the provisions of the Act, this Declaration, the Plats and Plans, the Bylaws and the Rules and Regulations, and with the covenants, conditions and restrictions as set forth in this Declaration, the Plats and Plans, the Bylaws, the Rules and Regulations, and the deed to such Unit; provided that nothing contained herein shall impose upon any lessee or mortgagee of a Unit any obligation which the Act or one or more of such documents, or both, make applicable only to Unit Owners (including, without limitation, the obligation to pay assessments for Common Expenses) unless such obligations are expressly assumed by any lessee of a Unit. The acceptance of a deed or mortgage to any Unit, or the entering into of a lease or the entering into occupancy of any Unit shall constitute an agreement that the provisions of the Act, this Declaration, the Plats and Plans, the Bylaws, the Rules and Regulations, and the covenants, conditions and restrictions set forth in the deed to such Unit are accepted and ratified by such grantee, mortgagee or lessee. All such provisions shall be covenants running with the land and shall bind any person having at any time any interest or estate in such Unit, as though such provisions were recited and stipulated at length in each and every deed, conveyance, mortgage or lease thereof.

Section 10.2 Right Reserved. The Association may allocate as a limited Common Element any Common Element not previously allocated as a limited Common

Element. Such allocation shall be made by deeds or assignments executed by the Association, or by amendments to this Declaration.

Section 10.3 Eminent Domain. Whenever all or part of the Common Elements shall be taken, injured or destroyed by eminent domain, each Unit Owner shall be entitled to notice thereof and to participate in the proceedings incident thereto, but in any proceedings for the determination of damages, such damages shall be determined for such taking, injury or destruction as a whole and not for each Unit Owner's interest therein.

ARTICLE XI

EXECUTIVE BOARD OF THE ASSOCIATION

Section 11.1 Members.

(a) The Executive Board shall consist of two (2) members, one (1) elected by each of the Owner of the Hotel Unit and the Owner of the Convention Center Unit. Notwithstanding the foregoing, if all or substantially all of a Unit is leased to any person or entity, such lessee, and not the Owner of such Unit, shall, upon designation in writing by the Unit Owner, be entitled to elect one of the members of the Executive Board.

(b) The Executive Board shall possess all of the duties and powers granted to the Executive Board by the Act.

Section 11.2 Disputes. In the event of any dispute or disagreement between any Unit Owners relating to the Property, or any questions or interpretation or application of the provisions of this Declaration, the Plats and Plans, the Bylaws or the Rules and Regulations, the determination thereof by the Executive Board shall be final and binding on each and all such Unit Owners. In the event the Executive Board is unable to agree on any such determination, such dispute shall, in the event there is a common Manager managing both the Convention Center Unit and the Hotel Unit, be subject to mediation with a senior executive of the Manager serving as mediator. If the Executive Board is still unable to agree, such dispute shall be subject to mandatory arbitration as provided in the Bylaws. All costs and expenses of the arbitration proceedings shall be borne by the party not prevailing in the arbitration.

Section 11.3 Amendments to the Condominium Documents. After completion of construction of the Convention Center Unit and the Hotel Unit, the Condominium Documents shall be amended in accordance with the Act and revised Plats and Plans recorded to reflect the actual Unit boundaries and Percentage Interests and the costs associated with such amendment shall be borne by the Association as Common Expense. Thereafter, in the event of an amendment to the Condominium Documents resulting from a permitted relocation of boundaries between adjoining Units undertaken by such Unit Owners as a result of the acquisition of an adjoining Unit or portion of an adjoining Unit, in accordance with and permitted by Sections 3213 and 3214 of the Act, the costs associated with any such amendment shall be borne by such Unit Owners. Notwithstanding any other provisions of this Declaration to the contrary, if any amendment is necessary in the judgment of the Executive Board to cure any ambiguity or to correct or supplement any provisions of the Condominium Documents that are defective, missing

or inconsistent with any other provisions thereof, or if such amendment is necessary to conform to the requirements of any agency or entity that has established national or regional standards with respect to loans secured by mortgages on units in condominium projects, then at any time and from time to time the Executive Board may effect an appropriate corrective amendment without the approval of the Unit Owners or the holders of any liens on all or any part of the Property, upon receipt by the Executive Board of an opinion from independent legal counsel to the effect that the proposed amendment is permitted by the terms of this sentence. Each amendment of the type described in this Section 11.3 shall be effective upon the recording of an appropriate instrument setting forth the amendment and its due adoption, which instrument has been executed and acknowledged by one or more officers of the Executive Board.

Section 11.4 Abating and Enjoining Violations by Unit Owners. The violation of any Rules and Regulations adopted by the Executive Board, the breach of any provision contained in the Bylaws or the breach of any provision of this Declaration or the Act by any Unit Owner or any tenant of such Unit Owner shall give the Executive Board the right, in addition to any other rights to which it may be entitled, to enjoin, abate or remedy by appropriate legal proceedings, either by law or in equity, the continuance of any such breach.

ARTICLE XII

MANAGEMENT

Section 12.1 Common Manager. It is intended that the Units initially shall be managed by a common professional managing agent (the "Manager"), however, each Unit Owner will have a separate management agreement with the Manager for the management of its Unit and the Association will have a separate management agreement with the Manager for the management of the Common Elements. Neither Unit Owner nor the Association shall amend, modify or supplement its management agreement with the Manager in any manner that will have a material adverse effect on any Unit Owner's Unit without the approval of such Unit Owner, which shall not be unreasonably withheld, delayed or conditioned. Any such amendment, modification or supplement shall be provided to the other Unit Owner prior to execution to ensure compliance with this provision. In the event that the Convention Center Unit management agreement and the Hotel Unit management agreement require a single general manager, director of sales and marketing or person of similar position, then such person shall be subject to the approval of both Unit Owners, not to be unreasonably withheld, delayed or conditioned.

Section 12.2 Termination by a Unit Owner or the Association. The Unit Owners shall not terminate their respective management agreements except upon the occurrence of an event permitting termination as provided in the applicable management agreement. Each Unit Owner (for these purposes, the "First Unit Owner") shall provide to the other (the "Second Unit Owner") a copy of any notice of default it gives to the Manager under its management agreement and the Second Unit Owner shall have the right (but not the obligation) to cure such default of the Manager. Unless the Second Unit Owner provides written notice to the First Unit Owner, within five (5) days of the Second Unit Owner's receipt of such default notice of the Second Unit Owner's intent to cure such default of the Manager and thereafter proceeds diligently to commence and complete such cure, the First Unit Owner may terminate its

management agreement (unless the default has been cured by Manager). If the First Unit Owner terminates its management agreement for breach by the Manager, and in the event the Second Unit Owner has the right to and elects to terminate its management agreement, then the Unit Owners shall proceed diligently and in good faith to identify and contract with a replacement Manager for the Units. If the First Unit Owner terminates its management agreement for breach by the Manager, and in the event the Second Unit Owner does not have the right to or elects not to terminate its management agreement, then the First Unit Owner shall proceed diligently and in good faith to identify and contract with a replacement Manager for its Unit and the identity of such replacement Manager and the terms of the contract between the First Unit Owner and such replacement Manager, to the extent they impact the operation of the Units as contemplated by this Agreement, shall be subject to the approval of the Second Unit Owner, not to be unreasonably withheld, delayed or conditioned.

Section 12.3 Termination by the Manager. A Unit Owner, or the Association, as the case may be, (for these purposes, the "Defaulting Unit Owner") shall provide to the other Unit Owner(s) (the "Non-defaulting Unit Owner") a copy of any notice of default the Defaulting Unit Owner receives from the Manager under its management agreement and to the extent permitted by such management agreement the Non-defaulting Unit Owner(s) shall have the right (but not the obligation) to cure such default and the cost of effecting such cure shall be paid by the Defaulting Unit Owner within ten (10) days of presentation of a bill therefor together with such backup documentation that is reasonably requested in writing. If the Defaulting Unit Owner fails to pay such cost within ten (10) days as aforesaid, the Non-defaulting Unit Owner shall be entitled to interest from the date of expenditure by it effecting such cure through the date of reimbursement to it at a rate equal to four percent (4%) per annum over the "prime rate" as published in the *Wall Street Journal* under the heading "Prime Rate" on the "Money Rates" page.

Section 12.4 Replacement Management. Whenever a replacement Manager is selected hereunder and replacement management agreements entered into, such replacement Manager and such agreements shall be consistent with the provisions of this Agreement regarding the operation, maintenance and management of the Units.

Section 12.5 Third Party Service Contracts. The Owner of the Convention Center Unit shall not enter into any third party service contracts unless contracted pursuant to the management agreement for the Convention Center Unit in connection with the operation of the Convention Center Unit, including, but not limited to, contracts for management, maintenance and security, without the prior approval of the Owner of the Hotel Unit as to compliance with the Quality Standard and as to the qualifications of the contractor. The Owner of the Hotel Unit shall not enter into any third party service contracts (other than for retail, vending and food service) unless contracted pursuant to the management agreement for the Hotel Unit in connection with the operation of the public areas located within the Hotel Unit, including, but not limited to, contracts for management, maintenance and security, without the prior approval of the Owner of the Convention Center Unit, as to compliance with the Quality Standard and as to the qualifications of the contractor. Each Unit Owner shall submit any such third party service contracts to the other for approval and such Unit Owner shall have fifteen (15) days to approve or disapprove any such contract. If such Unit Owner does not disapprove any such contract within such fifteen (15) day period, such contract shall be deemed approved. If such Unit Owner

disapproves any such contract within such fifteen (15) day period, then such Unit Owner shall provide the reasons for such disapproval to the other and the Unit Owners shall have fifteen (15) days from the date of disapproval to reach agreement. If the Unit Owners cannot reach agreement within such fifteen (15) day period, the dispute shall be submitted to binding arbitration pursuant to Section 3.3(d) of the Bylaws, and until resolved, the existing third party service contracts shall continue in full force and effect.

ARTICLE XIII

ASSESSMENTS; LIABILITY OF UNIT OWNERS

Section 13.1 Power to Assess. The Association, acting through the Executive Board in accordance with the Bylaws, shall have the power to fix and determine, from time to time, the sum or sums necessary and adequate to provide for the Common Expenses, including, but not limited to, such amounts as are necessary for uncollectible assessments, budget deficits, such reserves as are hereinafter described, and such additional reserves as the Executive Board shall deem necessary or prudent, and such other expenses as are specifically provided for in the Act, this Declaration or the Bylaws. The Association may establish an adequate reserve fund for maintenance, repair and replacement of those Common Elements which are anticipated to require replacement, repair or maintenance on a periodic basis. The reserve fund, if any, may be funded by monthly payments as a part of the Common Expenses.

Section 13.2 Special Assessments. If the cash requirement estimated at the beginning of any fiscal year shall prove to be insufficient to cover the actual Common Expenses for such fiscal year for any reason (including, by way of illustration and not limitation, any Unit Owner's nonpayment of his assessment), the Executive Board shall have the power, at any time (and from time to time) it deems necessary and proper, to levy one or more Special Assessments against each Unit Owner.

Section 13.3 Payment of Assessments. Each Unit Owner shall pay all assessments levied by the Association. Such assessments shall be due and payable on a monthly basis as designated by the Executive Board.

Section 13.4 Failure to Fix New Assessments. If the Executive Board shall fail to fix new Monthly Assessments for Common Expenses for the subsequent fiscal year before the expiration of any fiscal year, the Unit Owners shall pay the sums they were paying for such Monthly Assessments during the fiscal year just ended adjusted by the increase in the Consumer Price Index for all Urban Consumers (CPI-U), All Items, U.S. City Average (1982-1984 equals 100), published by the United States Department of Labor, Bureau of Labor Statistics, for such period, and such sums shall be deemed to be the new Monthly Assessments for the succeeding fiscal year. If the Executive Board shall change the Monthly Assessment at a later date, such new Monthly Assessment shall be treated as if it were a Special Assessment under Section 13.2 hereof.

Section 13.5 No Exemption by Waiver. No Unit Owner may exempt himself from liability with respect to the Common Expenses by waiver of the enjoyment of the right to use any of the Common Elements or by the abandonment of his Unit or otherwise.

Section 13.6 Personal Liability of Unit Owners. All sums assessed by the Association as a Monthly Assessment or Special Assessment shall constitute the personal liability of the Owner of the Unit so assessed and also shall, until fully paid, constitute a lien against such Unit pursuant to Section 3315 of the Act. The Association may take action for failure to pay any assessment or other charges pursuant to Section 3315 of the Act. The delinquent Owner shall be obligated to pay (a) all expenses of the Executive Board, including all fines, late fees, reasonable attorneys' fees and all other costs of collection permitted under Section 3315 of the Act, incurred in the collection of the delinquent assessment by legal proceedings or otherwise, and (b) any amounts paid by the Executive Board for taxes or on account of superior liens or otherwise to protect its lien, which expenses and amounts, together with accrued interest, shall be deemed to constitute part of the delinquent assessment and shall be collectible as such. Notwithstanding the foregoing, so long as any Unit is owned by RACL, RACL shall have no personal liability for any monthly Assessment or Special Assessment or any fines, late charges, attorneys' fees, collection costs or other costs permitted under Section 3315 of the Act.

Section 13.7 Liability of Purchaser of Unit for Unpaid Assessments. Subject to the provisions of Section 3407(c) of the Act, upon the voluntary sale, conveyance or any other voluntary transfer of a Unit or any interest therein, the grantee thereof shall be jointly and severally liable with the grantor thereof for all unpaid assessments for Common Expenses, Special Assessments, fines, late fees, reasonable attorneys' fees and all other costs of collection, which are a charge against the Unit as of the date of consummation of the sale, conveyance or transfer, but such joint and several liability shall be without prejudice to such grantee's right to recover from such grantor the amount of any such unpaid assessments which such grantee may have paid, and until any such assessments are paid, they shall continue to be a lien against the Unit which may be enforced in the manner set forth in Section 3315 of the Act.

Section 13.8 Subordination of Certain Charges. Any fees, charges, late charges, fines and interest that may be levied by the Association pursuant to the Act shall be subordinate to any Mortgage (provided that the liability for any such amounts shall remain the obligation of the affected Unit Owner and of any purchaser of a Unit pursuant to Section 13.7 above).

Section 13.9 Working Capital Fund. Upon the initial transfer of title from the Declarant to the purchaser of each Unit, the Association shall collect from such purchasers an amount equal to the greater of (a) two (2) months' estimated Common Expense liability and (b) the amount required by the Manager under the applicable management agreement to be deposited into a working capital or similar fund, which monies shall be deposited into a working capital fund under control of the Association.

