Report on the Fiscal Impact & Recovery of the Lancaster County Convention Center Authority

Lancaster County℠

Pennsylvania Dutch Convention & Visitors Bureau

Contents

LCCCA Fiscal Impact & Recovery Task Force

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For the past several months, the Pennsylvania Dutch Convention & Visitors Bureau (PDCVB) has led a community-based effort to address the current challenges with the Lancaster County Convention Center Authority (LCCCA) bond reserves. The study centered upon identifying the challenges with the LCCCA debt structure and putting forth the facts. These facts could then be studied by all stakeholders.

It should be noted that the board of the PDCVB Board of Directors felt that it was necessary to step forward and lead this effort bringing key stakeholders and community leaders to the table. More importantly, the board felt that this task force needed to present facts with which all participants in the effort agreed.

The board debated next steps at its December 2011 monthly meeting. As a result they commissioned the Lancaster County Convention Center Authority Fiscal Impact & Recovery Task Force to identify the full scope of the financial shortfall in the most transparent way possible and then provide findings/facts to the community for formulating a long-term solution. The effort was led by Al Duncan, a pillar in our industry with more than 40 years of hospitality experience. Our prime concern is the preservation and growth of our tourism industry and the sustainability of the Lancaster County Convention Center.

The PDCVB parsed out the effort to three work groups – Project Debt Financing, Utilization and Default – each comprised of a broad range of stakeholders committed to the long-term success and viability of the convention center, and each reporting back to the PDCVB board-appointed LCCCA Impact & Recovery Task Force. The specific objectives of each of the work groups is outlined below:

1. Project Debt Financing: Review the current financing position of the Lancaster County Convention Center Authority (LCCCA) and its possible long-term implications. Specifically, review agreed upon financial models and assumptions and put forth various case scenarios for consideration.

2. **Utilization:** The following questions were posed to the work group for their consideration:
   - Is selling and marketing the LCCC difficult (what are the roadblocks)?
   - What is necessary to increase the number of large events to Lancaster County?

3. **Default:** Review the default provisions of the LCCCA and the possible long-term implications of those defaults. Review existing agreements and provide factual answers to the following questions:
   - What is a financial default?
   - What is considered a default between the project's public and private partners?

Project Debt Financing Work Group

Work Group Members

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Mike Messina

INTRODUCTION

The PA Dutch Convention & Visitors Bureau (PDCVB) appointed a work group to review the current financing position of the Lancaster County Convention Center Authority (LCCCA) and its possible long-term implications.

Work Group Objective:
Review agreed upon financial models and assumptions and put forth various case scenarios for consideration.

Situational Analysis

There is currently a 3.9% hotel room rental tax (HRRT) levied on the rental of rooms (lodging facilities of 10 rooms or more) in Lancaster County. The LCCCA receives 80% of this tax while the PDCVB receives 20%. The LCCCA utilizes the tax revenue to pay the following: (1) debt service on the bonds (principal, fixed interest and variable interest “credit enhancement”), (2) net operating cost of the Lancaster County Convention Center (LCCC) managed by Interstate Hotels and Resorts (IHR), (3) LCCCA administration, and (4) FF&E (Furniture, Fixtures & Equipment) reserves. This tax was instituted by ordinance of the Lancaster County Commissioners in 1999.

There is an additional excise tax of 1.1% levied on the sale of all lodging rooms including hotels and bed & breakfasts. The revenue from this tax is directed entirely to the PDCVB for the purpose of promoting Lancaster County as a tourist destination.

In the Continuing Covenant Agreement between the LCCCA and Wells Fargo Securities, the holders of the bonds, there are various financial requirements that must be met.

The two major ones are:

1. Debt Service Coverage Ratio of 1.25 on a rolling 12 month basis. The formula for this ratio is as follows: Hotel Tax Revenue + Interest on Reserve Amounts for the previous 12 months divided by the bond principal + interest for the next 12 months. This is measured at the end of each calendar quarter.

2. Minimum Liquidity Covenant – A minimum reserve amount of $5,250,000 must be maintained at the end of each calendar quarter. As of March 31, 2012 the reserve balance was $5,164,163.89.

In the event that either of these requirements is not met, the LCCCA will be considered in default and by Lancaster County hotel tax ordinance the 20% of the HRRT will be diverted to the LCCCA until the default is cured. As of April 1, 2012 the LCCCA was in default and thus receiving 100% of the HRRT. Currently, the PDCVB is only receiving the 1.1% excise tax.
The consequences of the PDCVB's loss of funding for an extended period of time will be severe for the PDCVB, the LCCCA and Lancaster County as a whole. As a result of the reduction of revenue due to the loss of the 20% HRRT, the PDCVB will not be able to adequately promote Lancaster County in an increasingly competitive marketplace. This will, in turn, result in a decrease in demand, revenue, and hotel room tax revenue thus leaving the LCCCA and the PDCVB less money to fulfill the above financial requirements. The overall economic impact to the county will be severely negative.

> **The consequences of the PDCVB's loss of funding for an extended period of time will be severe for the PDCVB, the LCCCA and Lancaster County as a whole. . . . The overall economic impact to the county will be severely negative.**

LCCCA Sources of Cash

The LCCCA has three sources of revenue: (1) HRRT (mentioned above) represents the majority of revenue, (2) interest income generated from guaranteed investment contract from bond proceeds, and (3) revenue generated from operating the LCCC. In 2011 the HRRT received by the LCCCA on a cash basis was $3,671,829 versus the original 2007 proforma projections of $4,160,019. Interest income in 2011 was $218,637. LCCC revenue in 2011 was $1,630,391.

LCCCA Uses of Cash

The LCCCA bond indenture (as specified in Continuing Covenant Agreement dated October 3, 2011 between the LCCCA and Wells Fargo Bank, National Association) includes required uses of cash as well as permitted uses if minimum reserve requirements are met. They are outlined below.

Indenture Required Uses:

A. Bond Principal and Note

   1. 2003 Series Bonds in the amount of $39,670,000

   2. 2007 Series Bonds in the amount of $23,920,000
      The principal payments are scheduled to begin in 2015 and increase yearly until paid in full in 2047.

   3. There is a short-term note in the amount of $750,000 ($375,000 to cover restructuring cost in 2011 and $375,000 to cover operational reserves). A principal payment of $375,000 is due in 2013 and 2014.

B. Fixed Interest on Bonds

   1. 2003 Series Bonds fixed rate is 3.67%

2. 2007 Series Bonds fixed rate is 3.57%

3. Three year short-term note interest rate is 3.5%

C. Cost of Credit Enhancement – variable interest rate obligation to bond holders. This is the cost for assuming the risk on the bonds.

