

LETTER OF INTENT
DATED: FEBRUARY __, 2015
RE: THE PENN SQUARE HOTEL

WHEREAS, the Lancaster County Convention Center Authority (“**LCCCA**”) undertook a project (the “**Project**”), consisting of, among other things, the following: (1) funding the design, acquisition, construction, furnishing and equipping of a multi-purpose convention center facility and related and ancillary facilities (the “**Convention Center Unit**”); (2) establishing and funding of necessary reserves and other funds; and (3) funding the costs and expenses of issuance of the bonds issued to finance the Project;

WHEREAS, the Convention Center Unit is one of the Units comprising the property called The Penn Square Hotel and Convention Center, a Condominium (the “**Condominium**”) created pursuant to the Declaration of Condominium of The Penn Square Hotel and Convention Center, a Condominium, dated March 27, 2007 (as amended from time to time, the “**Condominium Declaration**”);

WHEREAS, the Redevelopment Authority of the City of Lancaster (“**RACL**”) is the owner of the Hotel Unit (as defined in the Condominium Declaration) which RACL has leased in its entirety to Penn Square Partners (“**PSP**”), pursuant to a certain Hotel Tower Lease Agreement between RACL and PSP dated as of January 31, 2006, as amended by that certain First Amendment to Hotel Tower Lease Agreement dated as of March 28, 2007 and as further amended by that certain Second Amendment to Hotel Tower Lease Agreement dated as of May 18, 2010 (as so amended, and as further amended from time to time, the “**Hotel Lease**”);

WHEREAS, LCCCA, RACL and PSP are parties to a Joint Development Agreement dated as of January 31, 2006, as amended by that certain First Amendment to Joint Development Agreement dated as of March 28, 2007, and as further amended by that certain Second Amendment to the Joint Development Agreement, the Professional Services Development Agreement and the Food and Beverage Concession Agreement, and Agreement Regarding Payment for Contractor Overtime and Resolution of Claims dated May 27, 2010 (the “**2010 Amendment**”) by and among LCCCA, RACL, PSP and High Associates, Ltd., a Pennsylvania limited liability company (as so amended, and as may be further amended from time to time, the “**JDA**”);

WHEREAS, LCCCA and PSP are parties to a Food and Beverage Concession Agreement dated December 20, 2001, as amended by that certain First Amendment to the Food and Beverage Concession Agreement dated March 28, 2007, and as further amended by the 2010 Amendment (as so amended, and as may be further amended, from time to time, the “**Food and Beverage Agreement**”);

WHEREAS, LCCCA and PSP are parties to that certain Outline of Booking Policy and Room Block Agreement – Lancaster County Convention Center, as amended by that certain First Amendment to Outline of Booking Policy and Room Block Agreement dated as of March 28, 2007 (as so amended, and as may be further amended, from time to time, the “**Room Block Agreement**”);

WHEREAS, pursuant to that certain Amended and Restated Lease Agreement between PSP and LCCCA dated March 27, 2007 (as amended from time to time (the “**Ballroom Lease**”), PSP leased from LCCCA certain ballroom and meeting space forming a part of the Convention Center Unit, as more particularly described in the Ballroom Lease. The JDA, the Food and Beverage Agreement, the Room Block Agreement, the Ballroom Lease and each and every other agreement entered into by and among, LCCCA, RACL and/or PSP, or between any of them, related to the Project are hereinafter collectively referred to as the “**Project Documents**”;

WHEREAS, the Penn Square Condominium Association (the “**Association**”) has, as of August 30, 2012, adopted the Revised and Restated May 26, 2010 IHR Operational Expense Guidelines with respect to certain costs and expenses related to the operation of the Project (the “**Expense Guidelines**”);