ARTICLE XIV

GENERAL PROVISIONS

Section 14.1 Headings. The headings used in this Declaration and the Table of Contents are inserted solely as a matter of convenience for the readers of this Declaration and shall not be relied upon or used in construing the effect or meaning of any of the provisions of this Declaration.

Section 14.2 Severability. The provisions of this Declaration shall be deemed independent and severable, and the invalidity or unenforceability of any provision or portion hereof shall not affect the validity or enforceability of any other provision or portion hereof unless such deletions shall destroy the uniform plan of development and operation of the condominium project which this Declaration is intended to create.

Section 14.3 Applicable Law. This Declaration shall be governed by and construed according to the laws of the Commonwealth of Pennsylvania.

Section 14.4 Interpretation. The provisions of this Declaration shall be liberally construed in order to effect the Declarant's desire to create a uniform plan for development and operation of the condominium project.

Section 14.5 Effective Date. This Declaration shall become effective when it and the Plats and Plans have been recorded.

Section 14.6 Notices. All notices and other communications required or permitted to be given under or in connection with this Declaration shall be in writing and shall be deemed given when delivered in person or on the second business day after the day on which mailed by certified mail, return receipt requested, addressed at the address maintained in the register of current addresses established by the Association.

Section 14.7 Exhibits. All exhibits attached to this Declaration are hereby made a part of this Declaration.

Section 14.8 Conflicts. In any conflict in the descriptions of Units or the Common Elements between this Declaration and the Plats and Plans, the Plats and Plans shall govern.

IN WITNESS WHEREOF, Declarant, intending to be legally bound hereby has
duly executed this Declaration, the day and year first above written.

ATTEST:

LANCASTER COUNTY CONVENTION
CENTER AUTHORITY

By: _____
Name:
Title:

ATTEST:

REDEVELOPMENT AUTHORITY OF THE
CITY OF LANCASTER

By: _____
Name:
Title:

COMMONWEALTH OF PENNSYLVANIA :
: ss
COUNTY OF _____ :

ON THIS ____ day of _____, 2005, before me, an officer duly authorized in the County and State aforesaid to take acknowledgements, personally appeared _____, known to me (or satisfactorily proven) to be the _____ of Redevelopment Authority of the City of Lancaster, and as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of _____ as such _____.

WITNESS, my hand and official seal in the above County and State.

Notary Public

My Commission Expires: _____

COMMONWEALTH OF PENNSYLVANIA :
 : SS
COUNTY OF _____ :

ON THIS ____ day of _____, 2005, before me, an officer duly authorized in the
County and State aforesaid to take acknowledgements, personally appeared _____,
known to me (or satisfactorily proven) to be the _____ of Penn Square Partners, and
as such, being authorized so to do, executed the foregoing instrument for the purposes therein
contained by signing the name of _____ as such _____.

WITNESS, my hand and official seal in the above County and State.

Notary Public

My Commission Expires: _____

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

ALL THAT CERTAIN tract, piece or lot SITUATE South of State Route 0462 East King Street and to the East of U.S. Route 0222 South Queen Street in The City of Lancaster, Lancaster County, Pennsylvania, being shown as Lot No. 1 on a Subdivision Plan for The Lancaster Marriott and Lancaster Convention Center at Penn Square (recorded in Subdivision Plan Book ____, page ____), said Lot No. 1 being more fully bounded and described as follows:

BEGINNING at a point of intersection with the northern right-of-way line of East Vine Street and the eastern right-of-way line of South Queen Street, thence along said right-of-way line the following course:

1. North 08 degrees, 41 minutes, 34 seconds West, a distance of 458.67 feet to a point;

Thence turning and running along the southern right-of-way line of East King Street, thence along said line the following three courses:

1. North 81 degrees, 54 minutes, 01 seconds East, a distance of 66.00 feet to a point;
1. North 08 degrees, 28 minutes, 10 seconds West, a distance of 65.00 feet to a point;
1. North 81 degrees, 33 minutes, 05 seconds East, a distance of 111.84 feet to a point;

Thence turning and running along the adjoining property line with John E. & Eric J. Gearhart, thence along said line the following course:

1. South 08 degrees, 23 minutes, 15 seconds East, a distance of 131.74 feet to a point;

Thence turning and running along the adjoining property line with a PP&L easement, thence along said line the following course:

1. North 81 degrees, 33 minutes, 09 seconds East, a distance of 69.34 feet to a point;

Thence turning and running along the western right-of-way line for South Christian Street, thence along said line the following course:

1. South 08 degrees, 39 minutes, 20 seconds East, a distance of 394.49 feet to a point;

Thence turning and running along the northern right-of-way line for East Vine Street, thence along said line the following course:

1. South 82 degrees, 14 minutes, 21 seconds West, a distance of 246.50 feet to a point; the point and place of **BEGINNING**.

TOGETHER WITH all rights under that certain Easement Agreement by and between the City of Lancaster and Penn Square Partners, dated _____, 2005, and recorded on _____, 2005, in Book _____, Volume ____, Page _____.

EXHIBIT "A-1"

LEGAL DESCRIPTION OF ACCESS AND CONSTRUCTION EASEMENT

**ACCESS & CONSTRUCTION EASEMENT
THE LANCASTER MARRIOTT AND LANCASTER
CONVENTION CENTER AT PENN SQUARE**

ALL THAT CERTAIN tract, piece or lot SITUATE South of State Route 462 East King Street and East of U.S. Route 72 South Queen Street in Lancaster City, Lancaster County, Pennsylvania, being shown as an Access & Construction Easement \on a Final Land Development Plan of The Lancaster Marriott and Lancaster Convention Center At Penn Square , said Easement being more fully bounded and described as follows:

BEGINNING at a point of intersection with the eastern right-of-way line for South Queen Street and the southern right-of-way line for East King Street, thence along said right-of-way line the following course:

1. South 81 degrees, 54 minutes, 00 seconds West, a distance of 78.32 feet to a point;

Thence turning and running across and within the right-of-way line for East King Street, thence along said line the following six courses:

1. North 06 degrees, 43 minutes, 33 seconds West, a distance of 31.08 feet to a point;
2. On a curve to the northeast with a delta angle of 16 degrees, 00 minutes, 16 seconds, a radius of 10.00 feet, an arc length of 2.79 feet, a tangent length of 1.41 feet and a chord bearing of North 01 degrees, 16 minutes, 35 seconds East, a distance of 2.78 feet to a point;
3. On a curve to the northeast with a delta angle of 48 degrees, 53 minutes, 30 seconds, a radius of 56.00 feet, an arc length of 47.79 feet, a tangent length of 25.46 feet and a chord bearing of North 33 degrees, 43 minutes, 28 seconds East, a distance of 46.35 feet to a point;
4. On a curve to the northeast with a delta angle of 23 degrees, 25 minutes, 09 seconds, a radius of 100.00 feet, an arc length of 40.87 feet, a tangent length of 20.73 feet and a chord bearing of North 69 degrees, 52 minutes, 47 seconds East, a distance of 40.59 feet to a point;
5. North 81 degrees, 35 minutes, 21 seconds East, a distance of 6.02 feet to a point;
6. South 08 degrees, 28 minutes, 11 seconds East, a distance of 76.84 feet to a point; the point and place of **BEGINNING**.

The area contained by this Access & Construction Easement is 5,181.85 S.F. or 0.1189 Acres.

EXHIBIT "B"

PLATS AND PLANS

EXHIBIT B

EXHIBIT B

Plats and Plans

on file at the offices of
The Lancaster County Convention Center Authority
and
Penn Square Partners

EXHIBIT "C"

ADDITIONAL TITLE EXCEPTIONS

1. Rights granted to Pennsylvania Power & Light Company in Deed Book N, Volume 34, Pages 192 and 193.
2. Rights granted to Pennsylvania Power & Light Company in Deed Book A, Volume 41, Page 486.
3. Terms of Agreement as set forth in Deed Book U, Volume 72, Page 563.
4. Deed of Easement as set forth in Deed Book W, Volume 51, Page 1100.
5. Grant of Easement as set forth in Deed Book M, Volume 57, Page 318.
6. Redevelopment Contract as set forth in Deed Book H, Volume 51, Page 328.
7. Rights granted to Pennsylvania Power & Light Company in Record Book 4047, Page 0396.
8. Memorandum of Right of First Refusal granted to Marriott International, Inc., dated September 25, 2001 and recorded March 2, 2003 as Instrument Number 5164817 (references Tract No. 1 only).
9. City of Lancaster Ordinance in Deed Book K-53 page 1073.
10. Deed of Easement in Deed Book N-53 page 13.
11. Redevelopment Contract in Deed Book H-51 page 328.
12. Terms of Agreement in Deed Book U-72 page 563.

EXHIBIT "D"

PERCENTAGE INTERESTS

Convention Center Unit: 53.3%

Hotel Unit: 46.7%

EXHIBIT "E"

QUALITY STANDARD

I. HOTEL STANDARDS

A. General Standards of Design, Construction and Operation.

The Hotel shall be a first class, full service hotel designed, developed and constructed in conformance with the standards established by Marriott International Inc. ("Marriott") for like facilities and contained in Marriott publications including, but not limited to, the Marriott Design Guide (the "Marriott Standards"). The Hotel shall be maintained, furnished and operated to a minimum standard equivalent to the Marriott Standards in effect on the date that the Hotel opens for business. The foregoing requirements apply regardless of whether the Hotel is subsequently operated under a flag other than Marriott, as an independent or otherwise and such requirements shall be binding on, and expressly assumed by, any subsequent owner, operator or lessee of the Hotel.

B. Deficiency Notifications and Cures

1. Brand Inspection Deficiencies.

The owners of the Hotel shall require that the Hotel Manager provide the LCCCA with copies of any inspection reports prepared by the brand within 30 days of the date which the Hotel Manager receives any such report. Deficiencies shall be cured within the timeframes prescribed in the inspection reports.

2. Internal Monitoring.

As long as the Hotel is operated under the Marriott flag, or under a flag, the licensor of which mandates quality assurance and guest satisfaction programs at least as strict as Marriott, then the owners of the Hotel shall comply, and cause the Hotel Manager to comply, with all quality assurance and guest satisfaction programs established from time to time by Marriott or by such successor licensor. Otherwise, the following procedures shall be followed:

The Hotel Manager as the agent of the owners of the Hotel shall periodically establish objective and commercially reasonable standards of guest satisfaction, which standards shall be subject to the reasonable approval of the LCCCA. To monitor adherence to these standards, the Hotel Manager as agent of the owners of the Hotel shall conduct ongoing guest satisfaction surveys and periodic (no less than annual) independent assessments of quality and service (i.e. mystery shoppers). The results of these surveys and assessments shall be communicated to the LCCCA on a timely basis. If the hotel fails to achieve a passing

grade in any area, the LCCCA may require the owners of the Hotel to prepare and implement an improvement plan (which plan shall be subject to the approval of the LCCCA) designed to cure the deficiencies.

II. CONVENTION CENTER STANDARDS

A. General Standards of Design, Construction and Operation of the Exhibit Hall and Areas that Support the Exhibit Hall.

In regard to design, construction and operations, the standards applicable to (i) the Convention Center's Exhibit Hall, (ii) the interior space that supports the Exhibit Hall and (iii) the Exhibit Hall's entry and pre-function areas shall be a standard that is generally equal to the standard under which any "comparable" convention center facility is designed, constructed and/or operated. By definition, a "comparable" facility (w) is publicly-owned, (x) is classified as a "convention" versus "conference" center, (y) has a minimum of 40,000 square feet and a maximum of 150,000 square feet of dedicated exhibit hall space, and (z) is within a 500 mile radius of Lancaster, Pennsylvania.

B. General Standards of Design, Construction and Operation of the Non-Exhibit Hall Areas of the Convention Center.

The areas of the Convention Center that are not part of (i) the Convention Center's Exhibit Hall, (ii) the space that supports the Exhibit Hall or (iii) the Exhibit Halls entry and pre-function areas (the "Non-Exhibit Hall Areas") shall be designed, developed and constructed in conformance with the Marriott Standards. The Non-Exhibit Hall Areas shall be maintained, furnished and operated to a minimum standard equivalent to the Marriott Standards in effect on the date that the Convention Center opens for business.

C. Deficiency Notifications and Cures.

As long as the Hotel is operated under a Marriott flag, or under a flag, the licensor of which mandates quality assurance and guest satisfaction programs at least as strict as Marriott, then the LCCCA shall cause the Convention Center Manager to conduct quality assurance and guest satisfaction programs consistent with those conducted by the Hotel. Otherwise, the following provisions shall be followed:

The Convention Center Manager as the agent of the LCCCA shall periodically establish objective and commercially reasonable standards of guest satisfaction, which standards shall be subject to the reasonable approval of the owners of the Hotel. To monitor adherence to these standards, the Convention Center Manager as agent of the LCCCA shall conduct ongoing guest satisfaction surveys and periodic (no less than annual) independent assessments of quality and service (i.e. mystery shoppers). The results of these surveys and assessments shall be communicated to the owners of the Hotel on a timely

basis. If the Convention Center fails to achieve a passing grade in any area, the owners of the Hotel may require the LCCCA to prepare and implement an improvement plan (which plan shall be subject to the approval of the owners of the Hotel) designed to cure the deficiencies.