1. 2003 Series Bonds variable rate is 1.75%

2. 2007 Series Bonds variable rate is 1.90%

These rates are only fixed through March 2013, at which time they must be renegotiated.

Permitted Uses of Reserves when Available:

A. LCCC Operations (IHR) This is the operational loss before depreciation of the LCCC. In 2011 this loss was $843,550 versus original 2007 proforma projected loss of $683,897

B. LCCCA Operations – Expenses of the LCCCA. In 2011 the amount transferred from the bond funds to the LCCCA was $420,996.

C. FF&E Requirements – This is the LCCCA's portion for replacement of furniture, fixtures, and equipment (FF&E) in the LCCC. At this time, the FF&E reserve has not been funded in accordance with the governing documents.

In order to see an improved financial picture there must be an increase in revenue, a decrease in the credit enhancement cost or a combination of both.

Financial Model Scenarios:

The two major areas that have a significant impact on the overall financial situation are hotel tax revenue and the cost of the credit enhancement (referred to as the variable interest rate) on the bonds. In order to see an improved financial picture there must be an increase in revenue, a decrease in the credit enhancement cost or a combination of both.

Following are the results of various models based on no HRRT increase (Models 1, 2 & 5), growth rate of hotel tax revenue and the impact of a reduction in the variable interest rate. Additionally, hypothetical assumptions are listed as footnotes in each model.

Since the hotel tax was initiated in 2000, the average yearly increase (compounded) in HRRT revenue has been 2.45% (see chart below).

Year	HRRT Revenue (3.9%)	Variance
2000	$3,524,843	
2001	$3,673,073	4.20%
2002	$3,774,304	2.80%
2003	$3,687,680	-2.30%
2004	$3,938,000	6.80%
2005	$4,104,835	4.20%
2006	$4,230,263	3.10%
2007	$4,688,981	10.80%
2008	$4,486,608	-4.30%
2009	$4,143,662	-7.60%
2010	$4,572,630	10.40%
2011	$4,600,137	0.60%
Compounded Avg. Increase		2.45%

It has been agreed that using a number higher than this would be unrealistic. In Models 1 & 2 below it is assumed that due to a decrease in PDCVB funding, HRRT revenue will also decrease as a result of fewer marketing dollars. On average the PDCVB will lose $900,000 per year in addition to the loss of state funding, which at its peak was $1.1 million.

In Models 3 & 4 it is assumed that the PDCVB will receive 20% of the increased (5%) HRRT for the purpose of marketing the destination and that HRRT revenue will increase on average 2.25% per year as a result. One important note: the timing of a tax increase would determine when the PDCVB would receive a portion or all of the 20% HRRT revenue. Preliminary projected cash flows show that a July 1, 2012 increased HRRT start date would result in the PDCVB receiving its 20% share beginning at the start of 2013. A January 1, 2013 start date would probably result in the PDCVB not receiving the 20% funding for most if not all of 2014. This has to do with the seasonality of the industry and the amount that needs to be added to reserves to meet the requirements of the indenture.

Model 1 (BASE MODEL)

This model represents the current situation assuming no changes are made to the financing structure, hotel tax, or any other components. This model assumes a 1.25% growth rate in HRRT revenue and no change in the variable interest rate. It is expected that the variable interest rate would increase if no viable financing solution is enacted. If this occurs, the interest expense would increase to some degree and thus increase the deficit shown. In this model there would be insufficient cash available to completely fund LCCC operations, FF&E replacement, and LCCCA administration. Under this scenario, the PDCVB portion of the HRRT is never restored. (See Appendix C1)

Model 2

No increase in HRRT, 1.25% growth rate in HRRT revenue and a 1.25% reduction in the variable interest rate. In this model there would be insufficient cash available to completely fund LCCC operations, FF&E replacement, and LCCCA administration. Under this scenario, the PDCVB portion of the HRRT is never restored. (See Appendix C2)

Model 3

HRRT increases to 5%, 2.25% growth rate in HRRT revenue and a 1.25% reduction in the variable interest rate. In this model there would be sufficient cash available to completely fund all required reserve accounts, pay principal and interest, operating expenses, and FF&E. Also, the PDCVB would receive 20% (1% of 5%) of the HRRT revenue. (See Appendix C3)

Model 4

HRRT increases to 5%, 2.25% growth rate in HRRT revenue, and a 0.60% reduction in the variable interest rate. In this model there would be sufficient cash available to completely fund all required reserve accounts, principle and interest accounts. In most years there would be enough cash to fund operating expenses, and FF&E with the exception of a few years. The CVB would receive 20% (1% of 5%) of the HRRT revenue. (See Appendix C4)

Model 5

No increase in HRRT, bed & breakfast facilities would pay HRRT, 1.25% growth rate in HRRT revenue, and a 1.0% reduction in the variable interest rate. In this model, there would be enough cash to completely fund all required reserve accounts, principal and interest accounts, operational expenses, and FF&E in the early years only. The PDCVB would receive a portion of the HRRT revenue in the early years only. (See Appendix C5)

Areas of Potential Impact

Below are fixed and variable line items that if altered could have a significant impact on the overall funding picture:

1. HRRT Revenue – Average increase since inception in 2000 has been 2.45%. Obviously any significant increase or decrease over time would dramatically impact financial condition.
2. Increase in HRRT – Raising the tax to the 5% maximum would provide significant cash to fund reserves, pay interest and principle, and fund all operational budgets and FF&E.
3. DSRF Interest Income – Fixed at a higher than market rate through April 2022, based on 2007 investment.
4. Principal Payments – Fixed as determined by bond agreement with Wells Fargo.

5. Fixed Interest – Currently 3.67% and 3.57% on the $39,670,000 (series 2003) and $23,920,000 (series 2007) bonds respectively. If fixed rates could be lowered, significant savings could be realized; however, those savings would most likely be eliminated by a significant swap obligation.

6. Cost of Credit Enhancement (variable interest rate) – Currently 1.75% and 1.9% for series 2003 and series 2007 bonds respectively. As shown in the preceding models, a decrease in the variable rate would result in a significant reduction in interest payments.

7. LCCC Operations (IHR) – Projected through 2015 and a 1.9% increase per year thereafter.

8. LCCCA Operations – Projected through 2030 based on the original 2007 projection and increasing 3% thereafter.

9. FF&E Requirements – Reserves agreed upon by PSP and LCCCA. At some point it may be necessary to put off deposits to cover shortfalls (lower than expected HRRT revenue, higher principle payments); however, ultimately the reserve funds will be required in order to maintain the Quality Standards for the facility. The reserve amounts are based on a detailed schedule developed by Interstate Hotels & Resorts (IHR) for FF&E and capital replacement. These are only projections and actual cost may be greater or less than the amounts required based on actual life and replacement costs.

