

QUALIFIED CONVENTION CENTER MANAGEMENT AGREEMENT

for

THE LANCASTER COUNTY CONVENTION CENTER

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between

LANCASTER COUNTY CONVENTION CENTER AUTHORITY

Authority

and

INTERSTATE HOTELS COMPANY

Manager

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January 23, 2002

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## QUALIFIED CONVENTION CENTER MANAGEMENT AGREEMENT

(The Lancaster County Convention Center)

This Qualified Convention Center Management Agreement (this "QMA") is made as of the 23<sup>rd</sup> day of January, 2002, between the **LANCASTER COUNTY CONVENTION CENTER AUTHORITY**, a body politic and corporate existing under the laws of the Commonwealth of Pennsylvania, as the Authority, and **INTERSTATE HOTELS COMPANY**, a Delaware corporation, as Manager.

### WITNESSETH:

WHEREAS, the Authority is the owner of certain land located in the City of Lancaster, Pennsylvania (the "Land") described in Exhibit A attached hereto;

WHEREAS, the Authority seeks to develop a convention center on or about the Land to attract and book, regional and state conventions, meetings and trade shows and to attract other visitors to, and promote the economic development of, the City of Lancaster and Lancaster County; and

WHEREAS, Manager is experienced in the management and operation of hotels and convention facilities, directly or through affiliated entities; and

WHEREAS, Manager and Penn Square Partners (the "Hotel Owner") have entered into a Management Agreement, dated January 5, 2001 (as has been and may be amended from time to time, the "Hotel Management Agreement"), pursuant to which Manager will manage and operate an approximately 294-room hotel to be built on land adjacent to the Convention Center (the "Hotel")

WHEREAS, although the Hotel and the Convention Center will be operated as separate business enterprises (Manager operating the Convention Center on behalf of the Authority and Manager operating the Hotel on behalf of the Hotel Owner), they will be constructed in a manner such that they are physically joined, with reciprocal easements between them, and with certain shared systems, equipment and facilities, so that both facilities may be efficiently and effectively operated;

WHEREAS, the Authority desires to have the new convention center managed and operated by Manager for the Authority in accordance with the terms and conditions and subject to the limitations contained in this QMA; and

WHEREAS, the Authority and Manager have entered into this QMA with the intent of complying with U.S. Internal Revenue Service Revenue Procedure 97-13 (as amended from time to time, "Procedure 97-13"), to the extent applicable.

NOW, THEREFORE, the Authority and Manager, intending to be legally bound, covenant and agree as follows:

**ARTICLE 1**  
**DEFINITIONS, TERMS AND REFERENCES**

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

Accounting Period shall mean each of twelve (12) accounting periods of one (1) calendar month occurring each Fiscal Year.

Affiliate shall mean any parent, subsidiary, affiliated or related corporation or other entity of Manager or the Authority, or any officer, director, employee or stockholder of Manager or the Authority or of any said parent, subsidiary, affiliated or related corporation or other entity, except a stockholder owning less than ten percent (10%) of the issued and outstanding stock of Manager or the Authority or of such parent, subsidiary, affiliated or related corporation or other entity.

Agency Account shall mean a special account or accounts, bearing the name of the Convention Center, established by Manager in a bank or trust company selected by Manager and Approved by the Authority.

QMA shall mean this Qualified Convention Center Management Agreement, as it may be amended, modified or supplemented from time to time.

Annual Operating Projections shall mean schedules containing the annual operating projections for the Convention Center and certain other matters prepared and submitted by Manager to the Authority pursuant to Section 5.1.

Approval or Approved shall mean prior written approval which, except as herein otherwise provided, shall not be unreasonably withheld or delayed.

Authority shall mean the Lancaster County Convention Center Authority.

Booking Policy shall mean the policies established from time to time by the Authority in conjunction with the Hotel Owner, establishing booking priorities. The current proposed Booking Policy is set forth in that certain Outline of Booking Policy and Room Block Agreement for the Lancaster County Convention Center executed by the Authority and the Hotel Owner on December 20, 2001.

Capital Expenditures shall mean expenditures for non-routine repairs, alterations, maintenance, and refurbishment to the Convention Center 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.

Concession Agreement shall mean that certain Food and Beverage Concession Agreement, dated December 20, 2001, entered into between the Authority and the Hotel Owner.

Commencement Date shall mean (i) the date on which the Convention Center has been completed in accordance with the plans and specifications Approved by the Authority and

Manager and the facilities of the Convention Center are ready for occupancy or (ii) if applicable, the date on which the Convention Center is deemed to have been placed in use under Procedure 97-13.

Convention Center means the planned meeting space complex to be developed on the Land which shall include, without limitation, approximately 160,000 to 180,000 gross square feet of space, including a grand ballroom, a junior ballroom, exhibit space, meeting rooms, support pre-function and circulation areas and supporting back-of-house areas and related furniture, fixtures, operating supplies and equipment.

Consumer Price Index or CPI shall mean the Consumer Price Index-All Urban Consumers (CPI-U)/All Items, Not Seasonably Adjusted, 1982-84=100, for the Northeast Region, as published by the United States Department of Labor Statistics, for the applicable comparison period. If the CPI shall cease to use 1982-84 as the base year, the CPI shall be converted in accordance with the conversion factor, if any, published by the United States Department of Labor, Bureau of Labor Statistics. If the CPI is discontinued or revised during the term of this Agreement, such other governmental index or computation, if any, with which it is replaced shall be used. If no conversion factor is supplied by the United States Department of Labor, Bureau of Statistics, either for a new base year or a new index, the parties shall agree upon a conversion factor for the CPI to be used.

Event of Default shall mean any of the events described in Article 12.

FF&E shall mean furniture, furnishings, light fixtures, equipment, food service equipment and all other items of personal property customarily installed in or used in connection with the operation of the Convention Center.

Fiscal Year shall mean a calendar Fiscal Year starting on January 1 and ending on December 31 or portion thereof depending upon the Commencement Date (as defined above) and the date of termination (as determined in accordance with Article 4 hereof).

Gross Operating Profit shall mean the positive or negative difference, if any, between Gross Revenues for any Fiscal Year and Operating Expenses for such Fiscal Year.

Gross Revenues shall mean all revenues, receipts and income of any kind derived directly or indirectly from or in connection with the operation and promotion of the Convention Center (including but not limited to facility or equipment rentals, payments from licensees or concessionaires, box office sales, utility rental agreements, payments for advertising and signage), whether on a cash basis or credit, paid or collected, determined in accordance with generally accepted accounting principles and the Uniform System excluding, however: (i) working capital or other funds furnished by the Authority, (ii) federal, state and municipal excise, sales and use taxes collected directly from patrons and guests or as part of the sales price of any foods, services or displays, such as gross receipts, admissions, cabaret or similar or equivalent taxes and paid over to federal, state or municipal governments, (iii) gratuities, (iv) interest or other investment income; and (v) proceeds of insurance and condemnation except for proceeds of business interruption insurance.

Group Services shall mean certain services best provided to the Authority and Manager's Affiliates on a group rather than on an individual basis, the cost of which Group Services shall be without mark-up or profit and shall be allocated on a fair and equitable basis

among the Authority and Manager's Affiliates benefiting therefrom in the manner described in the Annual Operating Projection. The Group Services may include: (a) payroll processing through ADP or a successor processor engaged by Manager, (b) MIS or IT support services; (c) recruiting and relocation in accordance with Manager's Affiliates' Relocation Plan; (d) training; and (e) such other services as Manager may propose in writing, and subject to, the Authority's Approval.

Hotel shall mean the full-service hotel, having approximately two hundred and ninety-four (294) rooms, to be developed by Hotel Owner on or about land adjacent to the Land.

Independent Auditor shall mean a reputable firm of independent certified public accountants having appropriate experience and Approved by the Authority.

Inventories shall mean "inventories of merchandise" and "inventories of supplies" as defined in the Uniform System (as defined herein), such as food and beverage inventories, paper products, menus, expendable office and kitchen supplies, fuel, cleaning supplies, reserve stocks and similar items all necessary to the operation of the Convention Center.

Joint Development Agreement shall mean that certain agreement, dated December 20, 2001, entered into between the Authority and the Hotel Owner pertaining to the joint development, construction and management of the Convention Center and the Hotel.

Land shall mean the tracts or parcels of land upon which the Convention Center will be located, as described on Exhibit "A" attached hereto, together with all rights, privileges, members licenses and easements appurtenant to such tracts or parcels.

Leased Space shall mean that certain portion of the Convention Center that is leased by the Authority to the Hotel Owner.

Management Term shall mean the term of this QMA as established under Section 4.1.

Manager shall mean Interstate Hotels Company, a Delaware corporation.

Manager's Base Fee shall have the meaning ascribed to such term in Section 8.2.

Manager's Incentive Fee shall have the meaning ascribed to such term in Section 8.3.

Operating Expenses shall mean any and all expenses reasonably incurred by Manager in the operation and maintenance of the Convention Center including, without limitation, operating expenses allocated to the Convention Center pursuant to the REOU Agreement, salaries and employee expense and taxes of employees of the Convention Center (or for Shared Employees, the allocated salaries and employee expense and taxes pursuant to the REOU Agreement or as otherwise agreed to among the Authority, Hotel Owner and Manager), including reasonable salaries, wages, bonuses and other compensation and benefits (which shall include, but not be limited to, life, medical and disability insurance and retirement benefits); expenditures for ordinary and non-structural repairs and maintenance necessary to maintain the Convention Center in good operating condition and in compliance with the Quality Standards; expenditures for utilities, insurance, governmental fees and assessments, laundry



service; the cost of Inventories and Operating Supplies, license fees; expenditures for advertising, marketing, reservation systems, if any, federal, state and municipal excise, sales and use taxes, except those collected directly from patrons as part of the sales price of any goods, services or displays, such as gross receipts, admissions, cabaret or similar or equivalent taxes and paid over to federal, state or municipal governments; Manager's Base Fee; and rentals paid for items leased in the day-to-day operation of the Convention Center. Operating Expenses specifically excludes, however, (i) Capital Expenditures (as defined herein), (ii) operating expenses of the Authority, (iii) interest expense, (iv) amortization expense, and (v) depreciation expense and (vi) Manager's Incentive Fee, all as determined in accordance with the Uniform System (as defined herein); all determined in accordance with the Uniform System. No part of Manager's central office overhead or general or administrative expense (as opposed to that of the Convention Center) shall be deemed to be a part of Operating Expenses. Notwithstanding the foregoing, the following shall be considered Operating Expenses and the Authority shall reimburse Manager for: (i) the salaries or wages of any officers, directors or employees of Manager or Manager's Affiliates who shall be regularly or temporarily employed or assigned on a full-time basis at the Convention Center; (ii) personnel providing legal services to Manager in connection with matters involving the Convention Center, which services shall be charged at rates which approximate Manager's Affiliates' costs associated with such personnel; (iii) the out-of-pocket expenses of Manager incurred for the account of or in connection with the Convention Center operations for reasonable travel expenses of employees, officers and other representatives and consultants of Manager and its Affiliates, but specifically excluding any charges for fax, telephone, copying, overnight delivery and postage; and (iv) Group Services; provided, that the reimbursement for the Group Services described above to the extent the costs thereof to the Convention Center are based on an allocation of Manager's overhead shall be limited to the lesser of (i) the fair and equitable allocation of such costs pursuant to Manager's policies and standards or (ii) Seven Hundred Fifty Dollars (\$750.00) per month (for the year 2002) adjusted annually (beginning as of January 1, 2003) by the increase in the CPI (but not less than zero). The Authority and Manager acknowledge and agree that certain expenses incurred for the Hotel and the Convention Center, as an integrated project, shall be allocated equitably between the Hotel and the Convention Center as set forth in the REOU Agreement, or as otherwise agreed to among the Authority, Hotel Owner and Manager.

Operating Supplies shall mean all chinaware, glassware, linens, silverware, uniforms, utensils and other similar items necessary to the operation of the Convention Center.

Operations Manual shall mean that series of documents describing the services, rental rates, activities, policies, rules and regulations for use and operation of the Convention Center, as more fully described in Section 2.8.