EXHIBIT "F"

ALLOCATION OF COMMON EXPENSES

1. Costs for ongoing operation, repairs, maintenance and replacement of the areas identified as Maintenance Storage, Engineering, Personnel, Training, Employee Lockers (Men), Employee Lockers (Women), Employee Entry Vestibule and Employee Dining (collectively, the "Employee Areas") shall be allocated between the owner of the Hotel Unit and the owner of the Convention Center Unit based on the number of employees each Unit Owner has which utilize the Employee Areas as determined by the Manager.
2. Costs for ongoing operation, repairs, maintenance and replacement of the areas identified as the foundation systems (including caissons, if any) that support the Watt & Shand Foundation Slabs, the Watt & Shand Foundation Slabs, all support columns on the Exhibit Level, any support columns on the Exhibit Level that support the Watt & Shand Lobby Level or any levels above the Watt & Shand Lobby Level located beneath the footprint of the Guest Tower, all support columns on the Watt & Shand Lobby Level (collectively, the "Common Foundations and Support Columns") shall be allocated between the Owner of the Hotel Unit and the Owner of the Convention Center Unit as follows:
 - (a) Common Foundations and Support Columns located within the footprint of the Watt & Shand Building and not beneath the footprint of the Guest Tower: twenty percent (20%) to the Owner of the Hotel Unit and eighty percent (80%) to the Owner of the Convention Center Unit; and
 - (b) Common Foundations and Support Columns located within the footprint of the Watt & Shand Building and beneath the footprint of the Guest Tower: seventy-nine percent (79%) to the Owner of the Hotel Unit and twenty-one percent (21%) to the Owner of the Convention Center Unit.
3. Costs for ongoing operation, repairs, maintenance and replacement of the following Doors (the "Specified Doors") shall be allocated one hundred percent (100%) to the owner of the Hotel Unit:
 - (a) The door to the Restaurant on the Watt & Shand Lobby Level;
 - (b) The door to the Lobby Bar on the Watt & Shand Lobby Level;
 - (c) The two (2) doors to the Front Offices on the Watt & Shand Lobby Level; and
 - (d) The door to Laundry and Laundry Receiving on the Exhibit Level.
4. Costs for ongoing operation, repairs, maintenance and replacement of the elevator cabs, elevator mechanical equipment and escalator equipment that services both Units or one or both Units and the Common Elements (the "Common Vertical Transportation

Equipment") shall be allocated between the Owner of the Hotel Unit and the Owner of the Convention Center Unit as follows:

A. Portion Allocated to Owner of Hotel Unit:

Number of stops in the Guest Tower

Plus: One (i.e., 50% of stops on the Watt & Shand Lobby Level and the Exhibit Level)

Divided: by total number of stops

B. Portion Allocated to Owner of Convention Center Unit:

Number of stops on Watt & Shand Ballroom A Level, Watt & Shand Ballroom B Level and Administration Level

Plus: One (i.e., 50% of stops on the Watt & Shand Lobby Level and the Exhibit Level)

Divided: by total number of stops

5. Costs for ongoing operation, repairs, maintenance and replacement of (i) all Common Elements other than the Employee Areas, the Common Foundations and Support Columns, the Common Vertical Transportation Equipment and the Specified Doors, and (ii) sidewalks and landscaped areas pursuant to Section 3.3(c) shall be allocated fifty percent (50%) to the owner of the Hotel Unit and fifty percent (50%) to the owner of the Convention Center Unit.
6. The Bond Costs shall be allocated fifty percent (50%) to the owner of the Hotel Unit and fifty percent (50%) to the owner of the Convention Center Unit.

EXHIBIT D

[CAPITAL COSTS AND PROJECT BUDGET]

EXHIBIT D

PROJECT DATA		PROJECT	Parking
KEY COUNT		300	
HOTEL DEDICATED (SF)		176,951	
CENTER DEDICATED (SF)		206,156	
COMMON ELEMENTS		30,202	
Parking Spaces			300
		413,309	300
SITE ACQUISITION			
Site Acquisition - Hotel		1,500,000	0
Site Acquisition - Center		1,440,000	2,100,000
Site Acquisition - Vacant Land Sliver		0	0
Hotel Site Carrying Costs (thru 2003)		2,350,000	0
Hotel Site Carrying Cost (Post-Transfer)		0	0
Parking Rent - Hotel		0	0
Parking Rent - Center (In Cash Flow)		0	0
Parking Capital Lease - Hotel		0	0
Parking Capital Lease - Center		0	0
Subtotal		5,290,000	2,100,000
HARD COSTS			
Core Construction - Hotel			
Core Construction - Convention Center			
Prevailing Wage			
General Conditions			
Liability Insurance			
Builder Risk Insurance			
Building Permits			
Payment & Performance Bond			
GC Overhead and Fee			
Subtotal		84,896,478	3,243,000
TEXT EXPENSES			
Hotel			
Furnishings/Fixtures & Equipment		5,352,494	0
Operating Supplies & Equipment		0	0
Telephone/Computer/Other Systems		1,500,000	0
Procurement Fee & Expenses		0	0
Shipping & Handling & Tax		0	0
Installation		0	0
Subtotal		6,852,494	0
Center			
Furnishings/Fixtures & Equipment		5,727,037	0
Kitchen Equipment		1,500,000	0
Operating Supplies & Equipment		0	350,000
Telephone/Computer/Other Systems		750,000	0
Procurement Fee & Expenses		0	0
Shipping & Handling & Tax		0	0
Installation		0	0
Subtotal		7,977,037	350,000
Total FF&E		14,829,531	350,000
SOFT COSTS			
A&E Fees - Hotel		1,223,570	0
A&E Fees - Center		3,245,323	180,000
Development Fee & Expenses - Hotel		1,900,962	0
Development Fee & Expenses - Center		3,087,958	0
Technical Services - Hotel		100,000	0
Technical Services - Center		120,000	0
Admin. Taxes, Legal, Insurance - Hotel		1,000,000	0
Admin. Taxes, Legal, Insurance - Center		500,000	0
Land/Streetscaping - Hotel		0	0
Land/Streetscaping - Center		400,000	0
Preopening Expenses - Hotel		1,200,000	0
Preopening Expenses - Center		1,500,000	0
Working Capital - Hotel		500,000	0
Working Capital - Center		250,000	0
Subtotal		15,027,813	180,000
COST BEFORE CONTINGENCY			
Hotel		40,794,560	0
Center		79,249,254	5,892,000
Subtotal		120,043,814	5,892,000
CONTINGENCY			
Hotel		1,631,782	0
Center		3,169,970	235,680
Subtotal		4,801,753	235,680
BASE DEFERRA COST			
Subtotal		124,845,567	6,127,680
Financing Cost			
Subtotal		13,989,576	1,547,320
Total Project Cost		137,835,143	7,675,000

EXHIBIT E

Purchase Option Agreement

PURCHASE OPTION AGREEMENT

THIS PURCHASE OPTION AGREEMENT (this "Agreement") is made as of the _____ day of October, 2005, by and between **THE REDEVELOPMENT AUTHORITY OF THE CITY OF LANCASTER**, a body politic and corporate existing under the laws of the Commonwealth of Pennsylvania ("Optionor") and **THE LANCASTER COUNTY CONVENTION CENTER AUTHORITY**, a body politic and corporate existing under the laws of the Commonwealth of Pennsylvania ("Optionee").

RECITALS

A. Optionee is a public instrumentality of the Commonwealth of Pennsylvania organized under the Third Class County Convention Center Authority Act, 16 P.S. 2399.1 et seq., as amended, for the purpose, among others, of acquiring, developing, designing, constructing, financing, improving, operating, maintaining and owning a convention center in the City of Lancaster, County of Lancaster, Pennsylvania.

B. Optionor is a public instrumentality of the Commonwealth of Pennsylvania organized under the Urban Redevelopment Law, Act No. 385, approved May 24, 1945, P.L. 991, as amended, for the purpose among other things to: 1) promote the elimination of blighted areas and supply decent housing; 2) replan such areas that are certified by the Lancaster City Planning Commission; 3) contract with private, corporate, or governmental entities for the redevelopment of blighted commercial, industrial, or residential areas; 4) acquire properties in blighted areas by purchase, gift, or eminent domain; and 5) contract with private, corporate, or governmental entities desiring to provide funding for the redevelopment of commercial, industrial, or residential properties.

C. Optionor, Optionee and Penn Square Partners, a Pennsylvania Limited Partnership ("PSP") have entered into a Joint Development Agreement dated October ____, 2005 ("JDA") which provides the terms under which the parties shall proceed with the development, financing, construction and operation of a Convention Center and Hotel. All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the JDA.

D. Pursuant to the terms of the JDA and the Agreement To Transfer And Reimbursement Agreement entered into between Optionor and PSP and dated _____ ("Reimbursement Agreement"), Optionor has acquired ownership from PSP of a certain parcel of real property in the City of Lancaster, Lancaster County, Pennsylvania, consisting of approximately _____ acres and more particularly described in the legal description attached hereto as Exhibit A and the drawing depicting said real property attached hereto as Exhibit B, each of which exhibits is made a part hereof (the "PSP Premises").

E. Pursuant to the JDA, the PSP Premises, along with other property known as the LCCCA Premises may be subjected to a condominium regime, whereupon Optionor shall become the owner of the Hotel Unit of the condominium.

F. Optionee desires an option to purchase the PSP Premises, or the Hotel Unit, should the PSP Premises be subjected to the condominium regime (both hereinafter referred to as the "Property").

G. Optionor is willing to grant Optionee an exclusive option to purchase the Property under the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the parties to this Agreement, the parties, intending to be legally bound hereby, agree as follows:

1. **Option.** Optionor, in additional consideration of One Hundred Dollars (\$100) paid to Optionor by Optionee, hereby grants unto Optionee an exclusive option to purchase the Property (the "Purchase Option") on the terms and conditions herein stated. Optionee shall have the right to exercise the Purchase Option at any time during the Exercise Period which shall commence on the date that the JDA is terminated by any party thereto in accordance with its terms and terminate on the earlier of (i) the date on which foundation construction is commenced for both the Hotel and Convention Center, or (ii) at 11:59 p.m. E.S.T. on the date that is 365 days after commencement ("Exercise Period").
2. **Manner of Exercise; Closing.** Prior to expiration or termination thereof, Optionee may exercise the Purchase Option by notifying Optionor in writing (the "Exercise Notice") of its election to do so. Closing shall be made on or before the sixtieth (60th) day following the Exercise Notice, time to be of the essence, unless extended by mutual consent in writing signed by the parties hereto. If Optionee exercises the Purchase Option in accordance with the terms of this Agreement, Optionor shall, at the Closing, well and sufficiently, grant and convey unto Optionee, by special warranty deed, the Property and the Purchase Price (as defined below) shall be paid in accordance with Paragraph 3 hereof, and all of Optionor's rights, title and interest in and to the Property shall be sold, transferred, assigned and conveyed to Optionee (the "Closing").
3. **Purchase Price.** If Optionee exercises the Purchase Option, the purchase price for the Property shall be (i) Ten Dollars (\$10.00), (ii) the assumption, or if assumption is not permitted by the Commonwealth of Pennsylvania, the payment in full by Optionee of the then current repayment obligations under the IDP Mortgage as that term is defined in the Reimbursement Agreement, and (iii) payment of the balance of the PSP loan, as that term is defined in the Reimbursement Agreement, to the extent that (a) Optionee has pre-approved in writing the utilization by RACL of the loan proceeds, and (b) there are insufficient funds available from the Commonwealth of Pennsylvania to RACL to reimburse the balance of the PSP loan (the "Purchase Price"). Any accrued and unpaid principal, interest, costs or fees on the IDP Mortgage as of the Closing shall be paid or assumed by Optionor. In the event the IDP Mortgage is repaid, Optionor and Optionee shall work cooperatively with each other to secure consent, if necessary, from the Commonwealth of Pennsylvania to allow Optionor, in the exercise of its discretion, to

reinvest the proceeds into a convention center project developed by Optionee. The cash portion of the Purchase Price shall be paid in good funds at Closing.

4. **Re-Sale of Property.** In the event that Optionee, at or within five (5) years of the Closing, enters into a binding agreement of sale to convey the Property to any person or entity other than Optionor or a Hotel Developer, then, at the subsequent closing on such sale, Optionee shall (i) pay to PSP an amount equal to its Unreimbursed Sunk Costs, as that term is defined hereinafter, and (ii) Pay to Optionor all of its "Net Profit" from such sale, as defined hereinafter. For purposes of this Agreement, Net Profit shall mean the net proceeds received by Optionee from the re-sale of the Property, less (i) the Purchase Price to exercise the Purchase Option (including the full amount of the IDP Mortgage assumed or paid by Optionee), (ii) all closing costs and other expenses, including legal fees, incurred by Optionee in exercising the Purchase Option, (iii) all carrying costs incurred by Optionee, as a result of its ownership of the Property, (iv) the cost of all improvements made to the Property by Optionee, (v) all closing costs and other expenses, including legal fees, incurred by Optionee with respect to the re-sale of the Property, and (vi) the amount of the Unreimbursed Sunk Costs.

Unreimbursed Sunk Costs means sums not reimbursed to PSP pursuant to the Reimbursement Agreement, or otherwise reimbursed, which unreimbursed sums shall consist of professional, legal, development and operating expenses directly related to the Hotel and Convention Center project, rent and additional rent paid to RACL, and other charges paid by PSP to RACL pursuant to the Lease or otherwise in furtherance of the Project subsequent to the execution of the Reimbursement Agreement.

5. **Subsequent Hotel Development.** In the event the Optionee, at or within five (5) years of, the Closing, enters into a contract with another party (i) to operate or manage a hotel on the Project Site, or (ii) to sell all or a portion of the Project Site for the purpose of developing and constructing a hotel (any such party being a "Hotel Developer"), Optionee shall cause such party, prior to the opening of any such hotel, to pay directly to PSP its Unreimbursed Sunk Costs.
6. **Investigation Period.** During the Exercise Period, and provided that Optionee is not then in default under this Agreement, Optionee shall have the right, itself or through its representatives, to conduct, at Optionee's expense whatever reasonable investigation, analyses and studies of, and related to the development of, the Property (including, without limitation, invasive testing) that Optionee may deem appropriate to satisfy Optionee with regard to:
 - (a) the physical condition of the Property;
 - (b) the permitted uses of the Property under applicable building and zoning ordinances and the present compliance or non-compliance with the same;
 - (c) the probability of development of the Property (which shall include obtaining all government approvals, permits and plans that Optionee determines are necessary and desirable);

(d) evidence of any hazardous waste or similar materials, and of radon, in, on, under or about the Property or adjacent properties;

(e) all existing contracts, agreements, leases and tenancies affecting the Property, if any;

(f) the chain of title of the Property and any restrictions therein;

(g) evidence of significant archeology in, on, under or about the Property;

(h) soil, geologic, and similar tests in, on, under or about the Property; and

(i) any other matter or condition relating to the Property and deemed relevant by Optionee.

If Optionee desires to perform invasive testing, it shall seek the approval of Optionor and PSP, which approval shall not be unreasonably withheld or delayed, and shall provide them with details concerning the nature and scope of such testing. Optionee, or its contractor performing the invasive testing, shall provide Optionor and with insurance with limits of \$5 million per occurrence per location insuring Optionor against all losses, damages, cost and expense incurred by it in connection with the testing performed hereunder.

Optionee shall indemnify, defend and hold harmless Optionor against all losses, damages, cost and expenses incurred by it in connection with any of the investigations performed by Optionee in connection with this Agreement.

In the event of the expiration or earlier termination of this Agreement, Optionee shall furnish Optionor with copies of all reports obtained by Optionee in connection with its investigation of the Property; provided, that Optionee assumes no responsibility for the accuracy of any such reports. In no event shall Optionee be deemed to be required to exercise the Purchase Option or purchase the Property as a result of its investigation of the Property as contemplated in this Agreement. Optionor acknowledges and agrees that Optionee may, in its sole and absolute discretion, elect either to exercise or not to exercise the Purchase Option. Optionor will use its best efforts to cooperate in and assist with Optionee's performance of its reasonable investigation as described in this Paragraph 6.