Other Potential Scenarios

Below are some additional scenarios that could impact the overall financing situation:

1. Minimum Liquidity Covenant – Amount the borrower shall have on deposit at the end of each quarter, currently set at $5,250,000 plus additional amounts required to build the reserve to satisfy principal payments each December. The funds are as follows:

    - Debt Service Reserve Fund = $2,610,270.04
    - 2007 Bonds DSRF = $1,500,859.54
    - Bond Fund = $500,000 plus additional amounts required to build reserves to satisfy principal payments each December. For example the most recent illustrations show that the bond sinking fund needs to be about $690,000 at the end of November 2014.
    - Rate Stabilization Account = $450,000
    - Other amounts under surplus fund = $188,870.32

    Consideration: Explore having these required fund balances lowered; the default trigger would therefore be postponed but not eliminated.

2. 100% Bond Guarantee – Having an entity or entities provide a guarantee for the entire bond amount plus the credit enhancement. This would in turn lower the overall financing cost. Currently the County of Lancaster has an obligation (guarantee) for 50% of the 2003 $40 million LCCCA Bond Issue. "County Obligation" shall mean, to the extent the Authority has failed to provide necessary funding as required by the Note, the County's obligation to replenish a portion of the Debt Service Reserve Fund in order to maintain the appropriate Required Reserve Amount, but not to exceed the lesser of $1,506,960 or 50% of the Required Reserve Amount in any fiscal year.

    Consideration: Engage local banks, current bond holders, large community constituents, county commissioners, and other key stakeholders to discuss guarantee scenarios that significantly reduce the risk of the bonds and lower the variable interest amount. The enhanced cash flow from the lower interest payment will make the likelihood of the need to exercise the guarantee less likely.

KEY FINDINGS

- In order to make the long-term financing pack age viable, the fixed interest rate must be reduced and/or the variable interest rate must be lowered. This may be accomplished in a variety of creative ways that will require the efforts of key stakeholders as well as new financial and/or non-financial entities.

- A second alternative (alone or in conjunction with the first) would be to increase the HRRT (maximum rate of 5%). This would provide the LCCCA an additional 0.1% in revenue (currently $100,000) annually, in comparison to the 3.9% that the LCCCA is currently receiving with the mechanism in place, and fund the PDCVB. The greater benefit would be realized in a minimum decrease in the variable interest rate by $381,000 annually. In this scenario, Wells Fargo has expressed a willingness to extend the duration of this lower rate.

- Additionally, it should be noted that imposing the HRRT on bed & breakfast properties would net approximately $250,000 to $500,000 in additional tax revenue.

- Other revenue sources and expense cutting measures can and should be actively pursued as part of an overall plan, however the items listed above are clearly the only alternatives that will have an immediate and significant impact and would produce the type of long-term commitment needed for long-term stability.

- We would be remiss in not restating the concern that improved auditing techniques, which are already contemplated in the ordinance, and the addition of stronger penalty provisions in the ordinance might encourage greater compliance with regard to hotel tax collection. We are not implying that problems are widespread, but there is concern, which may be cost-effectively addressed.

Utilization Work Group

Work Group Members

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Willow Valley Associates

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Lancaster County Convention Center Authority Board Chair

Kevin Molloy
Lancaster County Convention Center Authority

Josh Nowak
Interstate Hotels & Resorts

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INTRODUCTION

The PA Dutch Convention & Visitors Bureau (PDCVB) appointed a work group to review the current utilization of the Lancaster County Convention Center (LCCC).

Work Group Objective:
The following questions were posed to the work group for their consideration:

1. Is selling and marketing the LCCC difficult (what are the roadblocks)?
2. What is necessary to increase the number of large events to Lancaster County?

Situational Analysis

When considering Priority 1 & 2 events it is important to note the distinction between the two. Priority 1 events produce 500 or more guestrooms and/or 1,500 total room nights with overflow to Lancaster County hotels. Priority 2 events produce 300 or more guestrooms and/or 900 total room nights with overflow to Lancaster County hotels. For reference, Priority 3 events produce 200 or more peak night guestrooms and/or 600 total room nights, and may or may not produce overflow rooms to other hotels in the county.

For the combined years 2010 and 2011 Lancaster County hosted 29 Priority 1 & 2 events, plus an additional 12 Priority 3 events. All these events combined generated approximately 64,000 room nights. Of these, 21 were held at the LCCC. These events certainly also provided a larger overall economic benefit for Lancaster County in terms of guest spending. This cannot be easily calculated and is done on an event-by-event basis. The primary goal of building a convention center in Lancaster County was to assist in the revitalization of the Downtown as well as to increase both visitation and spending to the destination as a whole. In order to accomplish the latter, it is imperative that we identify, prospect and secure events that generate sufficient overflow room blocks to area hotels.

Since the LCCC opened in June 2009, the PDCVB and Interstate Hotel & Resorts (IHR) sales teams have worked together on several initiatives to secure those types of events. Through our efforts we have a better understanding of the challenges in promoting the LCCC as well as the opportunities to retain existing business and obtain new business. Each market and its capabilities and needs are very different. Lancaster County is very heavily skewed toward leisure as well as tour & travel guests. It will take time and effort to develop the corporate market and to change the mindset of meeting planners that we can be more than just a leisure destination.

Challenges uncovered from lost business reports provided by potential clients in 2011:

- Lack of quality hotel rooms (within walking distance)
- Proximity to a major airport
- Transportation from a major regional airport and between overflow guestroom venues
- Meeting room rental rates too expensive compared to other competitive locations

Priority 1 & 2 Events for Lancaster

It has been determined through our sales process that the top market segments for Lancaster are:

1. Sports
2. Religious
3. State and Regional Associations

The PDCVB will continue to be responsible for prospecting, controlling and securing Priority 1 & 2 events (primarily more than 18 months from the date of client commitment) for all venues in Lancaster County with such capacity (including the LCCC) and will allocate the appropriate resources to achieve the greatest return on its investment.

Currently, no formal agreement exists between the LCCCA, IHR and the PDCVB concerning the sales processes of obtaining Priority 1 & 2 events. The PDCVB and IHR have collaborated on prospecting booking and servicing such events since 2009. Beginning in 2010, the PDCVB sales team has been deployed according to the above markets with adjustments made for opportunities revealed by the changing guest demographics and those of the markets. We recommend that the establishment of an agreement be explored so that the responsibilities of Priority 1 & 2 event attainment on behalf of the PDCVB for the county are crystal clear between all the stakeholders. In defining the specifics of such an agreement, the PDCVB will continue to be responsible for prospecting, controlling and securing Priority 1 & 2 events (primarily more than 18 months from the date of client commitment) for all venues in Lancaster County with such capacity (including the LCCC) and will allocate the appropriate resources to achieve the greatest return on its investment. The PDCVB will also include a line item in each year's budget titled "Event Investment Fund" to be used to secure events. It's important to note that a booking agreement currently exists outlining the classification of events within the county as well as the PDCVB role in event booking at the LCCC (Appendix B). However, this agreement is very murky in its application and has actually been an impediment to establishing a clearer understanding of a process. For example, the PDCVB was not consulted nor was it a signatory on that booking agreement. We should also consider devising a system to report ongoing metrics to all stakeholders.