PDCVB shall mean Pennsylvania Dutch Convention Visitors Bureau.

Quality Standards shall have the meaning ascribed to such term in Section 2.6.

REOU Agreement shall mean that certain Reciprocal Easement, Operating and Use Agreement, dated December 20, 2001, entered into between the Authority and Hotel Owner pertaining to the integration of the Hotel and the Convention Center and the allocation of certain expenses between the Hotel and the Convention Center.

Shared Employees shall mean those salaried or hourly employees of the Hotel providing services to the Convention Center on a permanent or temporary basis pursuant to the REOU Agreement or as agreed to by the Authority, Hotel Owner and Manager.

Substantial Part of the Convention Center means ten percent (10%) or more of the gross square footage of the Convention Center or any portion of the Convention Center or the land on which it is situated necessary for reasonable access to the Convention Center.

Uniform System shall mean the Uniform System of Accounts for the Lodging Industry (9<sup>th</sup> Revised Edition, 1996) as published by the American Hotel/Motel Association, as the same may hereafter be revised and as modified by the applicable provisions of this QMA or as otherwise agreed to by the Authority and Manager in order to reflect the operations of the Convention Center.

1.2 Terminology. All personal pronouns used in this QMA, whether used in the masculine, feminine or neuter gender, shall include all genders; the singular shall include the plural, and the plural shall include the singular. The Table of Contents, and titles of Articles, Sections, Subsections and Paragraphs in this QMA are for convenience only and neither limit nor amplify the provisions of this QMA, and all references in this QMA to Articles, Sections, Subsections, paragraphs, clauses, subclasses, exhibits, addenda or riders shall refer to the corresponding Article, Section, Subsection, paragraph, clause or subclause of, or exhibit, addendum or order attached to this QMA, unless specific reference is made to the articles, sections or other subdivisions of, or exhibits, addenda or riders to, another document or instrument.

1.3 Exhibits, Addenda and Riders. All exhibits, addenda and riders attached hereto are by reference made a part hereof.

## ARTICLE 2 ENGAGEMENT OF MANAGER

2.1 Operation of Convention Center. The Authority hereby authorizes and engages Manager as its exclusive agent to act as the operator and manager of the Convention Center during the Management Term, with exclusive responsibility and complete and full control and discretion in the operation, direction, management and supervision of the Convention Center, subject only to the limitations expressed herein, and Manager hereby accepts such engagement subject to the terms and conditions expressed in this QMA. To the extent applicable, Manager's actions under this QMA shall at all times be consistent with Procedure 97-13 (or such other restrictions, rules or regulations that, in the reasonable opinion of the Authority's tax counsel, are required to ensure the tax-exempt status of the Convention Center's financing). The authority of Manager shall include the use of the Convention Center for public purposes, and without limiting the generality of the foregoing, Manager is hereby authorized, and shall be obligated, to:

(a) Determine all terms for admittance and charges for rooms, facilities, commercial space, if any, equipment rental, telecommunications services, audiovisual equipment, labor and other amenities and services provided at or with respect to the Convention Center.

(b) Subject to the Authority providing to Manager copies thereof, administer and cause compliance with the obligations of the Convention Center under the following agreements:

- (i) REOU Agreement;
- (ii) Booking Policy;
- (iii) Concession Agreement;
- (iv) Parking Agreement among the Authority, Hotel Owner and the Lancaster Parking the Authority;
- (v) Hotel Facilities Lease for the Leased Space;
- (vi) Joint Development Agreement; and
- (vii) any other agreement entered into between the Authority and Hotel Owner, so long as a copy of such agreement is provided to Manager.

(c) In accordance with the Operations Manual, determine all credit policies with respect to the operation of the Convention Center, including entering into policies and agreements with credit card organizations.

(d) In accordance with the Operations Manual, establish entertainment and amusement policies (including pricing) with respect to the Convention Center.

(e) Provide event management, including, but not limited to, crowd control, security, box office supervision, admission procedures and servicing of users such as conventions, trade shows, exhibitors and entertainment.

(f) Administer, assure compliance with, and direct the performance of all agreements pertaining to the use of the Convention Center, and services provided by and for the Convention Center, including the collection of all sums due from users and the general public for the rental and use of and admissions to the Convention Center.

(g) In accordance with the Operations Manual, establish catering and food and beverage policies (including pricing) with respect to the Convention Center.

(h) In accordance with the Approved Annual Operating Projection, determine all labor policies, including wages and salary rates and terms, fringe benefits, pension, retirement, bonus and employee benefit plans, collective bargaining agreements and the hiring or discharge of all employees (including Shared Employees), with respect to the Convention Center; provided, however, the Authority shall have the right to have a representative present at any time during Manager's negotiations with any labor union lawfully entitled to represent employees of the Convention Center and Manager shall not enter into any collective bargaining agreements with respect to employees of the Convention Center without the Approval of the Authority.

(i) Subject to Section 2.9 hereof, arrange for utility, telephone, extermination, security, trash removal and other services for the operation of the Convention Center.

(j) In consultation with the Authority and the PDCVB, coordinate and, when appropriate, implement all sales, advertising, public relations and promotional policies with respect to the Convention Center.

(k) Subject to Section 2.9 hereof, purchase all Inventories and all necessary additions to and replacements of Operating Supplies, FF&E and such other services and merchandise as are necessary for the proper operation of the Convention Center.

(l) In accordance with the Operations Manual and subject to Section 2.9 hereof, enter into such concession agreements and other undertakings as Manager shall from time to time consider appropriate for the operation of the Convention Center.

(m) Subject to the Approved Annual Operating Projection, hire such persons or organizations as Manager may deem necessary to provide advice with respect to Manager's operation of the Convention Center, including attorneys, accountants and other professionals and specialists provided, however, (i) excluding attorneys engaged by insurers in accordance with applicable insurance policies, the Authority's Approval shall be required to engage attorneys and (ii) the Authority hereby Approves engaging the attorneys listed on Exhibit B attached hereto.

(n) Cause all needed repairs and maintenance to be made to the Convention Center and cause all such other things to be done in or about the Convention Center as shall be necessary to comply with all requirements of governmental authority, boards of fire underwriters and other bodies exercising similar functions.

(o) Institute proceedings for the collection of rents and other amounts due for services rendered, property let or merchandise sold.

(p) Execute and administer contracts for all events, including food and beverage services, at the Convention Center.

(q) In accordance with the Operations Manual, establish and maintain the master set of all booking records and schedules for the Convention Center (such records and schedules shall be provided to the Authority and to such third parties as directed by the Authority, at any time upon reasonable notice of request, and shall remain the property of the Authority).

(r) Subject to the Authority providing sufficient funds therefore, use commercially reasonable efforts to maintain the liquor licenses necessary for the operation of the Convention Center.

(s) Coordinate with operations of the Hotel in order to take advantage of cost efficiencies.

2.2 Pre-Opening Management Services. Prior to the Commencement Date, Manager and its Affiliates shall provide certain pre-opening management and marketing activities ("Pre-Opening Management Services") and technical consulting services ("Technical Services") to the Authority in anticipation of Manager assuming management of the Convention Center. The Pre-Opening Management Services will begin on a date ("Pre-Opening Management Services Beginning Date") to be mutually agreed upon between the Authority and Manager, but not less than twenty-four (24) months prior to the anticipated Commencement Date. In consideration for such Pre-Opening Management Services and Technical Services, the Authority shall pay Manager the Pre-Opening Management Services Fee and the Technical Services Fee as set forth in Section 8.1 of this QMA.

A. Pre-Opening Management Services. The scope of the Pre-Opening Management Services is described on Exhibit C attached hereto. Manager shall provide to the Authority a Pre-Opening Budget for the expenditures to be incurred by Manager for the Pre-Opening Management Services for the Authority's Approval not less than sixty (60) days prior to the Pre-Opening Management Services beginning date. Once the Pre-Opening Budget is Approved by the Authority, all expenses incurred in connection with the Pre-Opening Management Services and the Pre-Opening Budget (including expenses relating to Shared Employees and expenses allocated in accordance with the REOU Agreement) shall be paid by the Authority and advanced to Manager in accordance with a monthly cash forecast of such expenses prepared by Manager. These expenses shall not exceed those amounts set forth in the Pre-Opening Budget; provided, however, in the event either party anticipates a delay in the Commencement Date, or in the event of unforeseen circumstances requiring revision of the Pre-Opening Budget, Manager shall advise the Authority regarding any additional expenses as a result thereof by submitting such revisions to the Authority for its Approval and shall use commercially reasonable efforts to limit such additional expenses. In addition, everything done by Manager in the performance of its obligations and all expenses incurred by Manager in providing the Pre-Opening Management Services shall be for, and on account of, the Authority. Neither Manager nor any of its Affiliates shall be obligated to advance any of its or their own funds, and, subject to the limitations set forth above, the Authority shall reimburse Manager for all of the costs and expenses incurred by Manager in connection with the Manager's performance of the Pre-Opening Management Services including, but not limited to salaries, recruiting, relocation, employee benefits, insurance (including workers compensation) for Convention Center Employees (or, for Shared Employees, the allocated salaries, recruiting, relocation, employee benefits and insurance expenses pursuant to the REOU Agreement or as otherwise agreed to among the Authority, Hotel Owner and Manager), reasonable travel, marketing, advertising, public relations, temporary offices and other out-of-pocket expenses incurred by Manager, but specifically excluding any charges for fax, telephone, copying, overnight delivery and postage. Manager shall not charge Manager's corporate overhead as part of Pre-Opening Management Services.

B. Technical Services. The Authority or its designee may engage one or more of Manager's Affiliates to perform technical services in connection with the planning, development, construction, outfitting and opening of the Convention Center, which proposed services are more fully described on Exhibit D attached hereto (the "Technical Services"). If the Authority or its designee does request such services, the Authority shall pay such Affiliates at the hourly rate set forth in Section 8.1(B) hereof and all out of pocket expenses including reasonable travel, hotel accommodations, meals, local transportation, and other out of pocket costs incidental to performing the Technical Services.

### 2.3 Employees of the Convention Center.

- A. Manager shall have the sole right to select, appoint, train and supervise the personnel necessary for the proper operation, maintenance and security of the Convention Center.
- B. Manager shall use reasonable efforts to recruit as many employees as possible that are full-time residents of the City of Lancaster or Lancaster County.

- C. All personnel of the Convention Center shall be employees of Manager or an Affiliate and the terms of their employment and all hiring and firing thereof shall be at the sole discretion of Manager.
- D. Manager acknowledges that the Authority and the Hotel Owner have agreed in the REOU Agreement that, in the event that the Convention Center and the Hotel 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 the Hotel Owner and the Authority. Such joint Approval shall be as provided in the Hotel Management Agreement.
- E. Without the Approval of the Authority, Manager shall not enter into any employment contract with employees who are not Shared Employees that provide for a guarantee of employment or a severance payment beyond three (3) months of compensation. The Authority shall have five (5) business days from the time the contract requiring Approval is submitted to the Authority to either approve or disapprove the contract. If the Authority fails to respond within such time period, the contract shall be deemed Approved.
- F. In establishing compensation levels for employees, Manager agrees to perform wage and compensation surveys on at least an annual basis, which surveys shall include comparable local and regional convention and conference centers. Such surveys shall be made available to the Authority upon request.

2.4 Name. During the term of this QMA, the Convention Center shall at all times be known and designated by such name as from time to time may be Approved by the Authority.

2.5 Operation at the Authority's Expense. Subject to the limitations with respect to the Pre-Opening Budget as set forth in Section 2.2(A) hereof, all expenses incurred by Manager in performing its duties hereunder shall be borne by the Authority. To the extent the funds necessary therefor are not generated by the operation of the Convention Center, they shall be supplied by the Authority to Manager. Manager shall in no event be required to advance any of its own funds for the operation of the Convention Center, nor to incur any liability in connection therewith unless the Authority shall have furnished Manager with funds necessary for the discharge thereof. If Manager shall at its sole option at any time advance any funds in payment of Operating Expenses or any other expenditure, which Manager shall have the right but not the obligation to do, the Authority shall repay Manager immediately the amount thereof on demand. Any amounts thus advanced and expended by Manager shall be Operating Expenses, but the amounts paid by the Authority in reimbursement to Manager shall not.