7. **Optionor's Representations, Warranties and Covenants.** Optionor represents and warrants to Optionee and covenants and agrees with Optionee as follows:

(a) Other than engaging in conduct authorized by the JDA, Optionor has not entered into any contracts, including, without limitation, any leases, either recorded or unrecorded, written or oral, impairing all or any portion of the Property, or the use of it, and Optionor shall not enter into any contract impairing all or any portion of the Property, or the use of thereof, so long as the Purchase Option remains in effect and is unexercised or, if Optionee exercises the Purchase Option, through the Closing.

(b) Optionor shall not do anything during the term of the Agreement to adversely affect title to the Property;

(c) For so long as the Purchase Option remains in effect and unexercised or, if Optionee exercises the Purchase Option, until the Closing, Optionor shall not, and shall not allow any third party to, store or locate any toxic or hazardous materials or wastes or trash or other debris on or under the Property; and Optionor shall take all reasonable efforts to prevent such storage or location of toxic and hazardous materials and wastes and trash and other debris by any third parties;

(d) Optionor has no knowledge of any special assessments or condemnation proceedings presently pending or proposed which affect the Property;

(e) Optionor has not received any notice of violations of applicable land or municipal ordinances or regulations (including, without limitation, housing, building, safety and fire ordinances and regulations) or of any applicable rule or regulation of any federal or state governmental agency having jurisdiction over the Property;

(f) Optionor is not aware of any underground storage tanks on the Property; and

(g) Optionor, to the best of Optionor's knowledge, has not conducted (or permitted others to conduct) any activity on the Property in violation of any law, statute, code, rule, regulation, order or decree relating to emissions, discharges or releases of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes (collectively, "Environmental Legal Requirements"). There is no action, suit, proceeding, claim, notice or investigation pending or threatened against Optionor relating to any Environmental Legal Requirement, and Optionor has not received any notice from any governmental authority or any other person or entity requiring compliance with any Environmental Legal Requirement or demanding remediation of any environmental contamination on the Property or damages or fines in respect thereof. In connection with the Property, Optionor is not in violation of any Environmental Legal Requirement including those relating to air, water, land and the generation, storage, transportation, treatment or disposal of petroleum products, asbestos-containing materials, toxic substances, hazardous substances (as defined in the Comprehensive Environmental Response, Compensation and Liability Act, as amended), solid wastes, hazardous wastes or any other substance for which any governmental entity with jurisdiction over Optionor or the Property requires special handling in its generation, handling, use, collection, storage, treatment or disposal (collectively, "Hazardous Substances"). There are no Hazardous Substances on the Property.

(h) Optionor shall, within ten (10) days of the commencement of the Exercise Period, deliver to Optionee all relevant information in Optionor's possession relating to the physical and environmental condition or development of the Property, including, but not limited to, the following:

(i) Copies of all reports in Optionor's possession regarding soil or subsurface conditions of the Property;

(ii) Copies of all licenses, permits, approvals or the like in Optionor's possession, relating to the Property (evidencing compliance with applicable laws and regulations, restrictive covenants, if any, and other title encumbrances).

(iii) Copies of all engineering studies and surveys in Optionor's possession.

(iv) Copies of all inspection reports, maps, environmental reports, tax bills, regulatory correspondence, and existing contracts or agreements affecting, or concerning, the Property or any part thereof.

Any plans and approvals obtained by Optionor may be used by Optionee in connection with Optionee's development of the Property.

These representations and warranties shall be true and correct in all respects as of the Closing. Should any such warranty or representation be false, inaccurate or misleading at Closing, then Optionee, at its option, may terminate this Agreement and pursue any remedies available to Optionee at law or in equity. These representations and warranties shall survive Closing.

8. **Prorations.** If Optionee exercises the Purchase Option, real estate taxes, to the extent payable, and all other proratable items shall be prorated as of the Closing.
9. **Conveyance and Possession.** At Closing, Optionor shall convey good and marketable absolute fee simple title to the Property to Optionee by special warranty deed, free and clear of all claims, liens and encumbrances, which title shall be insurable by a reputable title insurance company selected by Optionee at regular rates. The deed shall be prepared by Optionor's attorney at Optionor's expense. At Optionee's request, the deed shall contain as the description of the Property a survey description thereof by metes and bounds prepared and certified as such to Optionor's attorney, at Optionee's expense, by a professional surveyor licensed and registered in the Commonwealth of Pennsylvania. Possession of the real estate shall be given at Closing. Realty transfer taxes, to the extent payable, shall be divided equally between Optionor and Optionee. Optionee shall be responsible for its own attorney's fees, all recording costs and title insurance.
10. **Assignability.** Optionee shall be entitled to assign Optionee's rights and obligations under this Agreement at any time.
11. **Indemnity.**

(a) **By Optionor.** Optionor, for itself and its successors and assigns, hereby agrees to defend, indemnify and hold harmless Optionee and Optionee's successors and assigns from and against any and all claims, demands, judgments, damages, actions, causes of action, injuries, administrative orders, consent agreements and orders, liabilities, penalties, costs, and expenses of any kind whatsoever (including reasonable attorneys' fees) arising from the activities of Optionor or its agents prior to Closing, including, without limitation, any and all claims, demands, judgments, damages, actions, causes of action, injuries, administrative orders, consent agreements and orders,

liabilities, penalties, costs, and expenses of any kind whatsoever (including reasonable attorneys' fees) with respect to the representations and warranties made in Paragraph 6 herein.

(b) **By Optionee.** Optionee, for itself and its successors and assigns, hereby agrees to defend, indemnify and hold harmless Optionor and its successors and assigns from and against any and all claims, demands, judgments, damages, actions, causes of action, injuries, administrative orders, consent agreements and orders, liabilities, penalties, costs, and expenses of any kind whatsoever (including reasonable attorneys' fees) arising from the activities of Optionee or its agents or assignees in conducting the investigation of the Property permitted under Paragraph 6 above.

The indemnity provisions of this Paragraph 11 shall survive Closing.

12. **Brokerage.** Neither party is aware of any agent entitled to a commission for the sale of the Property. Each party shall defend, indemnify and save the other party harmless from any liability for any finder's fee or broker's fee or commission agreed to by the indemnifying party in connection with the sale or purchase of the Property or any part thereof, including, without limitation, reasonable attorneys' fees and expenses incurred in connection with such a claim. The indemnity obligations of this Paragraph 12 shall survive termination or expiration of this Agreement and Closing.
13. **Risk of Loss.** All risk of loss from fire or casualty shall remain with Optionor until Closing.
14. **Eminent Domain.** If the Property or any part thereof is taken by eminent domain prior to Closing, Optionee shall have the option to (i) void this Agreement or (ii) elect to proceed with Closing and pay the Purchase Price, in which case Optionor shall assign to Optionee all damages to which Optionor may be entitled on account of such condemnation.
15. **Optionor's Remedy for Nonperformance or Breach.** If Optionee breaches this Agreement, Optionor's remedies are as follows:
 - (a) If Optionee exercises the Purchase Option and fails to consummate the purchase of the Property, Optionor's sole remedy for that breach shall be to receive from Optionee an amount equal to Optionor's actual out-of-pocket expenses incurred in connection with the execution of this Agreement and the performance of its obligations hereunder.
 - (b) If Optionee breaches any term of this Agreement that survives Closing, Optionor may maintain an action at law for damages or seek equitable relief.
16. **Optionee's Remedy for Nonperformance or Breach.** If Optionor breaches this Agreement, Optionee may seek relief in an action for specific performance and/or seek other equitable relief and/or maintain an action at law for damages.

17. Miscellaneous.

(a) **Recitals.** The recitals preceding Paragraph 1 of this Agreement constitute a material part of this Agreement, and are expressly incorporated herein by reference.

(b) **Notices.** All notices, requests, demands, directions and other communications required or permitted under the provisions of this Agreement, or otherwise with respect hereto, shall be in writing and shall be: (i) mailed by first class registered or certified mail, return receipt requested, postage prepaid; or (ii) sent by next day business courier (such as FedEx or the like); or (iii) personally delivered, as follows:

if to Optionor, to:

The Redevelopment Authority of the City of Lancaster
120 N. Duke Street
Lancaster, PA 17603
Attention: Charles H. Simms, Jr., Chairman

with a copy to:

Blakinger, Byler & Thomas, P.C.
28 Penn Square
Lancaster, PA 17603
Attention: Frank P. Mincarelli, Esquire

if to Optionee, to:

The Lancaster County Convention Center Authority
P.O. Box 1622
Lancaster, PA 17608
Attention: C. Ted Darcus, Chairman

with a copy to:

Stevens & Lee
4750 Lindle Road, 3rd Floor
Harrisburg, PA 17111
Attention: Christopher M. Cicconi, Esquire

or to such other address(es) or to the attention of such other person(s) and officer(s) as the addressee of any such notice shall have previously furnished to the sender in writing. Each notice or communication which shall be transmitted in the manner described above, or which shall be delivered to a telegraph company, shall be deemed sufficiently given, served, sent, or received for all purposes at such time as it is sent to the addressee (with return receipt, delivery receipt being deemed conclusive evidence of such mailing or delivery), or at such time as delivery is refused by the addressee on presentation.

(c) **Governing Law.** This Agreement has been negotiated and executed in Pennsylvania, and it shall be construed and governed in accordance with the laws of the

Commonwealth of Pennsylvania, including its statutes of limitation but without application of conflicts of laws principles.

(d) **Entire Agreement.** This Agreement constitutes the entire Agreement between the parties and may not be changed, altered or modified except by an instrument in writing signed by Optionor and Optionee.

(e) **Binding Effect.** All of the terms of this Agreement, including but not limited to the representations, warranties and covenants of Optionor, shall be binding upon and shall insure to the benefit of the parties to this Agreement and their respective successors and assigns.

(f) **Partial Invalidity.** If any term, provision, covenant or condition of this Agreement, or any application thereof, should be held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof shall continue in full force and effect and shall in no way be affected, impaired or invalidated.

(g) **Captions.** The captions appearing at the commencement of the paragraphs hereof are descriptive only and for convenience in reference to this Agreement and in no way whatsoever define, limit or describe the scope or intent of this Agreement.

(h) **Counterparts.** This Agreement may be executed in any number of counterparts, with each such counterpart being deemed to be an original instrument.

(i) **Recording.** This Agreement may be recorded by the Optionee in the Office of the Recorder of Deeds or any other office or place of public record.

(j) **Third Party Beneficiary.** PSP is a third party beneficiary of the provisions of Sections 4 and 5 of this Agreement.

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto cause this Agreement to be executed as of the date first above written.

WITNESS/ATTEST:

OPTIONEE:

**THE LANCASTER COUNTY
CONVENTION CENTER AUTHORITY**

By: _____
C. Ted Darcus, Chairman

OPTIONOR:

**THE REDEVELOPMENT AUTHORITY
OF THE CITY OF LANCASTER**

By: _____
Charles Simms, Chairman

EXHIBIT A
LEGAL DESCRIPTION

EXHIBIT A

DESCRIPTION and RECITAL

TRACT NO. 1 (2-10 East King Street & 19-21 South Queen Street))

ALL THAT CERTAIN tract of land with the improvements thereon erected, being situated on the South side of East King Street, the West side of South Christian Street, and the East side of South Queen Street, in the City of Lancaster, County of Lancaster, Commonwealth of Pennsylvania, as shown on a survey prepared by H. F. Huth Engineers, Inc., dated April 17, 1962, revised May 10, 1962, said tract being more fully bounded and described as follows:

BEGINNING at a point at the intersection of the South line of East King Street and the East line of "The Square"; thence along the South line of East King Street, North 81 degrees 35 minutes East, a distance of 111.61 feet to a point, a corner of land now or late of Simon A. Cantor, said point being the Eastern face of the East wall of the three-story brick store building hereon erected; thence along the East face of said wall and passing through the center line of said wall at the Southern extremity of said wall, South 08 degrees 32 minutes East, a distance of 131.67 feet to a point in the South side of a 10.0 foot wide private alley, said point being situated on the North face of the North wall of a four-story brick building hereon erected; thence along the same, North 81 degrees 46 minutes 30 seconds East, a distance of 69.21 feet to a point in the West line of South Christian Street; thence along the same, South 08 degrees 38 minutes 30 seconds East, a distance of 162.66 feet to a point, a corner of lands now or late of William G. Rinehart; thence along the same, passing along the North face of the North wall of the building erected on lands now or late of William G. Rinehart, South 81 degrees 42 minutes 30 seconds West, a distance of 246.74 feet to a point in the East line of South Queen Street; thence along the same, North 08 degrees 39 minutes 30 seconds West, a distance of 229.32 feet to a point in the South line of "The Square"; thence along the same, North 81 degrees 56 minutes East, a distance of 66.0 feet to a point in line of the East line of said "Square"; thence along the same, North 08 degrees 26 minutes West, a distance of 65.10 feet to the point or place of BEGINNING.

BEING composed of the following tracts of land:

1. Purparts No. 1, 3 and 4 of the same premises which James Shank and P. T. Watt and Laura G. Watt, his wife, and James Shand and P. T. Watt, partners trading as Watt and Shand, by Deed dated March 18, 1918, and recorded in the Recorder of Deeds Office for Lancaster County, Pennsylvania, in Deed Book I, Volume 23, Page 220, granted and conveyed unto Watt and Shand, a PA corporation, its successors and assigns.

2. The same premises which George R. Rohrer and Adelaide C. Rohrer, his wife, and Howard Fohrer, by their Deed dated April 2, 1920, and recorded in the Recorder of Deeds Office aforesaid in Deed Book C, Volume 24, Page 506, granted and conveyed unto Watt and Shand, a PA corporation, its successors and assigns.

3. The same premises which Drossos A. Skyllas, by Deed dated April

ATTACHED TO AND FORMING A PART OF TITLE INSURANCE COMMITMENT
der NG: D192447LA

15, 1925, and recorded in the Recorder of Deeds Office aforesaid in Deed Book I, Volume 27, Page 578, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

4. The same premises which Albert F. Witmer, Substituted Fiduciary of the Trust Mortgage Pool of The Lancaster Trust Company, by Deed dated May 22, 1936, and recorded in the Recorder of Deeds Office aforesaid in Deed Book P, Volume 32, Page 480, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

5. The same premises which John M. Ammon and Cora M. Ammon, his wife, by Deed dated July 2, 1937, and recorded in the Recorder of Deeds Office aforesaid in Deed Book E, Volume 33, Page 295, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

6. The same premises which Harry P. Wisegarver, Executor of Jennie H. May, by Deed dated March 30, 1940, and recorded in the Recorder of Deeds Office aforesaid in Deed Book N, Volume 34, Page 365, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

7. The same premises which Alpheaus S. Groff and Ella L. Groff, his wife, by Deed dated February 24, 1960, and recorded in the Recorder of Deeds Office aforesaid in Deed Book Y, Volume 48, Page 419, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

TOGETHER with and subject to the right to the use of the aforesaid 10 feet wide private alley.