We also felt it important to have a formal meeting schedule with our partners at IHR and the LCCC. To that end we have reestablished the Convention Sales Committee, comprised of members from IHR, the PDCVB and LCCC. Those meetings will begin in June 2012.

The economic benefits from large events are much wider spread than just hotel rooms utilized by attendees. Based on the Destination Marketing Association International (DMAI – CVB industry association) Impact Calculator, a recent Priority 1 event in Lancaster generated approximately $5.8 million in economic impact within the county. In light of current funding issues, it is critical that the PDCVB have the dollars necessary to compete for these type events in an increasingly competitive marketplace.

KEY FINDINGS

The utilization of the LCCC does not have a material impact on the overall current debt condition of the project. Even doubling the current usage would not solve the current problem. In short, a long-term community-wide financing solution needs to be reached in order for the LCCCA to solve the financial problem currently plaguing the LCCC's viability. At the same time, the creation of a long-term solution will allow marketing dollars to return to the PDCVB to market the county leading to increased visitation, revenue and taxes.

The PDCVB will continue to promote all of Lancaster's assets in order to attract large events that will provide positive economic benefit for the community. It is imperative that the PDCVB have adequate funding to efficiently market our destination to generate the necessary tax revenue, which will satisfy the financial obligations of the LCCCA, and to continue to promote Lancaster in the years to come.

Default Work Group

Work Group Members

Chuck Simmons (Chair)
Tanger Outlets

Mark Fitzgerald
High Real Estate Group

Kevin Fry
Lancaster County Convention Center Authority Board Chair

Larry Hinnenkamp
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Kevin Molloy
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INTRODUCTION

The PA Dutch Convention & Visitors Bureau appointed a work group to review the default provisions of the Lancaster County Convention Center Authority (LCCCA) and the possible long-term implications of those defaults.

Work Group Objective:
Review existing agreements and provide factual answers to the following questions:

- What is a financial default?
- What is considered a default between the project's public and private partners?

Situational Analysis

All agreements relating to the LCCCA as well as Interstate Hotels & Resorts (IHR) and Penn Square Partners (PSP) were reviewed. All of the documents reviewed are listed in this report and can be found in their entirety online at the LCCCA Fiscal Impact & Recovery webpage (in the Resources section of members.padutchcountry.com).

The agreements were evaluated purely for default provisions only. The task was not to opine on what the requirements of the documents are and what is contained therein. The defaults are explained simply in three contexts: (1) LCCCA agreements with the private partner (PSP), (2) LCCCA agreements with Wells Fargo Bank, N.A., and (3) LCCCA agreements with IHR.

The default provisions were reviewed by legal counsel: Matthew J. Creme, Jr. / Attorney at Law, Nikolaus & Hohenadel, LLP, 212 North Queen Street, Lancaster, PA 17603.

Agreements Reviewed

F&B Concession Agreement (2001)
- Pages 5, 9-12, 15

Joint Development Agreement (2001, 2005)
- Pages 11-14 (2001)

Joint Development Agreement - 2005
- Pages 13-19, 22, 24

JDA – Exhibit I
- Default language on Page 20

JDA – Exhibit J
- Default language on Page 4

Professional Services Development Agreement (2001, 2005)
- Pages 10, 18-23 (2001)

PSDA (2005)
- Pages 10, 18-22

Amended & Restated Lease Agreement

Tab 14 Amended and Restated Lease Agreement - 2007
- Pages 6-7, 10-12, 19, 21-29, 34-35

Tab 15 Memorandum of Amended and Restated Lease Agreement - 2007
- Page 7

Bond Restructuring
- All pages that include language relating to default (and pages that provide context)

Qualified Convention Center Management Agreement (2002)
- Pages 17, 28, 29, 32, 33, 47

Declaration of Condominium
- Pages 21, 24, 28-30

Condominium Management Agreement (2009)
- Pages 19-21

Outline of Events and Consequences of Events of Default:

Food and Beverage Concession Agreement – December 20, 2001 - LCCCA and Penn Square Partners

Article 8 - Default

8.1 Any of the following shall constitute an event of default:

a. Failure to pay in full any amount payable under agreement

b. Failure to observe any other term, etc. of agreement

c. Ceasing of operation of facility

d. Filing of bankruptcy or similar proceeding

e. Failure to maintain quality standard

f. Engaging in any illegal business at center

g. Failure to pay third party vendor

8.2 Remedies

a. The non-defaulting party may make any payments the defaulting party failed to make

b. May terminate the agreement

Joint Development Agreement – November 9, 2005 - LCCCA, Lancaster Redevelopment Authority and Penn Square Partners

Article 3 Default and Remedies

3.1 An event of default shall occur if any party:
- 3.1.1 Fails to comply with any provision or requirement of agreement
- 3.1.2 Files bankruptcy or similar proceeding

3.2 Remedies are cumulative
- 3.2.1 Non-defaulting party may terminate agreement
- 3.2.2 Non-defaulting party may sue for specific performance
- 3.2.3 Non-defaulting party may bring any other action at law or in equity

NOTE – Same provisions in 2001 Agreement

Professional Services Development Agreement – November 9, 2005 - LCCCA and High Associates

Article 4 – Default and Remedies

An event of default shall occur by a party if:

4.1.1
- Failure to pay any sum due
- Failure to comply with any material term of agreement
- Failure to cure after written notice

4.1.2
- Files bankruptcy or similar proceeding

4.2
- Remedy by owner – termination of agreement and release of further liability

4.3
- Remedy by developer – whatever available at law or inequity – cumulative

NOTE: Same may be found in PSDA 2001

Amended and Restated Lease – March 27, 2007 - LCCCA and Penn Square Partners

<u>Section 27 – Events of Default</u>

The occurrence of any of the following shall constitute an event of default:

a. Failure to pay rent
b. Failure to pay any sum other than rent
c. Filing of bankruptcy or similar proceeding
d. Failure to take occupancy
e. Removal of goods etc without payment
f. Transfer of interest in lease other than under terms of lease
g. Failure to comply with terms of lease, including covenants