WHEREAS, PSP, through itself or its affiliates, desires to develop a new 96-room hotel tower (the “**New Tower**”) in a manner generally consistent with the space plans shown on Exhibit A on certain land adjacent to the Project and currently owned by King Street Properties, LLC (the “**New Land**”), as shown on Exhibit B. The New Land will be conveyed to and owned by RACL and leased to PSP;

WHEREAS, in order to facilitate the development of the New Tower, and intending to be legally bound hereby, the undersigned agree as follows:

1. LCCCA and RACL will enter into an amendment to the Condominium Declaration which incorporates the New Tower into the Condominium, either as a new Unit or as a portion of the Hotel Unit, as PSP may elect, such amendment to be in form and substance reasonably acceptable to LCCCA, RACL and PSP.
2. PSP and RACL will enter into a Fourth Amendment to the Hotel Tower Lease, incorporating the New Tower as part of the demised premises either as a new Unit or as a portion of the Hotel Unit, as PSP may elect, such amendment to be in form and substance reasonably acceptable to RACL and PSP and on terms substantially similar to the existing Hotel Tower Lease between RACL and PSP.
3. The parties hereto acknowledge that the following shall be conditions precedent to the development of the New Tower and amendment to the Condominium Declaration and the parties agree to use all commercially reasonable efforts to promptly and expeditiously satisfy, and assist in the satisfaction of, the same:
 - a. LCCCA shall have obtained any necessary mortgagee consents, if a mortgage encumbers the Convention Center Unit, in order to enter into the amendment to the Condominium Declaration, if any;
 - b. The New Land shall have been conveyed to RACL;

- c. PSP as agent for RACL shall have received all necessary land use approvals for the construction of the New Tower;
- d. PSP shall have obtained a commitment from Marriott International, Inc. (“**Marriott**”) to enter into an amendment to the existing franchise agreement with Marriott, or a new franchise agreement, including the New Tower as a part of the Marriott hotel operated by PSP, in either case, in form and substance acceptable to PSP;
- e. PSP shall have obtained a commitment from Interstate Hotels Company (“**Interstate**”) to enter into an amendment to the existing management agreement with Interstate, covering the New Tower, in either case, in form and substance acceptable to PSP;
- f. PSP shall have secured a grant from the Lancaster City Revitalization and Improvement Zone Authority (“**CRIZ**”) in an amount and for a term, and on such other terms, as acceptable to PSP in its sole and absolute discretion; and
- g. PSP, in its sole and absolute judgment, as agent for RACL, determines that the New Tower can be developed in a manner that is acceptable to PSP.

In the event the conditions contained in Section 3 are not satisfied in the sole and absolute discretion of PSP within 18 months of the date hereto, this Agreement shall automatically terminate unless extended in writing by the parties.

4. LCCCA agrees that the current methods for allocating common area costs and expenses and other operational costs related to the Project and the Units shall continue to be used upon the development of the New Tower, to be modified only to reflect the development of the New Tower and the incorporation thereof into the Hotel Unit or the additional Unit, as applicable. Notwithstanding the foregoing, PSP agrees that the operating expenses relating to the area labeled “Existing Common Element of Penn Square Condo Association” shown on Exhibit B attached hereto, shall be solely the responsibility of PSP.
5. LCCCA agrees to enter into any amendments to the Project Documents as RACL or PSP shall reasonably request in order to reflect the New Tower or otherwise facilitate the development and financing thereof, including, but not limited to integrating: (1) the ingress and egress of the New Tower to the existing Facilities (as defined in the JDA), (2) the MEP systems for the New Tower into the existing MEP systems, (3) the New Tower’s design in such a manner to complement the existing Facilities and adhere to the Quality Standards.