2.6 Quality Standard. Unless otherwise Approved by Manager and the Authority, the Convention Center shall be maintained in accordance with the Quality Standard as defined in the REOU Agreement. The Authority acknowledges that Manager's obligation to maintain such standard on behalf of the Authority is subject to the Authority providing sufficient funds therefor.

2.7 Booking Policy. The parties recognize that the interest of the Authority requires a booking policy that takes into account not only those events which generate substantial direct revenue for the Convention Center, but also takes into account those events which produce less direct revenue, but generate significant peripheral economic benefits in the form of City and Countywide hotel utilization, increased tourist revenues, and provide a stimulus to the general economy of the City of Lancaster and Lancaster County. Manager agrees to use its commercially reasonable best efforts to market, promote and operate the Convention Center consistent with the Booking Policy.

2.8 Operations Manual. Manager shall prepare (as part of Pre-Opening Management Services) and periodically update an Operations Manual for Approval by the Authority. Following Approval of the initial Operations Manual, and any updates thereto, Manager shall implement the Operations Manual. The Operations Manual shall contain standard forms of agreements, schedules of rates and fees, booking policies, contract services and preferred vendor lists. The Operations Manual shall also contain other policies related to use and operation of the Convention Center including, but not limited to, insurance requirements, food & alcoholic beverage service, routine repairs, janitorial services, fire prevention and security guidelines.

2.9 Contracts. In carrying out its responsibilities under this QMA, Manager will, in the ordinary course of business, negotiate and enter into contracts, subcontracts and vendor agreements (in the name of Manager as agent for the Authority) pertaining to the use and occupancy of the Convention Center, as well as relating to Convention Center operations. Manager shall maintain a current list of all approved vendors providing services at the Convention Center for the Authority's review.

2.9.1 All vendors of services to be performed at the Convention Center, whether subcontracted by Manager or contracted directly between a user and a vendor Approved by Manager (e.g. decorators, etc.) must conform to the requirements of this QMA and any other requirements established from time to time by the Authority and Manager.

2.9.2 Manager shall not, without the Authority's Approval:

(a) Enter into any service contract or vendor agreement which extends beyond the term of this QMA, unless cancelable on thirty (30) days notice without penalty; or

(b) Enter into any lease, license or concession agreement for convention facilities, office space or tenant or lobby space at the Convention Center unless the term is one (1) year or less; or

(c) Purchase goods, supplies and services from itself or an Affiliate unless the prices and terms thereof are competitive with those obtainable from unrelated vendors or are the subject of competitive bidding; or

(d) Enter into any contract that contemplates, entails or relates to any rebate, discount, bonus or other remuneration not accruing to the Authority's account (in obtaining the Authority's Approval, Manager agrees to disclose to the Authority in writing such affiliations, interests and rebate or national vendor programs and comparative costs to the Authority and quality factors).

2.9.3 Manager shall select vendors based upon the best combination of cost to the Authority and quality of goods and services available to the Convention Center.

2.9.4 Manager shall require that proper Certificates of Insurance evidencing general liability, automobile, bodily injury, property damage, death and workers compensation coverage shall be furnished, with copies to the Authority, and require that all policies be kept enforced during the term of the Agreement, by all vendors, concessionaires, subcontractors and service

providers in the minimum amounts set forth in the Operations Manual. All such policies shall name the Authority, the Commonwealth of Pennsylvania, and Manager as additional insureds as their respective interests may appear.

2.9.5 Manager shall provide at least fifteen (15) days prior written notice to the Authority of any written agreement (excluding the Hotel Management Agreement) to be entered into between Manager and the Hotel Owner.

2.9.6 In soliciting bids and quotes and in entering into contracts with respect to the Convention Center, Manager shall comply with all applicable public bidding law requirements.

2.10 Joint Contract Services. The Authority and Manager acknowledge that certain service contracts or vendor agreements may be entered into on a combined basis with those of the Hotel in order to consolidate purchasing, maximize utilization, and create efficiency of such operations in the Convention Center. Such service contracts or vendor agreements which are entered into on a joint basis with the Hotel and the Authority shall also be subject to Section 2.9 hereof (including, without limitation, the notice requirements of sub-section 2.9.5).

### **ARTICLE 3 COMPLIANCE WITH LAWS**

3.1 Compliance by Manager and the Authority After Commencement Date. Manager shall make all reasonable efforts, at expense of the Authority, to comply with all laws, rules, regulations, requirements, orders, notices, determinations and ordinances of any governing authority, including, without limitation, the state and local liquor authorities, the Board of Fire Underwriters and the requirements of any insurance companies covering any of the risks against which the Convention Center is insured ("Legal Requirements"). If the cost of compliance exceeds Two Thousand Five Hundred Dollars (\$2,500) in any instance, Manager shall promptly notify the Authority, and the Authority shall act in a manner consistent with prudent business judgment with respect to providing adequate funds to comply with applicable Legal Requirements subject to Section 3.2 hereof.

3.2 The Authority's Right to Contest or Postpone Compliance. With respect to a violation of any Legal Requirements, the Authority shall have the right to contest the alleged violation and postpone compliance pending the determination of such contest, if so permitted by law and not detrimental to the operation of the Convention Center, but in such event, the Authority shall indemnify and hold harmless Manager from any loss, cost, damage or expense incurred by Manager, as a result thereof, not directly caused by Manager or Manager's Affiliates, and Manager shall indemnify and hold harmless the Authority from any loss, cost, damage or expense in connection therewith directly caused by Manager or Manager's Affiliates.

3.3 Manager's Right to Terminate Agreement. Notwithstanding anything in this QMA to the contrary, if, within thirty (30) days of receiving Manager's written request and all information necessary for proper evaluation of the matter, the Authority fails to approve plans for reasonable accommodation of changes, repairs, alterations, improvements, renewals or replacements to the Convention Center which Manager determines in its reasonable judgment as explained in the written materials submitted to the Authority are necessary to (i) protect the Convention Center, the Authority and/or Manager from innkeeper liability exposure; or (ii) ensure material compliance with any applicable Legal Requirements pertaining to life safety systems



requirements; then Manager may, notwithstanding the provisions of Article 4, terminate this QMA any time after such thirty (30) day period upon twenty (20) days' written notice, provided if the Authority is exercising its right to contest as provided in Section 3.2 above, Manager shall have no right to terminate as long as such contest postpones the need for compliance.

#### **ARTICLE 4 MANAGEMENT TERM; EXTENSION; TERMINATION**

**4.1 Management Term.** The Management Term shall commence on the Commencement Date and shall continue thereafter until the date on which the tenth (10th) annual anniversary of the Commencement Date occurs, subject to early termination as provided in Section 4.2 hereof (the "Initial Term"). Thereafter, this QMA may be renewed if the parties agree to such renewal for one (1) renewal period of five (5) years (a "Renewal Term"), but shall not renew, unless Manager and the Authority mutually agree in writing to renew. For the purposes of this QMA, the "Management Term" of this QMA shall mean the Initial Term and any applicable Renewal Term.

**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:

(a) 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.

(b) Upon at least thirty (30) days prior written notice to the other party, if (i) the Convention Center is damaged or destroyed by fire or another casualty and the Authority is relieved of its obligation to repair, restore, replace or rebuild the Convention Center per the terms of Article 8 of the REOU Agreement, (ii) all or a Substantial Part of the Convention Center is taken in a condemnation or eminent domain proceeding, (iii) a less than all or Substantial Part of the Convention Center is taken in a condemnation or eminent domain proceeding and the Authority is relieved of its obligation to repair, restore, replace or rebuild the Convention Center per the terms of Article 9 of the REOU Agreement; or (iv) the Authority advises Manager in writing prior to the Commencement Date that the Authority has abandoned the development of the Convention Center.

(c) Upon at least thirty (30) days prior written notice if either party shall: apply for or consent to the appointment of a receiver, trustee or liquidator of it or of all or a substantial part of its assets; file a voluntary petition in bankruptcy, or admit in writing its inability to pay its debts as they come due; make a general assignment for the benefit of creditors; file a petition or an answer seeking reorganization or arrangement with creditors or to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy, reorganization or insolvency proceedings; or if an order, judgment or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating it a bankrupt or insolvent or approving a petition seeking reorganization of it or appointing a receiver, trustee or liquidator of it or of all or a substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of ninety (90) consecutive days.

(d) At the option of the Authority, if the Hotel Management Agreement is terminated by the Hotel Owner for breach by Manager, exercised by at least thirty (30) days prior written notice to Manager.

(e) At the option of the Authority if, (1) as a result of a change of control of Manager (as defined below), which change in the Authority's reasonable discretion is detrimental to (i) the Authority's relationship with Manager and Manager's ability to operate the Convention Center as provided under this QMA and (ii) Manager's ability to coordinate with the operations of the Hotel to take advantage of efficiencies and cost reductions; and (2) the Authority provides to Manager at least sixty (60) days written notice of termination, which written notice must be provided to Manager within twelve (12) months of written notice from Manager to the Authority of the change of control, referencing this Section and the right to terminate.

For the purposes of this Section 4.2(e), the term "change of control" shall mean the acquisition by a person or a group (as defined under the Securities and Exchange Act of 1934, as amended) in a single transaction or a series of transactions of fifty-one percent (51%) or more of the voting stock or voting rights of Manager.

(f) At the option of the Authority, if (i) the Hotel Owner sells the Hotel and, as a result of such sale, the Hotel Management Agreement is terminated, (ii) the Authority provides to Manager at least sixty (60) days written notice of termination, which date of termination shall be no earlier than the date of termination of the Hotel Management Agreement and (iii) the Authority pays to Manager an early termination fee equal to the following:

- (A) if termination occurs prior to the sixty-first (61<sup>st</sup>) month following the Commencement Date, amount equal to the aggregate Manager's Base Fee earned by Manager for the twelve (12) months immediately preceding the termination date; or
- (B) if termination occurs during the sixty-first (61<sup>st</sup>) month through the one hundred twentieth (120<sup>th</sup>) month following the Commencement Date, an amount equal to the product of (x) the aggregate Manager's Base Fee earned by Manager for the twelve (12) months immediately preceding the termination date multiplied by (y) a fraction, the numerator of which is the number of months remaining in the Initial Term and the denominator of which is sixty (60).

(g) At the option of the Authority, if

- (i) the Authority (or its successor) permanently ceases operation of the Convention Center, the Authority provides to Manager at least sixty (60) days written notice of termination and the Authority pays to Manager an early termination fee as follows:

- (A) if termination occurs prior to the sixty-first (61<sup>st</sup>) month following the Commencement Date, amount equal to the aggregate Manager's Base Fee earned by Manager for the twelve (12) months immediately preceding the termination date; or

- (B) if termination occurs during the sixty-first (61<sup>st</sup>) month through the one hundred twentieth (120<sup>th</sup>) month following the

Commencement Date, an amount equal to one-half of the aggregate Manager's Base Fee earned by Manager for the twelve (12) months immediately preceding the termination date; or

- (ii) beginning with the fourth (4<sup>th</sup>) full Fiscal Year:
  - (A) the annual financial statements of the Convention Center for two (2) consecutive Fiscal Years demonstrate a negative cash flow for such two (2) consecutive Fiscal Years, taking into account all sources of revenue of the Convention Center (including Gross Revenues and the actual Hotel Occupancy Tax amount allocated to the Convention Center) and all Operating Expenses, the budgeted operating expenses of the Authority and the Manager's Incentive Fee payable for such Fiscal Years; and
  - (B) Owner pays to Manager an amount equal to one-half of the aggregate Manager's Base Fee earned by Manager for the twelve (12) months immediately preceding the termination date; and
  - (C) Owner provides to Manager at least ninety (90) days written notice of termination (which notice cannot be provided prior to Owner's receipt of the annual audited financial statements for the second of such Fiscal Years and, if given, must be provided within ninety (90) days after Owner's receipt of such annual financial statements); provided, however, following Manager's receipt of such notice and prior to the effective date of termination, the Authority and Manager hereby agree to use commercially reasonable efforts to develop a plan to eliminate the negative cash flow of the Convention Center going forward, under which Manager would continue to operate the Convention Center. In the event such plan is developed, the Authority will withdraw the termination notice provided under this Section 4.2(g)(ii), and the cash flow test described in (A) above shall be reinstated, but the first Fiscal Year applicable for the test shall be the then current Fiscal Year.