TRACT NO. 2 (40 South Christian Street)

ALL THAT CERTAIN lot or piece of land situated on the West side of South Christian Street, in the City of Lancaster, County of Lancaster and State of Pennsylvania, having thereon erected a two-story brick building known as No. 40 South Christian Street, bounded and described according to a survey made by J. Haines Shertzer on November 7, 1949, as follows, to wit:

BEGINNING at an iron pin on the West line of South Christian Street, a corner of property now or late of Richard Oblender; thence extending along said property of Richard Oblender, North 88 degrees 29 minutes West, a distance of 125.00 feet to a "V" cut in the wall of the building adjoining to the South, a corner of other property now or late of R. S. Noonan and Ella Noonan, his wife, and S. Edward Sherrill and Anita B. Sherrill, his wife; thence extending along said other property of the said R. S. Noonan and Ella Noonan, his wife, and S. Edward Sherrill and Anita B. Sherrill, his wife, North 45 minutes East, a distance of 32.14 feet to a cross in a concrete walk on line of property now or late of Phares Reifsnnyder; thence extending along said property of Phares Reifsnnyder, South 88 degrees 44 minutes East, a distance of 125.00 feet to an iron pin on the aforesaid West line of South Christian Street; thence extending along said West line of South Christian Street, South 45 minutes West, a distance of 32.68 feet to an iron pin, the place of BEGINNING.

BEING THE SAME PREMISES which R. S. Noonan and Ella Noonan, his wife, and S. Edward Sherrill and Anita B. Sherrill, his wife, by Deed dated November 30, 1949, and recorded December 1, 1949, in the Recorder of Deeds Office in and for Lancaster County, Pennsylvania, in Deed Book E, Volume 40, Page 501, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

TRACT NO. 3 (27-29 South Queen Street)

ALL THAT CERTAIN lot or piece of ground situate on the East side of South Queen Street, between Penn Square and Vine Street, in the City of Lancaster, County of Lancaster, Commonwealth of Pennsylvania, on which is erected a four-story brick store building, known as Nos. 27-29 South Queen Street, and other improvements.

CONTAINING in front on the East side of South Queen Street, 32 feet 2 1/4 inches, and extending in depth of that width Eastward 245 feet to Christian Street.

BOUNDED on the North by property of Watt & Shand; on the East by South Christian Street; on the South by property now or formerly of Farmers Bank & Trust Company of Lancaster; on the West by South Queen Street.

BEING THE SAME PREMISES which Ethel Judene Walker, by Deed dated October 29, 1986, and recorded November 10, 1986, in the Recorder of Deeds Office in and for Lancaster County, Pennsylvania, in Deed Book N, Volume 96, Page 231, granted and conveyed unto Watt & Shand, a Pennsylvania corporation, its successors and assigns.

AND Watt and Shand a/k/a Watt & Shand a/k/a Watt & Shand, Inc., by merger effective April 5, 1992, became known as Bon-Ton Stores of Lancaster, Inc.

TRACT NO. 4 (33-35 South Queen Street)

ALL THAT CERTAIN lot of ground situate on the East side of South Queen Street, in the City of Lancaster, County of Lancaster and State of Pennsylvania, known as 33-35 South Queen Street, bounded and described as follows, to wit:

CONTAINING in front on said South Queen Street, 32 feet 6 inches, more or less, and extending in depth of that width, more or less, 120 feet to property now or formerly of Watt & Shand Company.

BOUNDED on the North by property now or formerly of Julia G. Loeb; on the East by property now or formerly of Watt & Shand Company; on the South by property now or formerly of the Peoples Trust Company; on the West by South Queen Street.

ATTACHED TO AND FORMING A PART OF TITLE INSURANCE COMMITMENT
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BEING THE SAME PREMISES which Oblender's Furnishings, Inc., by Deed dated December 19, 1977, and recorded in the Recorder of Deeds Office in and for Lancaster County, Pennsylvania, in Deed Book U, Volume 72, Page 560, granted and conveyed unto Hager Realty Corporation, its successors and assigns.

AND Hager Realty Corporation, by merger, has become part of Bon-Ton Stores of Lancaster, Inc.

TRACT NO. 5 (31 South Queen Street)

ALL THAT CERTAIN half lot of piece of land, with the buildings and improvements thereon erected, situated on the East side of South Queen Street, between Penn Square and Vine Street, in the City of Lancaster, County of Lancaster and State of Pennsylvania, known as No. 31 South Queen Street.

CONTAINING in front on the East side of said South Queen Street, 32 feet $2\frac{1}{4}$ inches, more or less, and extending in depth of that width Eastwarily, 245 feet, more or less, to South Christian Street, the Northern boundary line of the main buidng of the hereby granted premises being a party wall to the end of said main buidng.

BOUNDED on the North by property now or late of Walter A. Heinitch; on the South by property now or late of Julius Loeb; on the East by said South Christian Street; on the West by said South Queen Street.

BEING THE SAME PREMISES which William D. Crabtree and Ruth L. Crabtree, husband and wife, by their Attorney-in-Fact, Richard G. Greiner, by Deed dated July 31, 1997, and recorded July 31, 1997, in the Recorder of Deeds Office in and for Lancaster County, Pennsylvania, in Record Book 5414, Page 7, granted and conveyed unto Bon-Ton Stores of Lancaster, Inc., a Pennsylvania corporation, its successors and assigns.

DISTRICT - 33-3; MAP - 13K1D; BLOCK - 7; PARCEL - 1 & 28 (Tract 1); 25 (Tract 2); 27 (Tract 3); 24 (Tract 4); 26 (Tract 5)

EXHIBIT B

DRAWING

EXHIBIT J

[PURCHASE OPTION AGREEMENT]

PURCHASE OPTION AGREEMENT

THIS PURCHASE OPTION AGREEMENT (this "Agreement") is made as of the _____ day of October, 2005, by and between **THE REDEVELOPMENT AUTHORITY OF THE CITY OF LANCASTER**, a body politic and corporate existing under the laws of the Commonwealth of Pennsylvania ("Optionor") and **THE LANCASTER COUNTY CONVENTION CENTER AUTHORITY**, a body politic and corporate existing under the laws of the Commonwealth of Pennsylvania ("Optionee").

RECITALS

A. Optionee is a public instrumentality of the Commonwealth of Pennsylvania organized under the Third Class County Convention Center Authority Act, 16 P.S. 2399.1 et seq., as amended, for the purpose, among others, of acquiring, developing, designing, constructing, financing, improving, operating, maintaining and owning a convention center in the City of Lancaster, County of Lancaster, Pennsylvania.

B. Optionor is a public instrumentality of the Commonwealth of Pennsylvania organized under the Urban Redevelopment Law, Act No. 385, approved May 24, 1945, P.L. 991, as amended, for the purpose among other things to: 1) promote the elimination of blighted areas and supply decent housing; 2) replan such areas that are certified by the Lancaster City Planning Commission; 3) contract with private, corporate, or governmental entities for the redevelopment of blighted commercial, industrial, or residential areas; 4) acquire properties in blighted areas by purchase, gift, or eminent domain; and 5) contract with private, corporate, or governmental entities desiring to provide funding for the redevelopment of commercial, industrial, or residential properties.

C. Optionor, Optionee and Penn Square Partners, a Pennsylvania Limited Partnership ("PSP") have entered into a Joint Development Agreement dated October ____, 2005 ("JDA") which provides the terms under which the parties shall proceed with the development, financing, construction and operation of a Convention Center and Hotel. All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the JDA.

D. Pursuant to the terms of the JDA and the Agreement To Transfer And Reimbursement Agreement entered into between Optionor and PSP and dated _____ ("Reimbursement Agreement"), Optionor has acquired ownership from PSP of a certain parcel of real property in the City of Lancaster, Lancaster County, Pennsylvania, consisting of approximately _____ acres and more particularly described in the legal description attached hereto as **Exhibit A** and the drawing depicting said real property attached hereto as **Exhibit B**, each of which exhibits is made a part hereof (the "PSP Premises").

E. Pursuant to the JDA, the PSP Premises, along with other property known as the LCCCA Premises may be subjected to a condominium regime, whereupon Optionor shall become the owner of the Hotel Unit of the condominium.

F. Optionee desires an option to purchase the PSP Premises, or the Hotel Unit, should the PSP Premises be subjected to the condominium regime (both hereinafter referred to as the "Property").

G. Optionor is willing to grant Optionee an exclusive option to purchase the Property under the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the parties to this Agreement, the parties, intending to be legally bound hereby, agree as follows:

1. **Option.** Optionor, in additional consideration of One Hundred Dollars (\$100) paid to Optionor by Optionee, hereby grants unto Optionee an exclusive option to purchase the Property (the "Purchase Option") on the terms and conditions herein stated. Optionee shall have the right to exercise the Purchase Option at any time during the Exercise Period which shall commence on the date that the JDA is terminated by any party thereto in accordance with its terms and terminate on the earlier of (i) the date on which foundation construction is commenced for both the Hotel and Convention Center, or (ii) at 11:59 p.m. E.S.T. on the date that is 365 days after commencement ("Exercise Period").
2. **Manner of Exercise; Closing.** Prior to expiration or termination thereof, Optionee may exercise the Purchase Option by notifying Optionor in writing (the "Exercise Notice") of its election to do so. Closing shall be made on or before the sixtieth (60th) day following the Exercise Notice, time to be of the essence, unless extended by mutual consent in writing signed by the parties hereto. If Optionee exercises the Purchase Option in accordance with the terms of this Agreement, Optionor shall, at the Closing, well and sufficiently, grant and convey unto Optionee, by special warranty deed, the Property and the Purchase Price (as defined below) shall be paid in accordance with Paragraph 3 hereof, and all of Optionor's rights, title and interest in and to the Property shall be sold, transferred, assigned and conveyed to Optionee (the "Closing").
3. **Purchase Price.** If Optionee exercises the Purchase Option, the purchase price for the Property shall be (i) Ten Dollars (\$10.00), (ii) the assumption, or if assumption is not permitted by the Commonwealth of Pennsylvania, the payment in full by Optionee of the then current repayment obligations under the IDP Mortgage as that term is defined in the Reimbursement Agreement, and (iii) payment of the balance of the PSP loan, as that term is defined in the Reimbursement Agreement, to the extent that (a) Optionee has pre-approved in writing the utilization by RACL of the loan proceeds, and (b) there are insufficient funds available from the Commonwealth of Pennsylvania to RACL to reimburse the balance of the PSP loan (the "Purchase Price"). Any accrued and unpaid principal, interest, costs or fees on the IDP Mortgage as of the Closing shall be paid or assumed by Optionor. In the event the IDP Mortgage is repaid, Optionor and Optionee shall work cooperatively with each other to secure consent, if necessary, from the Commonwealth of Pennsylvania to allow Optionor, in the exercise of its discretion, to

reinvest the proceeds into a convention center project developed by Optionee. The cash portion of the Purchase Price shall be paid in good funds at Closing.

4. **Re-Sale of Property.** In the event that Optionee, at or within five (5) years of the Closing, enters into a binding agreement of sale to convey the Property to any person or entity other than Optionor or a Hotel Developer, then, at the subsequent closing on such sale, Optionee shall (i) pay to PSP an amount equal to its Unreimbursed Sunk Costs, as that term is defined hereinafter, and (ii) Pay to Optionor all of its "Net Profit" from such sale, as defined hereinafter. For purposes of this Agreement, Net Profit shall mean the net proceeds received by Optionee from the re-sale of the Property, less (i) the Purchase Price to exercise the Purchase Option (including the full amount of the IDP Mortgage assumed or paid by Optionee), (ii) all closing costs and other expenses, including legal fees, incurred by Optionee in exercising the Purchase Option, (iii) all carrying costs incurred by Optionee, as a result of its ownership of the Property, (iv) the cost of all improvements made to the Property by Optionee, (v) all closing costs and other expenses, including legal fees, incurred by Optionee with respect to the re-sale of the Property, and (vi) the amount of the Unreimbursed Sunk Costs.

Unreimbursed Sunk Costs means sums not reimbursed to PSP pursuant to the Reimbursement Agreement, or otherwise reimbursed, which unreimbursed sums shall consist of professional, legal, development and operating expenses directly related to the Hotel and Convention Center project, rent and additional rent paid to RACL, and other charges paid by PSP to RACL pursuant to the Lease or otherwise in furtherance of the Project subsequent to the execution of the Reimbursement Agreement.

5. **Subsequent Hotel Development.** In the event the Optionee, at or within five (5) years of, the Closing, enters into a contract with another party (i) to operate or manage a hotel on the Project Site, or (ii) to sell all or a portion of the Project Site for the purpose of developing and constructing a hotel (any such party being a "Hotel Developer"), Optionee shall cause such party, prior to the opening of any such hotel, to pay directly to PSP its Unreimbursed Sunk Costs.
6. **Investigation Period.** During the Exercise Period, and provided that Optionee is not then in default under this Agreement, Optionee shall have the right, itself or through its representatives, to conduct, at Optionee's expense whatever reasonable investigation, analyses and studies of, and related to the development of, the Property (including, without limitation, invasive testing) that Optionee may deem appropriate to satisfy Optionee with regard to:
- (a) the physical condition of the Property;
 - (b) the permitted uses of the Property under applicable building and zoning ordinances and the present compliance or non-compliance with the same;
 - (c) the probability of development of the Property (which shall include obtaining all government approvals, permits and plans that Optionee determines are necessary and desirable);

(d) evidence of any hazardous waste or similar materials, and of radon, in, on, under or about the Property or adjacent properties;

(e) all existing contracts, agreements, leases and tenancies affecting the Property, if any;

(f) the chain of title of the Property and any restrictions therein;

(g) evidence of significant archeology in, on, under or about the Property;

(h) soil, geologic, and similar tests in, on, under or about the Property; and

(i) any other matter or condition relating to the Property and deemed relevant by Optionee.

If Optionee desires to perform invasive testing, it shall seek the approval of Optionor and PSP, which approval shall not be unreasonably withheld or delayed, and shall provide them with details concerning the nature and scope of such testing. Optionee, or its contractor performing the invasive testing, shall provide Optionor and with insurance with limits of \$5 million per occurrence per location insuring Optionor against all losses, damages, cost and expense incurred by it in connection with the testing performed hereunder.