<u>Section 28 – Remedies upon default:</u>

a. Terminate lease & repossess
b. All other remedies at law and in equity
c. Interest on unpaid sum at default rate
d. Remedies are cumulative and not exclusive

NOTE: Nothing additional in Memorandum of Lease

Bond Restructuring Indenture - 2012 - LCCCA and Wells Fargo Bank

<u>Default Provisions</u>

Section 6.01 – Any of the following shall constitute an event of default:

a. Failure to pay interest of any Bond
b. Failure to pay principal or premium of any Bond
c. Failure to pay purchase price of any Bond at mandatory purchase date
d. Failure to observe or perform any covenants
e. Any default under the reimbursment agreement
f. Any default under the continuing covenant agreement
g. Failure to make any swap payment
h. Any default under the parity indebtedness

<u>Remedies</u>

Section 6.02 – Acceleration of the debt
Section 6.03 – May direct Trustee to notify County to pay 100% of taxes collected to Bank
- Any other remedy under any other security documents

Section 6.04 – May commence legal proceeding to enforce this agreement

Exhibit I – Agreement to Transfer and Reimbursement Agreement between Lancaster City Redevelopment Authority and Penn Square Partners

- If LCCCA doesn't exercise option to purchase property, Redevelopment Authority may sell to Third Party

Exhibit J – Purchase Option Agreement between Lancaster City Redevelopment Authority and LCCCA

Default – Failure exercise Option
- #8: May sell property to Third Party

Default – Failure to close on sale of property
- #15: Remedy for Redevelopment Authority – out-of-pocket expenses reimbursed
- #16: Remedy for LCCCA – specific performance of agreement to sell

Qualified Convention Center Management Agreement – January 23, 2002 – LCCCA and IHR

<u>Article 4 – Management Term; Extension; Termination</u>

4.2 Termination
- This QMA may be terminated prior to the expiration of the then effective Management Term upon the occurrence of one or more of the following events:
  - Upon any Event of Default,

at the option of the non-defaulting party exercised by written notice to the defaulting party and following the expiration of all applicable cure periods

Article 12 – Events of Default; Remedies

12.1 Manager Event of Default

a. Manager fails to pay any sum of money to the Authority

c. Manager fails to keep or perform any other material covenant agreement term or provision of QMA for a period of 30 days after written notice

12.2 Authority Event of Default

a. Authority fails to pay any sum of money due to the Manager or Manager's Affiliate

d. Authority fails to keep, observe or perform any other material covenant agreement terms or provision of QMA for a period of 30 days after written notice

12.3 Hotel Owner's Right to Cure

a. If Manager notifies the Authority of an event of default, they must also notify PSP

b. If Authority notifies Manager of an event of default, they must also notify PSP

12.4 Remedies

- Party asserting event of default may seek arbitration

Executive Summary

G. Termination

- The agreement provides that it may be terminated if, among other things, any of the following events occur:
  - o By the non-breaching party upon the occurrence of an event of default by the other party under the management agreement.

Declaration of Condominium

Article 7 – Mortgages

7.4 Notice of Unit Owner Default

a. The Executive Board shall give prompt notice to a unit mortgagee of any default in the unit mortgagers obligations which are not cured within 30 days

Article 8 – Insurance; Casualty

8.6 Indemnification

- Unit owner will indemnify and hold harmless other unit holder, the Association and any lessee or sublessee

Article 12 – Management

12.2 Termination by a Unit Owner or the Association

- Each Unit Owner shall provide the other Unit Owner a copy of any notice of default it gives to Manager under its management agreement
- The second Unit Owner shall have the right to cure the default of the Manager
- If no cure, First Unit Owner may terminate agreement

12.3 Termination by the Manager

- A Unit Owner or the Association shall provide other Unit Owner a copy of any notice of default it is given by the Manager
- The non defaulting Unit Owner shall have the right to cure the default of the other Unit Owner
- If defaulting Unit Owner fails to pay, the non defaulting Unit Owner is entitled to interest

12.6 Indemnification

- The Association shall defend, protect, indemnify and hold harmless the Unit Owners and any lessee or sublessee

Management Agreement – June 19, 2009 – Penn Square Condominium Assn. and Interstate Hotels

Article 10 – Events of Default; Remedies

10.1 Manager Event of Default

a. If Manager fails to pay any sum of money due to the Association it will result in an immediate event of default

b. If Manager fails to keep, observe or perform any other material covenant, agreement, term or provision

10.2 Association Event of Default occurs if:

a. Association fails to pay any sum of money due to the Manager

b. Association fails to furnish required operating funds

c. Association fails to provide and maintain the insurance policies called for

d. Association fails to keep, observe or perform any other material covenant, agreement, term or provision

10.3 Hotel Lessee's and CC Authority's Right to Cure

a. If Manager notifies Association of the Association's default, Manger shall also notify Hotel Lessee and CC Authority

b. If Association notifies Manager of the Manager's event of default, Association shall also notify Hotel Lessee and CC Authority

10.4 Remedies

- Party asserting an event of default may seek arbitration in accordance with agreement

Example of Default in Application

The Project Debt Financing Work Group developed a base model identified in the report as Model 1 (see Appendix C1 of the Project Debt Financing report). This model represents the current situation assuming no changes are made to the financing structure, hotel tax or any other components. This model further assumes a 1.25% growth rate in HRRT revenue and no change in the variable interest rate. It is expected that the variable interest rate would increase if no viable funding solution is enacted. If this occurs, the interest expense would increase to some degree and thus increase the deficiency shown. In this model there would be insufficient cash available to completely fund LCCC operations, FF&E replacement, and LCCCA administration, and under this scenario, the PDCVB portion of the HRRT is never restored.

More importantly, this model coming to fruition would trigger numerous defaults outlined in the existing agreements between all three partners.

Before we embark on the exercise, it's important to note that the LCCCA realized during the fall of 2011 that a default was imminent and communicated with the affected parties concerning that eventuality. The LCCCA restructured the debt with Wells Fargo at significant cost to provide six months to resolve the matter and restructure the revenue and expense side of the operation. Failure to do so would lead to an event of default. In that six month period – despite everyone's best efforts to avoid it – the default outlined in the Bond Restructuring Indenture 2012 was exercised (as the bonds were in actual default) and the PDCVB lost the 20% of the HRRT beginning in February of 2012. The dialogue was conducted in a very proactive manner, but was not successful in getting everyone to the table to formulate a communitywide solution. So, we do find ourselves in a first stage of default at this time.