(h) At the option of the Authority, commencing with the beginning of the fourth full Fiscal Year of the Initial Term, the actual Gross Operating Profit of the Convention Center in any two consecutive Fiscal Years is less than ninety percent (90%) of the Gross Operating Profit projected for each of such Fiscal Years in the Annual Operating Projections for such Fiscal Years, Owner provides to Manager at least sixty (60) days written notice of termination (which notice cannot be provided prior to Owner's receipt of the annual audited financial statements for the second of such Fiscal Years and, if given, must be provided within ninety (90) days after Owner's receipt of such annual financial statements); provided, however, Manager shall have a one-time right, but not the obligation, to cure such failure by contributing to Gross Operating Profit an amount equal to the difference between actual Gross Operating Profit for the second of such Fiscal Years and 90% of the projected Gross Operating Profit per the Annual Operating Projection for such Fiscal Year, in which case Owner's notice of termination pursuant to this Section 4.2(h) shall be deemed void.

4.3 Transition Procedures. Upon the expiration or termination of the Management Term, for whatever reason. The Authority and Manager shall do the following (and the provisions of

this Section 4.3 shall survive the expiration or termination of this QMA until they have been fully performed):

- 4.3.1. Manager shall peacefully vacate and surrender the Convention Center to the Authority, on the effective date of termination. Manager shall leave the premises in a clean and orderly condition.
- 4.3.2. Within fifteen (15) days after delivery of such information as may be required by the Authority to confirm the accuracy and validity of amounts requested by Manager, the Authority shall pay Manager all amounts, if any, owing under the applicable provisions of this QMA (including, but not limited to, Article 8).
- 4.3.3. Manager shall turn over, assign and transfer to the Authority without compensation:
  - (a) All Convention Center assets. Such assets shall include (i) all cash in Manager's custody and control, whether segregated or commingled with the monies of Manager and/or other parties, which has been generated in connection with or arising from operations of the Convention Center or otherwise which belongs to the Convention Center and (ii) any contracts, leases or concession agreements then in Manager's, rather than the Authority's name.
  - (b) All coupons, instruments for the payment of money, certificates of deposit, accounts receivable or other contract rights or intangible personal property arising in connection with the operation of the Convention Center or otherwise which belongs to the Convention Center.
  - (c) All equipment, supplies, keys, locks, safe combinations, computer passwords, telephone and fax numbers associated with the Convention Center, alarm access codes, and key cards.
  - (d) All of the Authority's books and records, including all electronic records, respecting the Convention Center and all contracts, leases, and other documents respecting the Convention Center and which are in the custody or control of Manager (and the Authority or the successor manager shall assume all contracts made in accordance with this QMA).
  - (e) Where legally permissible all of Manager's right, title, and interest in and to all licenses and permits (excluding liquor), if any, used by Manager in the operation of the Convention Center. Manager recognizes that all licenses held for the operation of the Convention Center are held for the benefit of the Authority and Manager has no

ownership therein, except in order to fulfill its obligations hereunder.

- (f) The Authority shall cause the Convention Center to recognize all business confirmed for the Convention Center with reservation dates after the expiration or earlier termination of this QMA. The Authority shall be responsible for any and all liability that may exist to groups whose confirmed future reservations are not honored by the Convention Center after expiration or earlier termination of this QMA.
- (g) Manager shall provide reasonable assistance to the Authority in facilitating the orderly transfer of the Authority's records and data. Manager shall cooperate with the Authority to the extent possible in order to avoid disruption in the operation of the Convention Center in connection with the transition.
- (h) Manager shall not delete, alter, change, modify and/or optimize any electronic records or data relating to the operation of the Convention Center, whether contained in the computers located at the Convention Center or elsewhere, without prior notice to and the written consent of the Authority, which consent may be withheld in the sole and absolute discretion of the Authority.
- (i) Manager and the Authority shall cooperate with each other to effect an orderly transition of management functions from Manager to the Authority, any transferee of the Authority or to any managing agent designated by the Authority or any transferee of the Authority.

#### 4.3.4

If Manager or its Affiliate (the "Licensee") holds the Convention Center's liquor license and the successor manager is unable to secure a replacement license on or before the date of termination, then, to the extent legally permissible, the Licensee agrees to enter into a written agreement, in form and substance Approved by the Licensee and such successor manager, allowing the successor manager to temporarily operate under the Licensee's license for no more than ninety (90) days. Manager requires that such agreement shall contain, at a minimum, the following provisions:

- (a) The Licensee shall have the option to maintain one employee at the Convention Center to supervise the alcoholic beverage operations at the Convention Center and, if the Licensee does so elect, the successor Manager shall reimburse the Licensee for all costs of employing such employee (including wages and benefits);

- (b) The successor Manager shall provide to the Licensee customary indemnification against liability; and
- (c) The successor Manager shall maintain insurance with respect to alcoholic beverage operations at the Convention Center, Approved by the Licensee and naming the Licensee as and additional insured thereon.

## **ARTICLE 5 BUDGETARY, PLANNING AND REPORTING**

5.1 Annual Operating Projection. Manager shall submit to the Authority sixty (60) days prior to the Commencement Date an Annual Operating Projection for the first partial Fiscal Year. Thereafter, Manager shall submit to the Authority at least forty-five (45) days prior to the end of each Fiscal Year an Annual Operating Projection for the succeeding Fiscal Year. The Annual Operating Projection shall include: an detailed operating budget showing on a monthly basis estimated Hotel Occupancy Taxes allocated to the operations of the Convention Center, Gross Revenues, department profits, working capital account balances, Operating Expenses, operating expenses of the Authority (based on information provided from the Authority to Manager) and Manager's Incentive Fees payable. Additionally, the Annual Operating Projection for the forthcoming Fiscal Year for the Convention Center shall include: a marketing plan; a staffing plan; a customer satisfaction report format, a cash flow forecast; a budget of expenditures for replacing FF&E; a detailed one (1) – year and summary five (5) – year capital budget for making capital improvements to the Convention Center; and the basis of allocation of the Group Services, all in reasonable detail and, where appropriate, with the basis for all assumptions expressly set forth. The Authority shall review the Annual Operating Projection and either Approve or notify Manager of any objections to the Annual Operating Projection in writing within ten (10) days of its receipt thereof the Authority's Approval of the Annual Operating Projection shall not be unreasonably withheld or delayed.

5.2 Annual Operating Projection Disputes. If Manager and the Authority are unable to agree upon an Annual Operating Projection or any details thereof, the final Annual Operating Projection shall be determined by arbitration in accordance with the provisions of Section 16.17 hereof, it being understood that only those details, line items or portions of the Annual Operating Projection which are in dispute shall be the subject of such arbitration. It is also understood that the Authority may not dispute any expenses in the Annual Operating Projection which are determined in accordance with the terms of the REOU Agreement or which have otherwise been agreed to by the Authority, Hotel Owner and Manager. Pending the conclusion of any such arbitration proceeding, the Annual Operating Projection for all purposes under this QMA shall be the Annual Operating Projection for the prior Fiscal Year, modified by increasing the Convention Center's expenses by: (i) the greater of 3% per annum or the percentage change in the CPI in effect as of the first day of the applicable Fiscal Year as compared to the CPI in effect on the first day of the prior Fiscal Year for which the Authority Approved such line item in the Annual Operating Projection, plus (ii) the effects of changes in law or regulation plus (iii) to the extent such line item varies directly with a change in revenue, an amount equal to the previous year's expense ratio multiplied by the change in the corresponding revenue amount over the previous year. The Authority and Manager agree that arbitration shall be the sole procedure for resolving any dispute regarding the Annual Operating Projection.

5.3 Deviations from Annual Operating Projection. Manager shall diligently pursue all feasible measures to enable the Convention Center to adhere to the Annual Operating Projection. Notwithstanding anything herein to the contrary, Manager is not warranting or guaranteeing in any respect that the actual operating results of the Convention Center during the period covered by the Annual Operating Projection will not materially vary from the projections described in the Annual Operating Projection.

5.4 Books and Records. Manager shall keep full and adequate books of account and other records reflecting the results of operation of the Convention Center on an accrual basis, all substantially in accordance with the Uniform System. Such books of account and other records shall reflect separate income and expense statements for the Convention Center and the Hotel. The books of account and all other records relating to or reflecting the operation of the Convention Center shall be kept either at the Convention Center or at the Hotel, and shall be available to the Authority and its representatives and its auditors or accountants, at all reasonable times for examination, audit, inspection and transcription. All of such books and records pertaining to the Convention Center at all times shall be the property of the Authority and shall not be removed from the Convention Center or the Hotel by Manager without the Authority's Approval.

5.5 Financial Statements. Manager shall deliver to the Authority within twenty (20) days after the end of each Accounting Period a monthly profit and loss statement showing the results of the operation of the Convention Center for such Accounting Period and for the Fiscal Year to date (including a comparison of results for those periods for such Fiscal Year to such periods in the Annual Operating Projection and for the prior Fiscal Year). Such monthly profit and loss statement and the annual financial statement referred to below shall: (i) be taken from the books and records maintained by Manager for the Convention Center in the manner described herein above, (ii) follow the general form set forth in the Uniform System, allowing for deviations which are necessary in order to comply with this QMA; (iii) separately state the amount of Fees and any other amounts payable or expenses reimbursable to Manager or its Affiliates; (iv) identify the expenses shared between the Hotel and the Convention Center and the allocation thereof; (v) contain a cash flow forecast for the next succeeding 90 days; (vi) include a balance sheet as of the close of such Accounting Period; and (vii) be accompanied by an executive summary.

Within one hundred twenty (120) days after the end of each Fiscal Year, Manager shall deliver to the Authority an annual financial statement, audited and certified by the Independent Auditor (if such audit is requested by the Authority prior to the end of such Fiscal Year), showing the results of operation of the Convention Center during such Fiscal Year, the Gross Revenues and Operating Expenses, and any other information necessary to make the computations required hereby or which may be requested by the Authority, all for such Fiscal Year. If the Authority does not present objections to the audited statements within one hundred eighty (180) days following receipt of the Authority, such audited statements shall be deemed correct and conclusive for all purposes. The cost and expense of such audited statements shall be borne exclusively by the Authority.

5.6 Quarterly Reports. Manager shall deliver to the Authority within thirty (30) days after the end of each quarter of each Fiscal Year the following additional reports:

- (a) customer satisfaction report in the format that will be developed and Approved as part of each Annual Operating Projection;
- (b) convention booking calendar, identifying tentative and confirmed bookings;

- (c) "hotel utilization" report, estimating the number of hotel rooms generated by the Convention Center for hotels located in Lancaster County;
- (d) facility maintenance report identifying breakdowns of, or significant repairs to, major pieces of installed and portable equipment;
- (e) lost business report; and
- (f) such other reports reasonably requested by the Authority.

## **ARTICLE 6 REVENUES AND EXPENSES; RESERVES**

6.1 Agency Account. All monies received by Manager in the operation of the Convention Center, including the Operating Funds furnished by the Authority, shall be deposited in a special account or accounts, such as operating, credit card, payroll and box office accounts (collectively called the "Agency Account") in Manager's name, as agent of the Authority (excluding any payroll account, which shall be in Manager's name only), in the bank or trust company recommended by Manager and Approved by the Authority. Such monies shall not be mingled with Manager's other funds. Out of the Agency Account, Manager shall pay all Operating Expenses, operating expenses of the Authority, and any fees or compensation of any kind due pursuant to this QMA in accordance with the provisions of this QMA. In addition, if repairs to the Convention Center are of an emergency nature, Manager shall make such repairs with funds in the Agency Account. An emergency repair is defined herein as the repair of a condition, which if not performed immediately, (a) creates an imminent danger to persons or property and/or (b) an unsafe condition at the Convention Center threatening persons or property, or (c) with the prior Approval of the Authority, that if left unrepaired would materially interfere with the operation of the Convention Center. Withdrawals from accounts established pursuant to this Section 6.1 shall be signed by representatives of the Manager only, provided such representatives are bonded or otherwise insured, and Manager shall supply the Authority with bonds or other insurance upon the Authority's request unless said bond or other insurance shall have been placed by the Authority and delivered directly by the bonding or insurance company to the Authority.