Optionee shall indemnify, defend and hold harmless Optionor against all losses, damages, cost and expenses incurred by it in connection with any of the investigations performed by Optionee in connection with this Agreement.

In the event of the expiration or earlier termination of this Agreement, Optionee shall furnish Optionor with copies of all reports obtained by Optionee in connection with its investigation of the Property; provided, that Optionee assumes no responsibility for the accuracy of any such reports. In no event shall Optionee be deemed to be required to exercise the Purchase Option or purchase the Property as a result of its investigation of the Property as contemplated in this Agreement. Optionor acknowledges and agrees that Optionee may, in its sole and absolute discretion, elect either to exercise or not to exercise the Purchase Option. Optionor will use its best efforts to cooperate in and assist with Optionee's performance of its reasonable investigation as described in this Paragraph 6.

7. **Optionor's Representations, Warranties and Covenants.** Optionor represents and warrants to Optionee and covenants and agrees with Optionee as follows:

(a) Other than engaging in conduct authorized by the JDA, Optionor has not entered into any contracts, including, without limitation, any leases, either recorded or unrecorded, written or oral, impairing all or any portion of the Property, or the use of it, and Optionor shall not enter into any contract impairing all or any portion of the Property, or the use of thereof, so long as the Purchase Option remains in effect and is unexercised or, if Optionee exercises the Purchase Option, through the Closing.

(b) Optionor shall not do anything during the term of the Agreement to adversely affect title to the Property;

(c) For so long as the Purchase Option remains in effect and unexercised or, if Optionee exercises the Purchase Option, until the Closing, Optionor shall not, and shall not allow any third party to, store or locate any toxic or hazardous materials or wastes or trash or other debris on or under the Property; and Optionor shall take all reasonable efforts to prevent such storage or location of toxic and hazardous materials and wastes and trash and other debris by any third parties;

(d) Optionor has no knowledge of any special assessments or condemnation proceedings presently pending or proposed which affect the Property;

(e) Optionor has not received any notice of violations of applicable land or municipal ordinances or regulations (including, without limitation, housing, building, safety and fire ordinances and regulations) or of any applicable rule or regulation of any federal or state governmental agency having jurisdiction over the Property;

(f) Optionor is not aware of any underground storage tanks on the Property; and

(g) Optionor, to the best of Optionor's knowledge, has not conducted (or permitted others to conduct) any activity on the Property in violation of any law, statute, code, rule, regulation, order or decree relating to emissions, discharges or releases of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes (collectively, "Environmental Legal Requirements"). There is no action, suit, proceeding, claim, notice or investigation pending or threatened against Optionor relating to any Environmental Legal Requirement, and Optionor has not received any notice from any governmental authority or any other person or entity requiring compliance with any Environmental Legal Requirement or demanding remediation of any environmental contamination on the Property or damages or fines in respect thereof. In connection with the Property, Optionor is not in violation of any Environmental Legal Requirement including those relating to air, water, land and the generation, storage, transportation, treatment or disposal of petroleum products, asbestos-containing materials, toxic substances, hazardous substances (as defined in the Comprehensive Environmental Response, Compensation and Liability Act, as amended), solid wastes, hazardous wastes or any other substance for which any governmental entity with jurisdiction over Optionor or the Property requires special handling in its generation, handling, use, collection, storage, treatment or disposal (collectively, "Hazardous Substances"). There are no Hazardous Substances on the Property.

(h) Optionor shall, within ten (10) days of the commencement of the Exercise Period, deliver to Optionee all relevant information in Optionor's possession relating to the physical and environmental condition or development of the Property, including, but not limited to, the following:

(i) Copies of all reports in Optionor's possession regarding soil or subsurface conditions of the Property;

(ii) Copies of all licenses, permits, approvals or the like in Optionor's possession, relating to the Property (evidencing compliance with applicable laws and regulations, restrictive covenants, if any, and other title encumbrances).

(iii) Copies of all engineering studies and surveys in Optionor's possession.

(iv) Copies of all inspection reports, maps, environmental reports, tax bills, regulatory correspondence, and existing contracts or agreements affecting, or concerning, the Property or any part thereof.

Any plans and approvals obtained by Optionor may be used by Optionee in connection with Optionee's development of the Property.

These representations and warranties shall be true and correct in all respects as of the Closing. Should any such warranty or representation be false, inaccurate or misleading at Closing, then Optionee, at its option, may terminate this Agreement and pursue any remedies available to Optionee at law or in equity. These representations and warranties shall survive Closing.

8. **Prorations.** If Optionee exercises the Purchase Option, real estate taxes, to the extent payable, and all other proratable items shall be prorated as of the Closing.
9. **Conveyance and Possession.** At Closing, Optionor shall convey good and marketable absolute fee simple title to the Property to Optionee by special warranty deed, free and clear of all claims, liens and encumbrances, which title shall be insurable by a reputable title insurance company selected by Optionee at regular rates. The deed shall be prepared by Optionor's attorney at Optionor's expense. At Optionee's request, the deed shall contain as the description of the Property a survey description thereof by metes and bounds prepared and certified as such to Optionor's attorney, at Optionee's expense, by a professional surveyor licensed and registered in the Commonwealth of Pennsylvania. Possession of the real estate shall be given at Closing. Realty transfer taxes, to the extent payable, shall be divided equally between Optionor and Optionee. Optionee shall be responsible for its own attorney's fees, all recording costs and title insurance.
10. **Assignability.** Optionee shall be entitled to assign Optionee's rights and obligations under this Agreement at any time.
11. **Indemnity.**
 - (a) **By Optionor.** Optionor, for itself and its successors and assigns, hereby agrees to defend, indemnify and hold harmless Optionee and Optionee's successors and assigns from and against any and all claims, demands, judgments, damages, actions, causes of action, injuries, administrative orders, consent agreements and orders, liabilities, penalties, costs, and expenses of any kind whatsoever (including reasonable attorneys' fees) arising from the activities of Optionor or its agents prior to Closing, including, without limitation, any and all claims, demands, judgments, damages, actions, causes of action, injuries, administrative orders, consent agreements and orders,

liabilities, penalties, costs, and expenses of any kind whatsoever (including reasonable attorneys' fees) with respect to the representations and warranties made in Paragraph 6 herein.

(b) **By Optionee.** Optionee, for itself and its successors and assigns, hereby agrees to defend, indemnify and hold harmless Optionor and its successors and assigns from and against any and all claims, demands, judgments, damages, actions, causes of action, injuries, administrative orders, consent agreements and orders, liabilities, penalties, costs, and expenses of any kind whatsoever (including reasonable attorneys' fees) arising from the activities of Optionee or its agents or assignees in conducting the investigation of the Property permitted under Paragraph 6 above.

The indemnity provisions of this Paragraph 11 shall survive Closing.

12. **Brokerage.** Neither party is aware of any agent entitled to a commission for the sale of the Property. Each party shall defend, indemnify and save the other party harmless from any liability for any finder's fee or broker's fee or commission agreed to by the indemnifying party in connection with the sale or purchase of the Property or any part thereof, including, without limitation, reasonable attorneys' fees and expenses incurred in connection with such a claim. The indemnity obligations of this Paragraph 12 shall survive termination or expiration of this Agreement and Closing.
13. **Risk of Loss.** All risk of loss from fire or casualty shall remain with Optionor until Closing.
14. **Eminent Domain.** If the Property or any part thereof is taken by eminent domain prior to Closing, Optionee shall have the option to (i) void this Agreement or (ii) elect to proceed with Closing and pay the Purchase Price, in which case Optionor shall assign to Optionee all damages to which Optionor may be entitled on account of such condemnation.
15. **Optionor's Remedy for Nonperformance or Breach.** If Optionee breaches this Agreement, Optionor's remedies are as follows:
 - (a) If Optionee exercises the Purchase Option and fails to consummate the purchase of the Property, Optionor's sole remedy for that breach shall be to receive from Optionee an amount equal to Optionor's actual out-of-pocket expenses incurred in connection with the execution of this Agreement and the performance of its obligations hereunder.
 - (b) If Optionee breaches any term of this Agreement that survives Closing, Optionor may maintain an action at law for damages or seek equitable relief.
16. **Optionee's Remedy for Nonperformance or Breach.** If Optionor breaches this Agreement, Optionee may seek relief in an action for specific performance and/or seek other equitable relief and/or maintain an action at law for damages.

17. **Miscellaneous.**

(a) **Recitals.** The recitals preceding Paragraph 1 of this Agreement constitute a material part of this Agreement, and are expressly incorporated herein by reference.

(b) **Notices.** All notices, requests, demands, directions and other communications required or permitted under the provisions of this Agreement, or otherwise with respect hereto, shall be in writing and shall be: (i) mailed by first class registered or certified mail, return receipt requested, postage prepaid; or (ii) sent by next day business courier (such as FedEx or the like); or (iii) personally delivered, as follows:

if to Optionor, to:

The Redevelopment Authority of the City of Lancaster
120 N. Duke Street
Lancaster, PA 17603
Attention: Charles H. Simms, Jr., Chairman

with a copy to:

Blakinger, Byler & Thomas, P.C.
28 Penn Square
Lancaster, PA 17603
Attention: Frank P. Mincarelli, Esquire

if to Optionee, to:

The Lancaster County Convention Center Authority
P.O. Box 1622
Lancaster, PA 17608
Attention: C. Ted Darcus, Chairman

with a copy to:

Stevens & Lee
4750 Lindle Road, 3rd Floor
Harrisburg, PA 17111
Attention: Christopher M. Cicconi, Esquire

or to such other address(es) or to the attention of such other person(s) and officer(s) as the addressee of any such notice shall have previously furnished to the sender in writing. Each notice or communication which shall be transmitted in the manner described above, or which shall be delivered to a telegraph company, shall be deemed sufficiently given, served, sent, or received for all purposes at such time as it is sent to the addressee (with return receipt, delivery receipt being deemed conclusive evidence of such mailing or delivery), or at such time as delivery is refused by the addressee on presentation.

(c) **Governing Law.** This Agreement has been negotiated and executed in Pennsylvania, and it shall be construed and governed in accordance with the laws of the

Commonwealth of Pennsylvania, including its statutes of limitation but without application of conflicts of laws principles.

(d) **Entire Agreement.** This Agreement constitutes the entire Agreement between the parties and may not be changed, altered or modified except by an instrument in writing signed by Optionor and Optionee.

(e) **Binding Effect.** All of the terms of this Agreement, including but not limited to the representations, warranties and covenants of Optionor, shall be binding upon and shall inure to the benefit of the parties to this Agreement and their respective successors and assigns.

(f) **Partial Invalidity.** If any term, provision, covenant or condition of this Agreement, or any application thereof, should be held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof shall continue in full force and effect and shall in no way be affected, impaired or invalidated.

(g) **Captions.** The captions appearing at the commencement of the paragraphs hereof are descriptive only and for convenience in reference to this Agreement and in no way whatsoever define, limit or describe the scope or intent of this Agreement.

(h) **Counterparts.** This Agreement may be executed in any number of counterparts, with each such counterpart being deemed to be an original instrument.

(i) **Recording.** This Agreement may be recorded by the Optionee in the Office of the Recorder of Deeds or any other office or place of public record.

(j) **Third Party Beneficiary.** PSP is a third party beneficiary of the provisions of Sections 4 and 5 of this Agreement.

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto cause this Agreement to be executed as of the date first above written.

WITNESS/ATTEST:

OPTIONEE:

**THE LANCASTER COUNTY
CONVENTION CENTER AUTHORITY**

By: _____
C. Ted Darcus, Chairman

OPTIONOR:

**THE REDEVELOPMENT AUTHORITY
OF THE CITY OF LANCASTER**

By: _____
Charles Simms, Chairman

EXHIBIT A
LEGAL DESCRIPTION

EXHIBIT A

DESCRIPTION and RECITAL

TRACT NO. 1 (2-10 East King Street & 19-21 South Queen Street))

ALL THAT CERTAIN tract of land with the improvements thereon erected, being situated on the South side of East King Street, the West side of South Christian Street, and the East side of South Queen Street, in the City of Lancaster, County of Lancaster, Commonwealth of Pennsylvania, as shown on a survey prepared by H. F. Huth Engineers, Inc., dated April 17, 1962, revised May 10, 1962, said tract being more fully bounded and described as follows:

BEGINNING at a point at the intersection of the South line of East King Street and the East line of "The Square"; thence along the South line of East King Street, North 81 degrees 35 minutes East, a distance of 111.61 feet to a point, a corner of land now or late of Simon A. Cantor, said point being the Eastern face of the East wall of the three-story brick store building hereon erected; thence along the East face of said wall and passing through the center line of said wall at the Southern extremity of said wall, South 08 degrees 32 minutes East, a distance of 131.67 feet to a point in the South side of a 10.0 foot wide private alley, said point being situated on the North face of the North wall of a four-story brick building hereon erected; thence along the same, North 81 degrees 46 minutes 30 seconds East, a distance of 69.21 feet to a point in the West line of South Christian Street; thence along the same, South 08 degrees 38 minutes 30 seconds East, a distance of 162.66 feet to a point, a corner of lands now or late of William G. Rinehart; thence along the same, passing along the North face of the North wall of the building erected on lands now or late of William G. Rinehart, South 81 degrees 42 minutes 30 seconds West, a distance of 246.74 feet to a point in the East line of South Queen Street; thence along the same, North 08 degrees 39 minutes 30 seconds West, a distance of 229.32 feet to a point in the South line of "The Square"; thence along the same, North 81 degrees 56 minutes East, a distance of 66.0 feet to a point in line of the East line of said "Square"; thence along the same, North 08 degrees 26 minutes West, a distance of 65.10 feet to the point or place of BEGINNING.

BEING composed of the following tracts of land:

1. Purparts No. 1, 3 and 4 of the same premises which James Shank and P. T. Watt and Laura G. Watt, his wife, and James Shand and P. T. Watt, partners trading as Watt and Shand, by Deed dated March 18, 1918, and recorded in the Recorder of Deeds Office for Lancaster County, Pennsylvania, in Deed Book I, Volume 23, Page 220, granted and conveyed unto Watt and Shand, a PA corporation, its successors and assigns.

2. The same premises which George R. Rohrer and Adelaide C. Rohrer, his wife, and Howard Fohrer, by their Deed dated April 2, 1920, and recorded in the Recorder of Deeds Office aforesaid in Deed Book C, Volume 24, Page 506, granted and conveyed unto Watt and Shand, a PA corporation, its successors and assigns.

