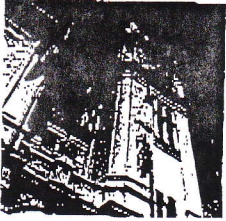


City of Lancaster

October 18, 2000



Mr. Thomas D. Smithgall
Senior Vice President
High Real Estate Group
1853 William Penn Way
PO Box 10008
Lancaster, PA. 17605-0008

Office of Mayor
Charles W. Smithgall

RE: Penn Square Center
Hotel Development

Dear Mr. Smithgall:

As a follow-up to our on-going discussions, I wanted to reduce to writing our understanding of the City's desire to participate in the capital structuring for the proposed hotel development at the Watt & Shand building.

As we all realize, this type of real estate development requires both the private and public sectors to come together in unison to invest for the future of Lancaster City. We, as a community, have made significant and visible progress with this effort. The County has formed the entity and funding mechanism whereby the convention center can become a reality. The State government, through the Governor's office, has supported the convention center with a \$15 million Capital Budget grant. Our local legislators have fostered financial support for the hotel development through the grant/loan process with the Redevelopment Authority of the City of Lancaster. And now, the City of Lancaster would like to assist the hotel development by becoming the final financial linchpin to the common goal of building a first class hotel and convention center in downtown Lancaster.

When we last met, we outlined a few financial structures whereby the City could participate in making the hotel and convention center project at the Watt & Shand building a reality. We discussed the magnitude of this involvement being \$5 million. I indicated that, as Mayor, the City would commit to making this a reality. You understand that the details for this commitment have yet to be developed, but that you

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