6.2 Operating Funds. On or before the Commencement Date, the Authority shall deposit cash in the Agency Account in an amount equal to fifty percent (50%) of the Operating Expenses in the Approved Annual Operating Projection for the first Fiscal Year. If at any time during the Management Term, the amount in the Agency Account ("Operating Funds") falls below one sixth (1/6) of the projected Operating Expenses set forth in the Approved Annual Operating Projection for the then current Fiscal Year (the "Minimum Balance"), the Authority shall, within five (5) business days after Manager's written notice to the Authority, deposit in the Agency Account additional funds in an amount equal to the difference between the Operating Funds then on hand and the Minimum Balance. Further, if at any time Manager reasonably foresees a need for funds in excess of the Minimum Balance, the Authority shall, as soon as reasonably possible, but in any event no later than thirty (30) days after Manager's written notice to the Authority, deposit in the Agency Account additional funds in an amount equal to the difference between the required amount and the Minimum Balance.

6.3 Emergency Reserve Account. On or before the Commencement Date, the Authority shall deposit cash into an Emergency Reserve Account (the "ERA") in an amount equal to fifty percent (50%) of the Operating Expenses in the Approved Annual Operating Projection for the first Fiscal Year. Within thirty (30) days following the end of the first Fiscal Year, any cash in the



Agency Account in excess of two (2) times the Minimum Balance shall be transferred by Manager to the ERA. Thereafter, beginning with the first (1<sup>st</sup>) Accounting Period of the second (2<sup>nd</sup>) Fiscal Year, at the end of each Accounting Period any cash in the Agency Account in excess of two (2) times the Minimum Balance shall be transferred to the ERA on the same date as the delivery of the monthly financial statements required under Section 5.5 of this QMA.

The ERA shall be under the sole control of the Authority, and the Manager shall have no ability to withdraw funds therefrom directly. At any give time, any funds in the ERA may be used to fund the Agency Account. Funds in the ERA may also be used to fund Capital Expenditures (as defined herein), provided that in doing so, the balance in the ERA shall not be reduced below an amount equal to fifty percent (50%) of the Operating Expenses in the Approved Annual Operating Projection for the then current Fiscal Year.

6.4 FF&E and Capital Expenditure Reserves. The Authority shall establish the Shared Equipment Reserve and the FF&E and Capital Expenditure Reserve as defined and required under Section 3.7 of the REOU Agreement, in order to fund replacements of FF&E and Capital Expenditures.

**ARTICLE 7**  
**[INTENTIONALLY DELETED]**

**ARTICLE 8**  
**MANAGER'S FEES**

8.1 Pre-Opening Management Services Fee and Technical Services Consulting Fee.

- A. In consideration for the Pre-Opening Management Services provided by Manager and Manager's Affiliates pursuant to Section 2.2, the Authority shall pay Manager a Pre-Opening Management Services Fee of one hundred twenty thousand dollars (\$120,000.00) payable in monthly installments of five thousand dollars (\$5,000.00) per month, beginning on the last day of the month that is twenty-four (24) calendar months prior to the month in which the Commencement Date is scheduled to occur.
- B. In consideration for any Technical Services provided by Manager's Affiliates pursuant to Section 2.2, the Authority shall pay such Affiliates at the rate of one hundred fifty dollars (\$150.00) per hour. Manager shall submit to the Authority a monthly invoice with full back-up documentation for all time and out of pocket costs and the Authority shall reimburse Manager within thirty (30) days of receipt of such invoice.

8.2 Manager's Base Fee. In consideration of Manager's performance hereunder, the Authority shall pay to Manager a monthly base management fee ("Manager's Base Fee") as follows:

- A. For the period beginning on the Commencement Date and ending at the end of the first (1<sup>st</sup>) full Fiscal Year of the Management Term, the amount of fifteen thousand dollars (\$15,000.00) per Accounting Period.
- B. For the second (2<sup>nd</sup>) full Fiscal Year of the Management Term, the amount of fourteen thousand dollars (\$14,000.00) per Accounting Period.
- C. Beginning with the third (3<sup>rd</sup>) full Fiscal Year of the Management Term, the amount of thirteen thousand dollars (\$13,000.00) per Accounting Period; provided that, for each Fiscal Year thereafter the Manager's Base Fee shall be increased annually at a rate equal to the increase in the Consumer Price Index with respect to the prior Fiscal Year (but in no event less than zero).

The Manager's Base Fee will be paid by deducting such fee from Gross Revenues immediately following each Accounting Period.

8.3 Manager's Incentive Fee. In addition to Manager's Base Fee, commencing with the third (3<sup>rd</sup>) full Fiscal Year of the Management Term, if the actual Gross Operating Profit of the Convention Center in any Fiscal Year (or partial Fiscal Year) meets the thresholds set forth below, the Authority shall also pay to Manager an incentive fee ("Manager's Incentive Fee") equal to a maximum of twenty five percent (25%) of the Manager's Base Fee earned for each Fiscal Year (or partial Fiscal Year), payable as follows:

Threshold	Incentive Fee
If actual Gross Operating Profit of the Convention Center in the Fiscal Year (or partial Fiscal Year) is equal to or greater than one hundred percent (100%), but less than one hundred ten percent (110%), of the Gross Operating Profit set forth in the Annual Operating Projection for such Fiscal Year (or partial Fiscal Year)	Twelve and one-half percent (12.5%) of the Manager's Base Fee earned for such Fiscal Year (or partial Fiscal Year)
If actual Gross Operating Profit of the Convention Center in the Fiscal Year (or partial Fiscal Year) is equal to or greater than one hundred ten percent (110%) of the Gross Operating Profit set forth in the Annual Operating Projection for such Fiscal Year (or partial Fiscal Year)	The full twenty-five percent (25%) of the Manager's Base Fee earned for such Fiscal Year (or partial Fiscal Year)

The Incentive Fee will be payable at the end of each Fiscal Year immediately following the preparation of the financial statements by the Independent Auditor.

## ARTICLE 9 INSURANCE

9.1 Insurance Coverage. The Authority, or Manager at the direction of the Authority, shall provide and maintain, at the Authority's cost and expense, insurance sufficient to furnish to the Authority and Manager reasonable and adequate protection in the management and

operation of the Convention Center. Such insurance shall provide coverage for comprehensive general liability, automobile, garagekeepers liability, excess/umbrella liability, property insurance and boiler & machinery, all as more particularly set forth on the attached Exhibit E. All insurance shall be in the name of the Authority and Manager as the insureds and shall contain riders and endorsements adequately protecting the interests of Manager as it may appear including, without limitation, provisions for at least twenty (20) days' notice to Manager of cancellation or of any material change therein. Prior to the Commencement Date and the commencement of each Fiscal Year thereafter, the party providing insurance shall furnish the other party with certificates evidencing the insurance coverages required pursuant to Exhibit E and with evidence of the payment of premiums therefor. The Authority agrees that it will utilize Manager's insurance program to satisfy the requirements of this Section 9.1 unless the Authority can obtain more comprehensive coverages at a better price and on more advantageous terms. It shall be the Manager's obligation as the employer, at the Authority's expense, to obtain Workers Compensation, Crime/Fidelity Bond, and Employment Practices coverages as set forth on Exhibit E. If the Authority becomes the employer, this obligation shall become the responsibility of the Authority, at its own expense.

9.2 Waiver of Subrogation - the Authority Assumes Risk of Adequacy. The Authority shall have all policies of insurance provide that the insurance company will have no right of subrogation against either party hereto, their agents or employees. The Authority assumes all risks in connection with the adequacy of any insurance or self-insurance program, and subject to the provisions of Article 14 hereof, waives any claim against Manager for any liability, costs or expenses arising out of any uninsured claim, in part or in full, of any nature whatsoever.

## ARTICLE 10 TAXES AND UTILITIES

10.1 Taxes. To the extent funds are available from Gross Revenues or from the Authority, Manager shall pay on behalf of the Authority and as an "Operating Expense," prior to delinquency, any and all real estate taxes, all personal property taxes and all betterment assessments, if any, levied against the Convention Center or any of its component parts. Manager shall promptly deliver to the Authority all notices of assessments, valuations and similar documents to be filed by Manager or the Authority or which are received from taxing authorities by Manager. Notwithstanding the foregoing obligations of Manager, Manager may, at the Authority's sole expense, contest the validity or the amount of any such tax or assessment, provide that such contest does not materially jeopardize Manager's or the Authority's rights under this QMA. The Authority agrees to cooperate with Manager and execute any documents or pleadings required for such purpose, but the Authority shall reimburse Manager any such out-of-pocket costs incurred by Manager in so doing.

## ARTICLE 11 [INTENTIONALLY DELETED]

**ARTICLE 12**  
**EVENTS OF DEFAULT; REMEDIES**

The occurrence of any of the following events shall constitute an event of default ("Event of Default") hereunder on the part of the party with respect to whom such event occurs:

12.1 Manager Event of Default.

- (a) Manager fails to (i) pay any sum of money due to the Authority within ten (10) days after receipt of written notice that the same is due, provided however that such written notice shall not be required more than twice in any twelve (12) month period after which the failure to pay any sum of money within ten (10) days after the same is due shall be an immediate Event of Default; or
- (b) Manager or an Affiliate shall during the Management Term of this QMA own, operate, license or otherwise engage in any sexually-oriented businesses or any unlawful business, and such activity shall continue for a period of thirty (30) days after written notice thereof by the Authority to Manager, unless it is impossible for such non-compliance to be remedied or corrected within such time due to no fault of Manager, in which event Manager shall remedy or correct such non-compliance as soon as reasonably possible but in any event no later than ninety (90) days after such written notice; or
- (c) Manager shall fail to keep, observe or perform any other material covenant, agreement, term or provision of this QMA to be kept, observed or performed by Manager, and such default shall continue for a period of thirty (30) days after written notice thereof by the Authority to Manager, unless it is impossible for such breach or non-compliance to be remedied or corrected within such time due to no fault of Manager, in which event Manager shall remedy or correct such breach or non-compliance as soon as reasonably possible but in any event no later than ninety (90) days after such written notice unless the cure or remedy for such breach or non-compliance requires construction, in which event Manager shall proceed with such construction as expeditiously as possible and shall have a reasonable period of time to complete such work.

12.2 Authority Event of Default.

- (a) the Authority fails to pay any sum of money due to Manager or Manager's Affiliate within ten days after receipt of written notice that the same is due, provided however that such written notice shall not be required more than twice in any twelve (12) month period after which the failure to pay any sum of money within ten (10) days after the same is due shall be an automatic Event of Default; or
- (b) the Authority fails to furnish required Operating Funds in accordance with the provisions of Article 6 hereof; or

- (c) the Authority fails to provide and maintain the insurance policies called for in Article 9 hereof; or
- (d) the Authority shall fail to keep, observe or perform any other material covenant, agreement, term or provision of this QMA to be kept, performed or observed by the Authority, and such default shall continue for a period of thirty (30) days after written notice thereof by Manager to the Authority, unless it is impossible for such breach or non-compliance to be remedied or corrected within such time due to no fault of the Authority, in which event, the Authority shall remedy or correct such breach or non-compliance as soon as reasonably possible but in any event no later than ninety (90) days after such written notice unless the cure or remedy for such breach or non-compliance required construction, in which event, the Authority shall proceed with such construction as expeditiously as possible and shall have a reasonable period of time to complete such work.

12.3 Hotel Owner's Right to Cure. (a) Manager hereby agrees that, so long as Manager is also managing the Hotel, in the event Manager gives notice to the Authority of an Authority Event of Default as described in Section 12.2 above, Manager shall simultaneously give notice to the Hotel Owner of such the Authority Event of Default and agrees that the cure of such the Authority Event of Default by the Hotel Owner shall be deemed a cure by the Authority; provided, however, that Hotel Owner shall not have any greater cure periods than those to which the Authority is entitled hereunder.