3. The same premises which Drossos A. Skyllas, by Deed dated April

BEING THE SAME PREMISES which R. S. Noonan and Ella Noonan, his wife, and S. Edward Sherrill and Anita B. Sherrill, his wife, by Deed dated November 30, 1949, and recorded December 1, 1949, in the Recorder of Deeds Office in and for Lancaster County, Pennsylvania, in Deed Book E, Volume 40, Page 501, granted and conveyed unto Watt & Shand, a PA corporation, its successors and assigns.

TRACT NO. 3 (27-29 South Queen Street)

ALL THAT CERTAIN lot or piece of ground situate on the East side of South Queen Street, between Penn Square and Vine Street, in the City of Lancaster, County of Lancaster, Commonwealth of Pennsylvania, on which is erected a four-story brick store building, known as Nos. 27-29 South Queen Street, and other improvements.

CONTAINING in front on the East side of South Queen Street, 32 feet 2 1/4 inches, and extending in depth of that width Eastward 245 feet to Christian Street.

BOUNDED on the North by property of Watt & Shand; on the East by South Christian Street; on the South by property now or formerly of Farmers Bank & Trust Company of Lancaster; on the West by South Queen Street.

BEING THE SAME PREMISES which Ethel Judene Walker, by Deed dated October 29, 1986, and recorded November 10, 1986, in the Recorder of Deeds Office in and for Lancaster County, Pennsylvania, in Deed Book N, Volume 96, Page 231, granted and conveyed unto Watt & Shand, a Pennsylvania corporation, its successors and assigns.

AND Watt and Shand a/k/a Watt & Shand a/k/a Watt & Shand, Inc., by merger effective April 5, 1992, became known as Bon-Ton Stores of Lancaster, Inc.

TRACT NO. 4 (33-35 South Queen Street)

ALL THAT CERTAIN lot of ground situate on the East side of South Queen Street, in the City of Lancaster, County of Lancaster and State of Pennsylvania, known as 33-35 South Queen Street, bounded and described as follows, to wit:

CONTAINING in front on said South Queen Street, 32 feet 6 inches, more or less, and extending in depth of that width, more or less, 120 feet to property now or formerly of Watt & Shand Company.

BOUNDED on the North by property now or formerly of Julia G. Loeb; on the East by property now or formerly of Watt & Shand Company; on the South by property now or formerly of the Peoples Trust Company; on the West by South Queen Street.

ATTACHED TO AND FORMING A PART OF TITLE INSURANCE COMMITMENT
Order No.: D192447LA

BEING THE SAME PREMISES which Oblender's Furnishings, Inc., by Deed dated December 19, 1977, and recorded in the Recorder of Deeds Office in and for Lancaster County, Pennsylvania, in Deed Book U, Volume 72, Page 560, granted and conveyed unto Hager Realty Corporation, its successors and assigns.

AND Hager Realty Corporation, by merger, has become part of Bon-Ton Stores of Lancaster, Inc.

TRACT NO. 5 (31 South Queen Street)

ALL THAT CERTAIN half lot of piece of land, with the buildings and improvements thereon erected, situated on the East side of South Queen Street, between Penn Square and Vine Street, in the City of Lancaster, County of Lancaster and State of Pennsylvania, known as No. 31 South Queen Street.

CONTAINING in front on the East side of said South Queen Street, 32 feet $2\frac{1}{4}$ inches, more or less, and extending in depth of that width Eastwardly, 245 feet, more or less, to South Christian Street, the Northern boundary line of the main building of the hereby granted premises being a party wall to the end of said main building.

BOUNDED on the North by property now or late of Walter A. Heinitsh; on the South by property now or late of Julius Loeb; on the East by said South Christian Street; on the West by said South Queen Street.

BEING THE SAME PREMISES which William D. Crabtree and Ruth L. Crabtree, husband and wife, by their Attorney-in-Fact, Richard G. Greiner, by Deed dated July 31, 1997, and recorded July 31, 1997, in the Recorder of Deeds Office in and for Lancaster County, Pennsylvania, in Record Book 5414, Page 7, granted and conveyed unto Bon-Ton Stores of Lancaster, Inc., a Pennsylvania corporation, its successors and assigns.

DISTRICT - 33-3; MAP - 13K1D; BLOCK - 7; PARCEL - 1 & 28 (Tract 1); 25 (Tract 2); 27 (Tract 3); 24 (Tract 4); 26 (Tract 5)

EXHIBIT B

DRAWING

EXHIBIT K
[INDEMNITY AGREEMENT]

INDEMNIFICATION AGREEMENT

This INDEMNIFICATION AGREEMENT ("Agreement") is made and entered into as of the ____ day of June, 2005, by and among **THE LANCASTER COUNTY CONVENTION CENTER AUTHORITY**, a body politic and corporate existing under the laws of the Commonwealth of Pennsylvania ("LCCCA"), **THE REDEVELOPMENT AUTHORITY OF THE CITY OF LANCASTER**, a body politic and corporate existing under the laws of the Commonwealth of Pennsylvania ("RACL") and **PENN SQUARE PARTNERS**, a Pennsylvania limited partnership ("PSP").

WITNESSETH

WHEREAS, LCCCA is a public instrumentality of the Commonwealth of Pennsylvania organized under the Third Class County Convention Center Authority Act, 16 P.S. 2399.1 et seq., as amended, for the purpose, among others, of acquiring, developing, designing, constructing, financing, improving, operating, maintaining and owning a convention center in the City of Lancaster, County of Lancaster, Pennsylvania; and

WHEREAS, RACL is a public instrumentality of the Commonwealth of Pennsylvania organized under the Urban Redevelopment Law, Act No. 385, approved May 24, 1945, P.L. 991, as amended, for the purpose among other things to: 1) promote the elimination of blighted areas and supply decent housing; 2) replan such areas that are certified by the Lancaster City Planning Commission; 3) contract with private, corporate, or governmental entities for the redevelopment of blighted commercial, industrial, or residential areas; 4) acquire properties in blighted areas by purchase, gift, or eminent domain; and 5) contract with private, corporate, or governmental entities desiring to provide funding for the redevelopment of commercial, industrial, or residential properties; and

WHEREAS, LCCCA and PSP desire to jointly develop and operate a convention center ("Convention Center") and a hotel ("Hotel") in cooperation and coordination with each other on a site bounded by King Street, Queen Street, Vine Street and Christian Street in the City of Lancaster, Lancaster County, Pennsylvania (the "Project"); and

WHEREAS, RACL desires to facilitate the development, financing and construction of the Project; and

WHEREAS, as a condition to RACL's participation with respect to the development, financing and construction of the Project, RACL requires that LCCCA and PSP enter into this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and other valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

Section 1. Limitation of Remedies. From and after the execution of this Agreement, indemnification pursuant to the terms of this Agreement shall be RACL's exclusive remedy with respect to the development, financing and construction of the Project.

Section 2. Indemnity by the PSP and LCCCA. Subject to the other provisions of this Agreement, each of PSP and LCCCA, severally and not jointly, agree to indemnify, defend and hold RACL and its respective officers, directors, employees, successors and assigns, harmless, from, against and with respect to each and every claim, liability, obligation, loss, damage, deficiency, assessment, encumbrance, judgment, cost, expense (including, without limitation, reasonable attorneys' fees and costs and other expenses incurred in investigating, preparing, defending against or prosecuting any litigation or claim, action, suit, or demand), of any kind or character (collectively, "Losses"), arising out of or in any manner incident, arising from or relating or attributable to RACL's participation in the development, financing or construction of the Project.

Section 3. Time Limits. Any claim for indemnification pursuant to Section 2 must be made within one (1) year of the date on which RACL obtained knowledge of the Losses. Any claim described in the preceding sentence made within the applicable time period shall survive thereafter until such claim is finally resolved. For purposes of this Section 3, any claim for indemnification shall be duly made by giving written notice of such claim to PSP and LCCCA.

Section 4. Limitations on Liability. With respect to all indemnification obligations hereunder, each of PSP and LCCCA shall severally, and not jointly, be responsible for its pro rata share of any and all Losses giving rise to such obligation as shared costs of the Project.

Section 5. Indemnity For Third Party Claims Against RACL. If any suit, investigation, claim or other proceeding is commenced for which RACL or others may be entitled to defense and indemnity under Section 2, RACL shall give written notice to PSP and LCCCA thereof as promptly as practicable; provided, however, that the failure to give such notice shall not relieve PSP and LCCCA from any obligation hereunder except where, and then solely to the extent that, such failure actually and materially prejudices the rights of PSP and LCCCA. Such notice shall set forth, in reasonable detail, the specific facts and circumstances then known by RACL pertaining to such matters. Thereafter, RACL shall inform PSP and LCCCA with respect to any significant developments with respect to such claim, suit, action, or investigation, and shall answer any questions PSP and LCCCA or their representatives may have from time to time with respect thereto. In connection with the foregoing, the RACL shall, at its election, either:

- (a) **Defense.** Defend any such suit, investigation, claim or other proceeding by such means as the RACL elects, in RACL's reasonable discretion, and PSP and LCCCA shall have the right (but not the obligation) to participate in the defense thereof by counsel of its or their choice at its or their expense, but RACL shall retain full control

of such litigation or procedure, and shall have final authority to determine all matters in connection therewith;

- (b) **Settlement.** Pay, compromise, or settle such suit, investigation, claim or other proceeding after obtaining the written consent of both PSP and LCCCA (which consent shall not unreasonably be withheld, conditioned or delayed); or
- (c) **Turn-Over.** Turn such contest over to PSP and LCCCA who shall, at their own expense, assume such contest and RACL shall have the right (but not the obligation) to participate, at its own expense, in the defense thereof by counsel of its own choice, and shall cooperate with and assist PSP and LCCCA as reasonably requested by the PSP and LCCCA in connection with such defense or contest, but PSP and LCCCA shall retain control thereof and have final authority to determine all matters in connection therewith. Notwithstanding the foregoing, PSP and LCCCA shall have the right to control the defense, litigation and settlement of such action only if PSP and LCCCA have agreed in writing to be responsible for all Losses connected with such claim and provided RACL with evidence satisfactory to RACL, in its reasonable discretion, of PSP's and LCCCA's ability to satisfy the same.

Section 6. Indemnity Cap. LCCCA's indemnity obligations under this Agreement shall be limited to its (i) annual net revenues from operations, and (ii) collections from the Lancaster County Hotel Room Rental Tax net of LCCCA's debt service.

Section 7. Exclusions. Notwithstanding any provision in this Agreement to the contrary, PSP and LCCCA shall not be obligated under this Agreement to make any indemnity in connection with any claim made against RACL:

- (a) for which payment has actually been made to or on behalf of RACL under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision; or
- (b) for which payment is prohibited by applicable law.

Section 8. Insurance Subrogation.

- (a) If, at the time of delivery of a notice of a claim pursuant to the terms hereof, RACL has director and officer liability or other insurance in effect which provides coverage against such a claim, RACL shall give prompt notice of the commencement of such proceeding to its insurers in accordance with the procedures set forth in the respective policies. RACL shall thereafter take all necessary or desirable action to cause such insurers to pay all amounts payable as a result of such proceeding in accordance with the terms of such policies.
- (b) In the event of any payment under this Agreement, PSP and LCCCA shall be subrogated to the extent of such payments to all of the rights of recovery of RACL

against its insurers. RACL shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable PSP or LCCCA to bring suit to enforce such rights.

- (c) PSP and LCCCA shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that RACL has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 9. Reimbursement. In connection with RACL's performance of its role in the development, financing and construction of the Project, PSP and LCCCA shall pay all costs and expenses incurred by RACL in connection with its activities, including without limitation, reasonable attorneys' fees, as follows:

- (a) PSP shall be solely responsible for all fees and costs associated with the approximate \$24 million of hotel revenue bonds;
- (b) All other fees and costs shall be shared equally by PSP and LCCCA.

Section 10. Duration of Agreement. This Agreement shall continue until and terminate upon the later of (a) one (1) year after issuance of certificates of occupancy for both the Hotel and the Convention Center, or (b) one (1) month after the final termination of all proceedings, including any appeal, then pending in respect of which RACL is granted rights of indemnification hereunder. This Agreement shall be binding upon PSP, LCCCA and RACL and their successors and assigns. PSP and LCCCA shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of PSP or LCCCA, by written agreement in form and substance satisfactory to RACL, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that PSP and LCCCA would be required to perform if no such succession had taken place.

Section 11. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 12. Integration. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and

understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

Section 13. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties thereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

Section 14. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, (c) mailed by reputable overnight courier and receipted for by the party to whom said notice or other communication shall have been directed or (d) sent by facsimile transmission, with receipt of oral confirmation that such transmission has been received:

If to LCCCA:

The Lancaster County Convention Center Authority
P.O. Box 1622
Lancaster, PA 17608
Attention: C. Ted Darcus, Chairman

with a copy to:

Stevens & Lee
4750 Lindle Road, 3rd Floor
Harrisburg, PA 17111
Attention: Christopher M. Cicconi, Esquire

If to RACL:

The Redevelopment Authority of the City of Lancaster
120 N. Duke Street
Lancaster, PA 17603
Attention: Charles H. Simms, Jr., Chairman

with a copy to:

Blakinger, Byler & Thomas, P.C.
28 Penn Square
Lancaster, PA 17603
Attention: Frank P. Mincarelli, Esquire

If to PSP:

Penn Square Partners
1853 William Penn Way
Lancaster, PA 17605-0008
Attention: Nevin D. Cooley, President

with a copy to:

Ballard Spahr Andrews & Ingersoll, LLP
1735 Market Street, 51st Floor
Philadelphia, PA 19103
Attention: Richard R. Goldberg, Esquire

or to any other address as may have been furnished by a party in writing to all other parties hereto.

Section 15. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Pennsylvania, without regard to its conflict of laws rules. Other than in actions or proceedings where the Commonwealth Court of Pennsylvania has mandatory jurisdiction, the parties hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Court of Common Pleas of Lancaster County, Pennsylvania, and not in any other state or federal court in the United States of America, (ii) consent to submit to the exclusive jurisdiction of the Court of Common Pleas of Lancaster County, Pennsylvania, for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) waive any objection to the laying of venue of any such action or proceeding in the Court of Common Pleas of Lancaster County, Pennsylvania, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Court of Common Pleas of Lancaster County, Pennsylvania, has been brought in an improper or inconvenient forum.

Section 16. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 17. Miscellaneous. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

Section 18. Recitals. All of the recitals set forth at the outset are incorporated herein and constitute a material part of this Agreement.