If this situation is allowed to continue, the Project Debt Financing Work Group forecasts an anemic HHRT growth of 1.25% due to the lack of dollars available to the PDCVB to market the destination. The LCCCA default situation will get deeper and trigger the following additional default events:

- The LCCCA's debt will be funded and the LCCCA's operational costs will be funded based upon Model 1's conservative projections, so the HRRT will continue to be collected.
- The FF&E cost will not be funded, possibly causing additional agreement defaults related to the decline of quality standards due to lack of investment. This may cause PSP and IHR to seek legal relief available to them as per the agreements outlined in this report.
- The LCCCA will not have an operating budget.
- The CVB will never receive the 20% HRRT, which would severely hamper its ability to sell and market the destination.

It's clear that the LCCCA is now in default and given no change in the current revenue and expense scenarios, the situation will only become direr and trigger additional defaults that would be costly as well as make the scope of the problem more immense.

Appendix

Lancaster County Convention Center Authority (LCCCA)					MODEL 1						APPENDIX C1	
Summary Worksheet - Projected Cash Flow for Bond Debt & Expenses												
HRRT = 3.9% 1.25% growth rate and 0 BP Reduction												
	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	2042-2047	Totals
Sources of Cash:												
Hotel Room Revenue Tax [1]	$4,480,170	$4,705,248	$4,764,064	$4,823,614	$4,883,910	$25,350,687	$26,975,214	$28,703,844	$30,543,248	$32,500,525	$41,761,396	$209,491,920
Interest Income [2]	$218,500	$218,500	$218,500	$218,500	$218,500	$1,092,500	$711,820	$616,650	$616,650	$616,650	$739,980	$5,486,750
Indenture Required Uses:												
Principle [3]	$0	$375,000	$375,000	$370,000	$410,000	$2,860,000	$4,530,000	$6,735,000	$9,635,000	$13,000,000	$26,050,000	$64,340,000
Fixed Bond Interest [4]	$2,336,083	$2,336,083	$2,323,833	$2,309,833	$2,296,254	$11,217,397	$10,576,982	$9,592,688	$8,155,516	$6,127,474	$3,294,754	$60,566,897
Variable Interest [5]	$1,030,495	$1,148,705	$1,148,705	$1,148,705	$1,142,230	$5,585,325	$5,279,950	$4,810,600	$4,125,300	$3,158,250	$1,748,430	$30,326,695
Cash after Debt Service [6]	$1,332,092	$1,063,960	$1,135,026	$1,213,576	$1,253,926	$6,780,465	$7,300,102	$8,182,206	$9,244,082	$10,831,451	$11,408,192	$59,745,078
Indenture Permissible Uses:												
LCCC Operations (IHR) [7]	$886,006	$827,164	$819,722	$835,297	$851,167	$4,504,653	$4,949,169	$5,437,549	$5,974,122	$6,563,644	$8,736,848	$40,385,341
LCCCA Operations [8]	$432,996	$446,934	$460,329	$474,139	$488,361	$2,675,970	$3,095,934	$3,574,047	$4,160,694	$4,823,385	$6,812,582	$27,445,371
FF&E Requirements [9]	$200,000	$300,000	$400,000	$700,000	$700,000	$4,500,000	$5,800,000	$6,000,000	$6,000,000	$6,300,000	$7,800,000	$38,700,000
Subtotal [10]	-$186,910	-$510,138	-$545,025	-$795,860	-$785,602	-$4,900,158	-$6,545,001	-$6,829,390	-$6,890,734	-$6,855,578	-$11,941,238	-$46,785,634
Cumulative [11]	-$186,910	-$697,048	-$1,242,073	-$2,037,933	-$2,823,535	-$7,723,693	-$14,268,694	-$21,098,084	-$27,988,818	-$34,844,396	-$46,785,634	

1 Hotel Room Revenue Tax (HRRT, currently 3.9%) collected by hotels and remitted to County Treasurer. Worksheet shows annual growth rate of 1.25%
In this model the PDCVB will not receive any portion of the HRRT.
2 Interest Income earned on the Debt Service Reserve Fund.
3 Bond Principle per current restructuring schedule
4 Fixed Interest obligations under 2003 bonds (3.67%), 2007 bonds (3.57%), and short term note (3.5%)
5 Variable interest obligation under 2003 bonds (1.75%) and 2007 bonds (1.90%) through March 2013. At that point the variable rate must be renegotiated.
Model shows no change in variable interest rates over the life of the bonds.
6 Available cash after bond obligations based on current rates.
7 Convention Center Operating Expenses incurred by Interstate. Projected through 2015, then assumes a 1.9% increase per year.
8 LCCCA Operational Expenses
9 FF&E requirements.
10 Available cash suplus/deficit after bond obligations, operational expenses, and FF&E reserves.
11 Deficit based on hypothetical assumptions listed above.

Lancaster County Convention Center Authority (LCCCA) **MODEL 2** APPENDIX C2

Summary Worksheet - Projected Cash Flow for Bond Debt & Expenses

HRRT = 3.9% 1.25% growth rate and 125 BP Reduction

	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	2042-2047	Totals
Sources of Cash:												
Hotel Room Revenue Tax [1]	$4,480,170	$4,705,248	$4,764,064	$4,823,614	$4,883,910	$25,350,687	$26,975,214	$28,703,844	$30,543,248	$32,500,525	$41,761,396	$209,491,920
Interest Income [2]	$218,500	$218,500	$218,500	$218,500	$218,500	$1,092,500	$711,820	$616,650	$616,650	$616,650	$739,980	$5,486,750
Indenture Required Uses:												
Principle [3]	$0	$375,000	$375,000	$370,000	$410,000	$2,860,000	$4,530,000	$6,735,000	$9,635,000	$13,000,000	$26,050,000	$64,340,000
Fixed Bond Interest [4]	$2,336,083	$2,336,083	$2,323,833	$2,309,833	$2,296,254	$11,217,397	$10,576,982	$9,592,688	$8,155,516	$6,127,474	$3,294,754	$60,566,897
Variable Interest [5]	$1,030,495	$353,830	$353,830	$353,830	$351,980	$1,723,950	$1,636,698	$1,502,599	$1,306,798	$1,030,499	$595,678	$10,240,187
Cash after Debt Service [6]	$1,332,092	$1,858,835	$1,929,901	$2,008,451	$2,044,176	$10,641,840	$10,943,354	$11,490,207	$12,062,584	$12,959,202	$12,560,944	$79,831,586
Indenture Permissible Uses:												
LCCC Operations (IHR) [7]	$886,006	$827,164	$819,722	$835,297	$851,167	$4,504,653	$4,949,169	$5,437,549	$5,974,122	$6,563,644	$8,736,848	$40,385,341
LCCCA Operations [8]	$432,996	$446,934	$460,329	$474,139	$488,361	$2,675,970	$3,095,934	$3,574,047	$4,160,694	$4,823,385	$6,812,582	$27,445,371
FF&E Requirements [9]	$200,000	$300,000	$400,000	$700,000	$700,000	$4,500,000	$5,800,000	$6,000,000	$6,000,000	$6,300,000	$7,800,000	$38,700,000
Subtotal [10]	-$186,910	$284,737	$249,850	-$985	$4,648	-$1,038,783	-$2,901,749	-$3,521,389	-$4,072,232	-$4,727,827	-$10,788,486	-$26,699,126
Cumulative [11]	-$186,910	$97,827	$347,677	$346,692	$351,340	-$687,443	-$3,589,192	-$7,110,581	-$11,182,813	-$15,910,640	-$26,699,126	

1 Hotel Room Revenue Tax (HRRT, currently 3.9%) collected by hotels and remitted to County Treasurer. Worksheet shows annual growth rate of 1.25%
In this model the PDCVB will not receive any portion of the HRRT.

