



March 7, 2005

Ms. Patrice B. Dixon
President, Board of Directors
School District of Lancaster
135 North Marshall Street
Lancaster, Pennsylvania 17602

Dear Ms. Dixon:

In an effort to help facilitate the understanding of the financial projections for the Lancaster Marriott at Penn Square, you will find enclosed information from the market study conducted by Hospitality Valuation Services (HVS International) for Penn Square Partners. It should be noted that the HVS feasibility study was used by Penn Square as a starting point for our creation of the current financial projections, which you previously received. This study by HVS was conducted before the decision to expand the Lancaster County Convention Center Exhibit Hall size, and in order to more fully integrate the use of the Watt & Shand building. The integrated use of this building was done as a means of reducing initial costs of construction for both the hotel and convention center portions of the project and should, if anything, improve the performance of the facility over the assumptions reached by HVS. The expansion of the exhibit hall and the addition of several years of construction cost escalation explain the difference between the projected cost of construction in the HVS report and the current projected cost of construction of \$129 million.

It should also be noted that Penn Square Partners has continued to update the projected financial performance of the market, as well as our proposed Marriott Hotel, and that these refinements have been done in concert with our hotel operating manager, Interstate Hotels. As a result of these refined financial projections, our current projections do not mirror those contained in the HVS feasibility study, but they are based on the same sources of information used by HVS at an earlier date.

On pages 24 and 25 of the feasibility study, you will note that the projected room nights generated by the Convention Center activities will approach 45,150 per year. This stands in sharp contrast to Dr. Sanders projection of 10,000 to 15,000 room nights. We disagree with Dr. Sanders assumption that the average length of stay for conventioners attending shows would be only one evening, and we certainly disagree with his conclusion that there will be no overnight stays associated with those attending other activities at the Convention Center.

As previously noted, the performance of the existing hotels in the market has been updated based on new Smith Travel Research reports, the most recent being the report showing activity through December 2004. It should be noted that the 2004 performance of the five top competitors for our hotel was stronger than the HVS forecast for 2004 when their report was completed. In addition, those five hotels rate of growth in Average Daily Rate has also outperformed the national average, as reported by PKF Consulting and Hospitality Research Group. Therefore, our competitive subset of hotels has outperformed the national average and the broader Lancaster market in occupancy and Average Daily Rate.

We would welcome the opportunity to meet with anyone from your organization desiring to better understand the information contained in the feasibility study or the summary of financial projections for the Lancaster Marriott at Penn Square that was previously supplied to you.

Sincerely,

A handwritten signature in dark ink, appearing to read "Nevin D. Cooley".

Nevin D. Cooley
President

Penn Square General Corporation

Post Office Box 10008 ♦ Lancaster, Pennsylvania 17605-0008