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

LCCCA:

THE LANCASTER COUNTY CONVENTION
CENTER AUTHORITY

By: _____
C. Ted Darcus, Chairman

RACL:

THE REDEVELOPMENT AUTHORITY OF THE
CITY OF LANCASTER

By: _____
Charles Simms, Chairman

PSP:

PENN SQUARE PARTNERS, a Pennsylvania limited
partnership

By: Penn Square General Corporation, its general
partner

By: _____
Nevin D. Cooley, President

EXHIBIT L

[ALLOCATION OF CAPITAL COSTS]

EXHIBIT L

ALLOCATION OF CAPITAL COSTS

I. Definitions

The following capitalized terms, as used in this Exhibit L, shall have the meanings ascribed to them in the Condominium Documents:

Building
Convention Center Entry Level
Exhibit Level
Convention Center Foundation Slabs
Guest Tower
Health Club Level
K/S Areas
Montgomery House
Parking Connector
Watt & Shand Ballroom A Level
Watt & Shand Ballroom B Level
Watt & Shand Lobby Level
Watt & Shand Meeting/Administration Level

II. Project Budget

The Project Budget may only be modified by the written agreement of PSP and LCCCA. The Project Budget shall provide the basis for making the allocation of capital costs solely attributable to each of the Hotel Unit, the Convention Center Unit and the Common Elements.

III. Categories for Programmed Areas

The Project Budget organizes the programmed areas set forth in the Facilities Program into one of three core budget categories: (i) Hotel Unit; (ii) Convention Center Unit; and (iii) Common Elements.

IV. Unit Areas Contained in the Project Budget

The following areas are part of the Hotel Unit or part of the Convention Center Unit as follows:

- a. 100% of the Laundry/Housekeeping/Uniform Issue area on the Watt & Shand Exhibit Level are part of the Hotel Unit.

- b. 100% of the areas on the Watt & Shand Lobby Level labeled as "Three Meal Restaurant," "Lobby Bar," "Front Desk," "Administration Offices," "Business Center," "Bell Captain," "Luggage Storage," "Sundries" and "Guest Deposit Room" are part of the Hotel Unit.
- c. 100% of the areas contained in the Guest Tower are part of the Hotel Unit.
- d. 100% of all roof areas on top of the Guest Tower are part of the Hotel Unit.
- e. 100% of all areas of the Montgomery House are part of the Hotel Unit.
- f. 100% of the areas on the Exhibit Level labeled as "AV Rooms," "MATV," "Central Sound Control Room," "Dimmer Room," "Misc [sic] Storage Rooms," "Public Restrooms," "Janitors Closet," "Public Elevators/Lobbies," "Service Elevators/Lobbies," "Elevator Machine Room," "Exit Stairs," "BOH Corridors" and "Public Telephones" are part of the Convention Center Unit.
- g. 100% of the Main Kitchen area on the Watt & Shand Lobby Level are part of the Convention Center Unit.
- h. 100% of the areas on the Watt & Shand Meeting/Administration Level are part of the Convention Center Unit.
- i. 100% of the areas on the Watt & Shand Ballroom A Level are part of the Convention Center Unit.
- j. 100% of the areas on the Watt & Shand Ballroom B Level are part of the Convention Center Unit.
- k. 100% of the areas contained in the Parking Connector are part of the Convention Center Unit.
- l. 100% of the area on the Exhibit Level are part of the Convention Center Unit, less any Common Elements or areas in the Hotel Unit.
- m. 100% of the areas on the Convention Center Entry Level are part of the Convention Center Unit.
- n. 100% of all roof areas on top of the Building, except those roof areas on top of the Guest Tower and on top of the Montgomery House, are part of the Convention Center Unit.
- o. 100% of all foundation systems (including caissons, if any) that support the Convention Center Foundation Slabs are part of the Convention Center Unit.

- p. 100% of the Convention Center Foundation Slabs are part of the Convention Center Unit.
- q. 100% of all support columns of the Exhibit Level, except those that support the Watt & Shand Lobby Level, or any levels above the Watt & Shand Lobby Level not located beneath the footprint of the Guest Tower, are part of the Convention Center Unit.
- r. 100% of all areas of the K/S Areas are part of the Convention Center Unit.

V. Allocation of Hotel Unit and Convention Center Unit Costs

All costs associated with constructing, renovating and replacing the hard cost and FF&E in the Hotel Unit shall be the responsibility of the owner of the Hotel Unit. All costs associated with constructing, renovating and replacing the hard cost and FF&E in the Convention Center Unit shall be the responsibility of the owner of the Convention Center Unit.

VI. Allocation of Common Element Hard Costs to the Hotel Unit Owner

The portion of the Common Element Hard Costs and FF&E shall be the responsibility of the owner of the Hotel Unit as calculated in accordance with the following formula:

$$\text{Hotel Unit Owner Portion} = \text{CEC} \times \text{HR}$$

Where:

CEC = Common Element Costs

HR = Hotel Ratio = $(\text{HS} \div (\text{HS} + \text{CS}))$

And where:

HS = Square Footage of Hotel Unit Space

CS = Square Footage of Convention Center Unit Space.

Based on information taken from the Design Development Plans, the Hotel Ratio is as follows:

$$176,951 \div (176,951 + 206,156) = 46.2\%$$

VII. Allocation of Common Element Hard Costs to the Convention Center Unit Owner

The portion of the Common Element Hard Costs and FF&E that shall be the responsibility of the owner of the Convention Center Unit shall be as calculated in accordance with the following formula:

$$\text{Convention Center Unit Owner Portion} = \text{CEC} \times \text{CR}$$

Where:

CEC = Common Element Costs

CR = Convention Center Ratio = $(\text{CS} \div (\text{HS} + \text{CS}))$

And where:

HS = Square Footage of Hotel Unit Space

CS = Square Footage of Convention Center Unit Space.

Based on information taken from the Design Development Plans, the Convention Center Ratio is as follows:

$$206,156 \div (176,951 + 206,156) = 53.8\%$$

VIII. Application of the Hotel Ratio and Center Ratio to Certain Site Inefficiency Costs

The Hotel Ratio (“HR”) and Center Ratio (“CR”) (as such terms are defined in the formulas above) shall also be applied to those certain Hard Cost(s) items defined as “Site Inefficiencies” in the Project Budget in order to allocate those Hard Costs. Specific “Site Inefficiencies” Hard Costs to which this allocation methodology will apply are:

- a. all Topographic Leveling Hard Costs
- b. all Demolition Work Hard Costs
- c. Site Preparation Hard Costs
- d. Site Utilities Hard Costs
- e. Site Concrete Hard Costs
- f. all Abatement Hard Costs
- g. all Historical Preservation Hard Costs
- h. The Site Inefficiencies Contingency Hard Costs.

IX. Treatment of Other Site Inefficiencies Costs

The following categories of Hard Costs listed as “Site Inefficiency Costs” in the Project Budget shall be allocated 100% to the owner of the Convention Center Unit:

- a. All Garage Renovation Hard Costs
- b. All Rock Removal Hard Costs
- c. All Deep Foundation Hard Costs
- d. Crane Rights – LCCCA
- e. Utility Costs: Christian Street.

The following categories of Hard Costs listed as "Site Inefficiency Costs" in the Project Budget shall be allocated 100% to the owner of the Hotel Unit:

- f. Crane Rights – Hotel

X. Treatment of A&E Costs & Expenses

The A&E Costs and Expenses shall be allocated between the Hotel Unit and The Convention Center Unit as follows:

The A&E fee estimate provided by the project architects was \$4,369,813 which, for budgeting purposes, was broken down as follows based on the recommendations of the architects:

- a. 28.000% was estimated to be a cost payable by the owner of the Hotel Unit.
- b. 44.000% was estimated to be a cost payable by the owner of the Convention Center Unit.
- c. 28.000% was estimated to be a Common Element cost and payable by each respective owner in accordance with the HR and CR calculations.

In addition,

- d. The project architects estimated that there were \$41,250 in other specific A&E costs solely attributable to the convention center that would be payable by the owner of the Convention Center Unit.
- e. The project architects also estimated that there would be \$57,750 in other specific A&E costs that are attributable to the Common Elements that would be payable by each condominium owner in accordance with the HR and CR calculations.

All of the foregoing calculations and formulas are subject to reconciliation upon completion of the project. At that time, the architects are required to provide an accounting of the actual amount of fees and costs incurred on the Hotel Unit, Convention Center Unit and

Common Elements. To the extent that it is determined that one party has overpaid, the underpaying party shall immediately reimburse the overpaying party for the overpayment.

XI. Allocation of cost in the City Right of Way

- a. All sidewalks and landscaped areas from the southwest corner of the Montgomery House on Queen Street to the southeast corner of the Convention Center Unit on Vine Street shall be the responsibility of the Owner of the Convention Center Unit.
- b. All sidewalks and landscaped areas in front of the Montgomery House shall be the responsibility of the Owner of the Hotel Unit.
- c. All other sidewalks and landscaped areas adjacent to the Condominium shall be the responsibility of the Association and the costs related thereto shall be shared 50% by the Owner of the Convention Center Unit and 50% by the Owner of the Hotel Unit.

XII. Treatment of All Other Costs in the Project Budget

All other capital costs contained in the Project Budget set forth in Exhibit D shall be allocated to the respective owner(s) in accordance with either (i) existing contracts or (ii) established procedures and/or formulas that are used in the most recent version of the Project Budget.

EXHIBIT M

**[ALLOCATION OF OPERATING EXPENSES AND
CAPITALIZED EXPENDITURES]**

EXHIBIT M

OPERATING EXPENSES AND CAPITALIZED EXPENDITURES ALLOCATIONS IN AREAS USED IN BOTH HOTEL AND CONVENTION CENTER OPERATIONS

I. Opening Responsibilities.

The responsibility for the initial and ongoing costs of all operating supplies and equipment is the responsibility of the party that has responsibility for the operating expenses of the space under consideration unless such costs are contractually allocated to the owner of the Hotel Unit or the owner of the Convention Center Unit in any written contract entered into between or among any of the Parties to this Joint Development Agreement.

II. Administration Areas.

A. Operating Expenses.

Administration Areas means the areas on the Watt & Shand Meeting/Administration Level identified as "Administration" space.

The Salaries, Wages and Benefits of any employee assigned to the Administration Areas, shall be allocated between the owner of the Hotel Unit and the owner of the Convention Center Unit based on the estimated proportion of time each such employee is expected to dedicate to either the Hotel or Convention Center operation. The responsibility for establishing these expectations shall fall upon the manager of the Hotel and the manager of the Convention Center who, as part of the annual budgeting process, shall be required to calculate and reconcile allocation estimates and to present a recommendation to the Association for approval.

All other costs incurred by the departments that are officed within the Administration Areas shall be allocated between the owner of the Hotel Unit and the owner of the Convention Center Unit in the same proportion that the composite Salaries, Wages and Benefits costs of the employees assigned to the Administration Areas are allocated.

B. Capitalized Expenditures.

All costs incurred in the Administration Areas that are properly capitalized under GAAP shall be allocated between the owner of the Hotel Unit and the owner of the Convention Center Unit based on the average Salaries, Wages and Benefits proportion for the Administration Areas achieved during the most recent five full years of years of operations (or, if five full years have not passed, then the average proportion since the operations commenced).

III. Business Center.

A. Operating Expenses.

All Operating Expenses related to the Business Center will be shared equally between the owner of the Hotel Unit and the Owner of the Convention Center Unit.

B. Capitalized Expenditures.

All expenditures incurred in the Business Center that are properly capitalized under Generally Accepted Accounting Principals shall be shared equally between the owner of the Hotel Unit and the owner of the Convention Center Unit.

IV. Laundry.

A. Operating Expenses.

The owner of the Hotel Unit will be responsible for all operating expenses incurred in the operation of the Laundry.

B. Laundry Service for the Convention Center.

In regard to laundry services, the Hotel manager, if requested by the Convention Center manager, shall make laundry service available on a contract basis under commercially reasonable market terms.

C. Capitalized Expenditures.

All expenditures incurred in the Laundry that are properly capitalized under GAAP shall be allocated to the owner of the Hotel Unit.

V. Vertical Transportation.

Vertical Transportation Costs means the cost of repair, maintenance, upkeep and replacement of all elevator or escalator machinery, equipment and cabs. Vertical Transportation Costs shall be allocated between the owner of the Hotel Unit and the Owner of the Convention Center Unit in proportion to the number and location of stops of the elevator/escalator in question.

For any elevator/escalator that has no stop on the Watt & Shand Lobby Level, the owner of the Convention Center Unit shall be responsible for all Vertical Transportation Costs. For any elevator/escalator that has a stop on the Watt & Shand Lobby Level, the portions of Vertical Transportation Costs that shall be allocated to the Owner of the Hotel Unit and the Owner of the Convention Center Unit shall be calculated as follows:

A. Portion Allocated to Owner of Hotel Unit:

Number of stops in the Guest Tower

Plus: One (i.e., 50% of stops on the Watt & Shand Lobby Level and the Exhibit Level)

Divided: by total number of stops

B. Portion Allocated to Owner of Convention Center Unit:

Number of stops on Watt & Shand Ballroom A Level, Watt & Shand Ballroom B Level and Administration Level

Plus: One (i.e., 50% of stops on the Watt & Shand Lobby Level and the Exhibit Level)

Divided: by total number of stops

VI. Allocation of Costs for Electricity, Gas, Water, Refuse Removal, Property & Liability Insurance Premiums and Other Services.

The costs for electricity, gas, water, refuse removal, property & liability insurance premiums and other miscellaneous services that are incurred as the result of both the hotel and convention center operations and that are not billed on a segregated basis to each respective operation or not otherwise allocated in the Condominium Documents shall be allocated among the owner of the Hotel Unit, the Owner of the Convention Center Unit under a procedure to be developed jointly by the manager of the Hotel, the manager of the Convention Center and approved by the Condominium Association.

The guiding principle in developing any such procedure shall be to allocate the costs in question either in proportion to either (a) the estimated benefit each party receives from the cost or (b) the estimated amount each party contributes to the cost. If it is determined that there is no reasonable basis for making an estimate of such benefit or contribution, the cost in question shall allocated equally among the parties benefiting from or contributing to the cost.

EXHIBIT N

[DESIGN DEVELOPMENT PLANS]

Exhibit N

Design Development Plans

**on file at the offices of
The Lancaster County Convention Center Authority
and
Penn Square Partners**

EXHIBIT O

[PSP INVESTMENT SCHEDULE]

Lancaster

Sept 9 2005

PRELIMINARY DRAW SCHEDULE

	2005				2006				2007				Totals
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
Pre-opening													
FF&E	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Technical Services Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contingency	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$10,000,000
Legal/Admin/Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$10,000,000

	2007				2008				2009				Totals
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Pre-opening													
FF&E	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Technical Services Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contingency	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$10,000,000
Legal/Admin/Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$10,000,000