2 Interest Income earned on the Debt Service Reserve Fund.

3 Bond Principle per current restructuring schedule

4 Fixed Interest obligations under 2003 bonds (3.67%), 2007 bonds (3.57%), and short term note (3.5%)

5 Variable interest obligation under 2003 bonds (1.75%) and 2007 bonds (1.90%) through March 2013. At that point the variable rate must be renegotiated.
Model shows 125 basis point reduction (1.25%) in variable interest rates over the life of the bonds starting in 2013.

6 Available cash after bond obligations based on hypothetical rates.

7 Convention Center Operating Expenses incurred by Interstate. Projected through 2015, then assumes a 1.9% increase per year.

8 LCCCA Operational Expenses

9 FF&E requirements.

10 Available cash suplus/deficit after bond obligations, operational expenses, and FF&E reserves.

11 Deficit based on hypothetical assumptions listed above.

Lancaster County Convention Center Authority (LCCCA) | **MODEL 3** | APPENDIX C3

Summary Worksheet - Projected Cash Flow for Bond Debt & Expenses

HRRT = 5% 2.25% growth rate and 125 BP Reduction

	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	2042-2047	Totals
Sources of Cash:												
Hotel Room Revenue Tax [1]	$4,516,888	$4,921,693	$5,032,431	$5,145,660	$5,261,438	$28,137,102	$31,448,212	$35,148,966	$39,285,213	$43,908,207	$59,562,609	$262,368,419
Interest Income [2]	$218,500	$218,500	$218,500	$218,500	$218,500	$1,092,500	$711,820	$616,650	$616,650	$616,650	$739,980	$5,486,750
Indenture Required Uses:												
Principle [3]	$0	$375,000	$375,000	$370,000	$410,000	$2,860,000	$4,530,000	$6,735,000	$9,635,000	$13,000,000	$26,050,000	$64,340,000
Fixed Bond Interest [4]	$2,336,083	$2,336,083	$2,323,833	$2,309,833	$2,296,254	$11,217,397	$10,576,982	$9,592,688	$8,155,516	$6,127,474	$3,294,754	$60,566,897
Variable Interest [5]	$1,030,495	$353,830	$353,830	$353,830	$351,980	$1,723,950	$1,636,698	$1,502,599	$1,306,798	$1,030,499	$595,678	$10,240,187
Cash after Debt Service [6]	$1,368,810	$2,075,280	$2,198,268	$2,330,497	$2,421,704	$13,428,255	$15,416,352	$17,935,329	$20,804,549	$24,366,884	$30,362,157	$132,708,085
Indenture Permissible Uses:												
LCCC Operations (IHR) [7]	$886,006	$827,164	$819,722	$835,297	$851,167	$4,504,653	$4,949,169	$5,437,549	$5,974,122	$6,563,644	$8,736,848	$40,385,341
LCCCA Operations [8]	$432,996	$446,934	$460,329	$474,139	$488,361	$2,675,970	$3,095,934	$3,574,047	$4,160,694	$4,823,385	$6,812,582	$27,445,371
FF&E Requirements [9]	$200,000	$300,000	$400,000	$700,000	$700,000	$4,500,000	$5,800,000	$6,000,000	$6,000,000	$6,300,000	$7,800,000	$38,700,000
Subtotal [10]	-$150,192	$501,182	$518,217	$321,061	$382,176	$1,747,632	$1,571,249	$2,923,733	$4,669,733	$6,679,855	$7,012,727	$26,177,373
Cumulative [11]	-$150,192	$350,990	$869,207	$1,190,268	$1,572,444	$3,320,076	$4,891,325	$7,815,058	$12,484,791	$19,164,646	$26,177,373	

1 Hotel Room Revenue Tax (HRRT increased to 5% starting in 2013) collected by hotels and remitted to County Treasurer. Worksheet shows annual growth rate of 2.25%
In this model the PDCVB should receive 20% of the HRRT starting in 2014.

2 Interest Income earned on the Debt Service Reserve Fund.

3 Bond Principle per current restructuring schedule

4 Fixed Interest obligations under 2003 bonds (3.67%), 2007 bonds (3.57%), and short term note (3.5%)

5 Variable interest obligation under 2003 bonds (1.75%) and 2007 bonds (1.90%) through March 2013. At that point the variable rate must be renegotiated.
Model shows a 125 basis point reduction (1.25%) in variable interest rates over the life of the bonds (starting in 2013).

6 Available cash after bond obligations based on hypothetical rates.

7 Convention Center Operating Expenses incurred by Interstate. Projected through 2015, then assumes a 1.9% increase per year.