(b) The Authority hereby agrees that, so long as Manager is also managing the Hotel, in the event the Authority gives notice to Manager of a Manager Event of Default as described in Section 12.1 above, the Authority shall simultaneously give notice to the Hotel Owner of such Manager Event of Default and agrees that the cure of such Manager Event of Default by the Hotel Owner shall be deemed a cure by Manager; provided, however, that Hotel Owner shall not have any greater cure periods than those to which Manager is entitled hereunder.

12.4 Remedies. Notwithstanding the other provisions of this Article 12, the party asserting an Event of Default hereunder may, without prejudicing its rights to terminate this QMA pursuant to Section 4.2, seek arbitration in accordance with the provisions of Section 16.17 hereof; provided, that either party may pursue equitable remedies outside of arbitration if such party is seeking a form of equitable relief that is not available under the rules of the American Arbitration Association or the timeliness required for obtaining such relief would not be satisfied by submission to arbitration.

## ARTICLE 13 TRANSFER RESTRICTIONS

13.1 Assignment by Manager. Manager shall not assign, pledge, encumber or otherwise transfer this QMA without the prior written consent of the Authority, which consent the Authority may withhold in its sole discretion; provided, however, that, subject to Section 4.2(e) of this QMA, Manager shall have the right, without such consent, to assign its interest in this QMA to (i) any of its Affiliates, (ii) any successor by merger or consolidation with Manager, or (iii) any party succeeding to substantially all of the assets of the Manager so long as such assignee has as its principal business the management of hotels and/or conference centers which are comparable to the Hotel and the Convention Center. In the event of consent by the Authority to

an assignment of this QMA by Manager, no further assignment shall be made without the express consent in writing of the Authority, unless such assignment may otherwise be made without such consent pursuant to the terms of this QMA. An assignment by Manager of its interest in this QMA shall not relieve Manager from its obligations hereunder and any assignee must assume and agree to be bound by the provisions of this QMA.

13.2 Assignment by the Authority. Subject to Section 4.2(f) of this QMA, the Authority shall have the right to transfer its interest in this QMA to any Mortgagee, to any Affiliate of the Authority or any City of Lancaster or Lancaster County governmental entity, which Affiliate or entity acquires ownership of the Convention Center and assumes all obligations of the Authority under this QMA, without the consent of Manager. Upon any such assignment by the Authority, the Authority shall be relieved of all liabilities and obligations under this QMA accruing after the effective date of such assignment.

## **ARTICLE 14 INDEMNIFICATION AND LIMITATION OF LIABILITY**

14.1 Indemnification and Limitation of Liability. To the extent permitted by law, the Authority shall hold harmless, indemnify and defend Manager and its Affiliates and their respective agents, employees, officers, directors and shareholders from and against all claims (administrative or judicial), damages, losses and expenses (including, but not limited to, reasonable attorneys' fees for pre-trial, trial and appellate proceedings, accounting fees, appraisal fees and consulting and expert witness fees) arising out of or resulting from Manager's activities performed in accordance with the terms of this QMA, any franchise agreement (to the extent applicable), any past or future building code or life/safety code violations, and injury to person(s) and damage to property or business by reason of any cause whatsoever in and about the Convention Center or elsewhere, and any requirement or award relating to course of employment, working conditions, wages and/or compensation of employees or former employees at the Convention Center (including Shared Employees), unless such injury or damage is caused by the gross negligence (negligence, in the case of any requirement or award relating to course of employment, working conditions, wages and/or compensation of employees or former employees at the Convention Center (including Shared Employees), violation of any state, local or federal employment law (whether common law or statutory) as determined by a final non-appealable judgment issued by a court of competent jurisdiction, willful misconduct fraud or breach of this QMA on the part of Manager, its agents, employees, representatives or independent contractors. Any indemnification shall apply regardless of whether or not said claim, damage, loss or expense is covered by insurance as herein provided. Notwithstanding the foregoing, in the event a claim or lawsuit is brought against Manager or Owner by an employee of Manager alleging sexual harassment, discrimination or other employment related claim under state or federal law relating to or arising solely out of the acts of Manager, subject to the settlement requirements of the applicable employment practices insurance policy, Manager shall not settle or otherwise resolve the complaining employee's claim or lawsuit if the amount to be paid by Owner (through indemnification or paid as an Operating Expense) exceeds Ten Thousand Dollars (\$10,000.00), without the prior written consent of Owner. In the event the claim is covered by Manager's insurance deductible, Manager shall only be able to charge as an Operating Expense the amount of the deductible paid by Manager.

14.2 Manager's Indemnification. Manager shall hold harmless, indemnify and defend the Authority and its Affiliates, and their respective agents, employees, officers, directors and shareholders, from and against all claims, damages, losses and expenses (including, but not limited to, reasonable attorneys' fees for pre-trial, trial and appellate proceedings) arising out of or resulting from Manager's gross negligence (negligence, in the case of any requirement or award relating to course of employment, working conditions, wages and/or compensation of employees or former employees at the Convention Center (including Shared Employees), violation of any state, local or federal employment law (whether common law or statutory) as determined by a final non-appealable judgment issued by a court of competent jurisdiction, willful misconduct, fraud or breach of this QMA.

14.3 Indemnification Procedure. Upon the occurrence of an event giving rise to indemnification, the party seeking indemnification shall notify the other party hereto and provide the other party hereto with copies of any documents reflecting the claim, damage, loss or expense. The party seeking indemnification is entitled to engage such attorneys and other persons to defend against the claim, damage, loss or expense, as it may choose. The party providing indemnification shall pay the reasonable charges and expenses of such attorneys and other persons on a current basis within twenty (20) days of submission of invoices or bills. If any claim, lawsuit or action (administrative or judicial) is maintained against Manager, the Authority or the Convention Center due to allegations or actions arising prior to the Management Term, the Authority shall bear full and complete responsibility for the defense of the Convention Center, the Authority, the Manager, specifically including all legal fees and necessary and attendant expenses for the vigorous defense and representation of the interests of the Manager (for pre-trial, trial and appellate proceedings), the Convention Center and the Authority. The Authority shall support and pay for all legal fees and representations necessary to remove Manager from any claim, action (administrative or judicial), or lawsuit covered by this provision.

## ARTICLE 15 REPRESENTATIONS AND WARRANTIES

15.1 Representations and Warranties of the Authority. In order to induce Manager to enter into this QMA, the Authority does hereby make the following representations and warranties:

(a) the execution of this QMA is permitted by the statutory and constitutional authority of the Authority and this QMA has been duly authorized, executed and delivered and constitutes the legal, valid and binding obligation of the Authority enforceable in accordance with the terms hereof;

(b) there is no claim, litigation, proceeding or governmental investigation pending, or as far as is known to the Authority, threatened, against or relating to the Authority, the properties or business of the Authority or the transactions contemplated by this QMA which does, or may reasonably be expected to, materially and adversely affect the ability of the Authority to enter into this QMA or to carry out its obligations hereunder, and there is no basis for any such claim, litigation, proceedings or governmental investigation, except as has been fully disclosed in writing to Manager; and

(c) neither the consummation of the actions completed by this QMA on the part of the Authority to be performed, nor the fulfillment of the terms, conditions and provisions of this

QMA, conflicts with or will result in the breach of any of the terms, conditions or provisions of, or constitute a default under, any agreement, indenture, instrument or undertaking to which the Authority is a party or by which it is bound.

15.2 Representations and Warranties of Manager. In order to induce the Authority to enter into this QMA, Manager does hereby make the following representations and warranties:

(a) the execution of this QMA is permitted by the Articles of Incorporation and By-Laws of Manager and this QMA has been duly authorized, executed and delivered and constitutes the legal, valid and binding obligation of Manager enforceable in accordance with the terms hereof:

(b) there is no claim, litigation, proceedings or governmental investigation pending, or as far as is known to Manager, threatened, against or relating to Manager, the properties or business of Manager or the transactions contemplated by this QMA which does, or may reasonably be expected to, materially and adversely affect the ability of Manager to enter into this QMA or to carry out its obligations hereunder, and there is no basis for any such claim, litigation, proceeding or governmental investigation, except as has been fully disclosed in writing to the Authority;

(c) neither the consummation of the actions completed by this QMA on the part of Manager to be performed, nor the fulfillment of the terms, conditions and provisions of this QMA, conflicts with or will result in the breach of any of the terms, conditions of provisions of, or constitute a default under, any agreement, indenture, instrument or undertaking to which Manager is a party or by which it is bound; and

(d) Manager or its Affiliates, does not currently own, operate, license or otherwise engage in any sexually-oriented businesses or any unlawful business.

## **ARTICLE 16 MISCELLANEOUS**

16.1 Further Assurances. The Authority and Manager shall execute and deliver all other appropriate supplemental agreements and other instruments, and take any other action necessary to make this QMA fully and legally effective, binding and enforceable as between them and as against third parties.

16.2 Waiver. The waiver of any of the terms and conditions of this QMA on any occasion or occasions shall not be deemed a waiver of such terms and conditions on any future occasions.

16.3 Successors and Assigns. This QMA shall be binding upon and inure to the benefit of the Authority, its successors and permitted assigns, and shall be binding upon and inure to the benefit of Manager, its successors and permitted assigns.

16.4 Governing Law. This QMA shall be governed by the laws of the Commonwealth of Pennsylvania.



16.5 Amendments. This QMA may not be modified, amended, surrendered or changed, except by a written instrument executed by the Authority and Manager.

16.6 Estoppel Certificates. The Authority and Manager agree, at any time and from time to time, as requested by the other party upon not less than ten (10) days prior written notice, to execute and deliver to the other a statement certifying that this QMA is unmodified and in full force and effect (or if there have been modifications, that this QMA is in full force and effect as modified and stating the modifications), certifying the dates to which required payments have been paid, and stating whether or not, to the best knowledge of the signer, the party is in default in performance of any of its obligations under this QMA, and if so, specifying each such default of which the signer may have knowledge, if being intended that any such statement delivered pursuant hereto may be relied upon by others with whom the party requesting such certificate may be dealing.

16.7 Inspection Rights. The Authority shall have the right to inspect the Convention Center and examine the books and records of Manager pertaining to the Convention Center at all reasonable times during the Management Term upon reasonable notice to Manager, and the Authority shall have access to the Convention Center and the books and records pertaining thereto at all times during the Management Term, all to the extent consistent with applicable law and regulations and the rights of guests, tenants and concessionaires of the Convention Center.

16.8 Partial Invalidity. In the event that any one or more of the phrases, sentences, clauses or paragraphs contained in this QMA shall be declared invalid by the final and unappealable order, decree or judgment of any court, this QMA shall be construed as if such phrases, sentences, clauses or paragraphs had not been inserted, unless such construction would substantially destroy the benefit of the bargain of this QMA to either of the parties hereto.

16.9 No Representation. In entering into this QMA, Manager and the Authority acknowledge that neither the Authority nor Manager have made any representation to the other regarding projected earnings, the possibility of future success or any other similar matter respecting the Convention Center, and that Manager and the Authority understand that no guarantee is made to the other as to any specific amount of income to be received by Manager or the Authority or as to the future financial success of the Convention Center.

16.10 Relationship. The relationship of the Authority and Manager shall be that of principal and agent. Neither this QMA nor any agreements, documents or transactions contemplated hereby shall in any respect be interpreted, deemed or construed as making Manager a partner or joint venturer with the Authority or as creating any similar relationship or entity, any the Authority agrees that it will not make any contrary assertion, contention, claim or counterclaim in any action, suit or other legal proceeding involving Manager and the Authority.

16.11 Entire Agreement. This QMA constitutes the entire agreement between the parties relating to the subject matter hereof, superseding all prior agreements or undertakings, oral or written.

16.12 Force Majeure. In the event of a Force Majeure Event (as defined below), then Manager or the Authority, as applicable, shall be deemed to be excused from performance of those obligations hereunder which such Force Majeure Event has adversely affected the ability of such party to perform and any termination rights associated therewith shall not be activated by the failure to perform.