6. LCCCA shall consent to any amendments to the Hotel Lease entered into in connection with the New Tower.
7. LCCCA acknowledges and agrees that PSP will enter into a new franchise agreement with Marriott, or amend its existing franchise agreement with Marriott, as PSP may elect, to include the New Tower as a part of the hotel being operated by PSP, and LCCCA agrees to execute any consents or other documentation reasonably requested or required by PSP or Marriott in connection therewith, provided such consent or other documentation does not impose any financial obligations on LCCCA.
8. RACL agrees to enter into a supplemental indenture with Fulton Financial Advisors, National Association (the “**Trustee**”) to (i) effect amendments to certain defined terms contained in that certain Special Revenue Indenture dated as of April 1, 2009 executed by RACL (the “**Indenture**”) to encompass the New Tower and the pledge of rent received with respect thereto toward additional indebtedness of RACL secured thereby and (ii) authorize the issuance of additional bonds under the Indenture therefor.
9. In addition to the matters specifically set forth in this Letter of Intent, the parties hereto agree to take all commercially reasonable actions and enter into such agreements as may be reasonably necessary to effectuate the development of the New Tower, provided such actions or other agreements will not impose any material financial obligations on LCCCA. The parties agree to negotiate all agreements and documents described herein, or as may otherwise be necessary or desirable, in good faith, and, notwithstanding anything herein to the contrary, at their sole cost and expense.
10. Except to their respective advisors, counsel or lenders, or as required by law, none of the undersigned and their respective representatives will publicly disclose or make known any proprietary information disclosed by PSP related to the transactions contemplated hereby without the prior consent of PSP, unless required by law.
11. PSP shall indemnify, defend and hold harmless LCCCA from and against any and all claims, actions, damages, liability and expenses incurred by LCCCA with respect to (x) physical damage to the Convention Center Unit occurring as a direct result of PSP’s development of the New Tower, or (y) any increased operational cost of the Convention Center Unit incurred by LCCCA during the construction period associated with the construction of the New Tower arising as a direct result of PSP’s development of the New Tower.
12. PSP shall indemnify, defend and hold harmless RACL from and against any and all claims, actions, damages, liability and expenses incurred by RACL with respect to physical damage to the Hotel Unit occurring as a direct result of PSP’s development of the New Tower.

13. This Letter of Intent may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Letter of Intent shall become effective when each party hereto shall have received a counterpart hereof signed by all of the other parties hereto.
14. If any term or provision of this Letter of Intent or any application hereof shall be invalid and unenforceable, the remainder hereof and thereof and any other application of such term or provision shall not be affected thereby.
15. Each of the undersigned represents and warrants that its execution, delivery and performance of this Letter of Intent and the consummation of the transactions contemplated hereby are within its powers and have been duly authorized by all necessary action. This Letter of Intent shall be binding upon and inure to the benefit of, and be enforceable against, the parties hereto. This Letter of Intent may be modified or waived only by an instrument signed by the parties hereto. This Letter of Intent may not be assigned by any party hereto without the express prior written consent of the other parties hereto. This Letter of Intent constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings between the parties with respect to the subject matter hereof.
16. All of the recitals set forth at the outset of this Letter of Intent are incorporated into, and form a material part of, this Letter of Intent.
17. In the event the LCCCA desires to expand the Convention Center Unit in the future, PSP agrees to reasonably cooperate with LCCCA in connection with such expansion. In the event the LCCCA expands the Convention Center Unit, the LCCCA shall have the same rights and obligations with respect to PSP and RACL in connection with such expansion as those rights and obligations imposed or conferred on PSP and RACL with respect to the development of the New Tower as set forth in this Letter of Intent.

(Signatures appear on the following page)

Agreed to as of this ___ day of February, 2015.

LANCASTER COUNTY CONVENTION
CENTER AUTHORITY

By: _____
Name:
Title:

REDEVELOPMENT AUTHORITY OF THE CITY
OF LANCASTER

By: _____
Name:
Title:

PENN SQUARE PARTNERS, a Pennsylvania
limited partnership

By: Penn Square General L.P., its general partner

By: Penn Square General Corporation,
its general partner

By: _____
Name:
Title:

EXHIBIT A

lccca.com

EXHIBIT B

lccca.com