8 LCCCA Operational Expenses

9 FF&E requirements.

10 Available cash suplus/deficit after bond obligations, operational expenses, and FF&E reserves.

11 Surplus based on hypothetical assumptions listed above.

Lancaster County Convention Center Authority (LCCCA) **MODEL 4** APPENDIX C4

Summary Worksheet - Projected Cash Flow for Bond Debt & Expenses

HRRT = 5% 2.25% growth rate and 60 BP Reduction

	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	2042-2047	Totals
Sources of Cash:												
Hotel Room Revenue Tax [1]	$4,516,888	$4,921,693	$5,032,431	$5,145,660	$5,261,438	$28,137,102	$31,448,212	$35,148,966	$39,285,213	$43,908,207	$59,562,609	$262,368,419
Interest Income [2]	$218,500	$218,500	$218,500	$218,500	$218,500	$1,092,500	$711,820	$616,650	$616,650	$616,650	$739,980	$5,486,750
Indenture Required Uses:												
Principle [3]	$0	$375,000	$375,000	$370,000	$410,000	$2,860,000	$4,530,000	$6,735,000	$9,635,000	$13,000,000	$26,050,000	$64,340,000
Fixed Bond Interest [4]	$2,336,083	$2,336,083	$2,323,833	$2,309,833	$2,296,254	$11,217,397	$10,576,982	$9,592,688	$8,155,516	$6,127,474	$3,294,754	$60,566,897
Variable Interest [5]	$1,030,495	$767,165	$767,165	$767,165	$762,910	$3,731,855	$3,531,190	$3,222,760	$2,772,420	$2,136,930	$1,195,110	$20,685,165
Cash after Debt Service [6]	$1,368,810	$1,661,945	$1,784,933	$1,917,162	$2,010,774	$11,420,350	$13,521,860	$16,215,168	$19,338,927	$23,260,453	$29,762,725	$122,263,107
Indenture Permissible Uses:												
LCCC Operations (IHR) [7]	$886,006	$827,164	$819,722	$835,297	$851,167	$4,504,653	$4,949,169	$5,437,549	$5,974,122	$6,563,644	$8,736,848	$40,385,341
LCCCA Operations [8]	$432,996	$446,934	$460,329	$474,139	$488,361	$2,675,970	$3,095,934	$3,574,047	$4,160,694	$4,823,385	$6,812,582	$27,445,371
FF&E Requirements [9]	$200,000	$300,000	$400,000	$700,000	$700,000	$4,500,000	$5,800,000	$6,000,000	$6,000,000	$6,300,000	$7,800,000	$38,700,000
Subtotal [10]	-$150,192	$87,847	$104,882	-$92,274	-$28,754	-$260,273	-$323,243	$1,203,572	$3,204,111	$5,573,424	$6,413,295	$15,732,395
Cumulative [11]	-$150,192	-$62,345	$42,537	-$49,737	-$78,491	-$338,764	-$662,007	$541,565	$3,745,676	$9,319,100	$15,732,395	

1 Hotel Room Revenue Tax (HRRT increased to 5% starting in 2013) collected by hotels and remitted to County Treasurer. Worksheet shows annual growth rate of 2.25%
In this model the PDCVB should receive 20% of the HRRT starting in 2014 however based on the quarterly test, it could go back and forth.

2 Interest Income earned on the Debt Service Reserve Fund.

3 Bond Principle per current restructuring schedule

4 Fixed Interest obligations under 2003 bonds (3.67%), 2007 bonds (3.57%), and short term note (3.5%)

5 Variable interest obligation under 2003 bonds (1.75%) and 2007 bonds (1.90%) through March 2013. At that point the variable rate must be renegotiated.
Model shows a 60 basis point reduction (0.60%) in variable interest rates over the life of the bonds (starting in 2013).

6 Available cash after bond obligations based on hypothetical rates.

7 Convention Center Operating Expenses incurred by Interstate. Projected through 2015, then assumes a 1.9% increase per year.

8 LCCCA Operational Expenses

9 FF&E requirements.

10 Available cash suplus/deficit after bond obligations, operational expenses, and FF&E reserves.

11 Surplus based on hypothetical assumptions listed above.

Lancaster County Convention Center Authority (LCCCA) **MODEL 5** APPENDIX C5

Summary Worksheet - Projected Cash Flow for Bond Debt & Expenses

HRRT = 3.9%, B&Bs pay HRRT 1.25% growth rate and 100 BP Reduction

	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	2042-2047	Totals
Sources of Cash:												
Hotel Room Revenue Tax [1]	$4,952,355	$5,014,260	$5,076,938	$5,140,400	$5,204,655	$27,015,563	$28,746,780	$30,588,934	$32,549,140	$34,634,959	$44,504,026	$223,428,010
Interest Income [2]	$218,500	$218,500	$218,500	$218,500	$218,500	$1,092,500	$711,820	$616,650	$616,650	$616,650	$739,980	$5,486,750
Indenture Required Uses:												
Principle [3]	$0	$375,000	$375,000	$370,000	$410,000	$2,860,000	$4,530,000	$6,735,000	$9,635,000	$13,000,000	$26,050,000	$64,340,000
Fixed Bond Interest [4]	$2,336,083	$2,336,083	$2,323,833	$2,309,833	$2,296,254	$11,217,397	$10,576,982	$9,592,688	$8,155,516	$6,127,474	$3,294,754	$60,566,897
Variable Interest [5]	$1,030,495	$512,805	$512,805	$512,805	$509,330	$2,496,225	$2,365,350	$2,164,200	$1,870,500	$1,456,050	$826,230	$14,256,795
Cash after Debt Service [6]	$1,804,277	$2,008,872	$2,083,800	$2,166,262	$2,207,571	$11,534,441	$11,986,268	$12,713,696	$13,504,774	$14,668,085	$15,073,022	$89,751,068
Indenture Permissible Uses:												
LCCC Operations (IHR) [7]	$886,006	$827,164	$819,722	$835,297	$851,167	$4,504,653	$4,949,169	$5,437,549	$5,974,122	$6,563,644	$8,736,848	$40,385,341
LCCCA Operations [8]	$432,996	$446,934	$460,329	$474,139	$488,361	$2,675,970	$3,095,934	$3,574,047	$4,160,694	$4,823,385	$6,812,582	$27,445,371
FF&E Requirements [9]	$200,000	$300,000	$400,000	$700,000	$700,000	$4,500,000	$5,800,000	$6,000,000	$6,000,000	$6,300,000	$7,800,000	$38,700,000
Subtotal [10]	$285,275	$434,774	$403,749	$156,826	$168,043	-$146,182	-$1,858,835	-$2,297,900	-$2,630,042	-$3,018,944	-$8,276,408	-$16,779,644
Cumulative [11]	$285,275	$720,049	$1,123,798	$1,280,624	$1,448,667	$1,302,485	-$556,350	-$2,854,250	-$5,484,292	-$8,503,236	-$16,779,644	

1 Hotel Room Revenue Tax (HRRT, currently 3.9%) collected by hotels & B&Bs and remitted to County Treasurer. Worksheet shows annual growth rate of 1.25%
In this model the PDCVB will receive a portion of the HRRT in the early years only, but this amount would be insignificant.
2 Interest Income earned on the Debt Service Reserve Fund.
3 Bond Principle per current restructuring schedule
4 Fixed Interest obligations under 2003 bonds (3.67%), 2007 bonds (3.57%), and short term note (3.5%)
5 Variable interest obligation under 2003 bonds (1.75%) and 2007 bonds (1.90%) through March 2013. At that point the variable rate must be renegotiated.
Model shows no change in variable interest rates over the life of the bonds.
6 Available cash after bond obligations based on current rates.
7 Convention Center Operating Expenses incurred by Interstate. Projected through 2015, then assumes a 1.9% increase per year.
8 LCCCA Operational Expenses
9 FF&E requirements.
10 Available cash suplus/deficit after bond obligations, operational expenses, and FF&E reserves.
11 Deficit based on hypothetical assumptions listed above.

Lancaster County[SM]

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