A "Force Majeure Event" means any of the following which may have a Material Adverse Effect (as defined below) on the Convention Center or the market in which the Convention Center operates (i) an act of God, (ii) acts of war, (iii) acts of terrorism, (iv) civil disturbance, (v) labor disputes among Convention Center 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 the Convention Center not caused by the act or omission of the Authority), or (ix) any other causes, other than downturns in the local or national economy (unless such downturns results from any of the causes listed in items (i) through (ix)), that are beyond the control of either party.

"Material Adverse Effect" means any circumstance or event which individually or in the aggregate could have a material adverse effect on the Convention Center, or its use, occupancy or operation.

16.13 Interpretation. No provisions of this QMA shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or dictated such provision.

16.14 Counterparts. This QMA may be executed in any number of counterparts, each of which shall be deemed to be an original and need not be signed by more than one of the parties hereto and all of which shall constitute one and the same agreement.

16.15 Notices. Any notice, consent, approval, or other communication which is provided for or required by this QMA must be in writing and may be delivered in person to any party or may be sent by a facsimile transmission, telegram or telex, courier or registered or certified U.S. mail, with postage prepaid, return receipt requested. Any such notice or other written communications shall be deemed received by the party to whom it is sent (i) in the case of personal delivery, on the date of delivery to the party to whom such notice is addressed as evidenced by a written receipt signed on behalf of such party, (ii) in the case of facsimile transmission or telegram, two (2) business days after the date of transmission, (iii) in the case of courier delivery, the date receipt is acknowledge by the party to whom such notice is addressed as evidenced by a written receipt signed on behalf of such party, and (iv) in the case of registered or certified mail, the earlier of the date receipt is acknowledged on the return receipt for such notice or five (5) business days after the date of posting by the United States Post Office. For purposes of notice, the addresses of the parties hereto shall be as follows, which addresses may be changed at any time by written notice given in accordance with the provision:

To the Authority:

The Lancaster County Convention  
Center Authority  
P.O. Box 1622  
Lancaster, PA 17608  
Attn: James D. Pickard, Chairman  
Phone  
Fax

with copy to:

Stevens & Lee  
4750 Lindle Road  
P.O. Box 11670  
Harrisburg, PA 17108-1670  
Attn: Christopher M Cicconi, Esq.  
Phone 717-561-5243  
Fax 717-561-5207

To Manager:

Interstate Hotels Company  
Foster Plaza Ten  
680 Andersen Drive  
Pittsburgh, PA 15220  
Attn: President  
Phone 412-937-0600  
Fax 412-937-8051

with copy to:

Interstate Hotels Company  
Foster Plaza Ten  
680 Andersen Drive  
Pittsburgh, PA 15220  
Attn: General Counsel  
Phone 412-937-0600  
Fax 412-937-3265

Failure of, or delay in delivery of any copy of a notice or other written communication shall not impair the effectiveness of such notice or written communication shall not impair the effectiveness of such notice or written communication given to any party to this QMA as specified herein. The parties agree that upon giving any notice or other written communication in accordance with the foregoing procedure they shall each then use their reasonable best efforts to advise the other party by telephone that a written communication has been sent under this QMA; such telephonic advice shall not impair the effectiveness of any written communication otherwise given in accordance with this Section.

16.16 Meetings with the Authority. Manager shall meet with representatives of the Authority (or its designee), from time to time, so that Manager and the Authority may discuss the status of operations and future plans, recommendations and projections. The meetings will be held at mutually convenient dates and locations, on at least a quarterly basis.

16.17 Arbitration. In the event a dispute should arise concerning the interpretation or application of any of the provisions of this QMA, the parties agree the dispute shall be submitted to arbitration of the American Arbitration Association, except as modified by this Section 16.17; provided, that either party may pursue equitable remedies outside of arbitration if such party is seeking a form of equitable relief that is not available under the rules of the American Arbitration Association or the timeliness required for obtaining such relief would not be satisfied by submission to arbitration. The Arbitration Tribunal shall be formed of three (3) Arbitrators each of which shall have at least five (5) years' experience in convention center, conference center, sports arenas, stadium, or hotel operation, management or ownership, one (1) to be appointed by each party and the third (3rd) to be appointed by the American Arbitration Association. The arbitration shall take place in Lancaster, Pennsylvania and shall be conducted in the English language. The arbitration award shall be final and binding upon the parties hereto and subject to no appeal, and shall deal with the question of costs of arbitration and all matters related thereto. Such arbitration expenses shall not be an expense in determining Net Operating Profit. Judgment upon the award rendered may be entered into any court having jurisdiction, or applications may be made to such court for an order of enforcement.

16.18 Exclusive Compensation. The payments to be made to Manager hereunder shall be in lieu of all other or further compensation or commissions of any nature whatsoever for the services described herein and this QMA shall be considered as a special agreement between the parties hereto covering the appointment and compensation of Manager to the exclusion of any other method of compensation unless otherwise agreed to in writing.

16.19 Tax-Exempt Status. The Authority and Manager have entered into this QMA with the intent of complying with Procedure 97-13. Although Manager makes no representations,

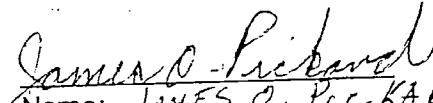
and shall have no liability, regarding the effect, if any, of this QMA on the tax-exempt status of the financing structure that may be employed to generate the capital necessary to develop the Convention Center, Manager and the Authority agree to make reasonable modifications to this QMA as may be necessary in the reasonable opinion of the Authority's tax counsel to ensure the tax-exempt status of such financing; provided, however, that Manager shall not be required to agree to any modification that will detrimentally affect the fees or reimbursements to be paid or provided to Manager under this QMA.

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, Manager and the Authority, acting by and through their proper and duly authorized officers or representatives, have each duly executed this QMA under seal the day and year first above written.

**AUTHORITY:**

LANCASTER COUNTY CONVENTION CENTER AUTHORITY

By:   
Name: JAMES O. PICCARD  
Title: Chairman

**MANAGER:**

INTERSTATE HOTELS COMPANY

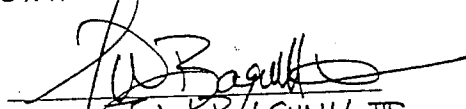
By:   
Name: C.W. BROWN III  
Title: VICE PRESIDENT

EXHIBIT A

THE LAND

**EXHIBIT B  
PRE-APPROVED ATTORNEYS**

Eckert Seamans Cherin & Mellott  
Holland & Knight  
Stokes & Murphy  
Flaherty & O'Hara  
Jones Day Reavis & Pogue

**EXHIBIT C**  
**PRE - OPENING MANAGEMENT SERVICES**

Prior to the Commencement Date, Manager shall undertake comprehensive pre-opening management and marketing activities to accomplish the objectives set forth in the Convention Center pre-opening marketing plan and to prepare and organize the Convention Center's operations so that the Convention Center will be adequately staffed and capable of operating on the Commencement Date. The Pre-Opening Management Services shall include, without limitation, the following activities by Manager:

1. Prepare a Pre-Opening Budget for Approval by the Authority.
2. Recruit, relocate, train and employ the employees of the Convention Center. Manager shall use reasonable efforts to recruit as many employees as possible who are full-time residents of the City of Lancaster or Lancaster County.
3. Conduct rate and pricing surveys (e.g., exhibit and meeting room rental, equipment and labor rates, etc.) on a national and regional basis, in consultation with the Authority and the PDCVB, to determine the appropriate pricing structure for the Convention Center.
4. In consultation with the Authority and the PDCVB, develop a mission statement for the Convention Center to maximize utilization of the Convention Center facilities and economic impact on the City of Lancaster and Lancaster County.
5. Provide recommendations to the Authority regarding booking policies based on an evaluation of competitive convention centers, local market considerations and the goals of the Authority.
6. Develop a detailed pre-opening marketing plan to aggressively market the Convention Center on a local, regional and national level during the pre-opening phase of the Convention Center.
7. Develop and submit to the Authority for Approval the Operations Manual.
8. With consideration to the Authority's financial objectives and the local operating environment, determine which event services will be provided in-house and which will be provided through third-party vendor relationships.
9. Develop strategies to maximize the Authority's financial returns with respect to third-party vendor service programs, advertising and naming programs.
10. Solicit proposals, select providers and award vendor, concession and sub-contractor contracts subject to the terms of this QMA.
11. Prepare and submit to the Authority for Approval, standard forms of user agreements, contracts, subcontracts, license agreements and Requests for Proposals.



12. Develop "partnerships" with the PDCVB, local hotels and the Lancaster Chamber of Commerce, to develop coordinated sales and promotional strategies.
13. Work with the PDCVB, the Franchisor and Manager's contacts to develop a database of meeting planners, tradeshow organizers and event planners with booking potential for the Convention Center.
14. Participate with the PDCVB and local hotels in tradeshow, develop and implement advertising, direct mail and public relations programs to develop leads for the Convention Center.
15. Establish catering policies, food and beverage pricing, menus, service standards and catering promotional material.
16. Prepare monthly status reports reflecting Manager's activities on behalf of the Convention Center.
17. Create exposure for the Convention Center in the local community and establish communications channels with the PDCVB, local hotels, area leisure attractions and the local business community through newsletters, "round-table" meetings and electronic media.
18. Develop and maintain a website for the Convention Center providing sales and booking information on-line including: plans specifications and room layouts for the exhibit and meeting facilities, event services information and pricing, a convention calendar, links to related sites for local hotels, local attractions, the PDCVB, transportation and the Chamber of Commerce.
19. Provide a task force of experts and personnel from Manager's corporate office to supervise and assist with the Pre-Opening Management Services.
20. Assist the Authority in applying for and procuring (in Manager's name and/or the Authority's name as required by local authorities) all licenses and permits required for the operation of the Convention Center, including, but not limited to, all licenses for the sale of alcoholic beverages.
21. Prepare the Annual Operating Projection for the Convention Center's first year of operations.
22. Coordinate with the pre-opening activities of the Hotel in order to take advantage of the cost efficiencies of joint operation.
23. Book events to occur at the Convention Center on and following the Management Commencement Date.
24. Render any other services incidental to the preparation and organization of the Convention Center's operations as may be reasonably required for the Convention Center to be adequately staffed and capable of operating on the Commencement Date.

## EXHIBIT D TECHNICAL SERVICES

Continental Design and Supplies Company, L.L.C., an Affiliate of Manager, will assign a senior project manager who will serve as the liaison with the project team. All project communications between the Manager and the Authority, the Convention Center developer and the project team will be channeled through this individual.

### Pre-Construction Phase

- 1.1 Review all architectural and engineering drawings, as they are developed throughout the design process, from conceptual design through full construction documents, to ensure the highest level of operating efficiency and compliance with the Quality Standards;
- 1.2 Facilitate the Approval of drawings, plans and specifications with Manager's operations, food & beverage and information technology departments as well as with the Franchisor;
- 1.3 Provide an interface between the design development and FF&E procurement;
- 1.4 Review the material specifications as they are developed by the Authority's consultants and comment on suitability, etc. as appropriate;
- 1.5 Review and provide timely feedback to the Convention Center development team with respect to the project schedule to ensure the proper interface between the construction process, pre-opening management services and FF&E installation;
- 1.6 Participate in value engineering meetings, as requested by the Authority, prior to the finalizing of contract documents.
- 1.7 Recommend to the Convention Center development team suitable consultants for the following specialized areas of design for the Convention Center:
  - i. Audio visual
  - ii. Telecommunications
  - iii. Security
  - iv. Lighting
  - v. Graphics and signage

### 2.0 Construction Phase

- 2.1 Attend monthly project meetings on site;
- 2.2 Review the quality of the work and comment on any concerns as they may appear;

- 2.3 Review any change order proposals which may affect the operation of the Convention Center;
- 2.4 Attend and provide input at pre-opening, FF&E and interior design coordination meetings; and
- 2.5 Act as an interface between the project construction process and the FF&E procurement process.

### 3.0 Pre-Opening Phase

- 3.1 Coordinate the construction activities with that of Manager's pre-opening management team;
- 3.2 Assist in determining the final punch list process and determine the quality and completeness of each Convention Center area for operational take over. Direct the area by area hand-over to the Manager's on-site management team;
- 3.3 Develop short term schedules to coordinate final construction activities, FF&E installation and opening activities to minimize conflicts;
- 3.4 If an Affiliate of Manager is retained as the procurement agent, ensure that the FF&E items are procured and delivered in a timely fashion, so as to prevent claims for extra time and costs from the contractor; and
- 3.5 Coordinate training of Manager's maintenance staff prior to opening, including the review of all as-built drawings, manuals, warranties and appropriate support documentation.

**Insurance Exhibit E  
(Interstate Properties)**

Comprehensive General Liability

Minimum Limits of Liability:	\$ 1,000,000	Liquor Liability
	\$ 1,000,000	Combined Single Limit for Bodily Injury and Property Damage Liability
		Each Occurrence/\$2,000,000 Aggregate Personal Injury and Advertising Injury Liability
	\$ 1,000,000	Product Liability
	\$ 10,000	Premise Medical Payment
	\$ 50,000	Fire Legal Liability
	\$ 1,000	Innkeepers Liability per Rental Unit/\$25,000 Aggregate
	\$ 1,000,000	Per Claim of Employee Benefit Liability/\$2,000,000 Aggregate
Maximum Deductibles:	\$ 100	Innkeepers Liability Only
Minimum Extension of Coverage:		<ul style="list-style-type: none"> <li>- Broad Form Property Damage</li> <li>- Occurrence Form</li> <li>- Contractual Liability</li> <li>- 60-day Notice of Cancellation</li> <li>- Incidental Medical Malpractice</li> <li>- Non-Owned Watercraft</li> <li>- Additional Persons Insured</li> </ul>

Automobile\*

Minimum Limits of Liability:	\$ 1,000,000	Combined Single Limit for Bodily Injury and Property Damage
	\$ 1,000,000	Uninsured Motorists
	\$ 5,000	Medical Payments
Maximum Deductibles:	\$ 500	Comprehensive
	\$ 500	Collision
Minimum Additional Coverages:		<ul style="list-style-type: none"> <li>- Automatic Coverage for New Vehicles</li> <li>- Hired and Non-Owned Auto</li> <li>- Fellow Employee Exclusion Deleted</li> <li>- Rental Reimbursement</li> <li>- 60-day Notice of Cancellation</li> </ul>

\* If facility has no vehicle fleet coverage, coverage for hired and non-owned vehicles is still required.

Garagekeepers Liability\*\*

Limits of Liability:	\$ 1,000,000	Each Insured Location
Maximum Deductibles:	\$ 250	Comprehensive
	\$ 250	Collision

\*\* Applies only if facility offers valet service or has a garage.

**Insurance Exhibit E**  
**(Interstate Properties)**

Excess/Umbrella Liability

Minimum Limits of Liability:	\$ 50,000,000	Per Occurrence
	\$ 50,000,000	Aggregate
Maximum Self-Insured Retention:	\$ 10,000	
Coverage to Include:	<ul style="list-style-type: none"> <li>- Following Form Contractual and Personal Injury Liability</li> <li>- Following Form Liquor Liability</li> <li>- Following Form over General Liability, Auto Liability, Garagekeepers Liability and Employer's Liability</li> <li>- Coverage Includes Innkeepers Liability</li> </ul>	
Maximum Exclusions:	<ul style="list-style-type: none"> <li>- Pollution Liability</li> <li>- Asbestos Liability</li> <li>- Care, Custody and Control (including Innkeepers Liability)</li> <li>- ERISA Exclusion</li> </ul>	

Property Insurance

Minimum Limits of Liability:	* See Below	Real & Personal/Business Interruption
	\$ 250,000	EDP Mechanical Breakdown
	\$ 500,000	EDP Service Interruption
	\$ 25,000,000	Sub-Limit on Flood
	\$ 10,000,000	Sub-Limit on Earthquake
	\$ 100,000	Transit
	\$ 10,000,000	Service Interruption
	\$ 1,000,000	Accounts Receivable
	\$ 1,000,000	Valuable Papers and EDP Media
Perils Insured Against:	"All Risks" of Direct Physical Loss except as specifically excluded in the Policy.	
Coinsurance:	Agreed Amount	
Maximum Deductibles:	\$ 25,000	All Risk
	\$ 25,000	Transit
	\$ 50,000	Wind+
	\$ 50,000	Flood+
	\$ 50,000	Earth Movement (Except California, which is greater of 5% of values or \$250,000, or other high-hazard areas, subject to market availability.)

\* In amounts sufficient to provide replacement cost of real and personal property, 12 months lost profit, continuing expenses and 90 days ordinary payroll.

+ Except Florida, Hawaii, Puerto Rico, and the Virgin Islands or other locations within 10 miles of the Gulf of Mexico or the Atlantic Ocean, which is the greater of 2% of replacement cost values or \$250,000.

Boiler & Machinery

Minimum Limits of Liability:	\$ *	Real & Personal Property/Business Interruption
	\$ 250,000	Water Damage
	\$ 50,000	Ammonia Contamination
	\$ 50,000	Hazardous Substances
	\$ 1,000,000	Demolition/Increased Cost of Construction

**Insurance Exhibit E  
(Interstate Properties)**

*Boiler & Machinery (continued)*

	\$ 1,000,000	Service Interruption
	\$ 500,000	Expediting Expense
Maximum Deductibles:	\$ 25,000	Except:
	1 x ADV Business Income (ADV = Average Daily Value)	
	24 Hours Service Interruption	
Form:	Comprehensive including production machines In the event of separate policies being written to provide property and boiler/machinery coverages, a Joint Loss Agreement will be obtained.	
	* In amounts sufficient to provide replacement cost coverage of real and personal property, 12 months lost profit, and 90 days ordinary payroll.	

*Employment Practices (Subject to Reasonable Availability)\*\**

Limits of Liability:	\$ 1,000,000	Claims-made policy. Limit applies per claim and as an annual aggregate for all facilities.
Deductible:	\$ 50,000	Per claim applies to the total of all legal fees, claims administration expenses, and indemnity payments. However, if at any time indemnity payments <u>alone</u> meet or exceed \$25,000, then the combined deductible shall become \$25,000.

*Temporary Disability Insurance ATDI (Non-Work-Related Disability Insurance)\*\**

In amounts as required by the applicable state law.

*Crime/Fidelity Bond\*\**

Minimum Limits of Liability:	\$ 500,000	Blanket Employee Dishonesty
	\$ 500,000	Loss Inside Premises
	\$ 500,000	Loss Outside Premises
	\$ 500,000	Depositors Forgery
	\$ 500,000	Computer Fraud
	\$ 25,000	Safe Deposit Liability
Maximum Deductible:	\$ 25,000	

*Worker's Compensation\*\**

Full Guaranteed Cost Statutory Coverage

\$ 1,000,000 Employers Liability

\*\* To be provided by employer.

AUTHORITY AND MANAGER ARE BOTH TO BE COVERED AS ADDITIONAL NAMED INSUREDS AS RESPECTS THEIR INTERESTS IN THE FACILITY FOR ALL PROPERTY, BOILER, AUTOMOBILE, COMPREHENSIVE GENERAL LIABILITY, GARAGEKEEPERS LIABILITY, AND CASUALTY INSURANCE. THESE POLICIES ARE TO PROVIDE PRIMARY COVERAGE.

IHC-Risk Management Dept. – October 18, 2001 - g:\genera\insexh\ihc.wpd

**EXECUTIVE SUMMARY OF QUALIFIED  
CONVENTION CENTER MANAGEMENT AGREEMENT**

I. INTRODUCTION

The parties to the Agreement are The Lancaster County Convention Center Authority ("Authority"), as owner, and Interstate Hotels Company ("Interstate"), as manager. The purpose of the Agreement is to set forth the terms under which Interstate will manage and operate the convention center.

II. KEY PROVISIONS

A. Management Services

Interstate has responsibility for and control of the operation and management of the convention center, subject to the limitations provided in the Management Agreement.

B. Term

The initial term of the Management Agreement is ten (10) years. The parties can agree to renew the Management Agreement for one renewal period of five (5) years.

C. Pre-Opening Management and Technical Consulting Services

For a period of not less than 24 months prior to the expected opening of the convention center, Interstate is required to provide pre-opening management and marketing services, including the preparation of budgets, conducting rate and pricing surveys, developing a mission statement for the convention center, and developing a marketing plan. The Authority will pay Interstate a fee of \$120,000 in installments of \$5,000 per month for the pre-opening management services. Interstate is also required to provide technical consulting services such as review of architectural and engineering drawings for which the Authority will pay Interstate a fee of \$150 per hour.

D. Responsibilities of Interstate

Under the terms of the Management Agreement, Interstate is required to:

- Determine terms and charges for use of rooms and other facilities, for equipment rental, and for other amenities and services provided at the convention center.
- Cause the convention center to be operated in accordance with applicable booking policies and the other agreements applicable to the convention center.
- Determine credit policies for the convention center.
- Establish entertainment and amusement policies, including pricing, for the convention center.

- Provide event management, including security.
- Establish catering and food and beverage policies, including pricing.
- In accordance with annual operating projections established by Interstate and the Authority, determine labor policies, including wages and benefits.
- In consultation with the Authority and the Pennsylvania Dutch Convention Visitors Bureau, coordinate and implement advertising and promotional policies for the convention center.
- Subject to the other requirements of the Management Agreement, purchase inventories and supplies required for the operation of the convention center.
- Cause all needed repairs and maintenance to be made to the convention center.
- Administer contracts for all events, including food and beverage services.

#### E. Fees and Expenses

In consideration for the services to be provided by Interstate, the Authority is required to pay Interstate a base fee of \$15,000 per month during the first year of the term, \$14,000 per month during the second year, and \$13,000 per month during the third year. Each year after the third year of the term, the base fee will increase by an amount equal to the annual increase in the consumer price index. In addition to the base fee, commencing with the third year of the term, the Authority is also required to pay to Interstate an annual incentive fee if the gross operating profit of the convention center for the year achieves certain objectives. The amount of the incentive fee will be 12.5% of the base fee for the year if the gross operating profit is equal to or greater than 100%, but less than 110%, of the projected amount for the year. If the gross operating profit is equal to or greater than 110% of the projected amount for the year, the amount of the incentive fee will be 25% of the base fee for the year. The Authority is also required to reimburse Interstate for expenses incurred in operating the convention center and to establish certain reserves for payment of expenses.

#### F. Insurance

The Authority, or Interstate at the direction of the Authority, is required to maintain comprehensive general liability, automobile, garagekeepers liability, excess/umbrella liability, property insurance and boiler and machinery insurance coverage, all at the Authority's expense.

#### G. Termination

The Agreement provides that it may be terminated if, among other things, any of the following events occur:

- By the nonbreaching party upon the occurrence of an event of default by the other party under the Management Agreement.



- By the Authority, if the Authority abandons development of the convention center or, subject to the payment of a termination fee, the Authority ceases to operate the convention center.
- If the convention center is destroyed by fire or other casualty or less than a substantial part is condemned and the Authority has no obligation to rebuild under the Reciprocal Easement, Operating and Use Agreement.
- If a substantial part of the convention center is taken in a condemnation proceeding.
- By either party upon the bankruptcy of the other party.
- At the option of the Authority, upon termination of the Hotel Management Agreement as a result of a breach of that Agreement by Interstate.
- At the option of the Authority, and subject to certain conditions, if the convention center fails to achieve 90% of the projected profit in any two consecutive years commencing with the fourth year of the term.
- At the option of the Authority, and subject to certain conditions, upon a change in control of Interstate.
- At the option of the Authority, and subject to certain conditions including the payment of a termination fee, upon the sale of the adjacent hotel resulting in a termination of the Hotel Management Agreement.
- At the option of the Authority, and subject to certain conditions including the payment of a termination fee, if the convention center has a negative cash flow in any two consecutive years commencing with the fourth year of the term.

#### H. Transition Procedures

The Agreement contains transition procedures providing for the orderly transition of operating control of the convention center upon termination of the Management Agreement.

#### I. Dispute Resolution

Disputes among the parties are to be resolved by binding arbitration, subject to the right of either party to pursue equitable remedies not available in arbitration.